Pearson

Mark Scheme (Results)

October 2025

Pearson Edexcel International Advanced Level in Accounting WAC11/01

Unit 1: The Accounting System and Costing

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

1(a)(i) AO1:(7) AO2(9):AO3(2)
AO1: Seven marks for recording given balances
AO2: Nine marks for calculating and correct use of balance
AO3: Two marks for calculating cost of sales and allowance for irrecoverable debts

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

	£	£
Revenue		140 000 **(1)** AO1
Less		
Opening inventory	13 400	
Purchases	73 000	
Purchase returns	(1 750) **(1)** AO1	
	84 650	
Closing inventory	(12 150)	
Cost of sales		(72 500) **(1)** AO3+W
Gross profit		67 500
Less		
Expenses		
Advertising expenses (3 100 – 600)	2 500 **(1)** AO2	
Irrecoverable debts/bad debts	300 **(1)** AO2	
Increased allowance for Irrecoverable Debts	60 **(1)** AO3	
Bank interest (350 + 150)	500 **(1)** AO2	
Loss on disposal	400 **(1)** AO2	
Electricity and water	1 900 **(1)** AO1	
Manager's salary	11 800 **(1)** AO1	
Premises running costs	9 500 **(1)** AO1	
Depreciation:		
Premises	1 600 **(1)** AO2	
Computers and equipment	3 000 **(1)** AO2	
Fixtures and fittings	2 100 **(1)** AO2	
Shop assistant's wages (11 900 + 700)	12 600 **(1)** AO2	
Sundry expenses	4 200 **(1)** AO1	
Telephone and broadband	1 300 **(1)** AO1	
Provision for legal claim	2 500 **(1)** AO2	
		(54 260)
Profit for the year		13 240

(18)

Examiners notes
Marks for figure and reasonable description.
Depreciation must state 'depreciation or minimum of 'Dep' plus non-current asset name and figure.
Must state 'Loss on disposal', bank interest must state "interest",
Provision for legal claim must refer to **both** provision and legal claim not just 'provision'.

(ii) AO1:(4) AO2(11):AO3(2)
AO1: Four marks for recording given balances
AO2: Eleven marks for calculating and correct use of balance
AO3: Two marks for calculating trade receivables and closing capital

Statement of Financial Position at 30 September 2025

Non-current assets	**£**	**£**	**£**
	Cost	**Accumulated depreciation**	**Carrying value**
Premises	80 000	(19 600)	60 400 **(1of)** AO2
Computers and equipment	50 000	(41 000)	9 000 **(1of)** AO2
Fixtures and fittings	14 000	(12 100)	1 900 **(1of)** AO2
	144 000	(72 700)	71 300 **(1of)** AO2
Current assets			
Inventory		12 150 **(1)** AO1	
Trade receivables	6 500 **(1)** AO2		
Allowance for irre'le debt	(260)		
		6 240 **(1)** AO3	
Other receivables		600 **(1)** AO2	
Cash		950 **(1)** AO1	
			19 940
Total Assets			91 240
Capital		60 000	
Profit for the year		13 240	
		73 240	
Drawings		(12 000)	
			61 240**(1of)** AO3
Non-current liabilities			
5% bank loan			7 500 **(1)** AO2
Current liabilities			
Trade payables		9 400 **(1)** AO1	
Bank overdraft		7 250 **(1)** AO1	
5% bank loan		2 500 **(1)** AO2	
Provision for legal claim		2 500 **(1)** AO2	
Other payables		850 **(2)** AO2	
700 **[1]** +150 **[1]**			22 500
Capital and Liabilities			91 240

(17)

Examiners notes
NCA - OF carrying values must be less than:
Premises - 62 000
Computers and equipment - 12 000
Fixtures and fittings - 4000
Capital must contain the three elements of opening, profit and drawings.
Minimum of 'bank loan' but does not need non-current liabilities or 5%
Provision must state both "Legal claim" and " provision".

(b)(i) AO1:(1) AO2(3):AO3(1)
AO1: One mark for recording given balances
AO2: Three marks for calculating and correct use of balance
AO3: One mark for calculating labour cost

Annual Cost of Operating Proposed Security System

	Workings	**£**
Depreciation	Cost £12 000 + Installation £3 000 **[1]** = £15 000 ÷ 6 = £2 500 **[1of]**	2 500 **(2of)** AO2
Annual maintenance		2 000 **(1)** AO2
Annual labour cost	10 hrs x 12 months x 2 assistants = 240 hours x £5	1 200 **(1)** AO3
		5 700 **(1of)** AO1

(5)

Examiners notes

Depreciation of £2 000 is worth 1 mark.
Evidence of all 3 cost elements for final OF figure

(ii) AO1:(2) AO2(1)
AO1: Two marks for using given balances
AO2: One mark for calculating the saving

	£
Cost of goods stolen	8 500 **(1)** AO1
Annual operating cost	(5 700) **(1of)** AO1
Saving/Deficit	2 800 **(1of)** AO2

(3)

Must state whether saving or deficit and must be correct orientation.

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

Points in favour of sales on-line, cash with order
The liquidity position of the business should improve with cash with order.
There would be no irrecoverable debts.
Reduced costs associated with trade receivables process
A shop might be an expensive premises to maintain for this method of selling when a smaller and cheaper warehouse might be better to trade on-line.
Sales can take place 24/7 and out of shop opening hours.
Greater customer base
Shoplifting (theft) would be eliminated.

Points against sales on-line, cash with order
Anwar also sells to other businesses who may go to other suppliers who offer credit terms.
Business customers will probably be buying larger quantities on credit. If these customers are lost retail customers will only buy small quantities.
Customers visiting the shop can inspect the goods and possibly make an impulse purchase, on-line this is less likely to happen.
At present customers come to the shop to purchase, but selling on-line would incur delivery charges for Anwar and costs of packaging.
Anwar will incur the costs of setting up and maintaining a sales website.
Issues around on-line security and technical issues, potential customers may avoid on-line purchases.
Social accounting issues around shop staff losing their jobs.

Decision
Candidates may consider that it is/is not appropriate to change the business model. Their decision should be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. 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(4):AO3(1)
AO2: Four marks for correct entries narratives and number
AO3: One marks for calculation and narrative

Insurance Account

Date	Details	£	Date	Details	£
2024			2024		
1 Oct	Balance b/d	230 **(1)** AO2			
18 Nov	Bank	780 **(1)** AO2			
2025			2025		
			30 Sept	Income statement	1 200 **(1of)** AO3
4 Jan	Bank	400 **(1)** AO2		Balance c/d	210
		1 410			1 410
2025			2025		
1 Oct	Balance b/d	210 **(1)** AO2			

(5)

Examiners notes

Ignore dates, mark is for narrative plus figure.
Must state Bank as narrative.
Abbreviations not accepted. Do not accept IS, SPLCI, P/L for Income statement or bd, bbd, cd, bcd for balance must be minimum of Bal or B/ce.
No aliens – if present lose Income statement mark.

(ii) AO2(4):AO3(1)
AO2: Four marks for correct entries narratives and number
AO3: One marks for calculation and narrative

Rent Receivable Account

Date	Details	£	Date	Details	£
2024			2024		
1 Oct	Balance b/d	50 **(1)** AO2	30 Dec	Bank	200 **(1)** AO2
2025			2025		
30 Sept	Income statement	600 **(1)** AO3	26 June	Bank	300 **(1)** AO2
		___	30 Sept	Balance c/d	150
		650			650
2025					
1 Oct	Balance b/d	150 **(1)** AO2			

(5)

Examiners notes

Ignore dates, mark is for narrative plus figure.
Must state Bank as narrative.
Abbreviations not accepted. Do not accept IS, SPLCI, P/L for Income statement or bd, bbd, cd, bcd for balance must be minimum of Bal or B/ce.
All correct figure marks only.

(b) AO1:(8) AO2:(2) AO3:(1)
AO1: Eight marks for recording given balances
AO2: Two marks for calculating and correct use of balance from ledger in (a)
AO3: One marks for calculating suspense balance

Amos
Trial balance at 30 September 2025

	Dr	**Cr**
	£	**£**
Bank overdraft		7 000
Capital		15 000
Cash	570	
Discount allowed	420	
Discount received		650
Drawings	4 000	
General expenses	6 120	
Insurance	1 410 **(1)** AO2	
Inventory 1 October 2024	2 900	
Non-current assets (at cost)	24 000	
Provision for depreciation		4 800
Purchases	20 800	
Rent payable	3 000	
Rent receivable		450 **(1)** AO2
Revenue		50 800
Trade payables		1 850
Trade receivables	3 900	
Wages and salaries	14 600	
Suspense		1 170 **(1of)** AO3
	———	———
	81 720	81 720

All other entries **(1)** AO1 for every 2 correct entries = 8 marks

(11)

Examiners notes

Odd number of correct entries – round down if odd number of correct entries.

Insurance and rent receivable balances are those calculated from part (a). **Accept only the correct figure for the mark.**
Suspense account balance is and can be a Dr or a Cr. Totals MUST agree to award mark.

(c) AO2(9):AO3(1)
AO2: Nine marks for correct narrative and value
AO3: One marks for correct suspense account entry in (5)

General journal

	Dr	**Cr**
	£	**£**
Purchases	90 **(1)** AO2	
Suspense		90 **(1)** AO2
Drawings	400 **(1)** AO2	
Wages and salaries		400 **(1)** AO2
Cash	720 **(1)** AO2	
Suspense		720 **(1)** AO2
J.Ghi	250 **(1)** AO2	
J.Ghent		250 **(1)** AO2
Discount allowed	180	
Discount received	180 **(1)** AO2 Both	
Suspense		360 **(1)** AO3

(10)

Examiners notes

In second journal – must state Drawings.
In third journal must state 'cash' not 'cash book' or 'cash/bank'.
In fifth journal allow 2 x suspense 180 Cr enties.

(d) AO1:(3)
AO1: Three marks for stating type of error

Errors of:

Omission
Commission
Principle
Compensating
Reversal
Original entry

(1) AO1 x 3 = 3 marks **(3)**

Examiners notes

Do not accept duplication.
Do not accept original.

(e) AO1:(3) AO2(3)
AO1: Three marks for correct identification
AO2: Three marks for developing concept

(i)Money measurement
Only information/ transactions that can be **expressed in terms of money (1)** AO1 **can be recorded** in the accounting records **(1)** AO2
(2)

(ii)Realisation
The profit/revenue is only regarded as **being earned/recognised (1)** AO1 when the **legal title to the goods or service passes (1)** AO2 from the seller to the buyer.
(2)

(iii)Going concern
It is assumed that the business will operate for an **indefinite period of time/foreseeable future(1)** AO1 and that there is **no intention to close down** the business. **(1)** AO2
(2)

(f) AO1:(3)
AO1: Three marks for stating advantages

Speed of entry
Accuracy of books
Storage space reduction
Security of information using passwords
Reconciliation of entries
Double entries are automated
Ensures arithmetical accuracy

(1) AO1 x 3 = 3 marks **(3)**

Examiners notes
Accept other valid alternatives.
Beware of duplication of stated advantages

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

Points in favour of going into partnership
New capital for the business which will improve Amos's liquidity position and investment options.
Management of the business and risk will be shared.
New ideas will be introduced which may improve the businesses fortunes.
Management can continue during periods of holiday or sickness.

Points against going into partnership
Profit must be shared with the new partner.
The partners will have an equal say so disagreements may cause difficulties in management.
Risk of personal liability through somebody else's actions.
Decision-making may be slower

Decision
Candidates may consider that it is/is not appropriate to go into partnership. Their decision should be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
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Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

(12)

Q2	Total marks	55

3 (a) AO1:(2) AO2(3)
AO1: Two marks for recording interest on capital
AO2: Three marks for profit adjustment and share

Rayya and Tamish
Appropriation Section of the Statement of Profit or Loss and Other Comprehensive Income Account for the year ended 31 August 2025

	£	**£**
Profit for the year		15 100 **(1)** AO2
(15 400 – 300)		
Less		
Interest on capital		
Rayya	2 400 **(1)** AO1	
Tamish	1 200 **(1)** AO1	
		(3 600)
		11 500
Share of profit		
Rayya	6 900 **(1of)** AO2	**of** if split 3:2
Tamish	4 600 **(1of)** AO2	
		11 500

(5)

Examiner notes
Reasonable description required for Profit for the year, interest on capital and share of profit but not full abbreviations. R and T acceptable.
Interest on capital must be deducted.
If appropriation section contains an alien no mark for Rayya profit share.
Interest on loan of £300 is an alien.

(b) AO1(4):AO2(1)
AO1: AO1:(2) AO2(7):AO3(1)
AO1: Four marks for recording balances previously calculated
AO2: One mark for correctly including interest on loan

Closing balances of current accounts at 31 August 2025

	Rayya	**Tamish**
	£	**£**
Balance 1 September 2024	2 000 Cr	5 000 Cr
Plus		
Loan interest	300 **(1)** AO2	-
Interest on capital	2 400	1 200 **(1of)** AO1 Both
Share of profit	6 900	4 600 **(1of)** AO1 Both
	11 600	10 800
Less		
Drawings	(8 000)	(7 700) **(1)** AO1 Both
Balance 31 August 2024	3 600	3 100 **(1of)** AO1 Both

(5)

Examiner notes

Can be in any format e.g account, even if reversed. Ignore aliens
Figures for Interest on Capital and Share of profit must be own figures from part a

(c) AO1:(1) AO2(3):AO3(3)
AO1: One mark for bringing down closing balances
AO2: Three marks for capital introduced and goodwill introduced
AO3: Three marks for share of original partnership goodwill

Capital Accounts

	Rayya	**Tamish**	**Anika**		**Rayya**	**Tamish**	**Anika**
	£ 000	£ 000	£ 000		£ 000	£ 000	£000
Goodwill	10 **(1)** AO3	5 **(1)** AO3	10 **(1)** AO3	Balance b/d	40	20	
Balance c/d	45	25	30	Bank			15 **(1 for all 3)** AO2
				Inventory			11
				Trade receivables			14
				Goodwill	15 **(1)** AO2	10 **(1)** AO2	
	<u>55</u>	<u>30</u>	<u>40</u>		<u>55</u>	<u>30</u>	<u>40</u>
				Balance b/d	45 **(1of)** AO1	25 All three	30

(7)

Examiner notes

Beware of **netted off goodwill** Rayya credit £5 000 worth 2 marks and
Tamish credit £5 000 worth 2 marks.
Anika assets introduced can be grouped together, accept a credit of £40 000 for 1 mark or three items for 1 mark. Accept narrative 'introduced.'
Balance b/d must be on the credit side.
No aliens, lose the balance b/d mark.

(d) AO1(2) AO2(5)
AO1: Two marks for recording balances for capital and current accounts
AO2: Five marks for correctly calculating balances

Rayya, Tamish and Anika
Statement of Financial Position at 31 August 2025

	£	£
Non-current assets	50 000	
		50 000
Current assets		
Inventory 20 300 + 11 000	31 300 **(1)** AO2	
Trade receivables 21 900 + 14 000	35 900 **(1)** AO2	
Bank (11 000) + 15 000 **[1]** – (3 000) **[1]**	1 000 **(2)** AO2	
		68 200
Total assets		118 200
Capital		
Rayya	45 000	
Tamish	25 000	
Anika	30 000	
		100 000 **(1of)** AO1
Current accounts		
Rayya	3 600	
Tamish	3 100	
		6 700 **(1of)** AO1
Non-current liabilities		
5% loan from Rayya 6 000 – 3 000	3 000	
		3 000 **(1)** AO2
Current liabilities		
Trade payables	8 500	
		8 500
Capital and liabilities		118 200

(7)

Examiner notes

Capital account own figures are those calculated in (c)- must see each partners value and the total to award the mark.
Current account own figures are those calculated in (b) - must see each partners value and the total to award the mark.
Accept narrative **loan from Rayya**, do not need 5% or non-current liabilities but must be in separate section, not in current liabilities.

Bank - £4 000 1 mark if in current assets, £14 000 if in current liabilities
Bank figure must be anchored from (£11 000)

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

Points in favour of preparing a formal partnership agreement
A record of agreement which can be referred to settle disputes.
Removes uncertainty about what has or what has not been agreed.
The agreement can specify the duties of individual partners.

Points against preparing a formal partnership agreement
Cost of preparation by a lawyer.
Not everything that may happen can be foreseen and included in the agreement.
Formal agreement generally lacks flexibility.

Do not accept time as a point against.
Decision
Candidates may conclude that a formal partnership agreement should or should not, be prepared. 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.

Q3	Total marks	30

4 (a)(i) AO1:(2)
AO1: Two marks for explaining trade discount

A **reduction in the list/ sale price (1)** AO1 because we are **either buying large quantities/bulk buying** or **selling to the end user to make a profit.** (1) AO1

(2)

(a)(ii) AO1:(2)
AO1: Two marks for explaining cash discount

A **reduction in the amount owing (1)AO1** in return **for early payment of the debt (1) AO1**

(2)

(b) AO1:(5) AO2: (12) AO3:(3)
AO1: Five marks for correct use of given figures
AO2: Twelve marks for calculation
AO3: Three marks for two stage calculations

Albe
Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2026

	£	£
Revenue		271 000 **(4of)** AO1/2
Cost of sales		(162 600) **(2of)** AO1/3
Gross profit		108 400 **(1of)** AO1 +W
Less		
Wages	50 400 **(3of)** AO1/2/3	
Selling expenses	10 130**(3of)** AO1/2	
Other expenses	8 560 **(3of)** AO1/2/3	
Depreciation	9 250 **(3of)** AO2	
		(78 340)
Profit for the year		30 060 **(1of)** AO1 + W

(20)

Workings
Revenue
250 000 x 80% = £200 000 **[1]** AO2 + 30% = £260 000 **[1]** - 15% =221 000 **[1]** AO2
+ £50 000 (£250 000 x 20%) **[1]** AO2 = £271 000 **[1]** AO1/2 **(4of)**

Cost of sales
£271 000 **[1of]** AO2 x 60% **[1]** AO3 = £162 600 **(2of)** AO2/3.

Wages
£36 000 divided by 3 = £12 000 **[1]** AO2 x 4 = £48 000 **[1of]** AO3 + 5% **[1]** AO1 = £50 400 **(3)** AO1/2/3

Selling expenses
£2 000 **[1]** AO1 + 8 130 **[1]** (AO2 (£271000(1of) x 3%) **[1of]** AO1) = 10 130 **(3of)** AO1/2

Other expenses
£6 500 **[1]** AO1 + £1 500 = £8 000 [1] AO2+ 560 (7% increase) **[1of]** AO3 = 8 560 **(3of)** AO1/2/3

Depreciation
£7 000 **[1]** AO2 + (£20 000 - £2 000) **[1]** AO2 ÷ 8) £2 250 **[1]** AO2 = £9 250 [1] **(3of)** AO2

Examiner notes

Revenue – award 4 marks for £271 000, 3 marks for £221 000, 2 marks for £260 000 or 1 mark for £200 000
Cost of sales – 2 marks for OF x 60%
If the trading account section figures are those from the question with no adjustments, then award no marks down to Gross profit.
Wages – award 1 mark for £12 000, 2 marks for £4800. If adjusted OF by 5% award 1 mark.
Selling expenses – 1 mark for £2000, 1 mark for multiplying by 3%, calculating OF revenue by 3 %, only award final mark if use the correct OF revenue
Other expenses – 1 mark for £6 500, 2 marks for £8 000. Third mark for increasing their own figure by 7% (£560)
Depreciation – I mark for £7000, 1 mark for 2250

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

In favour of trade discount

As the goods become cheaper to regular business customers, they will probably buy more buy more.
Selling more goods will enable Albe to purchase from his suppliers with higher discounts being given to him.
Prices charged will be more competitive than those charged by competitors.
Cash discount does not improve profit but trade discount can do so.
Can help manage slow moving inventory

In favour of cash discount

Trade receivables will probably pay more quickly to gain the discount, improving cash flow.
Although this will reduce profit in the case of Albe's proposal, it will improve liquidity.
Possible reduced cost of debt collection

Decision
Candidates may conclude that cash discount or trade discount will increase Albe's profit. The decision must be supported by an appropriate rationale.

Examiner notes

Only reward the benefits of trade discounts and the benefits of cash discounts.

(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.

(6)

Q4	**Total marks**	**30**

5 (a)(i) AO1:(2)
AO1: Two marks for explaining the term

Workers are paid **a fixed rate [1]** based on **the time spent at work**.[1],

Examiner notes

Accept hours worked [1] times rate per hour [1] = wage paid (2)
Alternative for time – hours and days**.**

(ii) AO1:(2)
AO1: Two marks for explaining the term

The **distribution/sharing** of overheads to cost centres/different departments that benefit from the overhead on **the most reasonable basis**.

(2)

Examiner notes

First mark is for the notion of dividing the cost of the overhead to different area of the business and the second mark for the notion that this should be done on an equitable basis**.**

(b) AO1(5) AO2(12):AO3(3)
AO1: Five marks for recording given balances or sub-totalling
AO2: Twelve marks for calculating and correct use of balance
AO3: Three marks for calculating balance with multi stages

New Products
Manufacturing Account for the year ended 31 August 2025

	£	**£**
Opening inventory	9 800	
Purchases	81 000	
Carriage inwards	7 750 **(1)** AO1	
	98 550 **(1)** AO1	
Closing inventory	(15 750)	
Cost of raw materials		82 800 **(1)** AO2
Factory wages	75 000 **(1)** AO1	
Direct general expenses	2 400 **(1)** AO3	
		77 400
Prime cost (1) AO1		160 200 **(1of)** AO2
Overheads:		
Canteen expenses	15 400 **(1)** AO2	
Electricity ((13 750+250) x 80%)	11 200 **(1)** AO3	
Indirect general expenses	3 600 **(1)** AO2	
Management salaries	23 200 **(1)** AO2	
Depreciation		
Factory machinery	16 000 **(1)** AO2	
Other equipment	2 000 **(1)** AO3	
Rent	18 000 **(1)** AO2	
		89 400
		249 600 **(1of)** AO2
Work in progress		
Opening balance	16 400	
Closing balance	(17 600)	
		(1 200) **(1)** AO2
Cost of production (1) AO1		248 400 **(1of)** AO2
Loss on manufacture		(3 400) **(1of)** AO2+W
Transfer value/trading account		245 000 **(1)** AO2+W

(20)

Examiner notes

Cost of raw materials does not need a 'label' but £82 800 is a figure mark.OF
No Aliens in Prime Cost – if present lose the Prime cost OF.
Depreciation must state the description with a minimum of 'Dep' plus the name of the non-current asset.
If overheads deducted from prime cost no OF for £249 600 but marks awarded for correct individual components.
Cost of production 'label' accept Factory cost but NOT 'Total cost'.
Loss on manufacture can be a profit on manufacture - OF rule.
I AO2 (1), AO3 (2), AO4 (3)

First In First Out (F.I.F.O)	Last In First Out (L.I.F.O)
Points in favour	**Points in favour**
1. Logical as inventory will be rotated by selling the oldest first	1. Sold/issued valued at current replacement cost
2. Accepted by tax authorities	2. Selling price reflects cost of the inventory issued
3. Higher profit recorded as closing inventory is higher	
Points against	**Points against**
1. If rising prices cheapest inventory is issued first. So selling price might be low	1. Remaining inventory is not valued at replacement cost
2. Replacement inventory will cost more.	2. Closing inventory undervalued in financial statements
3. Profits may be distorted distorted	4. Not accepted by tax authorities

Decision

Candidates may conclude that inventory valuation should, or should not, be changed to Last In First Out. The decision must be supported by an appropriate rationale.

Examiner notes

Candidates can reach L3 is they only consider one method, as long as they have points for and against.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q5	Total marks	30

6 (a)(i) AO1:(2)
AO1: Two marks for stating the use of the information

Will show the businesses **ability to meet short term debts**. **[1]** AO1
Current assets should normally be **within range 1.4-2:1** to the current liabilities **[1]** AO1 in a business that trades on credit to ensure safety.

(2)

(ii) AO1:(2)
AO1: Two marks for stating the use of the information

To see if the non-current assets **are being utilised efficiently** to **generate revenue [1]** AO1 The higher the figure the **more benefit is being gained from the non-current assets. [1]** AO1

(2)

(iii) AO1:(2)
AO1: Two marks for stating the use of the information

To see whether or not the business is **utilising their long term capital effectively** in order to generate profit**. [1]** AO1 **Comparison can be made with alternative investments/ previous years** and the level of risk assessed. **[1]** AO1

(2)

b) AO1:(3) AO2(12)
AO1: Three marks for recording given balances
AO2: Twelve marks for use and calculation

Ratio	
(i) Gross profit as a percentage of revenue	180 **(1)** AO2 x 100 = 40% **(1)** AO2 450
(ii) Profit for the year as a percentage of revenue	99 000 **(1)** AO2x 100=22% **(1)** AO2 450 000
(iii) Inventory turnover (times per year)	270 000 = 11.74 times **(1)** AO2 (28 000 +18 000/2) **(1)** AO2
(iv) Liquid (acid test) ratio	30 000 = 0.75:1 **(1)** AO2 35 000 + 5 000 **(1)** AO1
(v) Trade payables payment period (days)	35 000 x 365 = 49.13 days **(1)** AO2 260 000 **(1)** AO2
(vi) Trade receivables collection period (days)	30 000 x 365 = 30.41 days **(1)** AO2 360 000 **(1)** AO2
(vii) Value of the non-current assets	Current assets 18 000 + 30 000 = **48 000 (1)** AO1 Liabilities 35 000 + 5 000 + 15 000 + 20 000 = **75 000 (1)** AO1 Non-current assets = 27 000 **(1of)** AO2

Workings
Purchases 28 000 + 260 000 - (18 000) = 270 000 cost of sales

Credit trade receivables 450 000 x 80% = 360 000 credit revenue
Examiner notes
Accept reasonable rounding, question does not state the number of decimal places.
Do not require %, times or days in the answer.
Liquid (acid test) ratio must be expressed as :1 for mark.

(c) AO3(3)
AO3: Three marks for advising of positives for the business

1. The gross profit and profit for the year to revenue appear at a healthy level
2. The inventory holding has decreased from £28 000 to £18 000 in the year.
3. Trade receivables are collected in 30 days showing good credit control.
4. The Liquid (acid test) ratio is within the recommended limit (0.7-1.00:1) so HNS Supplies should be able to meet short term debts.

Max 3 x **(1)** AO3

(3)

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

Points in favour of the statement
Comparison cannot be made with previous periods.
Trends cannot be detected in the business.
A single year's figure may be subject to unusual trading activities.

Points against the statement
There are still standard yardsticks such as for liquidity which would enable a single ratio to be of value in deciding whether the business can meet its short-term debts.
Comparison can still be made with other businesses.
Whether a business is profitable or liquid can still be assessed without looking at previous year's ratios (e.g., a 50% gross profit to revenue will generally be good and a 10% figure will generally be poor).

Decision
Candidates may conclude that the statement is correct/ not correct. The decision must be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q6	**Total marks**	**30**