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Mark Scheme (Results)

October 2025

Pearson Edexcel International Advanced Level in Accounting
WAC11/01A

Unit 1: 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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1 (a)(i)

AO2 (4),
A02: Four marks for calculating the assets and liabilities figures and the resulting capital.

Capital:

Assets	**£**	
Inventory	9 800	
Trade receivables	12 400	
Warehouse fixtures	15 000	
Office computers	24 000	
Prepaid	1 100	
Bank	2 600	
	64 900	**(1)** AO2
Less liabilities		
Trade payables	8 750	
Accrual	750	
Bank loan	20 000	
	29 500	**(1)** AO2
Capital	35 400	**(2/1of)** AO2

(4)

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(b)(i) **AO1 (4), AO2 (8), AO3 (8),**
A01: Four marks for recording the given expense in the account without adjustment.
A02: Eight marks for calculating the figure and inserting this correctly in the account.
A03: Eight marks for calculating the corrected figure from its component elements and applying the figure to the correct section of the account.

Kokila
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 September 2025

	£	£	
Revenue 84 000 + (95 250 **[1]** – 12 400 **[1]** +13 500 **[1]**)		180 350	**(4)** AO3
Less			
Opening inventory	9 800		
Purchases 85 700– 8 750 **[1]** +11 150 **[1]**	88 100		**(3)** AO3
	97 900		
Less Closing inventory 8 200**[1]** – 300	(7 900)		**(2)** A01/AO2
Cost of sales		(90 000)	**(1of)** AO2+w
Gross profit		90 350	
Plus Commission receivable 3 400 + 800		4 200	**(1)** AO2
		94 550	
Less expenses:			
Wages 14 250 – 750 + 500	14 000		**(1)** AO2
Rent	6 000		**(1)** AO1
Sundry expenses 6 950 + 10 500	17 450		**(1)** AO2
Loan interest	1 300		**(1)** AO1
Rates and insurance 5 300 + 1 100 – 1 700	4 700		**(1)** AO3
Delivery expenses	15 670		**(1)** AO1
Depreciation – Warehouse fixtures	1 200		**(1)** AO2
Office computers	3 000		**(1)** AO2
Creation of allowance for irrecoverable debts	780		**(1)** AO2
		(64 100)	
Profit for the year		30 450	
			(20)

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(b)(ii) **AO1 (4), AO2 (10), AO3 (1),**
A01: Four marks for recording the given expense in the account without adjustment.
A02: Ten marks for calculating the figure and inserting this correctly in the account.
A03: One mark for calculating the correct value of trade receivables

Statement of Financial Position at 30 September 2025

Non-current assets			**Carrying value**
	£	**£**	**£**
Warehouse fixtures			13 800 **(1)** AO2
Office computers			25 000 **(1)** AO2
			38 800 **(1)** AO2
Current assets			
Inventory		7 900 **(1of)** AO1	
Trade receivables	13 500		
Less Allowance	(780) **(1)** AO2		
		12 720 **(1)** AO3	
Other receivables: Rates and insurance		1 700 **(1)** AO2	
Commission receivable		800 **(1)** AO2	
Bank		19 080 **(1)** AO1	
			42 200
Total assets			81 000
Capital and equity:			
Capital 1 October 2024		35 400 **of**	
Profit for the year		30 450 **of**	
		65 850	
Less Drawings		(11 500)	**(1)** AO2
Capital 30 September 2025			54 350 **(1of)** AO2
Non-current liabilities (1) AO1			
Bank loan			15 000 **(1)** AO1
Current liabilities			
Trade payables		11 150	**(1)** AO2
Other payables: wages		500	**(1)** AO2
			11 650
Total capital and liabilities			81 000

(15)

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(c) **AO2 (4)**
A02: Four marks for stating advantages of double entry

Valid answers may include:

- Easier to carry out checks on the records kept
- Easier to prepare financial statements
- Detailed record of each trade receivables/trade payables account
- Detailed records of expenditure to control costs
- Can monitor business progress and make informed decisions
- Can manage business more effectively
- increases accuracy of financial statements
- reduces potential for fraud

(1) AO2 x 4 points **(4)**

(d)**AO1 (1), AO2 (1), AO3 (5), AO4 (5)**

Valid answers may include:

Use of fixed wage

Fixed cost each month for Kokila and/or predictable income for employee.
Staff can spend time advising customers without needing to make a sale.
Encourages staff loyalty from those who have thorough product knowledge but are not natural sellers.

Use of commission only

Link of wage payment to number of phones sold.
Staff will become more motivated to sell phones and may work harder to do so.
Selling techniques and time spent selling will improve.
May lead to some inappropriate practices of selling phones.

Decision
Candidates may conclude that it would be more appropriate to remunerate using a fixed wage or commission. The candidate's conclusion 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.

(Total 55 marks)

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2(a) **AO1 (14), AO2 (1),**

A01: Fourteen marks for recording the given expense in the trial balance
A02: One mark for determining the Suspense figure

Bani
Trial Balance at 30 September 2025

	Dr	**Cr**
	£	**£**
Bank overdraft		600 (1)AO1
Capital		5 000 (1)AO1
Drawings	6 460 (1)AO1	
General expenses	9 300 (1)AO1	
Inventory	5 350 (1)AO1	
Irrecoverable debts	450 (1)AO1	
Non-current assets (at cost)	30 000 (1)AO1	
Provision for depreciation		7 500 (1)AO1
Purchases	25 100 (1)AO1	
Rent receivable		1 400 (1)AO1
Returns inwards	1 150 (1)AO1	
Revenue		62 300 (1)AO1
Trade payables		8 200 (1)AO1
Trade receivables	6 750 (1)AO1	
Suspense	440 (1of)AO2	
	85 000	85 000

(15)

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2(b)**AO1 (5), AO2 (8),**

A01: Five marks for recording the journalised expense in the suspense account with appropriate narratives.
A02: Eight marks for recording the journal correction, narrative and value

(i)

		Journal		
		Dr	**Cr**	
		£	**£**	
(1)	Purchases	360		(1) AO2
	Suspense		360	(1) AO2
(2)	Bank	400		(1) AO2
	Suspense		400	(1) AO2
(3)	General expenses	130		(1) AO2
	Suspense		130	(1) AO2
(4)	Suspense	450		(1) AO2
	Drawings		450	(1) AO2

(ii)

Suspense Account

	£		**£**
Balance	440 (1of)AO1	Purchases	360 (1) AO1
Drawings	450 (1)AO1	Bank	400 (1) AO1
		General expenses	130 (1) AO1
	890		890

(13)

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2(c) **AO1 (3), AO2 (6),**

A01: Three marks for naming errors not revealed by the trial balance
A02: Six marks for explaining how the three errors chosen occur

Three from the following:

Error of original entry **(1)** AO1+ **(2)** AO2 for explanation
An **incorrect figure [1]** usually in the day journals, is entered into **both accounts** in the ledger/books of account. **[1]**

Error of omission **(1)** AO1+ **(2)** AO2 for explanation
Transaction is **completely omitted [1]** from posting to the **ledger [1]**

Error of commission **(1)** AO1 + **(2)** AO2 for explanation
Double entry is entered in the **wrong account [1]** of the **same class. [1]**

Error of principle **(1)** AO1 + **(2)** AO2 for explanation
Double entry is entered in the **wrong account [1]** of a **different class.[1]**

Error of reversal **(1)** AO1 + **(2)** AO2 for explanation
The correct amount is entered in the **correct accounts [1]** but the entry is on the **wrong side of both accounts [1].**

Compensating error **(1)** AO1 + **(2)** AO2 for explanation
Two or more [1] separate errors **cancel each other out [1].**

Any three errors **(1)** AO1 for identification (2) AO2 for explanation x 3

(9)

2(d) **AO1 (2), AO2 (4),**

A01: Two marks for placing the opening balance on the debit and bringing the closing balance down on the debit
AO2: Four marks for correctly selecting and placing totals in the control account.

Trade Receivables Ledger Control Account

	£		**£**
Balance b/d	5 630 **(1)** AO1	Returns inwards	1 150 (1)AO2
Revenue	62 300 **(1)** AO2	Bank: Receipts	59 580 (1) AO2
		Irrecoverable debts	450 (1) AO2
		Balance c/d	6 750
	67 930		67 930
Balance b/d	6 750 (1) AO1		

(6)

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2(e) AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Potential arguments for the existing policy

Actual value of irrecoverable debts will be accurate and recorded when they occur.
It is simple to apply / saves time, just record irrecoverable debts when they occur.
No estimates required of which debts will become irrecoverable, therefore time can be spent on other matters.
A provision is only an estimate/is difficult to estimate.
The recorded profit will be higher.

Potential arguments against the existing policy

Prudence principle not applied.
Profit for the year could be overstated because it is almost certain that some credit customers will cease trading and be unable to meet their debt.
Trade receivables total in financial position statement will probably be overstated.
Business could be destabilised by the risk of significant irrecoverable debt(s) in the future.

Decision

Candidates may conclude that it is appropriate to record irrecoverable debts when they occur or to maintain an allowance for irrecoverable debts. Candidate's decision should be supported by an appropriate rationale.

(12)

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	0	A completely incorrect response.
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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.

(Total: 55 marks)

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SECTION B

3(a) AO1 (4)
A01: Four marks for recalling provisions of 1890 Act

- Profits and losses shared equally
- No interest on capital
- No salaries
- No interest on drawings
- 5% interest on loans over and above the capital.

(1) AO1 per point MAX 4 points **(4)**

(b)(i) **AO1 (1), AO2 (4), AO3 (3),**
A01: One mark for carrying down the balance of Quan
A02: Four marks for motor vehicle, inventory revaluation, loan to Quan,
A03: Three marks for settlement figure and goodwill split

Capital Accounts

	Poon £	Quan £		Poon £	Quan £
Motor vehicle	10 000 **[1]** AO2		Balance b/d	60 000	40 000
Inventory reval	4 000 **[1]**	2 000 **[1]**	Goodwill	40 000 **[1]**	20 000 **[1]** AO3
Loan to Quan	50 000 **[1]** AO2				
Bank settlement	36 000 **[1]** AO3				
Balance c/d		58 000			
	100 000	60 000		100 000	60 000
			Balance b/d		58 000 **(1of)** AO1

AO1 = 1 mark AO2 = 4 marks AO3 = 3 marks

(8)

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(ii) **AO1 (1), AO2 (2)**
A01: One mark for the balance b/d
A02: Two marks for recording the bank payment to Poon and the bank loan receipt.

Bank Account

	£		£
Balance b/d	2 000	Poon	36 000 (1of) AO2
8% Bank loan	30 000 (1) AO2		
Balance c/d	4 000		
	36 000		36 000
		Balance b/d	4 000 (1of) AO1

(3)

(iii) **AO1 (3), AO2 (6)**
A01: Three marks for recording the given figure in the account.
A02: Six marks for calculating the figure and inserting this correctly in the account.

Quan - Statement of Financial Position at 1 October 2025

	£	£
Non-current Assets		
Goodwill	60 000 (1) AO2	
Motor vehicles	15 000	
Fixtures and fittings	9 000	
		84 000 (1) AO2
Current Assets		
Inventory	30 000 (1) AO2	
Trade receivables	46 000 (1) AO1	
		76 000
		160 000
Capital:		
Quan		58 000 (1of) AO2
Current Liabilities		
Trade payables	18 000 (1) AO1	
Bank overdraft	4 000 (1of) AO2	
		22 000
Non-current Liabilities		
Loan – Poon	50 000 (1) AO2	
8% Bank loan	30 000 (1) AO1	
		80 000
		160 000

(9)

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(c) **AO2 (1), AO3 (2), AO4 (3)**

Valid answers may include

In favour retaining goodwill

Shows all assets at valuation and therefore the value of the business.

Goodwill is an asset that the business owns and therefore should be included to give a true value of the business.

Goodwill should be included when there is a change in ownership of the business (or owners) retiring to reward the good work which has boosted the reputation of the business.

Against retaining goodwill.

Not prudent to record goodwill because it can disappear very quickly.

As an Intangible asset, it is very difficult to value accurately.

Can suddenly reduce/increase in value for reasons beyond the business control.

Decision

Candidates may conclude that it is appropriate/ not appropriate to maintain goodwill in his books. Candidate's decisions should be supported by an appropriate rationale.

(6)

Level	Mark	Descriptor
	0	A completely incorrect response.
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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

(Total: 30 marks)

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4 (a)(i) **AO1 (4),**

A01: Four marks for defining the terms

Fixed cost – one which is **constant** (1) AO1 over period of time or **range of production** (1) AO1

Variable cost- one which **varies directly** (1) AO1 with the **level of output** (1) AO1

(4)

(ii)A01: Two marks for stating examples

Fixed cost – licence/insurance/ depreciation (1) AO1
Variable cost – Diesel (1) AO1 **(2)**

(b) **AO1 (3), AO2 (1), AO3 (2),**
A01: Three marks for transferring given balances
A02: One mark for total containing all elements
A03: Two marks for depreciation and diesel

(i)

	£
Depreciation	3 600 (1) AO3
Licence	700 (1) AO1
Insurance	4 000 (1) AO1
Maintenance and servicing	500 (1) AO1
Diesel	4 800 (1) AO3
Total annual running cost	13 600 (1of) AO2

(6)

(ii) AO2 (2). AO3 (1)
A02: Two marks for calculation of cost per metre
AO3: One mark for accurate final rate

Annual running cost £13 600 (1of) AO2 = £0.34 per kilometre (1) AO3
Annual kilometres 40 000 (1) AO2

(3)

(iii) AO2 (3)
A02: Three marks for calculating annual profit

(iii)

	£
Income 40 000 x £0.55	22 000 (1) AO2
Less Total running costs	13 600 (1of) AO2
Profit for the year	8 400 (1of) AO2

(3)

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(c) (i) **AO2 (3)**

A02: Three marks for explaining term

Revaluation – Each year **value the taxi at end of year market value.** (1) AO2
Deduct the **previous years' market taxi value** (1) AO2 to arrive at the **depreciation to be charged for the year**. (1) AO2

(3)

(ii) AO2 (3)

A02: Three marks for explaining term

Reducing balance – **Deduct the accumulated depreciation to date from the cost of the taxi** (1) AO2 Multiply **the result by an agreed percentage** (1) AO2 to **obtain the depreciation to be charged for the year**. (1) AO2

(3)

(d) **AO2 (1), AO3 (2), AO4 (3)**

Valid answers may include:

Arguments for change to reducing balance

Cost of depreciation and maintenance will rise as taxi becomes older therefore combining the two costs evens out the total cost of ownership.
Carrying value for straight line depreciation does not reflect market value in the early years because of the high loss in market value in the early years.

Arguments for retaining straight line

Same depreciation each year matching equal usage of the asset.
Consistent with previous calculations, consistency concept applied.
The method takes into account expected residual values.
It reduced the risk of arithmetical errors.

Decision

Candidates may conclude that it is appropriate/ not appropriate to change the method of depreciation. Candidate's decisions should be supported by an appropriate rationale.

(6)

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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

(Total: 30 marks)

5 **(a) AO2 (4),**

A02: Four marks for selecting the units and prices remaining in the inventory at the end of each quarter.

Date	Receipts	Issues	Balance
Opening balance			120 @ £800
October to December 2024	80 £750	90@ £800	30@ £800 80@ £750 **(1)AO2**
January to March 2025	70 @ £700	30 @ £800 30 @ £750	50 @ £750 70 @ £700 **(1)AO2**
April – June 2025	100 @ £650	50 @ £750 30 @ £700	40 @ £700 100 @ £650 **(1)AO2**
July – September 2025	60 @ £600	40 @ £700 30 @ £650	70 @ £650 60 @ £600 **(1)AO2**
Closing balance			£81 500

(4)

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(b)AO1 (5), AO2 (6), AO3 (3),

A01: Five marks for recording the given expense in the account.
A02: Six marks for calculating the figure and inserting this correctly in the account.
A03: Three marks for calculating the corrected figure and then carrying out the correct apportionment before applying the figure to the correct section of the account.

Banwell Products

Manufacturing Account for the year ended 30 September 2025

	£	£	
Opening inventory	96 000		
Purchases	210 000		**(1)**AO2
	306 000		
Closing inventory	(81 500)		**(1)of** A01
Cost of raw materials		224 500	
Machinist's wages	93 000		**(1)**AO1
Assembly wages (83 500 – 6 500)	77 000		**(1)**AO2
		170 000	
Prime cost		394 500	**(1of)**AO2 **w**
Manufacturing overheads:			
Production management salaries	84 000		**(1)**AO1
Indirect manufacturing wages	16 800		**(1)**AO1
Depreciation on equipment	45 000		**(1)**AO1
Rent	34 000		**(1)**AO3
Insurance	21 000		**(1)**AO3
		200 800	
		595 300	**(1of)**AO2
Work in progress:			
Opening inventory 1 October 2024	55 000		
Closing inventory 30 September 2025	(47 300)		
		7 700	**(1)**AO2
Cost of production		603 000	
Profit on manufacture		37 000	**(1of)**AO3 **w+f**
Transfer to trading account		640 000	**(1)**AO2 **w+f**

(14)

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(c) AO1 (4), AO2 (2)

A01: Four marks for demonstrating knowledge of the treatment of prepaid expenses and depreciation.
A02: Two marks for applying knowledge of unrealised profits to profits on manufacture.

(i) The value of the prepaid wages would be recorded under the heading of **Other receivables (1)**AO1 under **current assets. (1)**AO1 **(2)**

(ii) The annual depreciation would be **added to the accumulated depreciation (1)**AO1 and **deducted from the cost to establish the carrying value. (1)**AO1 **(2)**

(iii) The value of the **inventory of finished goods (1)**AO2 would be **reduced by the balance of the provision for unrealised profit** under current assets. **(1)**AO2 **(2)**

(d) **AO2 (1), AO3 (2), AO4 (3)**

Potential positive arguments for LIFO

Issues will be close to the current replacement cost.
Quotations and pricing decisions will be based on up-to-date cost information.

Potential negative points for LIFO

It is not accepted by tax authorities or IAS
Deflation will cause remaining inventory to become increasingly over-valued.
A higher closing inventory value will result in higher tax charges based on a higher profit figure.

Decision

Candidates may conclude that it is appropriate/ not appropriate to use LIFO. Candidate's decisions should be supported by 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.

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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.
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: 30 marks)

6(a) AO1 (4)
A01: Four marks for explaining the terms.

(i) Profitability – The amount of **profit earned (1)** AO1 by a business for every **£ of capital invested. (1)** AO1 **OR** the ability of the business to **generate profit. (1)** AO1

(ii) Liquidity – The ability of the business to **meet financial commitments/current liabilities (1)** AO1 as they **fall due. (1)** AO1

(4)

(b) AO1 (1), AO2 (3),
A01: One mark for using the opening bank balance
A02: Three marks for calculating the total receipts and expenditure and calculating the closing balance.

Receipts	£	**Payments**	£
Receipts from trade receivables	625 000	Payments trade payables	580 000
6% Loan taken out by Yaso	300 000	Non-current assets	250 000
		Expenses paid	125 000
		Drawings	40 000
	925 000		995 000

Balance 40 000 **(1)** AO1+ 925 000 **(1)** AO2– 995 000 **(1)** AO2= 30 000 overdraft **(1of)** AO2

(4)

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(c) AO2 (9), AO3 (3),
A02: Nine marks for identifying the correct figure, inserting it correctly into the ratio and carrying out the calculation followed by the correct relationship.
A03: Three marks for calculating the corrected figure and then correctly inserting it into the ratio

(i) Inventory turnover (times)

$$\frac{560\,000}{(35\,000 + 45\,000)/2}$$ **(1)** AO3 = 14.00 times **(1)** AO2

(2)

(ii) Current ratio

$$\frac{45\,000 + 160\,000 + 20\,000}{60\,000 + 30\,000 \text{ of}}$$ **(1)** AO3 = 2.50:1 **(1of)** AO2

(2)

(iii) Liquid (acid test) ratio

$$\frac{160\,000 + 20\,000}{60\,000 + 30\,000}$$ **(1of)** AO2 = 2.00:1 **(1of)** AO2

(2)

(iv) Trade payables payment period (in days)

$$\frac{60\,000 \times 365}{570\,000}$$ **(1)** AO2 = 38.42 days **(1)** AO2

(2)

(v) Trade receivables collection period (in days)

$$\frac{160\,000 \times 365}{800\,000}$$ **(1)** AO2 = 73 days **(1)** AO2

(2)

(vi) Non-current assets to revenue

$$\frac{800\,000}{320\,000}$$ **(1)** AO2 = 2.5:1 **(1)** AO3

(2)

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6(d) AO2 (1), AO3 (2), AO4 (3)

OWN FIGURE RULE APPLES

Potential positive arguments in favour of liquidity position liquidity

The current ratio and liquid (acid test) ratio is **better** than the accepted benchmark.
The current ratio and liquid (acid test) ratio is **better** than last year and the sector average.
Inventory is being turned over **quicker** than last year and the sector average.
Trade payables payment period is slightly **better** than last year and the sector average

Potential negative points for liquidity position

The current and liquid (acid test) ratio **suggest there could be idle funds.** However, the current assets mainly consist of **outstanding trade receivables**.
The trade receivables collection at 73 days is **far too high** and **debt control** and collection procedures need to be implemented.
Trade receivables collection has **worsened** and is more than twice the sector average.
Although the revenue to non-current assets is comparable with last year and the sector average. The **purchase of £250 000** of new non-current assets has had an effect on the **availability of cash**.
The bank balance is now **overdrawn**.

Decision
Candidates may conclude that the liquidity of the business has some good aspects with improvements on both last year and the sector average. Candidates should conclude that there is concern about the level of trade receivables which stands at 73 days up from 50 days and a sector average of 35 days.

(6)

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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.

(e)
AO1 (4)
A01: Four marks for listing non-financial factors

Skill of the staff
Management
Product range
Product development
Location of the business
Reputation

4 x **(1)** AO1

(4)

(Total: 30 marks)