

INTERNATIONAL A-LEVEL **ACCOUNTING**

9615/3

Paper 3 Financial Accounting

Mark scheme

Specimen

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from oxfordaqaexams.org.uk.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

The own figure rule

General principle

The own figure rule is designed to ensure that students are only penalised once for a particular error at the point at which that error is made, and suffer no further penalty as consequence of the error. The error could be in an account, a calculation, financial statement, or prose explanation. Where the own figure rule is to be applied in a mark scheme, the symbol **OF** is used.

Applications

In an account: a student could still achieve a mark for balancing an account with their own figure, rather than the correct figure, if they had made an error in the account (such as the omission of an entry, or the inclusion of an incorrect figure for an otherwise valid entry). However, it should be noted that an own figure would not be awarded for the balance of an account, if the account contained any item which should not have appeared (often referred to as an 'extraneous/alien' item).

In a complex calculation to which several marks are allocated: a student could achieve an own figure mark for the result of a complex calculation, if an error has been made in one of the steps leading to the final result. The complex calculation could be a separate task, or an aspect of a larger requirement (such as workings to provide details for a financial statement).

In a financial statement: a student could still achieve a mark for calculating an own figure for a key subtotal within a financial statement where an error had already occurred in the data making up the subsection (such as the omission of an item, or an incorrect figure for an otherwise valid entry). Again, the own figure for a subtotal would not be given if the subsection included any 'alien' item.

In a prose statement: a student who is explaining or interpreting some financial statements or data that they have prepared but which contains errors, would be credited with an appropriate interpretation of their own figures.

Workings

A '**W**' next to a figure in the mark schemes means that the figure needs to be calculated by the student to which workings are shown for reference. If the figure the student has given in their answer is wrong and the marks given for that calculation are more than 1 then the marker must refer to the working for that item. The working will show the steps of the calculation to which the marks are attributed and the student should be allocated the marks for the steps they completed correctly.

Section A

Question	Answer	Total marks
01	D The value of a business's assets and liabilities at a point in time	1 AO1 = 1

Question	Answer	Total marks
02	D Realisation	1 AO1 = 1

Question	Answer	Total marks
03	C To provide a set of rules which benefits all companies	1 AO1 = 1

Question	Answer	Total marks
04	D \$19 500 profit	1 AO1 = 1

Question	Answer	Total marks
05	D Current liabilities \$1 200	1 AO1 = 1

Question	Answer	Total marks
06	<p style="text-align: center;">A</p> $\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$	<p style="text-align: center;">1</p> <p style="text-align: center;">AO1 = 1</p>

Question	Answer	Total marks
07	<p style="text-align: center;">B</p> $\frac{\text{Profit from operations}}{\text{Equity + non-current liabilities}} \times 100$	<p style="text-align: center;">1</p> <p style="text-align: center;">AO1 = 1</p>

Question	Answer	Total marks
08	<p style="text-align: center;">C</p> <p style="text-align: center;">Local community</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">AO1 = 1</p>

Question	Answer	Total marks
09	<p style="text-align: center;">C</p> <p style="text-align: center;">240 000</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">AO1 = 1</p>

Question	Answer	Total marks
10	<p style="text-align: center;">A</p> <p style="text-align: center;">\$5 500</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">AO1 = 1</p>

Question	Part	Marking guidance	Total marks																																
11		<p>Prepare the subscriptions account at 30 April 2023. Bring any balances down on 1 May 2023.</p> <table><tr><th colspan="4">Subscriptions Account</th></tr><tr><th colspan="2">Dr</th><th colspan="2">Cr</th></tr><tr><th>Details</th><th>\$</th><th>Details</th><th>\$</th></tr><tr><td>Balance b/d</td><td>320 (1)</td><td>Receipts and Payments</td><td>5 440 (1)</td></tr><tr><td>Income and Expenditure</td><td>5 000 (1)</td><td></td><td></td></tr><tr><td>Balance c/d</td><td><u>200</u></td><td>Balance c/d</td><td><u>80</u></td></tr><tr><td></td><td><u>5 520</u></td><td></td><td><u>5 520</u></td></tr><tr><td>Balance b/d</td><td>80 (1)</td><td>Balance b/d</td><td>200 (1)</td></tr></table> <p>Marker note: To award marks: The entries must be on the correct side and have an appropriate label. The label should refer to the other account involved in the transaction and not a description of the transaction. Accept reasonable abbreviations, e.g. for balance entries accept bal b/d, bal b/fwd.</p>	Subscriptions Account				Dr		Cr		Details	\$	Details	\$	Balance b/d	320 (1)	Receipts and Payments	5 440 (1)	Income and Expenditure	5 000 (1)			Balance c/d	<u>200</u>	Balance c/d	<u>80</u>		<u>5 520</u>		<u>5 520</u>	Balance b/d	80 (1)	Balance b/d	200 (1)	5 AO1 = 5
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Question	Part	Marking guidance	Total marks																																																																																																				
12		<p>Complete the partnership capital accounts after all these transactions have taken place.</p> <table><tr><th colspan="4">Dr</th><th colspan="4">Capital Accounts</th><th colspan="4">Cr</th></tr><tr><th>Details</th><th>Mike \$</th><th>Nu \$</th><th>Oliver \$</th><th>Details</th><th>Mike \$</th><th>Nu \$</th><th>Oliver \$</th></tr><tr><td>Goodwill</td><td>30 000</td><td>30 000</td><td>-</td><td>Balance b/d</td><td>70 000</td><td>60 000</td><td>30 000</td></tr><tr><td></td><td colspan="3">(1) W2 Goodwill written off</td><td></td><td colspan="3">(1) For all three balances</td></tr><tr><td>Bank</td><td>2 500 (1) OF</td><td></td><td>42 500 (1) OF</td><td>Revaluation</td><td>7 500</td><td>5 000</td><td>2 500</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td colspan="3">(1) W1 Revaluation</td></tr><tr><td>Balance c/d</td><td>75 000</td><td>75 000</td><td>-</td><td>Goodwill</td><td>30 000</td><td>20 000</td><td>10 000</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td colspan="3">(1) W2 Goodwill</td></tr><tr><td></td><td></td><td></td><td></td><td>Bank</td><td></td><td>20 000 (1) OF</td><td></td></tr><tr><td></td><td>107 500</td><td>105 000</td><td>42 500</td><td></td><td>107 500</td><td>105 000</td><td>42 500</td></tr><tr><td></td><td></td><td></td><td></td><td>Balance b/d</td><td>75 000</td><td>75 000</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td colspan="3">(1) For both balances</td></tr></table>	Dr				Capital Accounts				Cr				Details	Mike \$	Nu \$	Oliver \$	Details	Mike \$	Nu \$	Oliver \$	Goodwill	30 000	30 000	-	Balance b/d	70 000	60 000	30 000		(1) W2 Goodwill written off				(1) For all three balances			Bank	2 500 (1) OF		42 500 (1) OF	Revaluation	7 500	5 000	2 500						(1) W1 Revaluation			Balance c/d	75 000	75 000	-	Goodwill	30 000	20 000	10 000						(1) W2 Goodwill							Bank		20 000 (1) OF			107 500	105 000	42 500		107 500	105 000	42 500					Balance b/d	75 000	75 000							(1) For both balances			8 AO1 = 8
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Workings:

W1 Revaluation surplus: shared \$15 000 in ratio 3:2:1, ie Mike $\frac{1}{2} \times \$15\,000 = \$7\,500$;
Nu $\frac{1}{3} \times \$15\,000 = \$5\,000$; Oliver $\frac{1}{6} \times \$15\,000 = \$2\,500$ Award 1 mark for all 3 figures **(1)**

W2 Goodwill adjustment:

	Mike	Nu	Oliver	
	\$	\$	\$	
Goodwill shared 3:2:1	30 000	20 000	10 000	(1)
Goodwill written off	(30 000)	(30 000)		(1)

Alternative answer (below) if students net-off goodwill

Net		(10 000) (1)	10 000 (1)	
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Marker note:

The bank entries are for correctly calculating the amount due to Oliver and for ensuring that Mike and Nu have capital balances of \$75 000 each.

Alternative approach on next page

Alternative answer if students net-off the goodwill adjustment

Dr

Capital Accounts

Cr

Details	Mike \$	Nu \$	Oliver \$	Details	Mike \$	Nu \$	Oliver \$
Goodwill		10 000 (1) W2	-	Balance b/d	70 000	60 000	30 000
					(1) For all three balances		
Bank	2 500 (1) OF		42 500 (1) OF	Revaluation	7 500	5 000	2 500
					(1) W1 Revaluation		
Balance c/d	75 000	75 000	-	Goodwill			10 000 (1) W2
				Bank		20 000 (1) OF	
	77 500	85 000	42 500		77 500	85 000	42 500
				Balance b/d	75 000	75 000	
					(1) For both balances		

Section B

Question	Part	Marking guidance	Total marks																																								
13	1	<p>Prepare an extract of the manufacturing account for the year ended 31 August 2023 starting with prime cost.</p> <p style="text-align: center;">Dewray Ltd</p> <p style="text-align: center;">Manufacturing Account (extract) for the year ended 31 August 2023</p> <p style="text-align: center;">\$000</p> <table border="1"> <tbody> <tr> <td>Prime cost</td><td>1 207</td><td>(1)</td><td></td></tr> <tr> <td>Factory overheads</td><td>915</td><td>(1)</td><td>W1</td></tr> <tr> <td>Depreciation- machinery</td><td>15</td><td>(1)</td><td>W2</td></tr> <tr> <td></td><td>2 137</td><td>(1)</td><td>OF*</td></tr> <tr> <td>Add WIP 1 September 2022</td><td>34</td><td>(1)</td><td></td></tr> <tr> <td></td><td>2 171</td><td></td><td></td></tr> <tr> <td>Less WIP 31 August 2023</td><td>36</td><td>(1)</td><td></td></tr> <tr> <td></td><td>2 135</td><td></td><td></td></tr> <tr> <td>Mark-up 20%</td><td>427</td><td>(1)</td><td>OF</td></tr> <tr> <td>Transfer price</td><td>2 562</td><td>(1)</td><td>OF</td></tr> </tbody> </table> <p>Marker note:</p> <p>* To award the OF mark there should be no extraneous items.</p> <p>W1 Factory overheads $75\% \times \\$1\,220 = \\915 (1)</p> <p>W2 Depreciation- machinery $10\% \times \\$150 = \\15 (1)</p>	Prime cost	1 207	(1)		Factory overheads	915	(1)	W1	Depreciation- machinery	15	(1)	W2		2 137	(1)	OF*	Add WIP 1 September 2022	34	(1)			2 171			Less WIP 31 August 2023	36	(1)			2 135			Mark-up 20%	427	(1)	OF	Transfer price	2 562	(1)	OF	<p style="text-align: center;">8</p> <p style="text-align: center;">AO2 = 8</p>
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Question	Part	Marking guidance	Total marks																																				
13	2	<p>Prepare the trading section of the income statement for the year ended 31 August 2023.</p> <p style="text-align: center;">Dewray Ltd</p> <p style="text-align: center;">Income statement (extract) for the year ended 31 August 2023</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$000</th><th></th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">3 480</td><td style="text-align: right;">(1)</td></tr> <tr> <td>Returns inwards</td><td></td><td style="text-align: right;"><u>(20)</u></td><td style="text-align: right;">(1)</td></tr> <tr> <td></td><td></td><td style="text-align: right;">3 460</td><td></td></tr> <tr> <td>Opening inventory finished goods</td><td style="text-align: right;">156</td><td></td><td style="text-align: right;">(1)</td></tr> <tr> <td>Cost of goods manufactured</td><td style="text-align: right;">2 562</td><td></td><td style="text-align: right;">(1)OF</td></tr> <tr> <td>Closing inventory finished goods</td><td style="text-align: right;"><u>(192)</u></td><td></td><td style="text-align: right;">(1)</td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;"><u>2 526</u></td><td style="text-align: right;">(1)OF</td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;"><u>934</u></td><td style="text-align: right;">(1)OF*</td></tr> </tbody> </table> <p>Marker note: * To award the OF mark there should be no extraneous items.</p>		\$	\$000		Revenue		3 480	(1)	Returns inwards		<u>(20)</u>	(1)			3 460		Opening inventory finished goods	156		(1)	Cost of goods manufactured	2 562		(1)OF	Closing inventory finished goods	<u>(192)</u>		(1)	Cost of sales		<u>2 526</u>	(1)OF	Gross profit		<u>934</u>	(1)OF*	<p style="text-align: center;">7</p> <p style="text-align: center;">AO2 = 7</p>
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Question	Part	Marking guidance	Total marks																																	
14	1	<p>Prepare a reconciliation of operating profit to net cashflow from operating activities for the year ended 30 June 2023. A full statement of cash flows is not required.</p> <p style="text-align: center;">HQV plc</p> <p style="text-align: center;">Reconciliation of operating profit to net cash flow from operating activities for the year ended 30 June 2023</p> <table><thead><tr><th></th><th style="text-align: right;">\$000</th><th></th></tr></thead><tbody><tr><td>Profit from operations</td><td style="text-align: right;">2 868</td><td>(5) OF W1</td></tr><tr><td>Depreciation</td><td style="text-align: right;">1 217</td><td></td></tr><tr><td>Loss on disposal</td><td style="text-align: right;">549</td><td>(5) OF W2</td></tr><tr><td>Decrease in inventories</td><td style="text-align: right;">26</td><td>(1)</td></tr><tr><td>Increase in trade receivables</td><td style="text-align: right;">(97)</td><td>(1)</td></tr><tr><td>Decrease in trade payables</td><td style="text-align: right;"><u>(307)</u></td><td>(1)</td></tr><tr><td>Cash from operating activities</td><td style="text-align: right;">4256</td><td></td></tr><tr><td>Interest paid</td><td style="text-align: right;">(402)</td><td></td></tr><tr><td>Corporation tax paid</td><td style="text-align: right;"><u>(398)</u></td><td></td></tr><tr><td>Net cash flow from operating activities</td><td style="text-align: right;"><u>3 456</u></td><td>(1) OF *</td></tr></tbody></table> <p>Marker note:</p> <p>* award OF marks for totals if numerically correct and no extraneous items in that column, must include the column heading.</p>		\$000		Profit from operations	2 868	(5) OF W1	Depreciation	1 217		Loss on disposal	549	(5) OF W2	Decrease in inventories	26	(1)	Increase in trade receivables	(97)	(1)	Decrease in trade payables	<u>(307)</u>	(1)	Cash from operating activities	4256		Interest paid	(402)		Corporation tax paid	<u>(398)</u>		Net cash flow from operating activities	<u>3 456</u>	(1) OF *	<p>14</p> <p>AO2 = 14</p>
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Workings**W1 Profit from operations**

	\$000	\$000	
Increase in retained earnings			
Retained earnings 30 June 2023	4 332		
Retained earnings 30 June 2022	<u>(3 712)</u>	620	(1)
Add:			
Dividends paid		1 334	(1)
Taxation		512	(1)
Finance costs		<u>402</u>	(1)
Profit from operations		<u>2 868</u>	(1)OF

		W2 Loss on disposal of non-current assets		
		\$000		
		Non- current assets at 30 June 2023	21 450	
		Revaluation	(1 830)	(1)
		Addition	<u>(6 600)</u>	(1)
		Less non-current assets at 30 June 2022	(14 884)	
		Cost of non-current asset sold during year	1 864	(1)OF
		Depreciation on non-current asset sold	<u>(485)</u>	(1)
		Carrying value of non-current asset sold	1 379	
		Sale proceeds	(830)	
		Loss on disposal	<u>549</u>	(1) OF#

Question	Part	Marking guidance	Total marks															
14	2	<p>The Managing Director of HQV plc has asked the Finance Director why the company needs to prepare the statement of cash flows. The Managing Director feels that preparing this statement is a waste of resources and that the information produced is confusing.</p> <p>Assess the Managing Director's opinion.</p> <table><tr><th>Level</th><th>Marks</th><th>Description</th></tr><tr><td>3</td><td>5 - 6</td><td><ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.</td></tr><tr><td>2</td><td>3 - 4</td><td><ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.</td></tr><tr><td>1</td><td>1 - 2</td><td><ul style="list-style-type: none">Limited application of knowledge and understanding of principles, concepts and techniques to the context.A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.</td></tr><tr><td>0</td><td>0</td><td>Nothing written worthy of credit.</td></tr></table> <p>Answers may include:</p> <p>Case for preparation of a statement of cashflows</p> <ul style="list-style-type: none">Highlights the differences between cash and profit since they are treated differently in the financial statements so that it is known where cash is generated and spent. In this instance the business has generated \$3 456 000 OF from its operating activities. spent \$6 600 000 on non-	Level	Marks	Description	3	5 - 6	<ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.	2	3 - 4	<ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.	1	1 - 2	<ul style="list-style-type: none">Limited application of knowledge and understanding of principles, concepts and techniques to the context.A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.	0	0	Nothing written worthy of credit.	<p>6</p> <p>AO2 = 2</p> <p>AO3 = 4</p>
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0	0	Nothing written worthy of credit.																

		<p>current assets which is the main reason for the bank balance falling from \$87 000 to \$61 000.</p> <ul style="list-style-type: none"> • Knowledge of the cash position is important as a business can fail despite being profitable if it does not have enough cash to meet its obligations. • Being a public limited company, they should already comply with accounting standards. They have to produce a Statement of Cash Flows to comply with these standards and have their accounts signed off by the auditors. If the company's accounts are not prepared to meet these standards the auditors will have made comments in the accounts or possibly refused to sign them off. • Stakeholders can see lots of information which is not shown in the Income Statement and Statement of Financial Position such as the amount of the dividends paid and changes to the amount of borrowing more clearly. This will help stakeholders to make more informed decisions. • Being on the stock exchange will also involve attracting potential shareholders who may want to see all of the financial statements. Potential investors want to make an informed decision based on reliable information that shows a true and fair view. They would be nervous about investing in the business if the accounts do not appear to be reliable. This could result in future shareholders not investing in HQV plc and existing shareholders selling their shares which would mean the share price falls and damages the company's reputation. <p>Case against preparation of a statement of cashflows</p> <ul style="list-style-type: none"> • For someone with limited accounting knowledge the Statement of Cash Flows can seem confusing and hard to understand compared to an Income Statement and Statement of Financial Position. • The cost of preparing the accounts and having them audited reduces profitability. • A lack of understanding of the content of a statement could actually put some investors off investing in shares which might stop the share price rising as much as it could potentially have done. • The amount of time and / or money spent on the accounts could have been better spent on improving the business in other ways. • Accounts can be window dressed to some degree to make the business look better / worse than it actually is. <p>Marker notes:</p> <ul style="list-style-type: none"> • Not all content needs to be covered to gain full marks. • The indicative content is not exhaustive other credit worthy material should be awarded marks as appropriate. 	
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Question	Part	Marking guidance	Total marks																																																																
15	1	<p>Prepare an income statement for Charlotte for the year ended 31 January 2023.</p> <p style="text-align: center;">Charlotte Income Statement for the year ended 31 January 2023</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th><th></th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">172 000</td><td></td></tr> <tr> <td><u>Cost of sales:</u></td><td></td><td></td><td></td></tr> <tr> <td>Opening Inventory</td><td style="text-align: right;">25 183</td><td></td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">104 125</td><td></td><td>(2) W2</td></tr> <tr> <td>Closing Inventory</td><td style="text-align: right;"><u>(21 808)</u></td><td></td><td>(1*) OF</td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;"><u>107 500</u></td><td></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">64 500</td><td>(1) CF W1</td></tr> <tr> <td><u>Less expenses:</u></td><td></td><td></td><td></td></tr> <tr> <td>Loss on disposal</td><td style="text-align: right;">500</td><td></td><td>(2) W3</td></tr> <tr> <td>General expenses</td><td style="text-align: right;">9 815</td><td></td><td>(2) W4</td></tr> <tr> <td>Wages</td><td style="text-align: right;">15 000</td><td></td><td></td></tr> <tr> <td>Stolen cash</td><td style="text-align: right;">300</td><td></td><td>(3) W5</td></tr> <tr> <td>Depreciation- Fixtures and fittings</td><td style="text-align: right;"><u>16 000</u></td><td></td><td>(2) W6</td></tr> <tr> <td></td><td></td><td style="text-align: right;">41 615</td><td></td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;"><u><u>22 885</u></u></td><td>(1) OF #</td></tr> </tbody> </table> <p>* Closing inventory must be mathematically correct based upon student's purchases and cost of sales.</p>		\$	\$		Revenue		172 000		<u>Cost of sales:</u>				Opening Inventory	25 183			Purchases	104 125		(2) W2	Closing Inventory	<u>(21 808)</u>		(1*) OF	Cost of sales		<u>107 500</u>		Gross profit		64 500	(1) CF W1	<u>Less expenses:</u>				Loss on disposal	500		(2) W3	General expenses	9 815		(2) W4	Wages	15 000			Stolen cash	300		(3) W5	Depreciation- Fixtures and fittings	<u>16 000</u>		(2) W6			41 615		Profit for the year		<u><u>22 885</u></u>	(1) OF #	<p>14</p> <p>AO2 = 14</p>
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Profit for the year must have an appropriate label to be awarded and wages \$15 000 must be included.

Do not accept abbreviations or just “profit” or “loss”.

Marker note

When applying the own figure rule the mark will not be awarded if there are extraneous items present – see page 6 of mark scheme for clarification.

W1 Calculation of gross profit

$$\$172\,000 \times \frac{60}{100+60} = \$64\,500$$

W2 Purchases

	\$	
Bank	103 000	(1)
Opening balance	(27 629)	(1) for both
Closing balance	28 754	
Purchases	104 125	OF

Marker note

If the working is shown but the answer is not used in the Income Statement award 1 mark.

W3 Disposal of fixtures and fitting

	\$	
Cost	13 500	
Depreciation	(7 500)	
Carrying value	6 000	(1)
Proceeds	5 500	
Loss	(500)	(1)

Marker note

If the working is shown but the answer is not used in the Income Statement award 1 mark.

W4 General expenses

	\$	
Bank	10 365	(1)
Other payable	(400)	
Other receivable	(150)	(1) for both
	<u>9 815</u>	OF

Marker note

If the working is shown but the answer is not used in the Income Statement award 1 mark.

W5 Cash stolen

	\$	
Cash sales	50 400	
Opening balance	200*	
Cash drawings	(2 500)] (1) for both
Cash banked	(47 650)	
Closing balance	(150)*	*(1) for both balances
	<u>300</u>	(1) OF must include \$50 400

Marker note

If the working is shown but the answer is not used in the Income Statement award up to 2 marks.

W6 Depreciation

	\$	
Original carrying value	40 000	
Disposal	(6 000)	
Purchase	14 000	
	<u>48 000</u>	(1)
x 33 $\frac{1}{3}$ %		(1)*
Depreciation for year	<u>16 000</u>	OF

* To award the mark for using 33 $\frac{1}{3}$ % this must be applied to a non-current asset figure and must be arithmetically correct.

Marker note

If the working is shown but the answer is not used in the Income Statement award 1 mark.

Alternative layout where the workings are shown in a T account.

W2 Trade Payables Ledger Control Account

Details	\$		Details	\$	
Bank	103 000	(1)	Balance b/d	27 629	#
Balance c/d	28 754	(1) #	Credit purchases	104 125	OF
	<u>131 754</u>			<u>131 754</u>	

award 1 mark for both balances.

Marker note

If the working is shown but the answer is not used in the Income Statement award 1 mark.

W3 General Expenses Account

Details	\$		Details	\$	
Bank	10 365	(1)	Balance b/d	400	#
			Income Statement	9 815	OF
			Balance c/d	150	(1)#
	<u>10 365</u>			<u>10 365</u>	

Award 1 mark for both balances.

Marker note

If the working is shown but the answer is not used in the Income Statement award 1 mark.

W4 Cash Account

Details	\$		Details	\$	
Balance b/d	200	#	Drawings	2 500	} (1) both
Cash sales	50 400	OF	Bank	47 650	
			Stolen cash	300	(1)OF*
			Balance c/d	150	(1) #
	<u>50 600</u>			<u>50 600</u>	

award 1 mark for both balances.

* to award the OF mark for cash stolen the cash sales of \$54 000 must be included.

		Marker note: If the working is shown but the answer is not used in the Income Statement award up to 2 marks.	
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Question	Part	Marking guidance	Total marks															
15	2	<p>Charlotte is thinking of introducing computerised accounting software. This will cost \$12 000.</p> <p>The accounting software will record all sales and cash and inventory in and out of the business. This will enable her to place orders automatically.</p> <p>Assess whether Charlotte should purchase the new computerised accounting software.</p> <table><tr><th>Level</th><th>Marks</th><th>Description</th></tr><tr><td>3</td><td>5 - 6</td><td><ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.</td></tr><tr><td>2</td><td>3 - 4</td><td><ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.</td></tr><tr><td>1</td><td>1 - 2</td><td><ul style="list-style-type: none">Limited application of knowledge and understanding of principles, concepts and techniques to the context.A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.</td></tr><tr><td>0</td><td>0</td><td>Nothing written worthy of credit.</td></tr></table> <p>Answers may include:</p> <p>Arguments for:</p> <p>Improves efficiency of business:</p>	Level	Marks	Description	3	5 - 6	<ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.	2	3 - 4	<ul style="list-style-type: none">Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.	1	1 - 2	<ul style="list-style-type: none">Limited application of knowledge and understanding of principles, concepts and techniques to the context.A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.	0	0	Nothing written worthy of credit.	<p>6</p> <p>AO2 = 2</p> <p>AO3 = 4</p>
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		<p>Reduce costs – wage, inventory wastage, storage costs. Reduce pricing errors. Improve inventory control. Improve cash management – will not prevent theft but help to identify it. Modernisation of business practices.</p> <p>Arguments against:</p> <p>Cost compared with level of profit; cash/bank balances; cash stolen; inventory level. Staff issues – possible resistance to change; training. Security of data – possible hacking – but could be password protected. Potential legal implications e.g. compliance with data protection. Initial set-up issues e.g. input of data; stock-take.</p>	
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Section C

Question	Part	Marking guidance	Total marks															
16		Assess whether Lorraine should enter into a partnership with Xi.	12															
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	0	Nothing written worthy of credit.

Answers may include:

AO2 – Application

Xi can invest \$50 000
Xi does not have experience as an owner of a business.
The forecast profit is \$40 000 which will have to be shared.
Lorraine could lose her capital investment of \$60 000

AO3 – Analysis and evaluation

Benefits:

Additional capital. By forming a partnership Lorraine will have more capital available as Xi can invest \$50 000 which is permanent/does not have to be repaid.

Decision making This could be improved as more people are involved in the process. Xi has experience of managing shops and this could bring increased expertise.

Greater expertise/ideas. Having more partners means that there may be more expertise/ideas and they may have different skills. Xi could be a better administrator or sales person than Lorraine.

Sharing workload. A sole trader does not have anyone to share the work load with, this makes it difficult for Lorraine to take holidays or have someone to cover her if she is unwell. Having Xi as a partner would enable Lorraine to take holidays without having to either close the business/pay for a replacement manager.

Drawbacks:

Sharing profit/losses. In a partnership the profits are shared whereas a sole trader will keep all the profits. The forecast profit is \$40 000 this will have to be shared and Lorraine's share may be less than the profit for last year of \$24 000. If Xi's share of the profit is \$25 000 then Lorraine's share will be reduced and may affect her drawings of \$18 000.

Decision making. Xi does not have experience as an owner of a business and this may affect her ability to make decisions. Lorraine and Xi may not get on well together which will make it difficult to work efficiently together.

Control/Ownership. Both partners will expect to have a say in the running of the business. Lorraine has previously made all the decisions; she will now

		<p>have to share this process which she may find difficult/not like doing/slows down activities.</p> <p>Unlimited liability. This means that if the business fails Lorraine and Xi could lose their investment and personal possessions. Lorraine could lose her capital investment of \$60 000 and could be responsible for the total liabilities of the partnership.</p> <p>Marker note:</p> <p>The indicative content is not exhaustive: other creditworthy material should be awarded marks as appropriate.</p>	
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