Pearson

Mark Scheme (Results)

Summer 2026

Pearson Edexcel International Advanced Level in Accounting
WAC11/01
Unit 1: The Accounting System and Costing

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Summer 2026
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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:(2) AO2(3):AO3(2)
AO1: Two marks for recording balances
AO2: Three marks for calculating and correct use of goodwill
AO3: Two marks for calculating and correctly treating

Capital Accounts

Date	**Details**	**Ama**	**Bebi**	**Chamara**	**Date**	**Details**	**Ama**	**Bebi**	**Chamara**
		£000	**£000**	**£000**			**£000**	**£000**	**£000**
2025					**2025**				
1 May	Goodwill	24**(1)** AO3	24**(1)** AO2	12 **(1)** AO2	1 May	Balance	50	30	
						Bank			40 **(1)** AO1
						Goodw'l	30**(1)** AO3	30**(1)** AO2	
2026					**2026**				
1 May	Balance c/d	56	36	28			—	—	—
		80	60	40			80	60	40
					2 May	Balance b/d	56	36	28 **(1of)** AO1

Allow 'netting' of goodwill**:** Ama £6 000 Cr **(2)** Bebi £6 000 Cr **(2)**
Examiner notes
Must state Bank
No aliens – lose Bal b/d OF mark
Ignore dates

(7)

(b) AO1:(4) AO2(10):AO3(3)
AO1: Four marks for recording given balances
AO2: Ten marks for calculating and correct use of balance
AO3: Three marks for calculating cost of sales, allowance and advertising

Ama, Bebi and Chamara
Statement of Profit or Loss and Other Comprehensive Income including an Appropriation Account for the year ended 30 April 2026

	£	£	£
Revenue		326 000	
Less Returns inwards		(8 000)	
Less			318 000 **(1)** AO2
Opening inventory		31 500	
Purchases	178 000		
Less Returns outwards	(6 200)	171 800 **(1)** AO2	
		203 300	
Less Closing inventory		(36 300)	
Cost of sales			(167 000)**(1)**AO3 +W
Gross profit			151 000
Add Other Incomes			
Discount received		5 400 **(1)** AO1	
Rent receivable 800 + 400		1 200 **(1)** AO2	6 600
			157 600
Less Expenses			
Allowance for irrecoverable debts		1 200 **(1)** AO3	
Advertising 17 400 +1 700 – 500		18 600 **(1)** AO3	
General expenses		15 100 **(1)** AO1	
Irrecoverable debts 900 + 2 800		3 700 **(1)** AO2	
Management salaries 50 000 - 22 000		28 000 **(1)** AO2	
Depreciation:			
Delivery vehicles		8 400 **(1)** AO2	
Fixtures and fittings		4 500 **(1)** AO2	
Rent payable		18 000 **(1)** AO1	
Wages		29 100 **(1)** AO1	
			(126 600)
Profit for the year			31 000
Add Interest on drawings			
Ama		200	
Bebi		100	
Chamara		200	500 **(1)** AO2
Less Salaries			
Ama		10 000	
Chamara		12 000	(22 000) **(1)** AO2
			9 500
Share of profit			
Ama		3 800	
Bebi		3 800	
Chamara		1 900	**(1of)** AO2 If in correct ratio
			9 500

(17)

Allow discount received as
Purchases £178 000 less Discount received 5 400 **[1]** = 172 600 **(1)** AO2

Examiner notes
Must be clear the entries for DV and F+F relate to depreciation
Interest on drawing and salaries – must see individual and total figures.

(c) AO1:(2) AO2(5)
AO1: Two marks for recording balances
AO2: Five marks for correctly recording transfers to the account

Current Accounts

Date	Details	Ama	Bebi	Chamara	Date	Details	Ama	Bebi	Chamara
		£000	**£000**	**£000**			**£000**	**£000**	**£000**
2025					**2025**				
					1 May	Balance b/d	3 200	1 750	-
2026					**2026**				
30Ap'l	Salary paid	10 000	-	12 000	30Ap'l	Salary	10 000	-	12 000
	Drawings	4 000	2 000	4 000		Profit share	3 800	3 800	1 900
	Interest drawings	200	100	200					
	Balance c/d	2 800	3 450			Balance c/d			2 300
		17 000	5 550	16 200			17 000	5 550	16 200
1 May	Balance b/d			2 300	1 May	Balance b/d	2 800	3 450	

Dr Salaries paid **(1)** AO2 for both
Drawings **(1)** AO2 for all three
Interest on drawings **(1of)** AO2 for all three

Cr Opening balances 1 May 2025 **(1)** AO1 for both
Salaries **(1)** AO2 for both
Profits shared **(1of)** AO2 for all three
Closing balances 1 May 2026 **(1of)** AO1 for all three

(7)

Examiner notes
Accept Salary as details for DR entry

(d) AO1:(5) AO2(6):AO3(1)
AO1: Five marks for recording given balances
AO2: Six marks for calculating and correct use of balance
AO3: One marks for calculating trade receivables

Statement of Financial Position at 30 April 2026

Non-current assets			
	Cost	**Accumulated depreciation**	**Carrying value**
	£	**£**	**£**
Delivery vehicles	60 000	(26 400)	33 600 **(1of)** AO2
Fixtures and fittings	30 000	(15 500)	14 500 **(1of))** AO2
	90 000	(41 900)	48 100
Current assets			
Inventory		36 300 **(1)** AO1	
Trade receivables	32 800		
Less Irrecoverable debts	(2 800)		
	30 000**(1)** AO2		
Less Allowance	(1 200)		
		28 800 **(1)** AO3	
Other receivables 400 **[1]** + 500 **[1]**		900 **(2)** AO2	
Bank and cash		28 400 **(1)** AO1	
			94 400
			142 500
Capital			
Ama		56 000	
Bebi		36 000	
Charma		28 000	
			120 000 **(1of)** AO1 All three
Current accounts			
Ama		2 800	
Bebi		3 450	
Charma		(2 300)	
			3 950 **(1of)** AO1 All three
Current liabilities			
Trade payables		16 850 **(1)** AO1	
Other payables		1 700 **(1)** AO2	
			18 550
			142 500

Other receivables Rent receivable £400 + Advertising prepaid £500
Other payables Advertising £1 700

(12)

Examiner notes
Carrying values OF - must be less than 42 000 and 19 000
Must see 30 000 for 1 mark and 28 800 for 1 mark.
Capital and Current – must see each partners capital and a total to award a mark
Accept A, B, and C for labels in Capital and Current account entries

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

Arguments for admitting Chamara as a partner

Additional capital funding will be provided to the business.
Additional expertise will be available to the business.
Risk will be shared by three partners instead of two partners.
Greater availability of management cover for absences and holiday from the partners.
Workload can be shared between three partners instead of two.
The new partner may have business contacts that the partnership can now use.

Arguments against admitting Chamara as a partner

Profits will be shared three ways meaning less profit for Ama and Bebi.
Before decisions important to the business are made all three partners must be consulted. This can lead to disagreements between partners.
Partners have liability for other partners actions or decisions when pursuing business activities. Joint and several liability.

Decision

Candidates may conclude that it was appropriate/ was not appropriate to admit Chamara as a partner. The concluding decision should be supported by an appropriate rational.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

(12)

Q1	**Total marks**	**55**

2(a) AO2(10)
AO2: Ten marks for correct narrative, figure and date

General Journal

Date		Dr	Cr
2026		**£**	**£**
5 April	Discount allowed	30 **(1)** AO2	
	AB Retail		30 **(1)** AO2
10 April	Revenue/Sales	120 **(1)** AO2	
	AB Retail		120 **(1)** AO2
17 April	Simpson Retail	210 **(1)** AO2	
	AB Retail		210 **(1)** AO2
22 April	AB Retail	9 **(1)** AO2	
	Returns inwards		9 **(1)** AO2
26 April	AB Retail	1 080 **(1)** AO2	
	Revenue/Sales		1 080 **(1)** AO2

(10)

Examiner notes
If no date, no mark for the DR entry

(b) AO1:(1) AO2(5)
AO1: One mark for final balance of account
AO2: Five marks for correct calculation of adjustments

Corrected balance

	£	£
Balance 1 April		440 Dr
Plus		
Returns	9 **(1)** AO2	
Goods supplied	1 080 **(1)** AO2	
	1 089	
Minus		
Discount allowed	30 **(1)** AO2	
15%trade discount	120 **(1)** AO2	
Payment by Simpson Retail	210 **(1)** AO2	
	360	
		729
Corrected balance 30 April		1 169 Dr **(1of)** AO1

(6)

Alternative method

Details	£	Details	£
Balance b/d	500	Bank	485(1)
Sales	680 (1)	Disc. allowed	15(1)
Sales	540(1)	Returns in	51(1)
		Bal	1169
	1720		1720
Bal b/d	1169 (1of)		

Examiner notes

6 marks for 1169 DR, 5 marks for 1169 – must state a Dr balance for final mark.
If in ledger account format ignore the label as a calculate question

(c) AO1:(4)
AO1: Two marks for explanation of differences

Error of original entry	Error of reversal
Incorrect figure used when first entered in the records **(1)** AO1	**Correct figure** is used when first entered in the records. **(1)** AO1
Recording on the **correct side** of both correct accounts. **(1)** AO1	Recording on **the incorrect side** of both correct accounts. **(1)** AO1

(4)

Examiner notes
Award 1 mark for each correct statement

(d) AO1:(2)
AO1: Two marks for explanation

Because there is a **debit and a credit (1)** AO1 of **equal value**. **(1)** AO1 Therefore the trial balance will balance.

(2)

Examiner notes
Must state equal value

(e) AO1:(4)
AO1: Four marks for recording explanation

Capital expenditure	Revenue expenditure
Recorded in the Statement of Financial Position	Recorded in the Income Statement
Benefit of the expenditure will last for many years	Benefit of the expenditure will last just for one year or less
Purchase or enhancement on non-current assets	Payment of day-to-day expenses

Must be a difference stated between capital and revenue **2 x 2 (1)** AO1
(4)

Examiner notes
Do not accept value or frequency as differences nor one-off or recurring

(f) AO1:(1) AO2(4)
AO1: One mark for recording extension and new packaging machine as capital expenditure
AO2: Four marks for identifying capital and revenue expenditure

Expenditure	Category
(1) Building extension	Capital **(1)** AO2
(2) Redecoration of the existing buildings	Revenue **(1)** AO2
(3) Additional insurance	Revenue **(1)** AO2
(4) Purchase of the new packaging	Capital **(1)** AO1
(5) Installation of the new packaging machine	Capital **(1)** AO2

(5)

(g) AO1:(2) AO2(2)
AO1: Two marks for recording rate
AO2: Two marks for calculating and correct value of cost

(i) Option 1

3 x £6 **(1)** AO1 x 38 hours = £684 per week **(1)** AO2

(2)

(ii) **Qption 2**

2 × £0.60 **(1)** AO1 × 380 items = £456 **(1)** AO2

(2)

Examiner notes

If final answer incorrect, accept any pair of numbers multiplied correctly for 1 mark, eg 3x38=114 – 1 mark

(h) AO1:(4)
AO1: Four marks for stating disadvantages

(i) Disadvantages of daywork

Cost per unit packed are higher
Less productive
Requires three workers instead of two
Output is not rewarded.
May result in increased 'down time' for non-essential reasons.

(1) AO1 × 2 **(2)**

(ii) Disadvantages of piecework

Quality of work may not be maintained when output is the driver. Increased checks on quality required.
Increased chances of accidents through working quicker.
Unstable earnings for employees

(1) AO1 × 2 **(2)**

(I) AO2(1):AO3(3)

AO2: One mark for correct concept or convention breached
AO3: Three marks for correct concept or convention breached

Proposal	Concept or convention
(1) Sale or return goods	Realisation **(1)** AO3
(2) Value skill of staff	Money measurement **(1)** AO3
(3) Only expenses paid in Income Statement	Accruals (Matching) **(1)** AO3
(4) Allowance for irrecoverable debts removal	Prudence **(1)** AO2

(4)

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

Points in favour of paying from bank account
The extension and new equipment are fully paid for, there are no future payments to be made, or plans to be made for future payments.
There will be no requirement to pay credit facilities or bank loans which will also not incur any interest payments.
No need to arrange credit facilities saving time.
No collateral required

Points against paying from bank account
Making a one-off payment of £45 000 for the extension and equipment will have a negative impact on the liquidity of the business.
The impact on the liquidity may mean that it is difficult to meet payments to trade payables and meet other short term expense payments.
With an overdraft of £40 000 there will still be substantial interest payments to make to the bank.

Decision
Candidates may conclude that Barsha acted correctly/ inadvisably in paying for all the extension and new equipment in cash. Their argument must 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. 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**

3 (a) AO2(6)
AO2: Six marks for calculating ratios

Ratio	Calculation
(i) current ratio	$\underline{10\ 000 + 65\ 000}$ = 1.88:1 **(1)** AO2 35 000 + 5 000 **(1)** AO2
(ii) trade receivables collection period (days)	$\underline{65\ 000 \times 365}$ = 49.43 days **(1)** AO2 480 000 **(1)** AO2
(iii) trade payables payment period (days)	$\underline{35\ 000 \times 365}$ = 31.94 days **(1)** AO2 400 000 **(1)** AO2

(6)

Examiner notes
Accept reasonable rounding. Current ratio expressed as to X:1. Days not required.

(b)(i) AO1:(3) AO2(1)
AO1: Three marks for stating effect
AO2: One mark for calculating loss from the bankruptcy

(i) The profit for the year will be **reduced (1),** AO1 by the value of the loss of **£22 000 (1)** AO2

(2)

(ii) The **liquidity will deteriorate/worsen (1)** AO1 as the **current/liquid assets** of the business will be immediately **reduced** by the debt which cannot be recovered. **(1)** AO1

(2)

Examiner notes
for liquidity, must indicate a worsening not just a decrease. must refer to current assets or specific types of current assests, not just assets.

(c) AO1:(4)
AO1: Four marks for stating actions which should be undertaken

(i) Before supplying goods
Credit reference checks
Ask for bank reference
Limit the size of the first or early orders
Ask for payment/deposit for first order before supply

(1) AO1 x 2 points= 2 marks **(2)**

(ii) After supplying goods, to recover the debt from the customer.
Immediate Invoicing for payment of goods
Chase payment as the debt becomes outstanding as one-month approaches.
Regular telephone calls to Asif chasing debt.
Letters referring to enforcement action
Refer to debt collection agency.

(1) AO1 x 2 points= 2 marks **(2)**

Examiner notes
Not cash discount or charge interest

(d) (i) and (ii) AO1:(2) AO2(5):AO3(3)
AO1: Two marks for recording given balances
AO2: Five marks for calculating and correct use of balances
AO3: Three marks for calculating profit for year, bank interest and capital

Ratio		Calculation
(i)	percentage return on capital employed.	**(1)** AO1 **(1)** AO3 **(1)** AO3 24 000 – 22 000 + 2 000 x 100 = 6.15% 40 000 + 25 000 **(1of)** AO2 **(1)** AO3 **(1)** AO2
(ii)	liquid (acid test) ratio.	39 000**(1)** AO2 = 1.08:1 **(1)** AO2 35 000**(1)** AO2 + 1 000 **(1)** AO1

(10)

Workings
Bank loan interest £25 000 x 8% = £2 000

Capital	Assets 54 000 + 10 000 + 65 000	= 129 000
	Liabilities 35 000 + 5 000 + 25 000	= (65 000)
	Profit	= (24 000)
		40 000

Trade receivables 65 000 – 26 000= 39 000
Bank (5 000) + 4 000 = (1 000)
Accept reasonable rounding.

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

Points in favour of statement

Making an allowance for irrecoverable debts in previous years will set aside a provision against which a future loss.
A previous year's profits will already have reduced the profit in that year to allow for future irrecoverable debts.

Points against statement

Although previous years profits will have been set aside in an allowance for irrecoverable debts it is unlikely that the allowance will be sufficient to cover the whole debt.
The trade receivables are £65 000 and the irrecoverable debt £22 000. It is unlikely that such a large allowance would have been made.
It is still probable that a significant amount of the £22 000 would still have to be deducted from this year's profit even if the provision had been utilised.

Decision
The candidate may decide that the statement is true/untrue but must be supported by an appropriate rationale.

(6)

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
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.

Q3	Total marks	30

4 (i) AO1:(4) AO2(6)
AO1: Four marks for recording given balances
AO2: Six marks for calculating and correct use of balance

Westville Tennis Club
Trial Balance at 1 April 2025

	Dr	**Cr**
	£	**£**
Subscriptions in arrears	600 **(1)** AO2	
Subscriptions in advance		750 **(1)** AO2
Non-current assets (at cost)		
Clubhouse	60 000 **(1)** AO2	
Equipment	25 000 Both	
Provisions for depreciation		
Clubhouse		19 000 **(1)** AO2
Equipment		11 000 Both
Inventory of refreshments	420 **(1)** AO1	
Bank overdraft		1 550 **(1)** AO1
Trade payables for refreshments		570 **(1)** AO1
Accrued rent		40 **(1)** AO1
Accumulated fund		53 110 **(1of)** AO2
	86 020	86 020 **(1of)** AO2 both

(10)

Accumulated own figure must be a credit
Both Dr and Cr balancing figure must be the same for 1 mark

(b) AO1:(5) AO2(6):AO3(3)
AO1: Five marks for recording given balances
AO2: Six marks for calculating and correct use of balance
AO3: Three marks for calculating balance with two adjustments

Westville Tennis Club
Income and Expenditure Account for the year ended
31 March 2026

	£	£
Income		
Subscription fees		9 000 **(1)** AO2
Competitions		
Entry fees	1 050 **[1]** AO1	
Prizes	(810)	
Surplus on competitions		240 **(2)** AO2
Raffles		
Entry fees	930 **[1]** AO1	
Prizes	(980)	
Loss on raffles		(50) **(2)** AO2
Profit on refreshments		1 560 **(1)** AO1
		10 750
Less Expenditure		
Rent (840 – 40 - 80)	720 **(1)** AO3	
Repairs to clubhouse	1 050 **(1)** AO1	
Electricity and gas (2 050 +70 – 260)	1 860 **(1)** AO3	
Bank charges	170 **(1)** AO1	
Irrecoverable debts	150 **(1)** AO2	
Depreciation -		
Clubhouse	4 000 **(1)** AO2	
Equipment	3 000 **(1)** AO3	
		(10 950)
Deficit		(200) **(1of)** AO2 +w

(14)

Examiner notes
If Loss on raffles shown in expenses, award 2 marks.
Must state deficit or surplus depending on own figure.
Allow subscriptions written off as a label

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

Points in favour five-year membership

Could raise the £5 000 required in the current year.
Significant potential cash inflow.
No interest charges.
More members may be generated as the juniors join the club in future years – improving future income.

Points against five-year membership

In the subsequent years the subscriptions collected will reduce.
The subscriptions are at a discount which will reduce income over the years.
Future obligations to members for 5 years
Members who disapprove may leave the club – reducing income.

Decision
Candidates may conclude that a five-year membership fee should, or should not, be charged. The decision must be supported by an appropriate rationale.

(6)

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
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.

Q4	Total marks	30

5 (a)(i) AO1:(2)
AO1: Two marks for stating the meaning

A single/unique order or contract (1) AO1 which is made to the **customer's specific order requirements. (1)** AO1

(2)

(ii) AO1:(2)
AO1: Two marks for stating the meaning

A cost which **varies directly (1)** AO1 with the **volume of output**.
(1) AO1 **(2)**

(b) AO2(2):AO3(1)
AO2: Two marks for calculations
AO3: One marks for calculation

$\frac{\text{£36 000 divided by £20}}{\text{48 hours per week x 50 weeks}} = \frac{1\ 800}{2\ 400}$ **[1]** AO3 = 75% **(3)** AO2

48 hours per week x 50 weeks = 2 400 **[1]** AO2

(3)

Examiner notes

Must see 1800 and 2400 to award component mark, if 36 000/20 or 48 x 50 no marks.

(c) AO1:(4)
AO1: Four marks for activities that may be undertaken

Visiting customer's premises to assess work
Preparing quotations
Preparing the accounting records
Completing official returns e.g. tax authorities
Internal management of the business
Meet sales representatives for products
Collect materials from suppliers

(1) AO1 x 4 **(4)**

Not – holiday, leisure, sickness. lunch break. Must be an activity related to his work.

(d)(i) AO1:(1) AO2(5):AO3(1)
AO1: One mark for calculating a profit for the year
AO2: Five marks for calculating and correct use of balance
AO3: One marks for calculating total income

Alvor
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2026

	£	£
Income		
Alvor's labour charge		36 000
Raw materials £6 400 + 25%		8 000
		44 000 **(1)** AO3
Less **Expenses**		
Raw material cost	6 400 **(1)** AO2	
Motor vehicle expense 3 700 + 400	4 100 **(1)** AO2	
General expenses 8 550 - 350	8 200 **(1)** AO2	
Depreciation – Motor vehicle	900 **(1)** AO2	
Tools and equipment	1 200 **(1)** AO2	
		(20 800)
Profit for the year		23 200 **(1of)** AO1 +W
		44 000

(7)

Examiner notes
Must be clear entries are for depreciation. Must state profit for the year.

(ii) AO2(5):AO3(1)
AO2: Five marks for calculating and correct use of balance
AO3: One marks for calculating correct closing balance

Bank Account (Summarised)
1 April 2025 to 31 March 2026

	£		£
Opening balance	2 500	Raw material supplier	6 100 **(1)** AO2
Sales receipts	33 000 **(1)** AO2	Motor vehicle expense	3 700 **(1)** AO2
		General expenses	8 550 **(1)** AO2
Balance c/d	850	Drawings	18 000 **(1)** + W AO2
	36 350		36 350
		Balance b/d	850 **(1)** AO3

(6)

Examiner notes

Accept reasonable narratives for sales receipts and raw materials supplier – but must relate to receipt for DR and to Cr for expenditure. Eg for sales receipts Trade receivable acceptable but not fee payments. Must state Drawings.

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

OWN FIGURE RULE APPLIES

Positives of the business

Alvor is undertaking work which he can directly charge to customers for 75% of his time. This is quite a high percentage.
He has made a good profit of £23 200 which is greater than his drawings, so his capital invested in the business is increasing.
Drawings of £18 000 are sufficient to meet his personal requirements but there is still profit which is being reinvested in the business.

Negatives of the business

Collection of debts from customers is slow. Only £33 000 of sales of £44 000 have been collected. A payment period of around 3 months.
He finishes the year with an overdraft at the bank of £850 which will incur charges.

Decision
Candidates may conclude that the business has done well in the current year or requires improvement. Their argument must be supported by an appropriate rationale.

(6)

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
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.

Q5	Total marks	30

6 (a)(i) AO1:(2)
AO1: Two marks for stating causes

- Wear and tear /passage of time **(1)** AO1
- Technical obsolescence/Economic reasons **(1)** AO1

(2)

Examiner notes

Allow wear and tear or passage of time for a cause for 1 mark, not 2 marks
Allow notion of obsolescence or economic reasons for 1 mark, not 2 marks
Do not accept depletion

(ii) AO1:(2)
AO1: Two marks for stating reasons

- Will have greater loss in market value in the early years of ownership
- Loss in value needs to be reflected in income statement to ensure profit accuracy.
- To not overvalue non-current asset in financial position statement
- More accurate when take into account maintenance costs in later years

(1) AO1 x 2 = 2 marks **(2)**

Examiner notes

Do not accept more accurate as a reason.

(b) AO2(5):AO3(1)
AO2: Five marks for calculating and correct use of balance
AO3: One marks for calculating total depreciation including loss on sale

Depreciation for the year ended 30 April 2026

	Motor van 1	**Motor van 2**	**Motor van 3**	**Motor van 4**	**Motor van 5**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Depreciation for year	2 700 **[1]**	-	3 300 **[1]**	3 600 **[1]**	3 900 **[1]**	13 500 **(4)** AO2
Loss on sale	-	1 900 **[1]**	-	-	-	1 900 **(1)** AO2
Total	2 700	1 900	3 300	3 600	3 900	15 400 **(1)** AO3

(6)

Examiner notes

Calculate question - 15400 is 6 marks, 13500 is 4 marks

(c)(i) AO1:(1) AO2(3)
AO1: One mark for showing closing balance
AO2: Three marks for calculating and correct use of entries to account

Motor van Account

Date	Details	£	Date	Details	£
2025			2025		
1 May	Balance b/d	82 000 **(1)** AO2	26 Sept	Disposal	18 000 **(1)** AO2
26 Sept	Bank and exchange/disposal	26 000 **(1)** AO2			
2026			2026		
		______	30 April	Balance c/d	90 000
		108 000			108 000
1 May	Balance b/d	90 000 **(1of)** AO1			

(4)

Examiner notes
Must see both bank and exchange/disposal to award mark. Allow separate entries for Bank 18 000 and Exchange/Disposal for 8 000
Ignore dates

(ii) AO1:(1) AO2(2):AO3(1)
AO1: One mark for recording given balance
AO2: Two marks for correct use of provision and exchange
AO3: One marks for calculating the loss

Disposal Account

Date	Details	£	Date	Details	£
2025			2025		
26 Sept	Motor vans	18 000 **(1)** AO1	26 Sept	Provision for depreciation	8 100 **(1)** AO2
				Exchange value/Motor vehicle	8 000**(1)** AO2
			2026		
			30 April	Income statement	1 900 **(1)** AO3
		18 000			18 000

(4)

Examiner notes

No full abbreviations. Ignore dates

(d) AO1:(3) AO2(2):AO3(1)
AO1: Three marks for recording previously calculated balances
AO2: Two marks for calculating total cost and depreciation on disposals
AO3: One marks for calculating correct carrying value at 30 April 2026

Schedule of Non-current Assets at 30 April 2026

	Motor vans
	£
Cost at 1 May 2025	82 000
Additions for year	26 000 **(1) AO1**
Disposals for year	(18 000) **(1) AO1**
Non-current assets (cost)	**90 000 (1) AO2**
Less Depreciation	
Provision at 1 May 2025	(28 100)
Accumulated depreciation on disposals	8 100 **(1) AO2**
Depreciation for the year ended 30 April 2026	(13 500) **(1of) AO1** (from b)
Accumulated depreciation	**(33 500)** (of)
Carrying value at 30 April 2026	**56 500 (1of) AO3**

(6)

Examiner notes
For entries accept the number – ignore direction. Award mark for totals if the right direction used
Award 1 OF carrying value only if all rows entered with a value.

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

Points in favour of revaluation

Profit may be more accurate because motor vans will be valued at current market value, and the depreciation charged to the Income statement will be accurate.
Value of non-current assets in the statement of financial position may reflect current market value, therefore the carrying value will be accurate.

Points against revaluation

Needs a valuer to assess the current value of a non-current asset which can be expensive.
Revaluation is still only an estimate of value which will only be accurately determined when the asset is sold.

Decision
Candidates may conclude that revaluation would be/would not be an improved method and should be adopted. Their argument must be supported by an appropriate rationale.

(6)

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Q6	Total marks	30