

# INTERNATIONAL AS **ACCOUNTING**

**9615/2**

Paper 2 Financial and Management 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](http://oxfordaqaexams.org.uk).

#### **Copyright information**

OxfordAQA retains the copyright on all its publications. However, registered schools/colleges for OxfordAQA are permitted to copy material from this booklet for their own internal use, with the following important exception: OxfordAQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2023 OxfordAQA International Examinations and its licensors. All rights reserved.

## 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	A \$0.80	<sup>1</sup> AO1 = 1

Question	Answer	Total marks
02	B Private limited company	<sup>1</sup> AO1 = 1

Question	Answer	Total marks
03	C The shareholder's liability for the company's debt is limited	<sup>1</sup> AO1 = 1

Question	Answer	Total marks
04	C Issue of ordinary shares; Dividends paid; Profit for the year after tax	<sup>1</sup> AO1 = 1

Question	Answer	Total marks			
05	B <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">General</td> <td style="width: 33%; text-align: center;">Machinery</td> <td style="width: 33%; text-align: center;">HBA Ltd</td> </tr> </table>	General	Machinery	HBA Ltd	<sup>1</sup> AO1 = 1
General	Machinery	HBA Ltd			

Question	Answer	Total marks
06	C \$130 000	<sup>1</sup> AO1 = 1

Question	Answer	Total marks
07	C Stepped Cost	1 AO1 = 1

Question	Answer	Total marks
08	B It encourages managers to work together	1 AO1 = 1

Question	Answer	Total marks
09	A External audit	1 AO1 = 1

Question	Answer	Total marks
10	D $\frac{\text{Non-current liabilities}}{\text{Issue share capital} + \text{Reserves} + \text{Non-current liabilities}} \times 100$	1 AO1 = 1

Question	Part	Marking guidance	Total marks
11	1	<p>Calculate the fixed costs.</p> <p><b>Answer - \$200,000 (1)</b></p> <p>Fixed costs 4 000 x \$50 = \$200 000</p>	<p>1</p> <p><b>AO1 = 1</b></p>

Question	Part	Marking guidance	Total marks
11	2	<p>Calculate the contribution per unit.</p> <p><b>Answer - \$95 (1)</b></p> <p>Contribution per unit \$200 – \$105 = \$95</p>	<p>1</p> <p><b>AO1 = 1</b></p>

Question	Part	Marking guidance	Total marks
11	3	<p>Calculate the break-even point in units. State the formula used.</p> <p><b>Formula</b></p> <p><math display="block">\frac{\text{Fixed costs}}{\text{Contribution per unit}} \quad (1)</math></p> <p><b>Answer is 2 106 units (2)</b></p> <p><math display="block">\frac{\\$200\,000}{\\$95} \text{ OF from (11.1)} = 2\,105.263 \text{ (1) OF}</math></p> <p><b>Marker note:</b> Accept contribution in the formula provided the contribution per unit figure is used in the calculation The answer will be based on the students own figures from (11.2) and (11.3). 1 mark for rounding up the break-even point to the nearest unit. If the answer is incorrectly rounded down award 1 mark for calculation.</p>	<p>3</p> <p><b>AO1 = 3</b></p>

Question	Part	Marking guidance	Total marks
11	4	<p>State <b>three</b> limitations of using break-even analysis.</p> <p>Award one mark for each limitation</p> <p><b>Answers may include:</b></p> <p>Simple technique using questionable assumptions:</p> <ul style="list-style-type: none"> <li>• Revenues and costs are linear</li> <li>• All units produced are sold</li> <li>• Fixed costs remain constant for all output levels</li> <li>• Single product or constant product mix</li> </ul> <p>Other factors:</p> <ul style="list-style-type: none"> <li>• Only considers quantitative factors</li> <li>• Changes to external factors can limit usefulness of break-even analysis</li> </ul>	<p><b>3</b></p> <p><b>AO1 = 3</b></p>



Question	Part	Marking guidance	Total marks																																		
12		<p>Prepare a marginal costing statement for the month of April showing the actual profit for the month.</p> <p style="text-align: center;"><b>Usman Ltd</b> <b>Marginal costing statement for April</b></p> <table><tr><td></td><td style="text-align: right;">\$</td><td></td><td></td></tr><tr><td>Revenue</td><td style="text-align: right;">240 000</td><td style="text-align: right;">(1)</td><td></td></tr><tr><td>Direct costs</td><td style="text-align: right;">112 000</td><td rowspan="2" style="text-align: right;">} (1 for both)</td><td></td></tr><tr><td>Variable production overheads</td><td style="text-align: right;">16 000</td><td></td></tr><tr><td>Contribution</td><td style="text-align: right;">112 000</td><td style="text-align: right;">(1) OF*</td><td></td></tr><tr><td>Fixed costs</td><td></td><td></td><td></td></tr><tr><td>Fixed production overheads</td><td style="text-align: right;">60 000</td><td rowspan="2" style="text-align: right;">} (1)</td><td></td></tr><tr><td>Administration costs</td><td style="text-align: right;">45 000</td><td></td></tr><tr><td>Actual profit for the month</td><td style="text-align: right;">7 000</td><td style="text-align: right;">(1) OF</td><td></td></tr></table> <p><b>Marker note:</b></p> <p>* To award the OF mark for contribution there should be no extraneous items, eg any fixed costs and it must be clearly labelled as Contribution.</p>		\$			Revenue	240 000	(1)		Direct costs	112 000	} (1 for both)		Variable production overheads	16 000		Contribution	112 000	(1) OF*		Fixed costs				Fixed production overheads	60 000	} (1)		Administration costs	45 000		Actual profit for the month	7 000	(1) OF		<p><b>5</b></p> <p><b>AO1 = 5</b></p>
	\$																																				
Revenue	240 000	(1)																																			
Direct costs	112 000	} (1 for both)																																			
Variable production overheads	16 000																																				
Contribution	112 000	(1) OF*																																			
Fixed costs																																					
Fixed production overheads	60 000	} (1)																																			
Administration costs	45 000																																				
Actual profit for the month	7 000	(1) OF																																			

## Section B

Question	Part	Marking guidance	Total marks																																			
13	1	<p>Prepare the statement of changes in equity for the year ended 31 May 2023. A total column is <b>not</b> required.</p> <p style="text-align: center;"><b>Brogia Ltd</b> <b>Statement of changes in equity for the year ended 31 May 2023</b></p> <table><tr><td></td><td><b>Share capital</b></td><td><b>Share premium</b></td><td><b>Retained earnings</b></td><td></td></tr><tr><td></td><td><b>\$</b></td><td><b>\$</b></td><td><b>\$</b></td><td></td></tr><tr><td>At 1 June 2022</td><td>120 000</td><td>20 000</td><td>48 560</td><td><b>(1) for all entries</b></td></tr><tr><td>Dividends paid</td><td></td><td></td><td>(24 000) <b>(2)</b></td><td><b>W3</b></td></tr><tr><td>Issue of shares</td><td>40 000 <b>(1) W1</b></td><td>30 000 <b>(1) W2</b></td><td></td><td></td></tr><tr><td>Profit for the year</td><td></td><td></td><td>41 016 <b>(3) W4</b></td><td></td></tr><tr><td>At 31 May 2023</td><td>160 000 <b>OF**</b></td><td>50 000 <b>OF**</b></td><td>65 576 <b>OF**</b></td><td><b>(1) for all entries</b></td></tr></table> <p style="text-align: center;">Workings on next page</p>		<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>			<b>\$</b>	<b>\$</b>	<b>\$</b>		At 1 June 2022	120 000	20 000	48 560	<b>(1) for all entries</b>	Dividends paid			(24 000) <b>(2)</b>	<b>W3</b>	Issue of shares	40 000 <b>(1) W1</b>	30 000 <b>(1) W2</b>			Profit for the year			41 016 <b>(3) W4</b>		At 31 May 2023	160 000 <b>OF**</b>	50 000 <b>OF**</b>	65 576 <b>OF**</b>	<b>(1) for all entries</b>	<p style="text-align: center;"><b>9</b></p> <p style="text-align: center;"><b>AO2 = 9</b></p>
	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>																																			
	<b>\$</b>	<b>\$</b>	<b>\$</b>																																			
At 1 June 2022	120 000	20 000	48 560	<b>(1) for all entries</b>																																		
Dividends paid			(24 000) <b>(2)</b>	<b>W3</b>																																		
Issue of shares	40 000 <b>(1) W1</b>	30 000 <b>(1) W2</b>																																				
Profit for the year			41 016 <b>(3) W4</b>																																			
At 31 May 2023	160 000 <b>OF**</b>	50 000 <b>OF**</b>	65 576 <b>OF**</b>	<b>(1) for all entries</b>																																		

		<p><b>Workings</b></p> <p><b>W1</b> Share issue  <math>200\,000 \text{ shares} \times 20\text{p} = \\$40\,000</math> <b>(1)</b></p> <p><b>W2</b> Share premium  <math>200\,000 \text{ shares} \times (35-20) 15\text{p} = \\$30\,000</math> <b>(1)</b></p> <p><b>W3</b> Dividends  <math>120\,000 \times \frac{100}{20} \text{ (1)} = 600\,000 \times .4\text{p} = \\$24\,000</math> <b>(1) OF</b></p> <p><b>W4</b> Profit for the year</p> <p>Operating profit – bank interest = Profit before tax  <math>\\$54\,270 - \\$3\,000</math> <b>(1)</b> = <math>\\$51\,270</math></p> <p>Tax  <math>\\$51\,270 \text{ OF} \times 20\% = \\$10\,254</math> <b>(1) OF</b></p> <p>Profit for the year:  <math>\\$51\,270 - \\$10\,254</math> <b>OF</b> = <math>\\$41\,016</math> <b>(1) OF</b></p> <p><b>Marker note:</b>          * award 1 mark for including both the profit for the year and dividends in the retained earnings column and showing them separately.</p> <p>* *award <b>OF</b> marks for totals if numerically correct and no extraneous items in that column, must include the column heading.</p>	
--	--	---	--

Question	Part	Marking guidance	Total marks															
13	2	<p>Assess the impact that the issue of ordinary shares will have on Brogia Ltd.</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"><li>Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.</li><li>A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.</li></ul></td></tr><tr><td>2</td><td>3 - 4</td><td><ul style="list-style-type: none"><li>Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.</li><li>A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.</li></ul></td></tr><tr><td>1</td><td>1 - 2</td><td><ul style="list-style-type: none"><li>Limited application of knowledge and understanding of principles, concepts and techniques to the context.</li><li>A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.</li></ul></td></tr><tr><td>0</td><td>0</td><td>Nothing written worthy of credit.</td></tr></table> <p><b>Answers may include:</b></p> <p>Dividends do not normally have to be paid /can be discretionary depending on profit levels which is good if profits are projected lower. Dividends are over half of the profit for the year \$24 000 compared to \$41 016 which is quite high.</p> <p>Shares are a permanent form of funding and are not repayable unless the company decided to buy back to regain control.</p> <p>Ordinary shares are a lower risk form of funding for a company which reduces debt exposure/ gearing/ implications of lower gearing.</p> <p>Other credit worthy material should be rewarded as appropriate.</p>	Level	Marks	Description	3	5 - 6	<ul style="list-style-type: none"><li>Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.</li><li>A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.</li></ul>	2	3 - 4	<ul style="list-style-type: none"><li>Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.</li><li>A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.</li></ul>	1	1 - 2	<ul style="list-style-type: none"><li>Limited application of knowledge and understanding of principles, concepts and techniques to the context.</li><li>A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.</li></ul>	0	0	Nothing written worthy of credit.	<p>6</p> <p>AO2 = 2</p> <p>AO3 = 4</p>
Level	Marks	Description																
3	5 - 6	<ul style="list-style-type: none"><li>Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately.</li><li>A clear and balanced analysis of data is provided. The judgement/ recommendation is supported by evidence.</li></ul>																
2	3 - 4	<ul style="list-style-type: none"><li>Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately.</li><li>A clear but unbalanced OR a balanced but unclear analysis of data is provided. The judgement/ recommendation is partially supported by evidence.</li></ul>																
1	1 - 2	<ul style="list-style-type: none"><li>Limited application of knowledge and understanding of principles, concepts and techniques to the context.</li><li>A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/ recommendation.</li></ul>																
0	0	Nothing written worthy of credit.																

Question	Part	Marking guidance	Total marks																																																																																												
14		<p>Prepare the statement of financial position for Joko Ltd at 30 April 2023 taking into account any adjustments required by items 1–5.</p> <p style="text-align: center;"><b>Joko Ltd</b></p> <p style="text-align: center;"><b>Statement of financial position sheet at 30 April 2023</b></p> <table> <tr> <th></th><th>Cost</th><th>Accumulated depreciation</th><th>Carrying value</th></tr> <tr> <td><b>Non-Current Assets</b></td><td><b>\$</b></td><td><b>\$</b></td><td><b>\$</b></td></tr> <tr> <td>Property</td><td>270 000 (1)W1</td><td>63 000 (1)W2</td><td>207 000</td></tr> <tr> <td><b>Current assets</b></td><td></td><td></td><td></td></tr> <tr> <td>Inventory</td><td></td><td>73 600</td><td></td></tr> <tr> <td>Trade receivables</td><td>20 250 (1)</td><td></td><td></td></tr> <tr> <td>Provision for doubtful debts</td><td>(810) (1)W3*</td><td>19 440 (1) OF</td><td></td></tr> <tr> <td>Cash and cash equivalents</td><td></td><td><u>110 000</u> (1)W4</td><td></td></tr> <tr> <td></td><td></td><td></td><td><u>203 040</u></td></tr> <tr> <td><b>Total assets</b></td><td></td><td></td><td><u><u>410 040</u></u></td></tr> <tr> <td><b>Equity</b></td><td></td><td></td><td></td></tr> <tr> <td>Ordinary shares of 20p each</td><td></td><td></td><td>175 000</td></tr> <tr> <td>Share premium</td><td></td><td></td><td>25 000</td></tr> <tr> <td>Retained earnings</td><td></td><td></td><td><u>61 440</u> (5)W5</td></tr> <tr> <td>Total equity</td><td></td><td></td><td>261 440 (1) OF</td></tr> <tr> <td><b>Non-current liabilities</b></td><td></td><td></td><td></td></tr> <tr> <td>Bank loan</td><td></td><td></td><td>100 000 (1)</td></tr> <tr> <td><b>Current liabilities</b></td><td></td><td></td><td></td></tr> <tr> <td>Other payables</td><td></td><td>23 600 (1)W6</td><td></td></tr> <tr> <td>Bank loan</td><td></td><td><u>25 000</u> (1)</td><td></td></tr> <tr> <td></td><td></td><td></td><td><u>48 600</u></td></tr> <tr> <td>Total liabilities</td><td></td><td></td><td><u>148 600</u></td></tr> <tr> <td><b>Total equity and liabilities</b></td><td></td><td></td><td><u><u>410 040</u></u></td></tr> </table> <p><b>Marker note:</b></p>		Cost	Accumulated depreciation	Carrying value	<b>Non-Current Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	Property	270 000 (1)W1	63 000 (1)W2	207 000	<b>Current assets</b>				Inventory		73 600		Trade receivables	20 250 (1)			Provision for doubtful debts	(810) (1)W3*	19 440 (1) OF		Cash and cash equivalents		<u>110 000</u> (1)W4					<u>203 040</u>	<b>Total assets</b>			<u><u>410 040</u></u>	<b>Equity</b>				Ordinary shares of 20p each			175 000	Share premium			25 000	Retained earnings			<u>61 440</u> (5)W5	Total equity			261 440 (1) OF	<b>Non-current liabilities</b>				Bank loan			100 000 (1)	<b>Current liabilities</b>				Other payables		23 600 (1)W6		Bank loan		<u>25 000</u> (1)					<u>48 600</u>	Total liabilities			<u>148 600</u>	<b>Total equity and liabilities</b>			<u><u>410 040</u></u>	<p><b>15</b></p> <p><b>AO2 = 15</b></p>
	Cost	Accumulated depreciation	Carrying value																																																																																												
<b>Non-Current Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>																																																																																												
Property	270 000 (1)W1	63 000 (1)W2	207 000																																																																																												
<b>Current assets</b>																																																																																															
Inventory		73 600																																																																																													
Trade receivables	20 250 (1)																																																																																														
Provision for doubtful debts	(810) (1)W3*	19 440 (1) OF																																																																																													
Cash and cash equivalents		<u>110 000</u> (1)W4																																																																																													
			<u>203 040</u>																																																																																												
<b>Total assets</b>			<u><u>410 040</u></u>																																																																																												
<b>Equity</b>																																																																																															
Ordinary shares of 20p each			175 000																																																																																												
Share premium			25 000																																																																																												
Retained earnings			<u>61 440</u> (5)W5																																																																																												
Total equity			261 440 (1) OF																																																																																												
<b>Non-current liabilities</b>																																																																																															
Bank loan			100 000 (1)																																																																																												
<b>Current liabilities</b>																																																																																															
Other payables		23 600 (1)W6																																																																																													
Bank loan		<u>25 000</u> (1)																																																																																													
			<u>48 600</u>																																																																																												
Total liabilities			<u>148 600</u>																																																																																												
<b>Total equity and liabilities</b>			<u><u>410 040</u></u>																																																																																												

		To award the marks for all of the items it should be clear which section of the statement of financial position the figure is in and should have an appropriate label.		
		<b>Workings</b>		
		<b>W1 Property</b>		
			\$	
		Original property	250 000	
		Correction of error – new building	20 000	
			<u>270 000</u>	<b>(1)</b>
		<b>W2 Depreciation</b>		
			\$	
		Original provision for depreciation	62 500	
		Additional depreciation (\$20 000/40)	500	
		Revised provision for depreciation	<u>63 000</u>	<b>(1)</b>
		<b>*W3 Provision for doubtful debts</b>		
			\$	
		Trade receivables	20 250	
			4%	
			<u>810</u>	<b>(1)</b>
		<b>W4 Cash and cash equivalents</b>		
			\$	
		Original bank overdraft	(15 000)	
		Cash from loan	125 000	
			<u>110 000</u>	<b>(1)</b>
		<b>W5 Retained earnings</b>		
			\$	
		Original Retained earnings	57 610	
		Correction of error - Repairs and renewals	20 000	<b>(1)</b>
		Depreciation on repairs	(500)	<b>(1)</b>
		Provision for taxation	(16 000)	<b>(1)</b>
		Provision for doubtful debts	330	<b>(1)OF*</b>
			<u>61 440</u>	<b>(1)OF</b>
		<b>Marker note:</b>		

		<p>* Provision for doubtful debts = \$810 <b>OF</b> (from W3) – \$1 140 = \$330 <b>(1)OF</b>. <b>Aware (1) OF</b> mark for correct direction ie adding to retained earnings</p> <p><b>W6    Other payables</b></p> <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Original other payables</td><td>7 600</td><td></td></tr><tr><td>Add Provision for tax</td><td><u>16 000</u></td><td><b>(1)</b></td></tr><tr><td></td><td><u>23 600</u></td><td></td></tr></table>		\$		Original other payables	7 600		Add Provision for tax	<u>16 000</u>	<b>(1)</b>		<u>23 600</u>		
	\$														
Original other payables	7 600														
Add Provision for tax	<u>16 000</u>	<b>(1)</b>													
	<u>23 600</u>														

Question	Part	Marking guidance	Total marks																																
15		<p>Prepare the budgeted trading section of the income statement for Budgee Ltd for the year ended 30 April 2023.</p> <p style="text-align: center;"><b>Budgee Ltd</b></p> <p style="text-align: center;"><b>Budgeted trading section of the income statement for the year ended 30 April 2023</b></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;">2 347 380</td><td style="text-align: right;">(5)W1</td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">240 000</td><td></td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">1 837 500</td><td></td><td style="text-align: right;">(3)W2</td></tr> <tr> <td>Carriage inwards</td><td style="text-align: right;">56 250</td><td></td><td style="text-align: right;">(1)W3</td></tr> <tr> <td>Closing inventory</td><td style="text-align: right;"><u>(313 750)</u></td><td></td><td style="text-align: right;">(5)W4</td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;"><u>1 820 000</u></td><td></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;"><u>527 380</u></td><td style="text-align: right;">(1)OF*</td></tr> </tbody> </table> <p><b>Marker note:</b> If purchases and carriage inwards shown together as \$1 893 750 award 4 marks. For any other answer please check workings.</p> <p>*OF to award this mark the answer must include the opening inventory.</p> <p style="text-align: center;">Workings on next page</p>		\$	\$		Revenue		2 347 380	(5)W1	Opening inventory	240 000			Purchases	1 837 500		(3)W2	Carriage inwards	56 250		(1)W3	Closing inventory	<u>(313 750)</u>		(5)W4	Cost of sales		<u>1 820 000</u>		Gross profit		<u>527 380</u>	(1)OF*	<p><b>15</b></p> <p><b>AO2 = 15</b></p>
	\$	\$																																	
Revenue		2 347 380	(5)W1																																
Opening inventory	240 000																																		
Purchases	1 837 500		(3)W2																																
Carriage inwards	56 250		(1)W3																																
Closing inventory	<u>(313 750)</u>		(5)W4																																
Cost of sales		<u>1 820 000</u>																																	
Gross profit		<u>527 380</u>	(1)OF*																																



		<b>Workings</b>				
		<b>W1     Revenue</b>				
				<b>\$</b>		
		Original selling price	$(\$2\,160\,000 \div 12\,000)$	180	<b>(1)</b>	
		New selling price	$(180 - 10\%)$	162	<b>(1)</b>	
		Sales volume to 31 Oct	$(12\,000 \times 115\%) \div 2$	<b>= 6 900 (1)</b>		
		Revenue to 31 Oct		X \$162	1 117 800	
		Sales volume 31 Oct to 30 April	$(6\,900 \times 110\%)$	<b>= 7 590 (1)OF</b>		
		Revenue 31 Oct to 30 April		X \$162	1 229 580	
		Total revenue		<u>2 347 380</u>	<b>(1)OF#</b>	
		<b>Marker note</b>				
		The sales volume for the 6 months from 1 November 2023 to 30 April 2024 will be based on students own figure from the first 6 months, eg it should be 10% greater than volume for period from 1 May to 31 October.				
		# this OF mark can be awarded if student has miscalculated the change in selling price.				
		<b>W2     Purchases</b>				
				<b>\$</b>		
		Purchases – old supplier	$(15\,000 \times 3/12) = 3\,750$ units			
		Price		x \$130		
		Cost of products		487 500	<b>(1)</b>	
		Purchases – new supplier	$(15\,000 \times 9/12) = 11\,250$ units			
		Price		x \$120		
		Cost of product		<u>1 350 000</u>	<b>(1)</b>	
		Purchases for year		<u>1 837 500</u>	<b>(1)OF*</b>	
		<b>Marker note:</b>				

		<p>* To award the OF mark the purchases must be valued using one of the cost figures eg \$130, \$120 or \$125. For example, if the units are miscalculated but the purchases are valued at \$130 then the OF mark can be awarded.</p> <p>If student values the purchases from the new supplier at \$125 award 1 additional mark for including the \$5 carriage inwards. However, the student should not then show carriage inwards separately in the budgeted income statement.</p> <p><b>W3      Carriage inwards</b> 11 250 units (OF from W2) x \$5 <b>(1)</b> = \$56 250 OF</p> <p><b>W4      Closing inventory</b></p> <p><b>Value of closing inventory</b> 2 510 units <b>(OF)</b> x \$125 <b>(OF)</b> = \$313 750 <b>(5)OF</b></p> <table><tr><td></td><td><b>Units</b></td><td></td></tr><tr><td>Opening inventory</td><td>2 000</td><td></td></tr><tr><td>Purchases</td><td>15 000</td><td><b>(1)</b></td></tr><tr><td>Sales (6900+ 7590)</td><td><u>(14 490)</u></td><td><b>(1)OF*</b></td></tr><tr><td>Closing inventory</td><td><u>2 510</u></td><td><b>(1)OF#</b></td></tr></table> <table><tr><td>Cost of product</td><td>\$</td><td></td></tr><tr><td>Purchase price</td><td>120</td><td><b>(1)</b></td></tr><tr><td>Delivery charge</td><td><u>5</u></td><td><b>(1)</b></td></tr><tr><td>Total cost of product</td><td>125</td><td></td></tr></table> <p><b>Marker note:</b> Award 4 marks for closing inventory for \$301 200 (2 510 units x \$120)</p> <p><b>*OF</b> for sales based on calculations for revenue.</p> <p><b># OF</b> for closing inventory based on OF from sales <b>and</b> including opening inventory.</p>		<b>Units</b>		Opening inventory	2 000		Purchases	15 000	<b>(1)</b>	Sales (6900+ 7590)	<u>(14 490)</u>	<b>(1)OF*</b>	Closing inventory	<u>2 510</u>	<b>(1)OF#</b>	Cost of product	\$		Purchase price	120	<b>(1)</b>	Delivery charge	<u>5</u>	<b>(1)</b>	Total cost of product	125		
	<b>Units</b>																													
Opening inventory	2 000																													
Purchases	15 000	<b>(1)</b>																												
Sales (6900+ 7590)	<u>(14 490)</u>	<b>(1)OF*</b>																												
Closing inventory	<u>2 510</u>	<b>(1)OF#</b>																												
Cost of product	\$																													
Purchase price	120	<b>(1)</b>																												
Delivery charge	<u>5</u>	<b>(1)</b>																												
Total cost of product	125																													

### Section C

Question	Part	Marking guidance	Total marks															
16		Advise Fergie and Kenny on whether or not they should introduce the budgetary control system. Consider both benefits and limitations other than those given above.	12															
			AO2 = 3															
			AO3 = 9															
		<table><tr><th>Level</th><th>Marks</th><th>Description</th></tr><tr><td>4</td><td>10-12</td><td>An excellent response that focuses fully on the demands of the question.<ul style="list-style-type: none"><li>A wide range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied to the context clearly and appropriately.</li><li>Accounting data is analysed and evaluated thoroughly to make a balanced, well-reasoned and persuasive judgement/ recommendation.</li></ul></td></tr><tr><td>3</td><td>7-9</td><td>A good response that focuses on many of the demands of the question.<ul style="list-style-type: none"><li>A range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but not always clearly and/or appropriately.</li><li>Accounting data is analysed and evaluated to make a balanced and reasoned judgement/ recommendation.</li></ul></td></tr><tr><td>2</td><td>4–6</td><td>A reasonable response that focuses on some of the demands of the question.<ul style="list-style-type: none"><li>Some relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but lacking in clarity and appropriateness.</li><li>There is some analysis and evaluation of accounting data but the judgement/recommendation is either unbalanced or there are gaps in the reasoning.</li></ul></td></tr><tr><td>1</td><td>1–3</td><td>A limited response that has little focus on the demands of the question.</td></tr></table>	Level	Marks	Description	4	10-12	An excellent response that focuses fully on the demands of the question. <ul style="list-style-type: none"><li>A wide range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied to the context clearly and appropriately.</li><li>Accounting data is analysed and evaluated thoroughly to make a balanced, well-reasoned and persuasive judgement/ recommendation.</li></ul>	3	7-9	A good response that focuses on many of the demands of the question. <ul style="list-style-type: none"><li>A range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but not always clearly and/or appropriately.</li><li>Accounting data is analysed and evaluated to make a balanced and reasoned judgement/ recommendation.</li></ul>	2	4–6	A reasonable response that focuses on some of the demands of the question. <ul style="list-style-type: none"><li>Some relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but lacking in clarity and appropriateness.</li><li>There is some analysis and evaluation of accounting data but the judgement/recommendation is either unbalanced or there are gaps in the reasoning.</li></ul>	1	1–3	A limited response that has little focus on the demands of the question.	
		Level	Marks	Description														
		4	10-12	An excellent response that focuses fully on the demands of the question. <ul style="list-style-type: none"><li>A wide range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied to the context clearly and appropriately.</li><li>Accounting data is analysed and evaluated thoroughly to make a balanced, well-reasoned and persuasive judgement/ recommendation.</li></ul>														
3	7-9	A good response that focuses on many of the demands of the question. <ul style="list-style-type: none"><li>A range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but not always clearly and/or appropriately.</li><li>Accounting data is analysed and evaluated to make a balanced and reasoned judgement/ recommendation.</li></ul>																
2	4–6	A reasonable response that focuses on some of the demands of the question. <ul style="list-style-type: none"><li>Some relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but lacking in clarity and appropriateness.</li><li>There is some analysis and evaluation of accounting data but the judgement/recommendation is either unbalanced or there are gaps in the reasoning.</li></ul>																
1	1–3	A limited response that has little focus on the demands of the question.																

				<ul style="list-style-type: none"> <li>Limited application of relevant knowledge and understanding of accounting principles, concepts and techniques to the context, often lacking in clarity and appropriateness.</li> <li>There is limited analysis and evaluation. The judgement/recommendation is lacking in both balance and reasoning.</li> </ul>	
			0	Nothing written worthy of credit.	
		<p><b>Answers may include:</b></p> <p><b>A02 – Application</b></p> <p>Will enable sales staff to know their sales targets which will act as motivation. Can be used to monitor the performance of the new staff. Do Fergie and Kenny have budgeting/IT skills? Funding for new member of staff?</p> <p><b>A03 – Analysis and evaluation</b></p> <p><b>Benefits:</b></p> <p><b>Planning</b> - The process of preparing the budget means that the managers have to plan for the future. This should mean that the business will be prepared for events that could happen in the coming year and therefore are less likely to have difficulties. Budgets are useful when trying to raise finance.</p> <p>Fergie and Kenny should consider market and economic conditions when setting the budget and so should be prepared for any potential problems. A cash budget will help support any request for a bank loan to fund the expansion.</p> <p><b>Goal congruence/increased likelihood of achieving common objectives.</b> The budget will help all staff to work towards the goals set by senior management. This should improve business performance.</p> <p>In this case all the sales staff would be working towards the sales target set by Fergie and Kenny.</p> <p><b>Improved staff motivation.</b> If staff are involved in setting targets this will improve motivation also having targets to achieve can motivate staff.</p> <p>The sales budget will set targets for the sales staff and this should motivate them to achieve these and improve team work.</p> <p><b>Monitoring.</b> Fergie and Kenny will be able to compare actual outcomes with the budget and act to control any significant variances.</p> <p>If the sales team do not meet their targets then Fergie and Kenny could act e.g. dismiss staff who under-perform.</p> <p><b>Control.</b> Departments are set limits to expenditure and use of resources.</p>			

		<p>Expenditure could be limited to avoid exceeding bank overdraft limit.</p> <p><b>Improved decision making.</b> Management are better informed as there is more information about the business .</p> <p>Previous years' figures can be compared to aid target setting.</p> <p><b>Limitations:</b></p> <p><b>Demotivating</b> Budgets can demotivate staff if the budget is imposed (they are not involved in the target setting), or if the targets are not achievable.</p> <p>In this case the sales staff have not been involved in the target setting.</p> <p>Restrictive/straight jacketing. Budgets can prevent improved business performance as they can act as a straitjacket and cause staff to focus on hitting the budget and not on what is best for the business.</p> <p>For example, the sales targets may be set too low and the sales team may reject potential sales in order to meet the targets.</p> <p>The ICT system may not work. The system is new and has not been tested and may have teething problems or the software may not operate effectively.</p> <p>This may mean that the sales staff cannot communicate with Fergie and Kenny.</p> <p>Lack of expertise/ experience. If managers do not have experience of operating a budgetary control system; this could lead to problems.</p> <p>Fergie and Kenny do not have experience of preparing budgets. For example, they may not set achievable budgets or not include staff in the preparation.</p> <p><b>Based on forecasts.</b> The forecasts may be inaccurate and this could lead to poor decisions being made.</p> <p>The sales targets may be set too high or too low.</p> <p><b>Budgets take time to prepare/monitor.</b> The budgeting process can be very time consuming and this may distract from other areas of the business.</p> <p>In preparing the budget Fergie and Kenny may neglect other areas of the business for example negotiating discounts.</p>	
--	--	--	--