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Mark Scheme (Pre-standardisation)

Summer 2019

Pearson Edexcel International Advanced Subsidiary

In Accounting (WAC11) 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

Question Number	Answer	Mark
1 (a)	**AO1:(8)AO2(9):AO3(5)** **AO1: Eight marks for transferring balances to the income statement** **A02: Nine marks for calculating or adjusting balances in the income statement** **AO3: Five marks for balances requiring two levels of adjustment**	**(22)**

Bob's Material

Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2019

	Shop	Yard	
	£	£	
Revenue	**(1)** 235 000	**(1)** 145 000	AO3
less			
Cost of sales:			
Opening inventory	16 300	9 200	**1** A01 Both
Purchases	156 000	124 000	**1** A01 Both
Transfers	(700)	-	**1** A01
	171 600	133 200	
Closing inventory	(14 600)	(25 200)	**1** A01Both
	(157 000)	108 000	
Gross profit	78 000	37 000	
Other income:			
Commission receivable	12 500		**1** A02
	90 500	37 000	
Wages	(16 700)	(11 600)	**1** A01 Both
Repaint shop	(1 500)	-	**1** A01
Management salary	**(1)** (13 200)	**(1)** (8 800)	A02
Rent, rates and insurance	**(1)** (4 500)	**(1)** (13 500)	A03
Delivery lorry running expenses	**(1)** (1 200)	**(1)** (6 800)	A02
General expenses	**(1)** (7 050)	**(1)** (4 350)	A02
Bad debts	(1 950)	(250)	**1** A01 Both
Depreciation-			
Shop fixtures and fittings	(1 700)		**1** A03
Timber yard equipment		(5 600)	**1** A02
Delivery lorry	(900)	(5 100)	**1** A02 Both
	(48 700)	(56 000)	
Departmental profit/(loss)	41 800	(19 000)	**1** of A01 Both

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Question Number	Answer	Mark
1 (b)	**AO1: (6)AO2(5):AO3(2)** **AO1: Six marks for transferring balances to the financial position statement** **A02: Five marks for calculating or adjusting balances in the financial position statement** **AO3: Two marks for non-current asset balances requiring two levels of adjustment**	**(13)**

Statement of Financial Position at 30 April 2019

Assets				
Non-current assets	**Cost**	**Accumulated depreciation**	**Carrying value**	
	£	**£**	**£**	
Timber yard equipment	**(1)**40 000	**(1)** 17 600	22 400	AO3
Delivery lorry	24 000	20 000	4 000	**(1) of** AO2
Shop fixtures and fittings	17 000	10 200	6 800	**(1)** AO2
	81 000	47 800	33 200	
Current assets				
Inventory – shop	14 600			
Timber yard	25 200			
		00		**(1) of**AO1
Trade receivables		**1** 27 500		**(1)** AO1
Other receivables 1 000 **(1)** + 3 000**(1)**		4 000		AO1
			71 300	
Total Assets			104 500	
Capital and liabilities				
Capital		20 000		
Net profit		22 800		
		42 800		
Drawings		(19 100)		
			23 700	**(1of)**AO2
Current liabilities				
Trade payables		41 000		**(1)** AO1
Bank overdraft 24 800 +16 000**(1)** – 3 000**(1)**		37 800		AO2
Other payables		2 000		**(1)** AO1
			80 800	
Total capital and liabilities			104 500	

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Question Number	Answer	Mark
1 (c)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Points in favour of closing the Timber yard • The Timber yard is making a loss and all or a proportion of this could be saved as expenses are reduced. • Management can concentrate on one department. • It provides the opportunity to use the space more effectively by expanding the profit making shop. • The Timber yard equipment is the most valuable non-current asset. This can be sold generating cash for the expansion of the shop. • Points against closing the Timber yard • If the Timber yard is closed some of the expenses apportioned to the Timber yard, e.g rent, rates and insurance, will now have to be borne by the shop. • Customers may find it convenient to purchase all of their building supplies from a single source. So closing the Timber yard may also reduce shop sales. • Timber yard staff will have to be retrained or made redundant, which will be costly. • With an overdraft, does Bob's Material have the cash to expand the shop? • He will lose out on all the investment that he has made • The decision should not be based on 1 years results Decision Candidates may conclude that this is a good/ or not a good development to close the Timber yard. The decision should be supported by an appropriate rationale.	**(12)**

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Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

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Question Number	Answer	Mark
1 (d)	**AO1: (4)AO2(4)** **AO1: Four marks for description** **A02: Four marks for application** (i) This is an intangible asset **(1)** AO1 equal to the difference between the sale price of the business and the net value of the assets less liabilities. **(1)** AO1 **(2)** (ii) Location Quality products Skilled/experienced staff Brand Reputation/loyal customers 2 x **(1)** AO1 **(2)** (iii) Difficult to value / Estimation of costs Value can fluctuate Not prudent Money measurement concept 2 x **(1)** AO2 **(2)** (iv) Profit/loss for the year No effect **(1)** AO2 Bank overdraft No effect **(1)** AO2 **(2)**	**(8)**

(TOTAL MARKS FOR QUESTION 1 = 55 MARKS)

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>2 (a)</td><td>
AO1: (8)AO2(2)
AO1: Eight marks for correctly populating the trial balance
A02: Two marks for calculating the capital

Samantha
Trial balance at 30 April 2019
<table>
<tr><th></th><th>Dr</th><th>Cr</th><th></th></tr>
<tr><th></th><th>£</th><th>£</th><th></th></tr>
<tr><td>Revenue</td><td></td><td>5 000</td><td>(1)AO1</td></tr>
<tr><td>Purchases</td><td>2 700</td><td></td><td></td></tr>
<tr><td>Returns inwards</td><td>450</td><td></td><td>(1)AO1</td></tr>
<tr><td>Returns outwards</td><td></td><td>210</td><td></td></tr>
<tr><td>Discount allowed</td><td>120</td><td></td><td>(1)AO1</td></tr>
<tr><td>Bad debts</td><td>50</td><td></td><td>(1)AO1</td></tr>
<tr><td>Bad debts recovered</td><td></td><td>200</td><td></td></tr>
<tr><td>General expenses</td><td>1 250</td><td></td><td>(1)AO1</td></tr>
<tr><td>Inventory</td><td>600</td><td></td><td></td></tr>
<tr><td>Trade receivables</td><td>2 990</td><td></td><td></td></tr>
<tr><td>Allowance for doubtful debts</td><td></td><td>300</td><td>(1)AO1</td></tr>
<tr><td>Trade payables</td><td></td><td>1 900</td><td></td></tr>
<tr><td>Bank overdraft</td><td></td><td>730</td><td>(1)AO1</td></tr>
<tr><td>Non-current assets</td><td>4 100</td><td></td><td>(1)AO1</td></tr>
<tr><td>Provision for depreciation- non-current assets</td><td></td><td>3 000</td><td></td></tr>
<tr><td>Drawings</td><td>550</td><td></td><td></td></tr>
<tr><td>Capital</td><td></td><td>1 470</td><td>(1) AO2</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>12 810</td><td>12 810</td><td>(1of) if balancing</td></tr>
</table>
</td><td>(10)</td></tr>
</table>

Question Number	Answer	Mark

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2 (b)	**AO1: (2)** **AO1: Two marks for identifying possible reason for balance** Returns of goods after payment made. Set off/Contra from trade payable account. Pay for goods in advance Paid twice/overpaid Error in recording **2** x **(1)** AO1	**(2)**

Question Number	**Answer**	**Mark**
2 (c)	**AO2 (12)** **A02: Twelve marks for calculating balances and populating control account**	**(12)**

Trade Receivables Control Account

Date	Details	£	Date	Details	£
2019			2019		
1 April	Balance b/d	2 650 **(1)**	1 April	Balance b/d	90 **(1)**
30 April	Credit sales	5 000 **(1)**	30 April	Returns inwards	450 **(1)**
	Bad debt recovered	200 **(1)**		Discount allowed	120 **(1)**
	Interest charged	20 **(1)**		Bad debts/Irrecoverable	50 **(1)**
				Bank/Cheques	4 170 **(1)**
	Balance c/d	60		Balance c/d	3 050 **(1)**
		7 930			7 930
1 May	Balance b/d	3 050 **(1of)**	1 May	Balance b/d	60 **(1)**

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>2 (d)</td><td>
AO2 (7):
A02: Seven marks for completing journal

Journal
(i)
<table>
<tr><td></td><td>Dr</td><td>Cr</td><td></td></tr>
<tr><td></td><td>£</td><td>£</td><td></td></tr>
<tr><td>Bad debts</td><td>50</td><td></td><td>(1)AO2</td></tr>
<tr><td>Bank</td><td>30</td><td></td><td>(1)AO2</td></tr>
<tr><td>Sanjay</td><td></td><td>80</td><td>(1)AO2</td></tr>
</table>
(3)
(ii)
<table>
<tr><td></td><td>Dr</td><td>Cr</td><td></td></tr>
<tr><td></td><td>£</td><td>£</td><td></td></tr>
<tr><td>Bank</td><td>200</td><td></td><td>(1)AO2</td></tr>
<tr><td>Westley</td><td></td><td>200</td><td>(1)AO2</td></tr>
<tr><td>Westley</td><td>200</td><td></td><td>(1)AO2</td></tr>
<tr><td>Bad debts recovered</td><td></td><td>200</td><td>(1)AO2</td></tr>
</table>
(4)
</td><td>(7)</td></tr>
</table>

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Question Number	Answer	Mark
2 (e)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Points in favour of control accounts • Check on accuracy of ledger by ensuring that total of individual accounts in ledger equal corresponding summarised entries. • Can assist in locating errors when differences are discovered they are 'narrowed down' to particular ledgers. • Total balances of trade receivables and trade payables available immediately which can assist the preparation of financial statements. • Speeds up preparation of financial statements. • Help reduce fraud as differences have a greater chance of being discovered with the separation of duties in posting the ledger. • Checks arithmetic accuracy Points against control accounts • Time in preparation. • Higher level of skilled staff required to prepare. • Errors not revealed by the trial balance would not be detected Decision Candidates may conclude that this is useful/not useful to prepare control accounts. The decision should be supported by an appropriate rationale.	**(12)**

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	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>2 (f)</td><td>AO1: (6): AO2(6)
AO1: Six marks for describing concept or convention
A02 : Six marks for identifying correct concept or convention

<table>
<tr><th>Concept</th><th>Explanation</th></tr>
<tr><td>(1) Business entity/accounting entity (1)</td><td>The business and the owner are separate entities. (1)</td></tr>
<tr><td>(2) Consistency (1)</td><td>Once a method is chosen it should be used each period. (1)</td></tr>
<tr><td>(3) Historic cost (1)</td><td>Although market value may change the cost must be applied to the asset as this is known (1)</td></tr>
<tr><td>(4) Prudence (1)</td><td>Potential losses must be recorded as such when they are identified. Profits/Current assets/Trade receivables must not be overstated. (1)</td></tr>
<tr><td>(5) Money measurement (1)</td><td>Intangible asset difficult to measure. (1)</td></tr>
<tr><td>(6) Realisation (1)</td><td>Profit is not realised until the sale is confirmed by the customer. (1)</td></tr>
</table></td><td>(12)</td></tr>
</table>

(TOTAL MARKS FOR QUESTION 2 = 55 MARKS)

TOTAL MARKS FOR SECTION A = 110 MARKS

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Section B

Question Number	Answer	Mark
3 (a)	**AO1: (4)** **AO1: Four marks for describing the two terms** Liquidity relates to the speed or ease with which assets can be turned into cash. **(1)** AO1 This provides the ability to meet short term debts. **(1)** AO1 Profitability relates the gross profit or profit for the year to other figures within the same set of accounts/ability to generate profits. **(1)** AO1 Comparison with the other figures could be to revenue or capital employed. **(1)** AO1	**(4)**

Question Number	Answer	Mark
3 (b)	**AO2: (7)AO3(3)** **AO2: Seven marks for calculating the ratios including correct labelling** **AO3: Three marks for deriving figures requiring two stage calculation** • current ratio 12 000 +38 000 + 4 000 **(1)**AO2= 1.8:1 **(1)**AO2 27 000 + 3 000 **(2)** • liquid (acid test) ratio 38 000 + 4 000 **(1)**AO2= 1.4:1 **(1)**AO2 27 000 + 3 000	

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	• gross profit as a percentage of revenue 14 000 **(1)**AO3 x 100 = 17.5% **(1)**AO2 80 000 **(2)** • profit for the year as a percentage of revenue for the year 4 000 **(1)**AO3 x 100 = 5% **(1)**AO2 80 000 **(2)** • percentage return on capital employed. 4 000 **(of)** + 1 600 **(1)**AO3= 4% **(1 of)**AO2 120 000 + 20 000 **(2)**	**(10)**

Question Number	Answer	Mark
3 (c)	**AO1: (2)** **AO1: Two marks for valid comment on sufficiency** Liquidity is sufficient **(1)** AO1as both ratios are above the accepted parameters of 1.4:1 and 0.7:1. The profitability is probably not sufficient at 5% and 4%.**(1)** AO1	**(2)**

Question Number	Answer	Mark

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3 (d)	**AO1: (3)AO2(5)** **AO1: Three marks for final answers** **AO2: Five marks for calculating the required figures**	**(8)**

	Workings	**Answer**
Revenue for April 2019	15 000 x 140% **(1)**AO2	21 000 **(1)** AO2
Inventory at 30 April 2019	12 000 + 10 000 – 15 000 **(1)**AO2 two figures correct	7 000 **(1)** AO1
Expenses for April 2019	-3 000 + 11 000 – 4 000 **(1)**AO2 two figures correct	4 000 **(1)** AO1
Profit for the month of April 2019	21 000 – 15 000 – 4 000 **(1 of)** AO2 two figures correct	2 000 **(1 of)** AO1

Question Number	**Answer**	**Mark**

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3 (e)	**AO1: (3)AO2(5)** **AO1: Three marks for final answers** **AO2 (1), AO3 (2), AO4 (3)** Points in favour the use of ratios • Enable comparison with accepted 'yardsticks', previous performance and competitors. • Accepted measures can be applied. Points against the use of ratios • Does not consider non-financial factors such as skill of the workforce or the quality of the products. • The existence of direct comparators. • Based on historic data/Does not take account of inflation • Seasonal differences can distort the results Decision Candidates may be in favour or against the use of ratios in determining the success of a business. Candidate's conclusion should be supported with an appropriate rationale. NOT EXPLANATION OF INDIVIDUAL RATIOS	**(6)**

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

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(TOTAL MARKS FOR QUESTION 3 = 30 MARKS)

Question Number	Answer	Mark
4 (a)	**AO1: (4)** **AO1: Four marks for explaining the difference** Inventory rotation — The physical movement of inventory in and out of the store. **(1)** AO1 Normally the oldest inventory will be issued first to avoid deterioration or obsolescence. **(1)**AO1 Inventory valuation — Is the price at which inventory is sold to the customer or issued to production/at a theoretical price. **(1)** AO1 The valuation may be different from the physical rotation. Based on LIFO/FIFO/AVCO **(1)** AO1	**(4)**

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Question Number	Answer	Mark
4 (b)	**AO1: (3)AO2(10):AO3: (3)** **AO1: Three marks for correct transfer of information** **AO2: Ten marks for calculating the required figures and correctly inserting in the account** **AO3: Three marks for correctly calculating the closing inventory, prime cost and production cost with correct labels.**	**(16)**

Manufacturing Account for the month of March 2019

	£	£	
Opening inventory of raw material	20 000		**(1)**AO1
Purchases of raw material	16 500		**(1)**AO2
Purchase returns	(1 650)		**(1)**AO2
	34 850		
Closing inventory of raw material	(21 100)		**(1)**AO3
Cost of raw materials		13 750	**(1 of)**AO2 +w
Direct labour		7 140	**(1)**AO2
Prime cost		20 890	**(1 of)**AO3 + w
Overheads:			
Indirect labour	420		**(1)**AO2
Management salaries	10 500		**(1)**AO2
Rent, rates and insurance	6 000		**(1)**AO2
Production machinery depreciation	6 750		**(1)**AO2
		23 670	
		44 560	
Work in progress:			
At 1 March	710		**(1)**AO2
At 31 March	(615)		**(1)**AO2
		95	
Production cost		44 655	**(1 of)**AO3 +w
Profit on manufacture		3 345	**(1 of)**AO1 +w
Transfer to finished goods		48 000	**(1)**AO1 +w

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Question Number	Answer	Mark
4 (c)	**AO1: (2)AO2(2)** **AO1: Two marks for identifying the effect on profit or inventory value.** **A02: Two marks for identifying the net impact** • Statement of profit or loss and other comprehensive income The **value of the adjustment** would be recorded. **(1)** AO2 An **increase** in the provision would be recorded to **reduce the profit.(1)** AO1 • Statement of financial position The **total value (1)** AO2 of the provision would be **deducted from the inventory (1)** AO1 of finished goods.	**(4)**

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Question Number	Answer	Mark
4 (d)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of LIFO • Inventory is issued close to replacement cost when prices are rising. • Profits prudently lower Points against the LIFO • Not accepted by tax authorities • Inventory remaining is undervalued Decision Candidates may be in favour or against the use of LIFO in a business. Candidate's conclusion should be supported with an appropriate rationale.	**(6)**

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(TOTAL MARKS FOR QUESTION 4 = 30 MARKS)

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Question Number	Answer	Mark
5 (a)	**AO1: (4)** **AO1: Four marks for explaining the difference** Semi-fixed contains a fixed element which at a certain point (step) rises **(1)** AO1 and then remains fixed for a further level of production **(1)** AO1 before rising again. Semi-variable contains a fixed element which does not vary with output **(1)** AO1 and a variable output which varies directly proportionately with the level of output. **(1)** AO1	**(4)**

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>5 (b)</td><td>
AO1: (1)AO2(12):AO3: (3)
AO1: One mark for total profit
AO2: Twelve marks for calculating incomes and expenses
AO3: Three marks for correctly calculating gross profit

Projected Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2020
<table>
<tr><th></th><th>Eastville Store</th><th>Northern Store</th><th>Weston Store</th><th>Total</th></tr>
<tr><th></th><th>£</th><th>£</th><th>£</th><th>£</th></tr>
<tr><td>Revenue</td><td>365 000</td><td>345 000 (1) AO2</td><td>400 000</td><td>1 110 000</td></tr>
<tr><td>Cost of sales</td><td>(292 000)</td><td>(276 000)</td><td>(296 000)</td><td>(864 000) (1)of AO2</td></tr>
<tr><td>Gross profit</td><td>73 000 (1) AO3</td><td>69 000 (1) AO3</td><td>104 000 (1) AO3</td><td>246 000</td></tr>
<tr><td>less</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Wages</td><td>21 900 (1) AO2</td><td>17 000 (1) AO2</td><td>28 000 (1) AO2</td><td>66 900</td></tr>
<tr><td>Advertising</td><td>12 300 (1) AO2</td><td>11 900 (1) AO2</td><td>13 000 (1) AO2</td><td>37 200</td></tr>
<tr><td>Rent payable</td><td>12 600 (1) AO2</td><td>16 200 (1) AO2</td><td>18 000 (1) AO2</td><td>46 800</td></tr>
<tr><td>Overheads</td><td>20 000 (1) AO2</td><td>20 000</td><td>20 000</td><td>60 000</td></tr>
<tr><td></td><td>(66 800)</td><td>(65 100)</td><td>(79 000)</td><td>(210 900)</td></tr>
<tr><td>Profit for the year</td><td>6 200</td><td>3 900</td><td>25 000</td><td>35 100 (1)of AO1</td></tr>
</table>
</td><td>(16)</td></tr>
</table>

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Question Number	Answer	Mark
5 (c)	**AO1: (4)** **AO1: Four marks identifying cost** • Variable cost — Cost of sales/Wages **(1)** AO1 • Semi-variable cost — Advertising **(1)** AO1 • Semi-fixed cost — Overheads **(1)** AO1 • Fixed cost — Rent **(1)** AO1	**(4)**

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Question Number	Answer	Mark
5 (d)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of projections • Enables forward planning. • Assists decision making. • Motivate managers with targets. Points against projections • They are only estimates of what might happen and may be inaccurate. • Not all events can be planned for. • Time consuming to prepare projections. Decision Candidates may be in favour or against preparing projections. Candidate's conclusion should be supported with an appropriate rationale.	**(6)**

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(TOTAL MARKS FOR QUESTION 5 = 30 MARKS)

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>6 (a)</td><td>
AO1: (3)AO2(2):AO3: (2)
AO1: Three marks for posting bank, loan and carrying down the balances
AO2: Two marks for calculating the opening balances
AO3: Two marks for correctly calculating the goodwill and correctly posting

Capital accounts
<table>
<tr><th>Date</th><th>Details</th><th>Able</th><th>Baker</th><th>Date</th><th>Details</th><th>Able</th><th>Baker</th></tr>
<tr><td>2018</td><td></td><td>£</td><td>£</td><td>2018</td><td></td><td>£</td><td>£</td></tr>
<tr><td>1 May</td><td>Bank</td><td></td><td>4 000 (1)AO1</td><td>1 May</td><td>Opening balance</td><td>25 000(1) AO2</td><td>35 000(1) AO2</td></tr>
<tr><td></td><td>10% Loan</td><td>5 000 (1) AO1</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Goodwill</td><td>4 000 (1) AO3</td><td>8 000 (1)AO3</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Balance c/d</td><td>16 000</td><td>23 000</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>25 000</td><td>35 000</td><td></td><td></td><td>25 000</td><td>35 000</td></tr>
<tr><td></td><td></td><td></td><td></td><td>1 May</td><td>Balance b/d</td><td>16 000</td><td>23 000 (1of) Both AO1</td></tr>
</table>
</td><td>(7)</td></tr>
</table>

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>6 (b)</td><td>
AO1: (1)AO2(6):AO3: (1)
AO1: One mark for correct transfer of capital balances
AO2: Six marks for calculating the balances and recording under correct label
AO3: One mark for correctly calculating the bank overdraft

Able and Baker
Statement of Financial Position at 1 May 2018
<table>
<tr><th></th><th>£</th><th>£</th></tr>
<tr><td>Non-current assets (carrying value)</td><td></td><td>32 000 (1) AO2</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Current assets</td><td></td><td></td></tr>
<tr><td>Inventory</td><td>22 500 (1) AO2</td><td></td></tr>
<tr><td>Trade receivables</td><td>16 000 (1) AO2</td><td></td></tr>
<tr><td></td><td></td><td>38 500</td></tr>
<tr><td>Total assests</td><td></td><td>70 500</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Capital:
Able
Baker</td><td>
16 000
23 000</td><td></td></tr>
<tr><td></td><td></td><td>39 000 (1of) AO1</td></tr>
<tr><td>Non-current liabilities</td><td></td><td></td></tr>
<tr><td>10% loan- Able</td><td></td><td>5 000 (1) AO2</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Current liabilities</td><td></td><td></td></tr>
<tr><td>Trade payables</td><td>17 500(1) AO2</td><td></td></tr>
<tr><td>Bank overdraft
(8 000)+3 000(1) AO3-4 000 (1)
AO2</td><td>9 000</td><td></td></tr>
<tr><td></td><td></td><td>26 500</td></tr>
<tr><td>Total capital and liabilities</td><td></td><td>70 500</td></tr>
</table>
</td><td>(8)</td></tr>
</table>

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Question Number	Answer	Mark
6 (c)	**AO1:(4)** **AO1: Four marks for correct treatment** • Loan from Able — Interest at 5% **(1) AO1** • Salary — No salaries **(1) AO1** • Interest on drawings — No interest on drawings **(1) AO1** • Share of profit or loss. — Equal shares **(1) AO1**	**(4)**

Question Number	Answer	Mark
6 (d)	**AO1:(1)AO2(4)** **AO1: One marks for salary** **AO2: Four marks for calculating interest on drawings and share of profit** **Appropriation section of the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2019** £ Profit for the year 20 800 Plus Interest on drawings Able 600 **(1) AO2** Baker 800 **(1) AO2** 1 400 22 200 Less Salary Baker (9 000) **(1) AO1** Share of profit Able (4 400) **(1of) AO2 No alien** Baker (8 800) **(1of) AO2 Correct proportion** 22 200	**(5)**

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Question Number	Answer	Mark
6 (e)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of forming a partnership • Individual skills can be used by each partner specialising. • More capital contribution • Burden of the work will be shared • More ideas Points against forming a partnership • The partners will have joint and several liability and be responsible for each other's actions. • Disagreements can develop into serious disputes. • Profit will be shared Decision Candidates may be in favour or against partnership as a form of business entity. Candidate's conclusion should be supported with an appropriate rationale.	**(6)**

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present.

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		Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(TOTAL MARKS FOR QUESTION 6 = 30 MARKS)

TOTAL MARKS FOR SECTION B = 90 MARKS

TOTAL MARKS FOR PAPER = 2000 MARKS

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