



Mark Scheme (Results)

January 2025

Pearson Edexcel International Advanced Level
In Accounting (WAC11) Paper 01
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.

1(a) AO1:(7) AO2(10):AO3(3)

AO1: Seven marks for recording given balances

AO2: Ten marks for calculating and correct adjustment of balance

AO3: Three marks for cost of sales, electricity and water, salaries

Aaira and Benul
Statement of Profit or Loss and Other Comprehensive Income for the
year ended 31 December 2024

	£	£
Revenue		425 000
Less		
Opening inventory	52 000	
Purchases	200 000	
Carriage inwards	<u>5 500 (1)AO1</u>	
	257 500	
Closing inventory	<u>(62 500)</u>	
Cost of sales		(195 000) (1)AO3 + W
Gross profit		230 000
less		
Allowance for irrecoverable debts	500 (1)AO2	
Bank loan interest (1 800 + 1 200)	3 000 (1)AO2	
Computer training expenses	8 900 (1)AO1	
Delivery vehicle expenses	18 700 (1)AO1	
Discount allowed	4 100 (1)AO1	
Electricity and water (6 200+900-600)	6 500 (1)AO3	
General expenses (7 300 – 400)	6 900 (1)AO2	
Irrecoverable debts (1 500 + 3 000)	4 500 (1)AO2	
Depreciation – Delivery vehicles	18 000 (1)AO2	
Computer equipment	7 000 (1)AO2	
Fixtures and fittings	2 300 (1)AO2	
Rent and rates	14 500 (1)AO1	
Salaries (75 000 -5 000 – 12 000)	58 000 (1)AO3	
Wages	<u>39 600 (1)AO1</u>	
		(192 500)
Profit for the year		37 500 (1of)AO1+W
Less		
Interest on capital		
Aaira	3 000	
Benul	<u>1 500</u>	(1)AO2 Both
		(4 500)
Salaries		
Aaira	5 000	
Benul	<u>12 000</u>	(1)AO2 Both

		(17 000)
		16 000
Share of profit		
Aaira	9 600	
Benul	<u>6 400</u>	(1of) AO2 Both
		<u>(16 000)</u>

(20)

(b)(i) AO1:(4) AO2(1)

AO1: Four marks for transferring appropriation balances and drawings

AO2: One mark for recording salaries paid

Date		Aaira	Benul	Date		Aaira	Benul
		£	£			£	£
2024				2024			
1 Jan	Balance b/d	3 250		1 Jan	Balance b/d		650
	Drawings	7 500	8 000		Int on cap	3 000	1 500
	Salary paid	5 000	12 000		Salary	5 000	12 000
31 Dec	Balance c/d	<u>1 850</u>	<u>550</u>		Profit share	<u>9 600</u>	<u>6 400</u>
		<u>17 600</u>	<u>20 550</u>			<u>17 600</u>	<u>20 550</u>
2025				2025			
				1 Jan	Balance b/d	1 850	550

(5)

(1)AO1 x 4 BOTH partners int on cap, salary, share of profit (OF), drawings

(1)AO2 for BOTH both salaries paid

(b)(ii) AO1:(5) AO2(12):AO3(1)

AO1: Five marks for recording given balances

AO2: Twelve marks for calculating and correct adjustment of balance

AO3: One marks for calculating depreciation of fixtures and fittings

Statement of Financial Position at 31 December 2024

	Cost	Aggregate depreciation	Carrying value
	£	£	£
Non-current assets			
Delivery vehicles	72 000	(38 000)	34 000 (1of)AO2
Computer equipment	40 000	(19 000)	21 000 (1of)AO2
Fixtures and fittings	<u>23 000 (1)AO2</u>	<u>(15 500) (1)AO3</u>	<u>7 500</u>
	<u>135 000</u>	<u>(72 500)</u>	62 500
Current assets			
Inventory		62 500 (1)AO1	
Trade receivables			
(41 000- 3 000)	38 000 [1]AO2		
Less Allowance	<u>(1 900) [1]AO2</u>		
		36 100 (2)	
Other receivables			
600 [1] + 400 [1]		1 000 (2)AO2	
Cash and bank -			
(8 400[1] - 3 000[1])		<u>5 400 (2)AO2</u>	
			105 000
			<u>167 500</u>
Total assets			
	Aaira	Benul	
Capital	50 000	25 000	75 000 (1)AO1
Current accounts	1 850 (OF)	550 (OF)	2 400 (1of)AO1
Non-current liability			
5% bank loan			48 000 (1)AO1 +W
Current liabilities			
Trade payables		28 000 (1)AO2	
5% bank loan		12 000 (1)AO1	
Other payables:			
900 [1] +1 200 [1]		<u>2 100 (2)AO2</u>	
			42 100
			<u>_____</u>

Total capital and liabilities			<u>167 500</u>
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(18)

(c) AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Arguments for taking an 8% bank loan

All the profits of the business can still be shared by two partners not three.

No dilution of ownership or control

At the end of the 10-year period the business premises will be owned by Aaira and Benul and do not have to be shared with a third partner.

Interest can be paid as a business expense and not an appropriation of profit.

Arguments for taking an additional partner

An extra partner would aid the day-to-day management of the business.

The extra partner would bring expertise into the business.

The capital sum does not have to be repaid.

The interest to be paid annually on the capital is at a lower rate than the bank loan.

Decision

Candidates may conclude that it is better to take an 8% bank loan or an additional partner.

Candidates' conclusion should be supported by an appropriate rationale.

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.

		<p>A coherent and logical chain of reasoning, showing causes and effects.</p> <p>Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.</p>
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(12)

Q1	Total marks	55
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2(a) AO1:(4)**AO1: Four marks for stating the errors not revealed**

Error of omission

Error of original entry

Error of commission

Error of principle

Error of reversal

Compensating errors

4 x 1 mark **(1)**AO1**(4)****(b) AO1:(1) AO2(13)****AO1: One marks for recording given balance****AO2: Thirteen marks for calculating value of adjustment and correct orientation****Revised Profit Calculation for the year ended 31 December 2024**

	£	£	£
Draft profit for the year			4 630
Error	Increase	Decrease	
(1) Purchase returns	350		
(2) Inventory count	486		
(3) Commission receivable		1 500	
(4) Rent and general expenses		175	
(5) Idah receipt	No	Effect	
(6) Irrecoverable debt	240		
(7) Allowance for irrecoverable debts		400	
	<u>1 076</u>	<u>2 075</u>	
Revised profit for the year			<u><u>3 631</u></u>

1 mark for correct number + 1 mark for orientation x 6 **(12)** AO2

1 mark for stating No effect **(1)** AO2

1 mark for revised profit **(1OF)** AO1

(14)

(c) AO1:(2)

AO1: Two marks for explaining the term depreciation.

The estimate of the **loss in value of a non-current asset** **(1)**AO1 over its **expected working life** **(1)**AO1.

(2)

(d) AO3(4)

AO3: Four marks for explaining the application

Going concern

The concept assumes that the business has perpetual life **(1)**AO3 and therefore the non-current assets **cost** must be **spread over the economic life of the asset**. **(1)**AO3

Consistency

Once an appropriate **depreciation method has been selected** it should be applied consistently over **future accounting periods** **(1)**AO3 to that non-current asset over its **working life so that profits are not distorted**. **(1)**AO3

(e)(i) AO1:(2) AO2(2)

AO1: Two marks for opening balance and closing balance.

AO2: Two marks for bank and disposal entries

Motor Vehicle Account

Date	Details	£	Date	Details	£
2024			2024		
1 Jan	Balance b/d	40 000 (1)AO1	30 June	Disposal	16 000 (1)AO2
1 July	Bank	<u>26 000</u> (1)AO2	31 Dec	Balance c/d	<u>50 000</u>
		<u>66 000</u>			<u>66 000</u>
2025			2025		
1 Jan	Balance b/d	50 000 (1)AO1			

(4)

(ii) AO1:(2) AO2(2)

AO1: Two marks for opening balance and closing balance

AO2: Two marks for disposal and income statement entries

Motor Vehicle – Provision for Depreciation Account

Date	Details	£	Date	Details	£
2024			2024		
30 June	Disposal	12 000 (1)AO2	1 Jan	Balance b/d	24 000 (1)AO1
31 Dec	Balance c/d	<u>19 500</u>	31 Dec	Income st'nt/Depreciation	<u>7 500</u> (1)AO2
		<u>31 500</u>			<u>31 500</u>
2025			2025		
			1 Jan	Balance b/d	19 500 (1)AO1

(4)

(iii) AO2(4)

AO2: Four marks for recording entries

Non-current Assets Disposal Account

Date	Details	£	Date	Details	£
2024			2024		
30 June	Motor vehicle	16 000 (1)AO2	30 June	Prov for dep'n	12 000 (1)AO2
	Income st'nt	<u>1 500</u> (1)AO2		Bank	<u>5 500</u> (1)AO2
		<u>17 500</u>			<u>17 500</u>

(4)

(f) AO1:(4) AO2(2):AO3(1)

AO1: Four marks for recording given balances

AO2: Two marks for calculating and correct use of balance

AO3: One marks for calculating depreciation for the year

Schedule of Non-current Assets

	Motor vehicles	Fixtures and fittings
	£	£
Cost		
Balance at 1 January 2024	40 000	13 000 (1)AO1 both
Additions	<u>26 000</u>	<u>3 000</u> (1)AO2 both
	66 000	16 000
Disposals	(<u>16 000</u>)	- (1)AO1 both
Total cost 31 December 2024	50 000	16 000
Less		
Accumulated depreciation		

Balance at 1 January 2024	24 000	7 800 (1)AO1 both
Less depreciation on Disposals	(12 000)	- (1)AO2 both
Depreciation for the year ended 31 December 2024	<u>7 500</u>	<u>2 400</u> (1)AO3 both
Total depreciation at 31 December 2024	(19 500)	(10 200)
Carrying value	30 500	5 800 (1of)AO1 both

(7)

g) AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Points for a single method and rate

Possibly simpler to use one method and one rate for all non-current assets so less likely to lead to errors in calculation of depreciation.

Equal amounts will be charged in each year reflecting equal usage of the non-current asset in the period.

Maintains consistency and so comparison between accounting periods and profits are not distorted

Points against a single method and rate

To avoid distorting profits the straight-line method will not always reflect the loss in value of each non-current asset in the year.

If non-current assets are depreciating at a faster rate in the early years of ownership the straight-line method may underestimate expenses in the statement of profit and loss and overvalue them in the financial position statement.

The approach breaches the prudence concept because losses are not being fully reflected in the accounts.

A single percentage of 15% might not be suitable for all types of non-current asset. Motor vehicles depreciate quickly and so might need a higher percentage of depreciation.

It might be difficult to calculate the residual value of a non-current asset.

Decision

Candidates may conclude that it is / or is not appropriate to charge losses in value using a single depreciation method and rate. Candidates' conclusion should be supported by an appropriate rationale.

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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.

(12)

Q2	Total marks	55
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3 (a) AO1:(2)**AO1: Two marks for stating reasons**

- Assist in locating errors
- Proof of arithmetical accuracy
- Balances of control accounts should be equal to total trade receivable or total trade payables
- Speeds up the preparation of final accounts/trial balance
- Help to detect/reduce fraud
- Provide a summary of transactions for trade receivables and trade payables.

MAX 2 x (1) AO1**(2)****(b)(i) AO1:(2) AO2(7):AO3(2)****AO1: Two marks for recording given balances with a narrative****AO2: Seven marks a narrative and correct use of balance****AO3: Two marks for contra entry and sales applied correctly****Trade Receivables Ledger Control Account**

Date	Details	£	Date	Details	£
2024			2024		
1 Dec	Balance b/d	5 550	1 Dec	Balance b/d	200 (1) AO1
	Sales	8 000 (1) AO3		Bank	6 500 (1) AO2
	Benay (cheque dishonoured)	1 200 (1) AO2		Discount allowed	180 (1) AO2
	Interest charged	40 (1) AO2		Returns in	450 (1) AO2
				Irrecoverable debts	350 (1) AO2
				Contra (set-off)	600 (1) AO3
31 Dec	Balance c/d	<u>130</u>		Balance c/d	<u>6 640</u>
2025		<u>14 920</u>	2025		<u>14 920</u>
1 Jan	Balance b/d	6 640 (1) AO2	1 Jan	Balance b/d	130 (1) AO1

(11)

(ii) AO1:(1) AO2(5):AO3(1)

AO1: One mark for recording given balances with a narrative

AO2: Five marks for a narrative and correct use of balance

AO3: One marks for contra entry

Trade Payables Ledger Control Account

Date	Details	£	Date	Details	£
2024			2024		
	Bank	4 900 (1) AO2	1 Dec	Balance b/d	3 800 (1) AO1
	Returns out	270 (1) AO2		Purchases	4 650 (1) AO2
	Discount received	70 (1) AO2			
	Contra (set-off)	600 (1) AO3			
	Balance c/d	<u>2 610</u>			—
		<u>8 450</u>			<u>8 450</u>
2025			2025		
			1 Jan	Balance b/d	2 610 (1) AO2

(c)(i) AO1:(2)

AO1: Two marks for stating possible reasons

- **Returns made after payment** has been made.
- A refund after payment.
- Cash discount (discount allowed) not recorded.
- Overpaid
- Advance payment
- Overcharged

Do not accept responses which just state Returns.

MAX 2 x (1) AO1

(2)

(ii) AO1(2)

AO1: Two marks for stating possible reasons

- Lack of funds available/bankruptcy
- Cheque inaccurate: no date, numbers and words different, not signed. **Only allow one example for one mark.**
- Cheque was out of date/ 'stale' / over six months from drawing overdue.

MAX 2 x (1) AO1

(2)

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

Reasons for using International Accounting Standards (IAS)

Accounts prepared in the same way can be compared with other time periods or other businesses.

The accounts of national and international businesses will be prepared using a common framework.

Stakeholders can have greater reliability in the accounts produced.

Points against using International Accounting Standards (IAS)

Standards are still open to interpretation and may be used in different ways.

Requires specialist knowledge of the standards of a person with accounting knowledge.

Cost of recruiting personnel to implement may be high.

IAS do not cover non-financial aspects

Decision

Candidates may conclude that it is or is not appropriate to use International Accounting Standards (IAS). Candidates' conclusion should be supported by an appropriate rationale.

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.

(6)

Q3	Total marks	30
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4 (a) AO1(4)

AO1: Four marks for stating the aspects of social accounting

- Local community
- Environment
- Workforce/staffing
- Health and safety
- Use of natural resources

MAX 4 x (1) AO1

(4)

(b) AO2(8):AO3(2)

AO2: Eight marks for calculating and correct use of balance

AO3: Two marks for calculating capital employed and credit purchases

(i)	gross profit as a percentage of revenue	$\frac{160\,000}{350\,000} \times 100 = 45.71\%$ (1) AO2 (1) AO2 (2)
(ii)	percentage return on capital employed	$\frac{5\,000 + 4\,000}{75\,000 + 40\,000} \times 100 = 7.83\%$ (1) AO2 (1) AO3 (2)
(iii)	current ratio	$\frac{16\,000 + 39\,000 + 18\,000}{20\,000} = 3.65:1$ (1) AO2 (1) AO2 (2)
(iv)	liquid (acid test) ratio	$\frac{39\,000 + 18\,000}{20\,000} = 2.85:1$ (1) AO2 (1) AO2 (2)
(v)	trade payables payment period (in days)	$\frac{20\,000 \times 365}{184\,000} = 39.67 \text{ days}$ (1) AO2 (1) AO3 (2)

(10)

(c)(i) AO1:(2)

AO1: Two marks stating positive points

Positive points

- The gross profit as a percentage of revenue is good at 45.71%
- The business has very high liquidity.
- The business does have sufficient bank balance to meet payment requirements.
- The business is generating a profit

MAX 2 x (1) AO1

(2)

(c)(ii) AO1:(2)

AO1: Two marks for stating negative points

Negative points

- Although the gross profit is good the expenses appear to be too high.
- The percentage return on capital employed is satisfactory but still rather on the low side.
- There are considerable 'idle funds' in the business.
- The trade payable payment days are high resulting in the supplier limiting credit.

MAX 2 x (1) AO1

(2)

(d)(i) AO1(1)AO2(1):AO3(1)

AO1: One mark for credit purchases

AO2: One mark for calculation of days

AO3: One mark for calculating required maximum trade payables

$\frac{15\,124 \times 365}{184\,000} = 30 \text{ days}$

or

$\frac{184\,000 (1\text{of}) AO1 \times 30}{365} = 15\,124 (1) AO3$

20 000 – 15 124 (of)= £4876 to be paid immediately (1of) AO2

(3)

(d)(ii) AO2(3)

AO2: Three marks for calculating non-current asset trade payable reduction and total bank balance

Bank £ 18 000 –£9 000 (1) **AO2** - £4 876(1of) AO2 = £4 124 (1of) **AO2**

(e) AO2 (1), AO3 (2), AO4 (3)

Points in favour of the comment

Profitability is important for a business ensuring viability and stability.

They are accepted measures of business success.

Profit is a primary objective of business

Points against the comment

There are many other aspects of measuring a business such as how it uses its assets and it manages liquidity

There are non-financial considerations such as the how good the product is, the workforce skill.

Decision

Candidates may conclude that it is or is not an accurate comment that is valid. Candidates' conclusion should be supported by an appropriate rationale.

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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(6)

Q4	Total marks	30
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5 (a) AO1:(4) AO1: Four marks for explaining the terms

Accumulated fund

The capital account of a club or non-profit making organisation. (1) **AO1**. It represents the total club assets minus total club liabilities. (1) **AO1**

Profit on sale of non-current assets

Where the sale proceeds exceed (1) **AO1** the carrying value. (1) **AO1**

(4)

(b)(i) AO2(4)

AO2: Four marks for calculating the subscriptions for the year

Date	Details	£
2024		
Year	Annual subscriptions received	4 100
1 Jan	In arrears	(300) [1]
	In advance	<u>450</u> [1]
		4 250
31 Dec	In arrears	150 [1]
	In advance	<u>(400)</u> [1]
	Subscriptions for year	4 000 (4) AO2

(4)

(ii) AO2(4):AO3(1)

AO2: Four marks for calculating the income and the actual expenditure

AO3: One marks for calculating the profit on annual prize giving

Profit or loss on annual prize giving

	£	£
Income		
Ticket sales received	1 800	
Ticket sales owing	<u>850</u> (1) AO2	
		2 650
Less		
Expenditure		
Catering paid	500 (1) AO2	
Catering owing	<u>925</u> (1) AO2	
	1 425	

Wages	<u>1 150</u> (1) AO2	
		(2 575)
Profit on annual prize giving		<u>75</u> (1) AO3
		(5)

(c) AO1:(5) AO2(4):AO3(2)

AO1: Five marks for recording given balances

AO2: Four marks for adjusting to annual income or expenditure

AO3: Two marks for calculating loss on non-current asset, electricity and water

Ashmore Bowls Club
Income and Expenditure Account
for the year ended 31 December 2024

	£	£
Income		
Annual subscriptions	4 000 (1of) AO1	
10-year subscriptions	350 (1) AO2	
Profit on annual prize giving	75 (1of) AO1	
Donations	<u>3 150</u> (1) AO1	
		7 575
Expenditure		
Loss on sale of grass cutter	150 (1) AO3	
Depreciation on non-current assets	1 500 (1) AO2	
Wages (3 450 – 1 150)	2 300 (1) AO2	
Rent	1 000 (1) AO1	
Electricity and water	1 090 (1) AO3	
(1 050 +120 +80 -160)		
Repairs	755 (1) AO1	
		(6 795)
Surplus		<u>780</u> (1OF) W
		AO1

(11)

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

Points in favour of 10-year memberships

Cash is received immediately and therefore cash flow is improved.

Reduced cost of administration of collecting debts.

No possibility of irrecoverable debts.

Attracts new customers due to the discount offered

Provides funds for capital investment.

Points against 10-year memberships

The Ashmore Bowls Club has a significant bank balance and therefore does it require so much cash.

There is a reduction in income to the club over the 10 years as there is a discount of £150.

The club is responsible for delivering the service for a 10-year period.

Future cash flows will be reduced due to prepayment of the life membership.

Decision

Candidates may conclude that it is or is not appropriate to offer 10-year memberships.

Candidates' conclusion should be supported by an appropriate rationale.

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.

(6)

Q5	Total marks	30
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6 (a) AO1:(6)

(a)(i) AO1:(1) AO2(4):AO3(2)

AO1: One mark for recording opening inventory balance

AO2: Four marks for calculating closing monthly balances

AO3: Two marks for calculating closing monthly balances for September and December

Date	Purchases/ Receipts	Sales/ Issues	Balance
2024			
1 July			5 000 @ £1 [1] AO1
July	4 000 @ £1.10	5 000	4 000 @ £1 [1] AO2
August	10 000 @ £1.30	8 000	4 000 @ £1
			2 000 @ £1.30[1] AO2
September	7 000 @ £1 50	6 000	4 000 @ £1
			2 000 @ £1.30
			1 000 @ £1.50[1] AO3
October	5 000 @ £1.60	6 000	4 000 @ £1
			2 000 @ £1.30[1] AO2
November	4 000 @ £1.80	3 000	4 000 @ £1
			2 000 @ £1.30
			1 000 @ £1.80 [1] AO2
December	3 000 @ £2	2 000	4 000 @ £1
			2 000 @ £1.30
			1 000 @ £1.80
			1 000 @ £2 [1] AO3
		Total	10 400 (7) AO1/AO2/AO3

Must contain all items of closing monthly balance for the mark

(7)

(ii) AO2(7)

AO2: Three marks for calculating the purchases

Purchases

	£	£
July	4 000 @ £1.10	[1] for two correct
August	10 000 @ £1.30	[2] for four correct
September	7 000 @ £1 50	
October	5 000 @ £1.60	
November	4 000 @ £1.80	
December	<u>3 000 @ £2</u>	
		49 100 (1) AO2

(3)

(iii) AO2(3)

AO2: Three marks for calculating the sales

Sales

	£	£
July	5 000 @ £1.40	[1] for two correct
August	8 000 @ £1.50	[2] for four correct
September	6 000 @ £1.80	
October	6 000 @ £2	
November	3 000 @ 2.20	
December	<u>2 000 @ 2.40</u>	
		53 200 (1) AO2

(3)

(b) AO1:(2) AO2(2):AO3(1)

AO1: Two marks for recording opening and closing inventories

AO2: Two marks for recording purchases and sales

AO3: One mark for calculating correct gross profit

Trading Account of Caca for the six months ended 31 December 2024

	£	£
Revenue		53 200 (1of) AO2
less		
Opening inventory	5 000 (1) AO1	
Purchases	<u>49 100</u> (1of) AO2	
	54 100	
Closing inventory	(10 400) (1of) AO1	
Cost of sales		<u>(43 700)</u>
Gross profit		<u>9 500</u> (1) AO3 (W)
		(5)

(c) AO1:(6)

AO1: Six marks for explaining the terms.

Net realisable value (NRV)

It is the selling price **(1) AO1** less any additional costs required to affect the sale **(1) AO1**

Periodic valuation

Periodically, e.g at the end of each day, week, month **(1) AO1** the total inventory will be valued using one of the methods of valuation e.g LIFO, FIFO. **(1) AO1**

Inventory rotation

Is the physical rotation of inventory. **(1) AO1** In most cases a business will physically rotate its inventory to sell the oldest inventory first to avoid deterioration or obsolescence. **(1) AO1**

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

Points in favour of changing to First In First Out (FIFO)

Accepted by the tax authorities and IA

Inventory is valued at recent costs

When prices are rising, profits will increase as the cost of sales will be lower with a higher closing inventory value

More logical in that you would rotate your inventory issuing/ selling the oldest inventory first.

Points in against changing to FIF

It does not meet the requirement of the concept of consistency, and makes year on year comparisons of profitability difficult

Higher tax liability which may affect liabilities

FIFO may overstate profits. In inflationary times the value of the inventory remaining will be valued at the oldest prices

Does not meet the requirements of the matching concept

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.

(6)

Q6	Total marks	30
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