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Pearson Edexcel

Mark Scheme (Results)

January 2019

Pearson Edexcel IAL Accounting
In Accounting (WAC12)
Paper 01 Corporate and Management Accounting

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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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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (a)(i)</td><td>AO1 (3)
AO1: Three marks for calculating labour hours required to fulfil contract.

<table>
<tr><td></td><td>London Bus</td><td>Policeman</td><td>Telephone Box</td><td>Mail Box</td><td>Total</td></tr>
<tr><td>Contract</td><td>120</td><td>200</td><td>150</td><td>270</td><td></td></tr>
<tr><td>Hours required</td><td>60</td><td>50</td><td>50</td><td>45</td><td>205</td></tr>
<tr><td></td><td></td><td>(1)AO1 both</td><td></td><td>(1)AO1 both</td><td>(1of)AO1</td></tr>
</table></td><td>(3)</td></tr>
</table>

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (a)(ii)</td><td>AO1 (2)
AO1: Two marks for calculating labour hours available for other output for Week 6.

Hours available for other output

= (10 x 40) – 205 (1of)AO1
= 195 (1of)AO1</td><td>(2)</td></tr>
</table>

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (a)(iii)</td><td>AO1 (5)
AO1: Five marks for calculating labour hours required to fulfil total demand for Week 6.

<table>
<tr><td></td><td>London Bus</td><td>Policeman</td><td>Telephone Box</td><td>Mail Box</td><td>Total</td></tr>
<tr><td>Total demand</td><td>240</td><td>500</td><td>360</td><td>600</td><td></td></tr>
<tr><td>Time taken to paint</td><td>30 minutes</td><td>15 minutes</td><td>20 minutes</td><td>10 minutes</td><td></td></tr>
<tr><td>Hours required</td><td>120</td><td>125</td><td>120</td><td>100</td><td>465</td></tr>
<tr><td></td><td>(1)AO1</td><td>(1)AO1</td><td>(1)AO1</td><td>(1)AO1</td><td>(1of)AO1</td></tr>
</table></td><td>(5)</td></tr>
</table>

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Question Number	Answer	Mark
1 (b)(i)	**AO1 (2)** **AO1: Two marks for explaining the term limiting factor.** A limiting factor is a factor of production **(1)AO1** which restricts the level of activity / quantity of output. **(1)AO1**	**(2)**

Question Number	Answer	Mark
1 (b)(ii)	**AO1 (2)** **AO1: Two marks for giving examples of a limiting factor and not a limiting factor** For Handsome Limited A limiting factor is the quantity of direct labour hand painters available.**(1)AO1** Materials are not a limiting factor.**(1)AO1**	**(2)**

Question Number	Answer	Mark
1 (c)	**AO2 (8)** **AO2: Eight marks for calculating contribution per unit for each product.**	**(8)**

Product	London Bus	Policeman	Telephone Box	Mail Box
Selling price	10.00	6.00 **(1)AO2**	7.00	4.00 **(1)AO2**
Less Direct costs				
Plastic mould	0.10	0.08	0.09	0.06
Labour cost to paint	5.40 **(1)AO2**	2.70 **(1)AO2**	3.60 **(1)AO2**	1.80 **(1)AO2**
Total costs	5.50	2.78	3.69	1.86
Contribution	4.50	3.22 **(1of)AO2 both**	3.31	2.14 **(1of)AO2 both**

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (d)</td><td>AO3 (6)
AO3: Six marks for calculating order of priority for production.

<table>
<tr><td>Product</td><td>London Bus</td><td>Policeman</td><td>Telephone Box</td><td>Mail Box</td></tr>
<tr><td>Contribution</td><td>4.50</td><td>3.22</td><td>3.31</td><td>2.14</td></tr>
<tr><td>Time taken to paint</td><td>30 minutes</td><td>15 minutes</td><td>20 minutes</td><td>10 minutes</td></tr>
<tr><td>Contribution per labour hour</td><td>9.00
(1of)AO3</td><td>12.88
(1of)AO3</td><td>9.93
(1of)AO3</td><td>12.84
(1of)AO3</td></tr>
<tr><td></td><td>4</td><td>1
(1of)AO3
both</td><td>3</td><td>2
(1of)AO3
both</td></tr>
</table>
</td><td>(6)</td></tr>
</table>

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (e)</td><td>AO2 (8)
AO2: Eight marks for calculating production schedule.
<table>
<tr><td>Order of Production</td><td>Product</td><td>Output Contract + Non-C</td><td>Hours Contract + Non-C</td><td>Cumulative hours</td></tr>
<tr><td>1</td><td>Policeman</td><td>200 + 300 = 500
(1of)AO2</td><td>50 + 75 = 125
(1of)AO2</td><td>125</td></tr>
<tr><td>2</td><td>Mail Box</td><td>270 + 330 = 600
(1of)AO2</td><td>45 + 55 = 100
(1of)AO2</td><td>225</td></tr>
<tr><td>3</td><td>Telephone Box</td><td>150 + 195= 345
(1of)AO2</td><td>50 + 65 = 115
(1of)AO2</td><td>340</td></tr>
<tr><td>4</td><td>London Bus</td><td>120
(1of)AO2</td><td>60
(1of)AO2</td><td>400</td></tr>
</table>
</td><td>(8)</td></tr>
</table>

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<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (f)</td><td>AO1 (2), AO2 (5)
AO1: Two marks for calculating total contribution and profit.
AO2: Five marks for calculating total contribution for each product and deducting fixed costs.

<table>
<tr><td>Product</td><td>Contribution per unit</td><td>Output</td><td>Total contribution</td><td></td></tr>
<tr><td>Policeman</td><td>3.22</td><td>500</td><td>1 610.00</td><td>(1of)AO2</td></tr>
<tr><td>Mail Box</td><td>2.14</td><td>600</td><td>1 284.00</td><td>(1of)AO2</td></tr>
<tr><td>Telephone Box</td><td>3.31</td><td>345</td><td>1 141.95</td><td>(1of)AO2</td></tr>
<tr><td>London Bus</td><td>4.50</td><td>120</td><td>540.00</td><td>(1of)AO2</td></tr>
<tr><td></td><td></td><td>Total</td><td>4 575.95</td><td>(1of)AO1</td></tr>
<tr><td></td><td>Less</td><td>Fixed Costs</td><td>1 880.00</td><td>(1)AO2</td></tr>
<tr><td></td><td></td><td>Profit</td><td>2 695.95</td><td>(1of)AO1</td></tr>
</table></td><td>(7)</td></tr>
</table>

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Question Number	Indicative Content	Mark
1 (g)	**AO1 (1), AO2 (1), AO3 (4), AO4 (6)** Answers may include: <u>Case for new contract</u> The present contract is profitable, covering fixed costs and bringing in a weekly contribution on all four products. Weekly contributions of the present contract are: London Bus 120 x £4.50 = £540 Policeman 200 x £3.22 = £644 Telephone Box 150 x £3.31 = £496.50 Mail Box 270 x £2.14 = £577.80 Total contribution = £2 258.30 out of a total weekly contribution of £4 575.95. This is about 50% of the contribution. If 50% of the fixed costs were absorbed by this order, there would be a profit of about £1 294 If the model Tower of London is costed and priced correctly, this should bring in a further contribution. The contract could prove to be the basis for a bank loan which results in expansion of the business. <u>Case against the new contract</u> Handsome Ltd cannot meet the full weekly demand at present. Signing a contract with an additional model could mean even more potential customers are disappointed. There is the possibility that Handsome Ltd may become too dependent on one customer. This may lead to possible difficulties in the future if this customer has trading problems. <u>Other considerations</u> Handsome Ltd will need to reconsider the company policy not to employ overtime. Workers may have to work overtime to meet weekly demand. Even if overtime premiums are paid, the contract should still be profitable. Alternatively, they could employ more hand painters, but there may be an issue with space available. Perhaps the company may have to move to new premises, but this could be expensive. <u>Decision</u> Handsome Ltd should probably take on the contract including the extra model, and introduce overtime to meet all the demand.	**(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

2 (a)

AO1 (12), AO2 (9)

AO1: Twelve marks for any balances brought down, ruling off accounts with no balance, and debit entries in Application and Allotment account, First and Second Call accounts.

AO2: Nine marks for credit entries in all accounts.

(21)

Ordinary Share Capital Account

2018			Jan 1	Balance b/d	56 000 **(1)** **AO1**
			May 15	Applctn & Allotmnt	1 800 **(1)** **AO2**
			July 31	Applctn & Allotmnt	1 200 **(1)** **AO2**
			Sept 10	First Call	6 000 **(1)** **AO2**
Dec 31	Balance c/d	68 000	Oct 31	Second + Final Call	3 000 **(1)** **AO2**
		68 000			68 000
2019			Jan 1	Balance b/d	68 000 **(1)** **AO1** **(o/f)**

Share Premium Account

2018			Jan 1	Balance b/d	14 000 **(1)** **AO1**
Dec 31	Balance c/d	17 600	July 31	Applctn & Allotmnt	3 600 **(1)** **AO2**
		17 600			17 600
2019			Jan 1	Balance b/d	17 600 **(1)** **AO1**

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Application and Allotment Account

May 15	Ordinary Share Capital	1 800 **(1of)** **AO1**	May15	Bank	2 100 **(1)** **AO2**
May 22	Bank	300 **(1)** **AO1**	July 31	Bank	4 800 **(1)** **AO2**
July 31	Ordinary Share Capital	1 200 **(1of)AO1**			
	Share Premium	3 600 **(1of)** **AO1**			———
		6 900			6 900 **(1of)AO1**

First Call Account

Sept 10	Ordinary Share Capital	6 000 **(1of)** **AO1**	Sept 10	Bank	6 000 **(1of)** **AO2**
		6 000			6 000

Second and Final Call Account

Oct 31	Ordinary Share Capital	3 000 **(1of)** **AO1**	Oct 31	Bank	3 000 **(1of)** **AO2**
		3 000			3 000 **(1of)AO1both**

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Question Number	Answer	Mark
2 (b)(i)	**AO3 (3) Award up to maximum of 3 marks for explanation of rights issue.** **AO3: Three marks for.** A rights issue of shares is when existing ordinary shareholders are given the right to buy an additional issue of shares from the company **(1) AO3** in proportion to their existing holdings **(1) AO3**and within a fixed time period.**(1) AO3** If they do not wish to take up the offer, they shareholders may sell the right to buy the shares. **(1) AO3**The company may use the rights issue to raise funds. **(1) AO3**	**(3)**

Question Number	Answer	Mark
2 (b)(ii)	**AO3 (3) Award up to maximum of 3 marks for explanation of bonus issue.** **AO3: Three marks for.** A bonus issue of shares is when a company issues free ordinary shares to existing ordinary shareholders. **(1) AO3**This will be in a fixed ratio, for example two new shares for every one share held. **(1) AO3** This may be done to make the company appear bigger, or instead of paying dividends. **(1) AO3** This also reduces the share price which may make buying a share more manageable. **(1) AO3**This also allows the company to lock in reserves by transferring retained earnings to share capital.**(1) AO3**	**(3)**

Question Number	Answer	Mark
2 (c)	**AO1 (4), AO2 (2)** **AO1: Four marks for stating accounts to be debited and credited.** **AO2: Two marks for correct figures.** Aug 1 — General reserve **(1)AO1** — 4 730 **(1)AO2** Retained earnings **(1)AO1** — 4 730 Nov 11 — Property, plant and equipment **(1)AO1** — 80 000 **(1)AO2** Revaluation reserve **(1)AO1** — 80 000	**(6)**

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Question Number	Answer	Mark
2 (d)	**AO2 (10)** **AO2: Seven marks for correct calculation of year end balances. Three marks for correct calculation of gearing ratio.**	**(10)**

	Start Year	Adjustment in year	End Year	
Ordinary Shares of £1	56 000	+ 12 000	68 00	**(1)** **AO2**
Share Premium	14 000	+ 3 600	17 600	**(1)** **AO2**
Retained earnings	8 640	+ 4 730**(1)AO2** + 23 530 – 11 500 **(1)AO2**	25 400	**(1)** **AO2**
General reserve	5 730	- 4730	1 000	**(1)** **AO2**
Foreign exchange reserve	8 000		8 000	
Revaluation reserve			80 000	**(1)** **AO2**
Long term bank loan			50 000	
Total			250 000	

Gearing = $\frac{50\,000\ \textbf{(1)AO2}}{(200\,000 + 50\,000)\textbf{(1of)AO2}}$ x 100 = 20% **(1of)AO2**

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Question Number	Indicative Content	Mark
2 (e)	**AO1 (1), AO2 (1), AO3 (4), AO4 (6)** Answers may include: <u>Case for Ordinary shares</u> Shareholders do not have to be paid dividends, which is useful when short of funds. No "outside" parties have any influence on the running of the company eg a place on the board, which banks may request. No interest has to be paid, so the profits of the company will be higher. This will also help cash flow and liquidity. No assets are offered as security, so there will be no claims on assets by banks if a loan not repaid, or the company fails. Bank loans result in higher gearing, which increases risk to company. Issue of shares will reduce gearing. <u>Case for Bank Loans</u> Interest is allowable for tax, so the company may be able to retain more funds in the business. Possibly the tax saving may be greater than any dividends paid. Banks may bring expertise and experience to the company,and maybe to the Board. Banks may be flexible regarding repayments, length of loan etc which may be rescheduled. A bank loan may be quicker and cheaper to arrange. It may be difficult to persuade potential shareholders to take up more shares, given that a share issue has already occurred in the year. A further issue of shares may dilute ownership of existing shareholders. <u>Decision</u> Should relate to above points made. For example, ordinary shares are a better source of finance.	**(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.
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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3(a)							
AO1 (5), AO2 (12),	**AO3 (1)**						
AO1: Five marks for totals of customers, revenue, costs, annual net cash flow and discounted cash flow.							
AO2: Twelve marks for customers for seating areas, revenue sources, itemised costs, depreciation, overheads and discounted cash flows.							
AO3: One mark for deducting monthly depreciation.							
Workings		Occupancy			Ticket		
Customers	Seats	Rate	Occupancy		Price	Total	
Stalls	300	80%	240		£15	£3 600	
Balcony	100	55%	55		£20	£1 100	**(1) AO2 both**
Upper Circle	150	30%	45		£12	£540	**(1) AO2**
Total			340			£5 240	**(1of) AO1**
Revenues per year		Rate	Price		Performances		
Tickets	£5 240				72	£377 280	**(1of) AO2**
Programmes	340	30%	£2		72	£14 688	**(1of) AO2**
Refreshments	340	75%	£4		72	£73 440	**(1of) AO2**
Total Revenue						£465 408	**(1of) AO1**
Costs per year		Months	Performances	Staff			
Production	£1 750		72			£126 000	**(1) AO2**
Wages	£16 000			12		£192 000	**(1) AO2**
Overheads	£3 600	12				£43 200	**(1) AO2**
Total Costs						£361 200	**(1of) AO1**
Workings per year			Annual		Monthly		
Restoration	Years		Depreciation		Depreciation		
£240 000	5		£48 000		£4 000	**(1) AO2**	
Monthly overheads	Total	Less Deprctn					

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	£7 600	-£4 000	**(1of)AO3**		£3 600	**(1of) AO2**	
NPV					Discount	Discounted	
Cash Flows	Inflows	Outflows	Net Cash Flow		Factor 8%	Cash Flow	
Year 0			-240000		1	(£240 000)	
Year 1	£465 408	£361 200	£104 208	**(1of)AO1**	0.926	£96 497	
Year 2	£465 408	£361 200	£104 208		0.857	£89 306	**(1of) AO2 - all 3**
Year 3	£465 408	£361 200	£104 208		0.794	£82 741	
Year 4	£465 408	£361 200	£104 208		0.735	£76 593	
Year 5	£465 408	£361 200	£104 208		0.681	£70 966	**(1of) AO2 - all 3**
			£281 040			£176 103	**(1of) AO1**
							18 marks

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Question Number	Answer	Mark
3 (b)	**AO3 (6)** **AO3: Six marks for calculating the internal rate of return.**	**(6)**

Internal rate of Return
= Lower rate + (% difference between rates) x (NPV using lower % rate)
(Difference between NPVs)

= 8% **(1) AO3** + ([12 – 8]**(1) AO3** x 176 103) **(1of) AO3**
(176 103 **(1of) AO3** - 135 670)**(1) AO3**

= 8% + (4 x 4.355)

= 25.42% **(1of) AO3**

Number	Indicative Content	Mark
3 (c)	**AO4 (6)** Question Answers may include: <u>Case For Investment</u> The internal rate of return is 25.42% (**o / f**), which is greater than the 8% that is the benchmark figure for investment by the company. The net present value of the project is positive, at £176 103 (**o / f**) The project would look good in the Corporate Social Responsibility report – they have kept the theatre in the town alive and refurbished the theatre. <u>Case Against Investment</u> The local government were unable to make a profit from the theatre, why should Two Masks plc be any different? <u>Other points</u> The figures are only estimates - they could be better or worse for the company. Are there any other projects that may be invested in? Do these give a better (or worse) return? Does this investment fit the objectives and strategy of the company? <u>Decision</u> The project should go ahead.	**(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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Question Number	Answer	Mark
4(a)(i)	**AO1 (2), AO2 (5), AO3 (2)** **AO1: Two marks for wages items and total.** **AO2: Five marks for all other items in cost of sales except depreciation.** **AO3: Two marks for depreciation items.**	**(9)**

Cost of Sales			
Direct Materials	421 108		
Less Discount Received	(20 766)	**(1) both**	**AO2**
Factory Depreciation	25 000	**(1)**	**AO3**
Machinery Depreciation	47 400	**(1)**	**AO3**
Factory Fuel	10 948	**(1)**	**AO2**
Factory Power	47 120	**(1)**	**AO2**
Maintenance	19 026	**(1)**	**AO2**
Production staff	378 496		
Factory cleaners	35 879	**(1) both**	**AO1**
Opening Inventory Finished Goods	127 952		
Less Closing Inventory Finished Goods	(131 875)	**(1) both**	**AO2**
	960 288	**(1of)**	**AO1**

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Question Number	Answer	Mark
4(a)(ii)	**AO1 (2), AO2 (7), AO3 (2)** **AO1 : Two marks for running costs and marketing items and total.** **AO2 : Seven marks for all other items in distribution costs except depreciation.** **AO3 : Two marks for depreciation items.**	**(11)**

Distribution Costs			
Commission on sales	28 474	**(1)**	**AO2**
Fuel	76 636	**(1)**	**AO2**
Hire of delivery vans	10 038	**(1)**	**AO2**
Maintenance	6 342	**(1)**	**AO2**
Motor lorries depreciation	68 600	**(1)**	**AO3**
Power	11 780	**(1)**	**AO2**
Rent on Shop premises	22 801	**(1)**	**AO2**
Shop premises depreciation	53 000	**(1)**	**AO3**
Vehicles running costs	44 098		
Marketing events	71 382	**(1) both AO1**	
Shop staff wages	217 390	**(1) both**	
Delivery staff wages	143 521	**AO2**	
	754 062	**(1of)**	**AO1**

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Question Number	Answer	Mark
4(b)	**AO1 (1), AO3 (3)** **AO1 : One mark for heading.** **AO3 : Three marks for revenue, cost of sales and gross profit.**	**(4)**

Statement of Profit or Loss and Comprehensive Income for year ending 31st December 2018
(1) AO1

Revenue	2 277 920	**(1) AO3**
Cost of sales	(960 288)	**(1of) AO3**
Gross profit	1 317 632	**(1of) AO3**

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Question Number	Indicative Content	Mark
4 (c)	**AO4 (6)** <u>Case For Directors' Report</u> Report gives information to e.g. shareholders which they could use to make a decision e.g. invest more funds in the company. Shareholders / readers may be assured the company is acting in an ethical manner Other stakeholders e.g. pressure group may use information in the Report to bring about change in company policy e.g. treatment of disabled Disclosures may be required under Stock Exchange regulations, which may be appropriate in the Directors' Report e.g. legislation pending Information is given to shareholders which allows them to see in some detail how the company is performing ▪ E.g. principal activities, review of position of business ▪ Post balance sheet events, future developments ▪ Names of directors, interests of directors ▪ Employee involvement, disabled employees policy ▪ Political and charitable donations ▪ Creditor payment policy, creditor payment days <u>Case Against Directors' Report</u> Report costs personnel time to prepare and money to print etc Directors may use Report to "window dress" accounts, give an unrealistic positive view of the company, as it is in their interest to do so. <u>Decision</u> Should relate to above points. E.g. Directors' Report is useful.	**(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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Question Number	Answer	Mark
5(a)(i)	**AO3 (3)** **AO3: Three marks for calculating the variable costs per unit.** November December Total Production cost £785 830 £661 900 Units produced 48 000 39 000 Difference £123 930 **(1)** **AO3** 9 000 **(1)** **AO3** Variable cost Per unit £13.77 **(1of)** **AO3**	**(3)**

Question Number	Answer	Mark
5(a)(ii)	**AO1 (2), AO2 (1)** **AO1: Two marks for calculation of variable cost and fixed costs figure for the subtraction.** **AO2: One mark for correct subtraction to give answer.** Variable cost £48 000 x £13.77= £660 960 for November **(1of)** **AO2** Fixed cost £785 830 - £660 960 **(1of)** **AO1** for November = £124 870 **(1of)** **AO1**	**(3)**

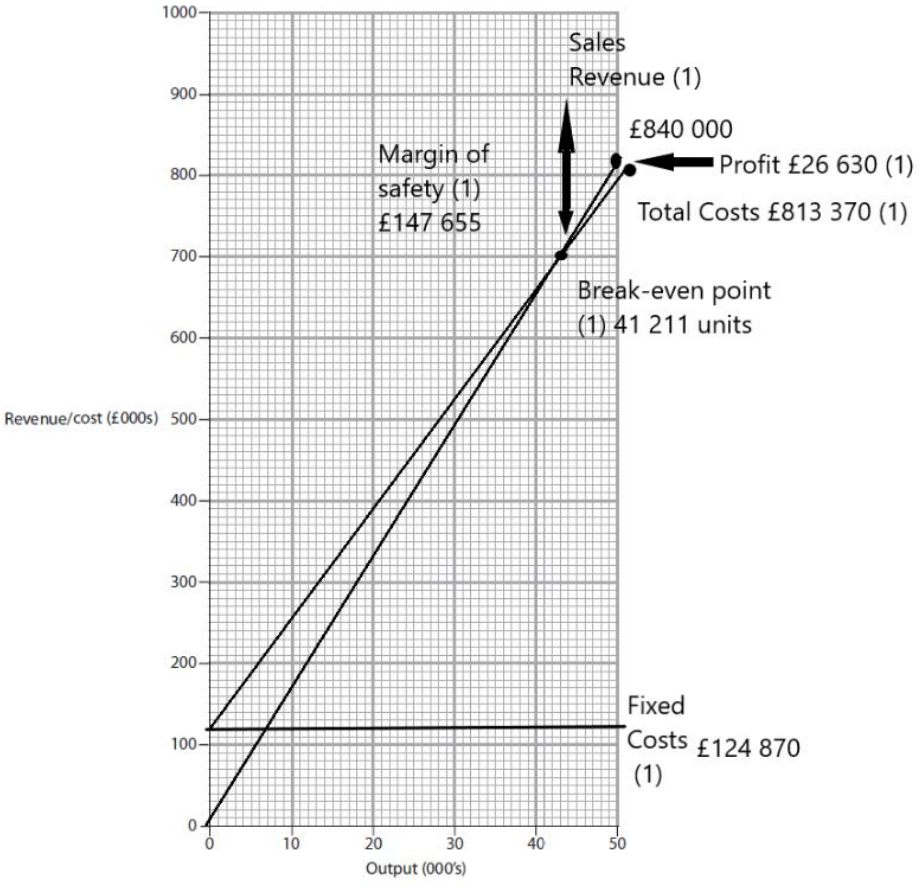
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Question Number	Answer	Mark
5(b)	**AO2 (4)** **AO2: Four marks for correct calculation of profit or loss for the month.** <u>Profit for December</u> Sales Revenue £655 200 **(1) AO2** Less Variable costs (£537 030) **(1of) AO2** Fixed costs (£124 870) **(1of) AO2** Loss for month (£6 700) **(1of) AO**	**(4)**

Question Number	Answer	Mark
5(c)(i)	**AO3 (4)** **AO3: Four marks for correct calculation of break-even point in sales units.** Contribution per unit £16.80 - £13.77 = £3.03 **(1of) AO3** Break even <u>£124 870</u> **(1of) AO3** = 41 212 units Point £ 3.03 **(1of) AO3** **(1of) A03**	**(4)**

Question Number	Answer	Mark
5(c)(ii)	**AO1 (3), AO2 (1)** **AO1: Three marks for correct calculation of margin of safety in units and use of selling price.** **AO2: One mark for correct calculation of margin of safety measured in sales revenue.** Margin of safety (50 000 -41 212) **(1of) AO1** **=** 8 788 units **(1of) AO1** (8 788 x £16.80) **(1of) AO1** **=** £147 638.40 **(1of) AO2**	**(4)**

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Question Number	Answer	Mark
5(d)	**AO2 (6) One mark each for correctly drawing on the graph the following:** **fixed costs** **total costs** **sales revenue** **break-even point** **margin of safety in sales revenue** **profit or loss for the month**  	**(6)**

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Question Number	Indicative Content	Mark
5 (e)	**AO4 (6). Own figure rule applies throughout.** Answers may include: <u>Case For Continuing Trading</u> The company has achieved break-even point and made a profit in November. The planned production for January should yield a profit if all the units are sold. It may be that the company produces to order, which guarantees sales. Production may have been low in December because the company was shut for a holiday period for a week. <u>Case Against Continuing Trading</u> The company made a loss in December. If this a regular occurrence, then the company may have no future. <u>Other points</u> The figures for January are only estimates - they could be better or worse for the company. What is the future order book like for the company. Does the company have past profits to keep the company solvent in periods of poor sales? <u>Decision</u> The company should/should not continue trading.	**(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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Question Number	Answer	Mark
6 (a)(i)	**AO1 (1), AO2 (1)** **AO1: One mark for correct addition to calculate the book value of the copyright.** **AO2: One mark for setting out correctly the addition to find the book value of the copyright.** (£280 000 + £31 000) **(1) AO2** = £311 000 **(1) AO1**	**(2)**

Question Number	Answer	Mark
6 (a)(ii)	**AO1 (2), AO2 (1)** **AO1: Two marks for correctly adding back the depreciation to arrive at the the answer.** **AO2: One mark for correctly subtracting the profit on the sale of the property.** (£220 000 - £145 000) = £75 000 **(1) AO2** £75 000 + £20 000 **(1of) AO1** = £95 000 **(1of) AO1**	**(3)**

Question Number	Answer	Mark
6 (a)(iii)	**AO1 (2)** **AO1: One mark for each correct identification of an advantage and a disadvantage of an increase in trade payables.** <u>Advantage</u> Less cash paid out **(1) AO1** <u>Disadvantage</u> Credit rating may reduce /less favourable credit terms **(1) AO1** Liabilities would be higher. **(1) AO1**	**(2)**

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Question Number	Answer	Mark
6 (a)(iv)	**AO2 (4)** **AO2: Four marks for correct calculation of interim dividend paid.** Number of shares eligible = 336 000 – 96 000 = 240 000 **(1) AO2** Interim dividend = (£36 000 - £21 600) = £14 400 **(1) AO2** Dividend per share = £14 400 **(1of) AO2** 240 000 = £0.06 (6 pence) **(1of) AO2**	**(4)**

Question Number	Answer	Mark
6 (a)(v)	**AO2 (3)** **AO2: Three marks for correct calculation of interest paid on the bank account during the year.** Interest paid on debenture = (£400 000 x 8%) /2 **(1) AO2** = £16 000 **(1) AO2** Interest on bank account = (£38 000 - £ 16 000) = £22 000 **(1of) AO2**	**(3)**

Question Number	Answer	Mark
6 (a)(vi)	**AO2 (2)** **AO2 : Two marks for correct calculation of bank balance at start of the year.** = (£2 486 000 O/D) - £239 000 **(1) AO2** = £2 725 000 O/D **(1) AO2**	**(2)**

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Question Number	Answer	Mark
6 (a)(vii)	**AO2 (4)** **AO2: Four marks for correct calculation of movement on bank balance during the year.** Year end bank balance = (£273 000) O/D - £257 000 **(1) AO2** = £530 000 O/D **(1) AO2** Yearly movement = (£2 725 000 **(of)**) O/D - £530 000 O/D **(1of) AO2** = £2 195 000 increase **(1of) AO2**	**(4)**

Question Number	Answer	Mark
6 (b)	**AO3 (4)** **AO3: Four marks for explaining each difference between a statement of cash flows and a cash budget.** Two differences – answers could include A statement of cash flows is for the past 12 months. **(1) AO3** A cash budget is for a future period. **(1) AO3** A statement of cash flows includes mostly exact figures. **(1) AO3** A cash budget involves figures that are mostly estimates. **(1) AO3** A statement of cash flows is prepared mainly for external users. **(1) AO3** A cash budget is mainly for internal use. **(1) AO3** A statement of cash flow is usually for a period of one year. A cash budget may be for a period of months. A statement of cash flows is a legal requirement for a company. A cash budget is not a legal requirement/but maybe required by a bank. Maximum of two differences. Award mark for first statement, then award for second statement only if a difference.	**(4)**

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Question Number	Indicative Content	Mark
6 (c)	**AO4 (6)** Possible answers: <u>Liquidity performance/position good</u> Cash inflow from operating activities of £2 716 000 Cash and cash equivalents improved from negative £2 486 000 at year start to negative £273 000 at year end. An improvement of £2 213 000. Debenture was repaid, which should reduce future interest payments. <u>Liquidity performance/position poor</u> Cash and cash equivalents are negative £273 000 at year end. Cash flows from investing activities and financing activities are negative. <u>Decision</u> The performance of the company concerning liquidity over the year has been good, as the liquidity position has improved. However, the position itself is not good, and cash and cash equivalents are negative £273 000	**(6)**

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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.
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