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Mark Scheme (Results)

January 2020

Pearson Edexcel International GCSE In Accounting 4AC1 Paper 02

Financial Statements

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Question number	Answer	Mark
1(a)	**Award marks as indicated.** $68 400 **(3) W** **W** $109 100 **(1)**-$40 700 **(1)** = $68 400 **(1of)**	**(3)**

Question number	Answer	Mark
1(b)	**Award marks as indicated.** **Award one mark for all correct labels.**	**(6)**

Mia
Income statement for the year ended 31 December 2019

	$	$	
Revenue		210 000	**(1)**
Cost of sales			
Opening inventory	20 000		
Purchases	155 000		**(1)**
Goods for own use	(3 000)		**(1)**
Closing inventory	(25 000)		
		(147 000)	**(1)**
Gross profit		63 000	**(1of)**

Question number	Answer	Mark
1(c)	**Award marks as indicated.** **Award one mark for all correct labels.**	**(5)**

Mia
Statement of financial Position at 31 December 2019

	$	
Equity		
Equity at 1 January	68 400	
Additional equity	10 000	**(1)**
Profit for the year	21 000	**(1)**
Drawings	(18 150)	**(1)**
Total equity	81 250	**(1of)**

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Question number	Answer	Mark
1(d)	**Award 1 mark for each correct answer up to a maximum of 2 marks.** Physical deterioration/ wear and tear/usage/rust/erosion/rot and decay **(1)** Economic reasons/obsolescence **(1)** Passage of time/time factor **(1)** Depletion **(1)**	**(2)**

Question number	Answer	Mark
1(e)	**Award 1 mark for each correct answer up to a maximum of 2 marks.** Accruals **(1)** Prudence **(1)** Consistency **(1)**	**(2)**

Question number	Answer	Mark
1(f) (i)	**Award 1 mark for each correct answer.** **Ratio** | **Formula** current (working capital) | Current assets / Current liabilities **(1)** liquid (acid test) | (Current assets – inventory) / Current liabilities **(1)**	**(2)**

Question number	Answer	Mark
1(f) (ii)	**Award 1 mark for a general statement regarding the change in liquidity over the year. Further 3 marks for discussion on both ratios and the final 1 mark for a conclusion.** **Sample answer:** The liquidity of the business has declined **(1)** over the year which is evidenced by the reduction in both ratios. The current ratio indicates that the business can pay its short-term debts **(1).** However, the acid test ratio indicates that the business will struggle to pay its short-term debts from its liquid assets **(1)** which is due to the business holding too much inventory **(1)**. In order to improve liquidity, the business needs to convert inventory into cash quicker to improve the bank balance **(1)**.	**(5)**

(Total for Question 1 = 25 marks)

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Question number	Answer	Mark
2(a)	**Award marks as indicated.** Raw materials are the **resource** needed to make finished goods. **(1)** Work in progress is goods which are **partly completed** at the end of the financial year. **(1)** Finished goods are goods which are fully **completed** and ready for sale. **(1)** **Accept any other appropriate responses.**	**(3)**

Question number	Answer	Mark
2(b)	**Award marks as indicated.** **Award 1 mark for all correct labels.**	**(11)**

Jeff
Manufacturing account for the year ended 31 December 2019

	$	
Opening inventory of raw materials	18 750	
Purchases	238 795	
Carriage inwards	8 955	
Closing inventory of raw materials	(16 250)	
Cost of raw materials consumed	250 250	**(1)**
Direct expenses / royalties	50 000	**(1)**
Direct wages	99 250	**(1)**
Prime cost	399 500	**(1of)**
Depreciation on factory machinery	9 216	**(1)**
Insurance	10 000	**(1)**
Supervisor wages	30 900	**(1)**
Heat, light and power	28 400	**(1)**
	478 016	
Opening inventory of work in progress	21 570	**(1for both)**
Closing inventory of work in progress	(18 590)	
Cost of production	480 996	**(1of)**

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<table>
<tr><th>Question number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>2(c)</td><td>Award marks as indicated.
<table>
<tr><th></th><th>Non-current assets</th><th>Current assets</th><th>Non-current liabilities</th><th>Current liabilities</th></tr>
<tr><td>Accumulated depreciation</td><td>✓ (1)</td><td></td><td></td><td></td></tr>
<tr><td>Bank loan 2026</td><td></td><td></td><td>✓ (1)</td><td></td></tr>
<tr><td>Work in progress</td><td></td><td>✓ (1)</td><td></td><td></td></tr>
<tr><td>Bank overdraft</td><td></td><td></td><td></td><td>✓ (1)</td></tr>
<tr><td>Other receivables</td><td></td><td>✓ (1)</td><td></td><td></td></tr>
<tr><td>Provision for irrecoverable debts</td><td></td><td>✓ (1)</td><td></td><td></td></tr>
</table></td><td>(6)</td></tr>
</table>

Question number	Answer	Mark
2(d)	**Award 1 mark for a general statement regarding the reason why it is necessary. Further 3 marks for discussion to develop the reason and the final 1 mark for a conclusion.** **Sample answers** This is an application of the accruals concept **(1)**. To apply this concept, it is necessary to transfer to the income statement only the amounts covered by that period **(1)**. This allows a more meaningful comparison of financial statements year on year **(1)** and allows the business to present a true and fair view of its financial position **(1)**. It is necessary to account for other receivables and other payables to present a more accurate view of profit and loss and/or current assets and liabilities **(1)**.	**(5)**

(Total for Question 2 = 25 marks)
TOTAL FOR PAPER = 50 MARKS