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edexcel

Mark Scheme (Results)

Summer 2016

Pearson Edexcel IAL in Accounting (WAC01)
Paper 01 The Accounting System and Costing

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Section A

1 (a)(i)

Oaktree Garage

Departmental Statement of Comprehensive Income for the year ended 30 April 2016

	Motor vehicle repairs	Car sales
	£	£
Revenue	266 000 √	520 000 √
Less		
Opening inventory	14 500 √	135 000 √
Purchases	150 750 √	417 750 √
Transfer	(3 250) √	3 250 √
	162 000	556 000
Closing inventory	(21 000) √	(116 000) √
Cost of sales	(141 000) √	(440 000) √
Gross profit	125 000	80 000
Less		
Repair mechanic's wages	36 200 √	5 800 √
Car sales staff salaries	-	31 000 √
Administrative salaries	15 000 √	10 000 √
Depreciation:		
Repair equipment	2 400 √	-
Car sales showroom fixtures	-	3 200 √
Administrative fixtures	2 400 √	1 600 √
Rent of premises	12 000 √	28 000 √
Advertising costs	7 500 √	22 500 √
General expenses	5 500 √	4 500 √
Bank loan interest	1 500 √	-
Bad debt	1 400 √	-
	(83 900)	(106 600)
Profit/(Loss) for the year	41 100	(26 600)

(29)

Note

Purchases	147 500 √√	421 000 √√

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1 (a)(ii)

Statement of Financial Position at 30 April 2016

Non-current Assets		Cost	Accumulated Depreciation	Carry over
		£	£	£
Repair equipment		80 000 -	70 400	9 600 √of
Car sales showroom fixtures		32 000 -	21 200	10 800 √of
Administrative fixtures		20 000 -	15 000	5 000 √of
				25 400 √
Current Assets				
Inventory:	Motor vehicle parts	21 000		
	Cars for sale	116 000		
			137 000 √	
Trade receivables	27 800√ – 1 400√	26 400		
Less Provision for Doubtful Debts		(2 000)		
			24 400 √	
Other receivable:			4 000 √	
Cash and bank			12 200 √	
				177 600
				203 000
Capital:				
Opening capital			150 000	
Profit for the year			14 500 √of	
			164 500	
Drawings			(34 000) √	
				130 500
Current Liabilities				
Trade payables			41 000 √	
Other payables:			1 500 √	
5% Bank loan			30 000 √	
				72 500
				203 000

(15)

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1(b)

Valid answers may include:

Arguments for

- Car sales currently make a loss so rental income could increase profit
- Management can concentrate on the repair business
- Considerable investment in car sales inventory can be released
- Rent income will enable business to expand repair business or buy new non-current assets
- Regular cash flow
- Can reduce staff costs

Arguments against

- Costs apportioned to car sales may not be wholly saved
- Complimentary service lost to customers
- Less visual presence in locality/Loss of reputation
- Will lose control of part of his premises

√√ per valid point. Maximum **two** valid points for and **two** valid points against.

(8)

Total for Question 1 = 52 Marks

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2 (a) Used where the jobs being worked upon are **unique** √and made to a **specific order**.√ **(2)**

2 (b)(i) £5 + £2 (40%)√ = £7 √ x $\frac{100}{70}$ √ = £10 √ per hour **(4)**

2(b) (ii)

- Training
- Setting up
- Dealing with paperwork
- Cleaning/clearing up
- Taking instruction from supervisor /manager
- Supervision
- Travelling to jobs
- Buying materials
- Holiday and sickness
- Promotions and advertising

√ x 4 points **(4)**

2 (c)

Machining	Assembly	Drawing Office	Administration
£	£	£	£
35 000	25 000	20 000	10 000
√ 8 000	√ 6 000	(20 000)	6 000
√ 8 000	√ 4 800	3 200	(16 000)
√ 1 280	√ 960	(3 200)	960
√ 480	√ 288	192	(960)
√ 76	√ 58	(192)	58
√ 29	√ 17	12	(58)
7	5	(12)	-
√ 52 872	√ 37 128		

Note: Reasonable rounding accepted.

(14)

2 (d) Machining
£52 872 √of = £11.49 per hour √of
4 600 hours √

Assembly
37 128 √of = £13.26 per hour √of
2 800 hours √

(6)

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2 (e)

Speedy Builders
Quotation

	£	£
Raw materials 1 800 √ + 360 √		2 160
Labour – Machining 90 √ x 15 √	1 350	
Assembly 140 √ x 10 √of	1 400	
		2 750
Overheads – Machining 90 √ x 11.49 √of	1 034	
Assembly 140 √ x 13.26√of	1 856	
		2 890
		7 800
Mark-up 25%		1 950 √√of
		9 750 √√of(if all elements present inc mark-up)

(14)

2 (f)

Valid answers may include:

Arguments for

- Jobs completed faster
- Cost of producing each job reduced
- Less supervision required
- Effective use of capital equipment
- Increase motivation
- Greater reward for employees working harder

Arguments against

- Quality of work may reduce
- Potential for accidents increases
- Social factors: fewer workers required: greater unemployment
- Maybe constrained by the speed/capacity of the machine.

Not
Easily understood

√√ per valid point. Maximum **two** valid points for and **two** valid points against.

(8)

Total for Question 2 = 52 Marks

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3 (a)

- Recheck balances/ that entries are on correct side of trial balance √√
- Recheck by experienced accountant √√
- Open a suspense account √√
- Check control accounts √√

Max 4

(4)

3 (b)

	Journal Dr £	Cr £	
Cash	850		√
Revenue/sales		850	√
Suspense	450		√
Purchases		450	√
Motor vehicle	8 000		√
Motor vehicle expenses		8 000	√
Income statement/Depreciation	2 000		√
Provision for depreciation		2 000	√
Suspense	1 260		√
Interest receivable		1 260	√
Electricity	200		√
Dahla Electric		200	√
General expenses	65		√
Suspense		65	√
Bad debts	4 100		√
Habib		4 100	√
Taj	85		√
Raj		85	√

(18)

3 (c)

Suspense Account

	£		£
Purchases	450 √	Original difference	1 645 √of
Interest receivable	1 260 √	General expenses	65 √
	1 710		1 710

(4)

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3 (d)

	Increase	Decrease	
	£	£	£
Draft profit for the year			43 750
(1)	850	√√	
(2)	450	√√	
(3)	8 000 √√	2 000 √√	
(4)	1 260	√√	
(5)		200 √√	
(6)		65 √√	
(7)		4 100 √√	
(8)	No effect	√	
	10 560	6 365	
Revised profit for the year			47 945 √of

(18)

3 (e)

Valid answers may include:

Arguments for

- Enables a draft profit to be calculated to give an idea of the profit that may have been generated during the year
- Timing may require that financial statements are prepared before all errors are located.

Arguments against

- The work in preparing the draft financial statements will have to be repeated
- The draft profit is inaccurate and could be misleading
- Cannot make accurate decisions from information.

Not
Find errors
Correct errors
Eliminating fraud

√√ per valid point. Maximum **two** valid points for and **two** valid points against.

(8)

Total for Question 3 = 52 Marks

Total for Section A = 104 Marks

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Section B

4 (a) Valid answers may include:

- Location
- Staff skill
- Reputation
- Position in market/sales prospects
- Security of tenure on premises
- Competition

√ per point x 4

(4)

4 (b)

	Amble Footwear	Posh Shoes
(i) Gross profit as a percentage of revenue	60 000 √ x 100 = 50% √ 120 000 √	50 000 √ x 100 = 40% √ 125 000 √
(ii) Inventory turnover	60 000 √ = 3 times √ (15 000 + 25 000)/2 √	75 000 √ = 4.5 times √ (17 000 + 16 000)/2 √
(iii)Return on capital employed	10 000 √ x 100 = 12.5% 80 000 √	15 000 √ x 100 = 15% 100 000 √
(iv)Current ratio	37 000 √ = 1.85:1 √ 20 000 √	19 000 √ = 3.16:1 √ 6 000 √
(v)Value of goodwill	90 000 – 80 000 = 10 000 √	115 000 – 100 000 = 15 000 √

(24)

4 (c) Valid points may include:

Amble Footwear	**Posh Shoes**
Points for • Higher mark-up and GP to revenue	Points for • Faster turnover of inventory • Higher revenue generating higher profit for the year • Higher ROCE • Very good current ratio with current liabilities low
Points against • Higher expenses in need of control • Inventory has increased over year • Cash tied up in higher trade receivables	Points against • Higher purchase price requiring greater investment

√√ per point x 2 points. **One** point in favour and **one** point against.

(4)

Total for Question 4 = 32 marks

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5 (a)(i)

Receipts and Payments Account

	£		£
Balance b/d	1 600	Wages and salaries	8 550 √
Subscriptions	24 900 √	Insurance	1 100
Bank interest	70 √	Electricity	690
Sale of sports equipment	1 700 √	General expenses	3 400
		Purchase of sports equipment	8 500 √
		Balance c/d	6 030 √
	28 270		26 670
Balance b/d	6 030		

(6)

5 (a) (ii)

Subscriptions Account

	£		£
Balance b/d	560 √	Balance b/d	2 100 √
Income and expenditure √	25 530√of	Receipts and payments /Bank	24 900 √
		Bad debts	240 √
Balance c/d	1 450 √	Balance c/d	300 √
	27 540		27 540
Balance b/d	300 √	Balance b/d	1 450 √

(10)

5 (a) (iii)

Income and Expenditure Account for the year ended 30 April 2016

	£	£
Income		
Subscriptions	25 530 √of	
Bank interest	70 √	
		25 600
Less expenses:		
Bad debts	240 √	
Wages and salaries (8 550 – 880 √ – 750 √)	6 920	
Insurance	1 100 √	
Electricity (690 + 220)	910 √	
General expenses	3 400 √	
Depreciation – Clubhouse	800 √	
Sports equipment	6 700 √√(√of)	
		20 070
Surplus		5 530 √of + w

(12)

5 (b)

Valid answers may include:

Arguments for

- Initial boost in cash flow
- Attracts new members
- Retains members for 5 years
- Reduces bad debts and collection costs

Arguments against

- Loss in income over the five years
- Service must be maintained for five years

√√ per valid point. Maximum **one** valid point for and **one** valid point against.

(4)

Total for Question 5 = 32 marks

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6(a) Valid answers may include:

- The non-current asset will decrease in value through use in the business √
- To comply with matching concept √
- Shows reduced/estimated value in financial position statement √
- Applies going concern concept √
- Spreads costs over economics life √
- Will not overstate profits √

Max 4

Not
Prudence

(4)

6 (b)

Delivery vehicles	Cost	£98 000 - £18 000 √+ £24 000 √	=	£104 000
	Accum depr	£33 000 – £9 000 √	=	£24 000
				£80 000 x20%
				£16 000 √of
Office fixtures		£61 000 - £12 000 √+ £21 000 √	=	£70 000 x15%
				£10 500 √of

(7)

6 (c)

Delivery Vehicle Account

	£		£
Balance b/d	98 000 √	Disposal	18 000 √
Bank	24 000 √	Balance c/d	104 000 √
	122 000		122 000
Balance b/d	104 000 √of		

Provision for Depreciation - Delivery Vehicle Account

	£		£
Disposal	9 000 √	Balance b/d	33 000 √
Balance c/d	40 000 √	Income Statement	16 000 √of
	49 000		49 000
		Balance b/d	40 000 √of

Disposal Account

	£		£
Delivery vehicle	18 000 √	Prov for dep D Veh	9 000 √
Office fixtures	12 000 √	Bank	8 400 √
		Prov for dep Off Fix	5 400 √
		Cash	400 √
		Loss on sale/ Income Statement	6 800 √of
	30 000		30 000

Note: Must be a single disposal account

(17)

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6 (d) Valid answers may include:

For current recording arrangement

- Convenient to group non-current assets into a smaller number of categories.
- Computers and office fixtures provide the same degree of benefit in each year and therefore it is fair to charge the same depreciation in each year.

Against current recording arrangement

- Computers and office fixtures depreciate at different rates and in different ways as judged by the market value over time.
- Computers become obsolete and therefore 15% per annum does not reflect their annual loss in value.

√√ per valid point. Maximum **one** valid points for and **one** valid points against.

Not

Easier to calculate or time saved

(4)

Total for Question 6 = 32 marks

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7 (a) Valid answers may include:

- More skills available
- Greater capital available
- Cover for holidays and absences

√ x 2 points **(2)**

7 (b) The interest would be an **expense** and recorded in the main body of the income statement not recorded as an appropriation of profit. √√

(2)

7 (c)(i)

Molara and Zanita Appropriation Account for the year ended 30 April 2015

		£	£	
Profit for the year			25 000	√
Plus interest on drawings:	Molara	760		√√(√of)
	Zanita	840		√√(√of)
			1 600	
			26 600	
Less Interest on capital:	Molara	2 000		√√(√of)
	Zanita	2 500		√
Salaries:	Molara	5 000		√
	Zanita	5 000		√
			(14 500)	
			12 100	
Share of profit:	Molara		7 260	√of
	Zanita		4 840	√of (if no aliens)
			12 100	

(12)

7 (c)(ii)

Capital Account – Molara

	£		£
Bank	20 000√	Balance b/d	50 000 √
Balance c/d	30 000		
	50 000		50 000
		Balance b/d	30 000 √

(3)

7 (c) (iii)

Current Account – Zanita

	£		£
Balance b/d	-	Loan interest	1 000 √
Drawings	10 500√	Interest on capital	2 500 √of
Salary paid	5 000√	Salary	5 000 √
Int on drawings	840 √of	Share of profit	4 840 √of
		Balance c/d	3 000 √
	16 340		16 340
Balance b/d	3 000 √of		

(9)

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7 (d) Valid answers may include:

Arguments for

- Clarifies distribution of profits and working relationships
- May contain arrangements for admission or retirement of partners.

Arguments against

- Legal costs of preparation
- Can restrict decision making
- May require regular redrafting for change of circumstances e.g. introductions and retirements of partners.

√√ per valid point. Maximum **one** valid point for and **one** valid point against.

Not

A legal requirement

(4)

Total for Question 7 = 32 marks

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