



National  
Qualifications  
RESOURCE

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**X800/77/01**

**Accounting**

## **Marking Instructions**

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Please note that these marking instructions have not been standardised based on candidate responses. You may therefore need to agree within your centre how to consistently mark an item if a candidate response is not covered by the marking instructions.

## General marking principles for Advanced Higher Accounting

*Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.*

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (c) Always follow through consequentiality subsequent to a calculative error and give credit for any errors in subsequent calculations or working.
- (d) Mark scored out or erased working which has not been replaced where still legible. However, if the scored out or erased working has been replaced, mark only the work which has not been scored out.
- (e) For **describe** questions, candidates must make a number of relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each relevant factual point
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (f) For **explain** questions, candidates must make accurate relevant points that relate cause and effect and/or make relationships clear. These points may relate to a concept, process or situation. Candidates may provide straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each relevant point of explanation
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (g) For **justify** questions, candidates must give good reasons for a cause of action or decision.

Up to the total mark allocation for this question

- award **1 mark** for each relevant statement or opinion
- award marks for any further development of a relevant statement or opinion.

- (h) For **analyse** questions, candidates must demonstrate their ability to identify, describe and explain relevant parts and the relationships between the parts and/or the whole. Candidates must be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question

- award **1 mark** for each relevant point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (i) For **discuss** questions, candidates must make points that communicate issues, ideas or information about a given topic or context that make a case for and/or against. Candidates do not always need to give both sides of the debate in their response.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of knowledge that is clearly relevant
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (j) For **compare** questions, candidates must demonstrate knowledge and understanding of the similarities and/or differences between, for example, things, methods or choices. Candidates may include relevant theoretical concepts in their points.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (k) For **evaluate** questions, candidates must demonstrate knowledge and understanding of the similarities and/or differences between, for example, things, methods or choices. Candidates may include relevant theoretical concepts in their points.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of evaluation
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

Marking instructions for each question

Section 1

| Question |     |      | Expected response(s)  | Max mark | Additional guidance   |
|----------|-----|------|---|----------|---|
| 1.       | (a) | (i)  | <p><b>Total Sales Revenue Variance</b></p> <p><math>(115,000 \text{ units} \times \text{£}25.70) - (110,000 \text{ units} \times \text{£}25.00) =</math><br/> <math>\text{£}2,955,500 - \text{£}2,750,000 = \text{£}205,500 \text{ F (1)}</math></p> <p><b>Sales Volume Variance</b></p> <p><math>(115,000 \text{ units} - 100,000 \text{ units}) \times \text{£}25.00 = \text{£}125,000 \text{ F (1)}</math></p> <p><b>Sales Price Variance</b></p> <p><math>(\text{£}25.70 - \text{£}25.00) \times 115,000 \text{ units} = \text{£}80,500 \text{ F (1)}</math></p> <p>Correct identification of ALL variances as F/A (1)</p>                      | 4        | Accept declaration of variances consequential to calculation. |
|          |     | (ii) | <p><b>Total Material Cost Variance</b></p> <p><math>115,000 \text{ units} \times 0.5 \text{ kg} = 57,500 \text{ kg (1)}</math></p> <p><math>(57,500 \text{ kg} \times \text{£}3.50) = \text{£}201,250 - (58,200 \text{ kg} \times \text{£}3.45) = \text{£}460 \text{ F (1)}</math></p> <p><b>Material Usage Variance</b></p> <p><math>(57,500 \text{ kg} - 58,200 \text{ kg}) \times \text{£}3.50 = \text{£}2,450 \text{ A (1)}</math></p> <p><b>Material Price Variance</b></p> <p><math>(\text{£}3.50 - \text{£}3.45) \times 58,200 \text{ kg} = \text{£}2,910 \text{ F (1)}</math></p> <p>Correct identification of ALL variances as F/A (1)</p> | 5        | Accept declaration of variances consequential to calculation. |

| Question | Expected response(s)  | Max mark | Additional guidance   |
|----------|---|----------|---|
|          | <p>(iii) <b>Total Labour Cost Variance</b><br/> <math>115,000 \text{ units} \times 0.7 \text{ hours} = 80,500 \text{ hrs (1)}</math><br/> <math>(80,500 \text{ hrs} \times \text{£}11.80) = \text{£}949,900 - (79,300 \text{ hrs} \times \text{£}12.10) = \text{£}9,630 \text{ A (1)}</math></p> <p><b>Labour Efficiency Variance</b><br/> <math>(80,500 \text{ hrs} - 79,300 \text{ hrs}) \times \text{£}11.80 = \text{£}14,160 \text{ F (1)}</math></p> <p><b>Labour Rate Variance</b><br/> <math>(\text{£}11.80 - \text{£}12.10) \times 79,300 \text{ hrs} = \text{£}23,790 \text{ A (1)}</math></p> <p>Correct identification of ALL variances as F/A (1)</p> | 5        | Accept declaration of variances consequential to calculation. |
|          | <p>(iv) <b>Variable OH Cost Variance</b><br/> <math>(80,500 \text{ hrs} \times \text{£}1.30) = \text{£}104,650 - \text{£}104,000 = \text{£}650 \text{ F (1)}</math></p> <p><b>Variable OH Efficiency Variance</b><br/> <math>(80,500 \text{ hrs} - 79,300 \text{ hrs}) \times \text{£}1.30 = \text{£}1,560 \text{ F (1)}</math></p> <p><b>Variable OH Expenditure Variance</b><br/> <math>(\text{£}1.30 \times 79,300 \text{ hrs}) - \text{£}104,000 = \text{£}910 \text{ A (1)}</math></p> <p>Correct identification of ALL variances as F/A (1)</p>   | 4        | Accept declaration of variances consequential to calculation. |
|          | <p>(v) <b>Fixed OH Cost Variance</b><br/> <math>(115,000 \text{ units} \times \text{£}5.80) = \text{£}667,000 - \text{£}646,000 = \text{£}21,000 \text{ F (1)}</math></p> <p><b>Fixed OH Volume Variance</b><br/> <math>(115,000 \text{ units} - 110,000 \text{ units}) \times \text{£}5.80 = \text{£}29,000 \text{ F (1)}</math></p> <p><b>Fixed OH Expenditure Variance</b><br/> <math>(110,000 \text{ units} \times \text{£}5.80) - \text{£}646,000 = \text{£}8,000 \text{ A (1)}</math></p> <p>Correct identification of ALL variances as F/A (1)</p>   | 4        | Accept declaration of variances consequential to calculation. |

| Question                                |            | Expected response(s)  |           |     |  | Max mark                               | Additional guidance  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
|---|------------|---|-----------|-----|--|--|--|--|-----------|-----|------------------------------------|------------|---------|-----------|--|---|--|-------|-----------|-----|---------------------------|-------|--|-----------|--|------------------------|------------|---------|--|--|-------------|---------|--------|--|--|------------------------------|--------|--|--|--|-------------------------------|--|-----|---------|--|-----------------------|--------|--|-----------|--|----------------------------|-----------------------------|-------|--|--|---------------------|--|--|--------|-----|----------------------|--|--|-----------|-----|---|-----------------------------|
|   | (b) (i)    | Material (115,000 x 0.5 kg x £3.50) = £201,250<br>Labour (115,000 x 0.7 hrs x £11.80) = £949,900<br>Var OH (115,000 x 0.7 hrs x £1.30) = £104,650<br>Fixed OH (115,000 x £5.80) = <u>£667,000</u><br>£1,922,800   |           |     |  | 2                                      | For Standard Cost of Actual Sales if 1 component part incorrect – award 1 mark.<br>If 2 component parts incorrect – award 0 marks. |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
|   | (ii)       | <table border="1"> <tr> <td><b>Actual Sales (115,000 x £25.70)</b></td> <td></td> <td></td> <td>2,955,500</td> <td>(1)</td> </tr> <tr> <td>Less Standard Cost of Actual Sales</td> <td></td> <td></td> <td>1,922,800</td> <td></td> </tr> <tr> <td><b>Standard Profit for Actual Sales</b></td> <td></td> <td></td> <td>1,032,700</td> <td>(1)</td> </tr> </table> <p>Alternative workings (actual sales):</p> <table border="1"> <tr> <td>Standard (Budgeted) Sales</td> <td></td> <td></td> <td>2,750,000</td> <td></td> </tr> <tr> <td><b>Sales Variances</b></td> <td>Favourable</td> <td>Adverse</td> <td></td> <td></td> </tr> <tr> <td>Volume</td> <td>125,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Price</td> <td>80,500</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>205,500</td> <td></td> </tr> <tr> <td><b>Actual Sales</b></td> <td></td> <td></td> <td>2,955,500</td> <td></td> </tr> </table>  |           |     |  | <b>Actual Sales (115,000 x £25.70)</b> |  |  | 2,955,500 | (1) | Less Standard Cost of Actual Sales |            |         | 1,922,800 |  | <b>Standard Profit for Actual Sales</b> |  |       | 1,032,700 | (1) | Standard (Budgeted) Sales |       |  | 2,750,000 |  | <b>Sales Variances</b> | Favourable | Adverse |  |  | Volume      | 125,000 |        |  |  | Price                        | 80,500 |  |  |  |                               |  |     | 205,500 |  | <b>Actual Sales</b>   |        |  | 2,955,500 |  | 2                          | Allow for consequentiality. |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Actual Sales (115,000 x £25.70)</b>  |            |   | 2,955,500 | (1) |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Less Standard Cost of Actual Sales      |            |   | 1,922,800 |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Standard Profit for Actual Sales</b> |            |   | 1,032,700 | (1) |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Standard (Budgeted) Sales               |            |   | 2,750,000 |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Sales Variances</b>                  | Favourable | Adverse   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Volume                                  | 125,000    |   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Price                                   | 80,500     |   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
|   |            |   | 205,500   |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Actual Sales</b>                     |            |   | 2,955,500 |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
|   | (iii)      | <table border="1"> <tr> <td>Standard Profit for Actual Sales</td> <td></td> <td></td> <td>1,032,700</td> <td></td> </tr> <tr> <td><b>Cost Variances</b></td> <td>Favourable</td> <td>Adverse</td> <td></td> <td></td> </tr> <tr> <td>Material Usage</td> <td></td> <td>2,450</td> <td></td> <td></td> </tr> <tr> <td>Material Price</td> <td>2,910</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Labour Efficiency</td> <td>14,160</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Labour Rate</td> <td></td> <td>23,790</td> <td></td> <td></td> </tr> <tr> <td>Variable Overhead Efficiency</td> <td>1,560</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Variable Overhead Expenditure</td> <td></td> <td>910</td> <td></td> <td></td> </tr> <tr> <td>Fixed Overhead Volume</td> <td>29,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fixed Overhead Expenditure</td> <td></td> <td>8,000</td> <td></td> <td></td> </tr> <tr> <td><b>Net Variance</b></td> <td></td> <td></td> <td>12,480</td> <td>(1)</td> </tr> <tr> <td><b>Actual Profit</b></td> <td></td> <td></td> <td>1,045,180</td> <td>(1)</td> </tr> </table> |           |     |  | Standard Profit for Actual Sales       |  |  | 1,032,700 |     | <b>Cost Variances</b>              | Favourable | Adverse |           |  | Material Usage                          |  | 2,450 |           |     | Material Price            | 2,910 |  |           |  | Labour Efficiency      | 14,160     |         |  |  | Labour Rate |         | 23,790 |  |  | Variable Overhead Efficiency | 1,560  |  |  |  | Variable Overhead Expenditure |  | 910 |         |  | Fixed Overhead Volume | 29,000 |  |           |  | Fixed Overhead Expenditure |                             | 8,000 |  |  | <b>Net Variance</b> |  |  | 12,480 | (1) | <b>Actual Profit</b> |  |  | 1,045,180 | (1) | 2 | Allow for consequentiality. |
| Standard Profit for Actual Sales        |            |   | 1,032,700 |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Cost Variances</b>                   | Favourable | Adverse   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Material Usage                          |            | 2,450   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Material Price                          | 2,910      |   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Labour Efficiency                       | 14,160     |   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Labour Rate                             |            | 23,790  |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Variable Overhead Efficiency            | 1,560      |   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Variable Overhead Expenditure           |            | 910   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Fixed Overhead Volume                   | 29,000     |   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| Fixed Overhead Expenditure              |            | 8,000   |           |     |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Net Variance</b>                     |            |   | 12,480    | (1) |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |
| <b>Actual Profit</b>                    |            |   | 1,045,180 | (1) |  |  |  |  |           |     |                                    |            |         |           |  |   |  |       |           |     |                           |       |  |           |  |                        |            |         |  |  |             |         |        |  |  |                              |        |  |  |  |                               |  |     |         |  |                       |        |  |           |  |                            |                             |       |  |  |                     |  |  |        |     |                      |  |  |           |     |   |                             |

| Question | Expected response(s)   | Max mark | Additional guidance   |
|----------|--|----------|---|
| (c)      | <p>Actual Sales Revenue: <math>(120,000 \text{ units} \times \text{£}25.00) + \text{£}105,000 = \text{£}3,105,000</math> (1)</p> <p>Actual Selling Price: <math>\text{£}25.00 \times 1.15 = \text{£}28.75</math> (1)</p> <p>Actual Sales Units: <math>\text{£}3,105,000 / \text{£}28.75 = 108,000</math> units (1)</p>   | 3        |   |
| (d)      | <p>Standard kgs: <math>66,000 \text{ kg} / 120,000 \text{ units} \times 108,000 \text{ units} = 59,400 \text{ kg}</math> (1)</p> <p>Standard Material Cost: <math>59,400 \text{ kg} \times \text{£}3.40 = \text{£}201,960</math> (1)</p> <p>Total Material Cost Variance: <math>\text{£}201,960 - \text{£}203,000 = \text{£}1,040 \text{ A}</math> (1)</p>   | 3        | <p>Answer is consequential on (c)</p> <p>If candidate puts F instead of A (or misses out variance altogether) then lose award.</p> <p>F/A can be consequential.</p> |
| (e)      | <p>Standard Labour Cost: <math>\text{£}880,000 + \text{£}28,160 = \text{£}908,160</math> (1)</p> <p>Actual Labour Hours: <math>\text{£}908,160 / \text{£}12.90 = 70,400</math> hours (1)</p> <p><u>Detailed workings:</u><br/> Standard Cost <math>75,600 \text{ hours} \times \text{£}12.90 = \text{£}975,240</math></p> <p>Actual Cost = <math>70,400 \text{ hours} \times \text{£}12.50 = \text{£}880,000</math></p> <p>Thus the Labour Rate Variance is</p> <p><math>70,400 \times 40\text{p} = \text{£}28,160</math></p> <p><b>OR</b></p> <p><math>70,400 \times 12.90 = 908,160 - \text{£}880,000 = \text{£}28,160</math></p> <p>So with the information the candidate has, they can find the actual hours:</p> <p><math>? \times 12.90 = \text{£}908,160 (\text{£}880,000 + \text{£}28,160)</math></p> <p><math>? = 70,400</math> hours</p> | 2        | <p>Any relevant point for 1 mark</p> <p>Answer could be opposite as consequential on (b) (iii)</p>  |

| Question |     | Expected response(s)  | Max mark | Additional guidance            |
|----------|-----|---|----------|--------------------------------|
|          | (f) | <p>Variable Overhead Expenditure Variance = (Actual Hours worked x Variable Overhead Absorption Rate) – Actual Variable Overhead Cost</p> <p>Actual Variable Overhead Cost = (Actual Hours worked x Variable Overhead Absorption Rate) + Variable Overhead Expenditure Variance</p> <p>70,400 hrs x £1.40 = £98,560 (1)</p> <p>£98,560 – £4,000 = £94,560 (1)</p> | 2        | Answer is consequential on (e) |
|          | (g) | <p>Difference in units: 120,000 units – 108,000 units = 12,000 units (1)</p> <p>Fixed Overhead Absorption Rate: £72,000/12,000 units = £6.00 (1)</p>  | 2        | Answer is consequential on (c) |



| Question |     |      | Expected response(s)   | Max mark | Additional guidance |
|----------|-----|------|--|----------|---------------------|
| 2.       | (a) | (i)  | <p>Goodwill calculation</p> <p>Percentage purchased      <math>(36,000/60,000) = 60\%</math> (1)</p> <p>Value Taken Over      <math>(£60,000 + £20,000 + £40,000) = £120,000</math> (1)</p> <p>   <math>£120,000 \times 60\% = £72,000</math> (1)</p> <p>Goodwill      <math>(£80,000 - £72,000) = £8,000</math> (1)</p> | 4        |                     |
|          |     | (ii) | <p>Non-controlling interest</p> <p><math>£120,000 \times 40\% = £48,000</math></p>   | 1        |                     |
|          | (b) | (i)  | <p>Post-acquisition profits</p> <p>Balance @ 31/12      £82,200 (1)</p> <p>Value @ acquisition      <u>£40,000</u> (1)</p> <p>Profits      £42,200</p> <p>Percentage owned (60%)      £25,320 (1)</p>  | 3        |                     |
|          |     | (ii) | <p>Unrealised profits</p> <p>Cost of Sales      £40,000</p> <p>Mark-up (40%)      £16,000 (1)</p> <p>Selling price to Nagah      £56,000</p> <p>Profit      £16,000</p> <p>Goods unsold      70%</p> <p>Unrealised profits      <math>(£16,000 \times 70\%) = £11,200</math> (1)</p>   | 2        |                     |

| Question |       | Expected response(s)   | Max mark | Additional guidance |
|----------|-------|--|----------|---------------------|
|          | (iii) | Consolidated inventory value<br>$(£48,000 + £32,000) - £11,200$<br>$(1) \quad (1)$<br>$= £68,800$  | 2        |                     |
|          | (iv)  | Non-controlling interest @ 31/12<br>Value @ 31/12<br>$£162,200 \times 40\% = £64,880$  | 1        |                     |
|          | (v)   | Retained Earnings<br>Alcan retained earnings      £120,000 (1)<br>Post-acquisition profits      £25,320 (1)<br>Unrealised profits              (£11,200) (1)<br>Goodwill written off (note 1) (£3,200) (1)<br><br>$£130,920$<br><br>Note 1<br>Goodwill impairment Y5 = $£8,000 \times 40\% = £3,200$ | 4        |                     |

| Question  | Expected response(s)  | Max mark  | Additional guidance |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|---|---|---|---------------------|----------------|-----|--|--|--|--|---|--|---|--|--------------------|--|--|--|--|--|----------|--|--|--|---------|-----|----------------------------|--|--|--|--|-----|--|---------|--|--|--------------|--|--|--|--|--|---------|--|----------------|--|--|--|--|--|-----------|--|--|--------|-----|--|-------------------|--|--|--------|-----|--|---------------------------|--|--------------|--|--|--|--|-------------|--|---------------|-----|--|--|--|--|--|----------------|--|--------------|--|--|--|---------|--|---------------------|--|--|--|--|--|----------------|--|--|---------|-----|--|-------------------------|--|--|--|--|--|----------------|--|--|----------------|-----|--|-------------------|--|--|--|----------------|--|------------|--|--|--|---------|--|---------|--|--|--|--|--|----------------------------|--|--|--|---------|-----|---------------|--|--|--|--------|-----|---------------------|--|--|--|---------|-----|-------------------|--|--|--|---------|-----|--------------------------|--|--|--|--------|-----|--|--|--|--|----------------|--|----|---|
| (c)   | <p>Consolidated Statement of Financial Position as at 31 December Year 5</p> <table border="1" data-bbox="349 236 1456 1289"> <thead> <tr> <th colspan="6">Statements of Financial Position as at 31 December Year 5</th> </tr> <tr> <th colspan="2"></th> <th colspan="2">£</th> <th colspan="2">£</th> </tr> </thead> <tbody> <tr> <td colspan="6">Non-current Assets</td> </tr> <tr> <td colspan="2">Tangible</td> <td></td> <td></td> <td>776,000</td> <td>(1)</td> </tr> <tr> <td colspan="2">Goodwill (£8,000 – £3,200)</td> <td></td> <td></td> <td></td> <td>(2)</td> </tr> <tr> <td></td> <td>(1) (1)</td> <td></td> <td></td> <td><u>4,800</u></td> <td></td> </tr> <tr> <td colspan="2"></td> <td></td> <td></td> <td>780,800</td> <td></td> </tr> <tr> <td colspan="6">Current Assets</td> </tr> <tr> <td colspan="2">Inventory</td> <td></td> <td>68,800</td> <td>(1)</td> <td></td> </tr> <tr> <td colspan="2">Trade receivables</td> <td></td> <td>70,200</td> <td>(1)</td> <td></td> </tr> <tr> <td colspan="2">Cash and Cash Equivalents</td> <td>(2 + 6 + 16)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>(1) (1) (1)</td> <td></td> <td><u>24,000</u></td> <td>(3)</td> <td></td> </tr> <tr> <td colspan="2"></td> <td></td> <td></td> <td><u>163,000</u></td> <td></td> </tr> <tr> <td colspan="2">Total Assets</td> <td></td> <td></td> <td>943,800</td> <td></td> </tr> <tr> <td colspan="6">Current Liabilities</td> </tr> <tr> <td colspan="2">Trade payables</td> <td></td> <td>144,000</td> <td>(1)</td> <td></td> </tr> <tr> <td colspan="6">Non-current Liabilities</td> </tr> <tr> <td colspan="2">10% Debentures</td> <td></td> <td><u>160,000</u></td> <td>(1)</td> <td></td> </tr> <tr> <td colspan="2">Total Liabilities</td> <td></td> <td></td> <td><u>304,000</u></td> <td></td> </tr> <tr> <td colspan="2">Net Assets</td> <td></td> <td></td> <td>639,800</td> <td></td> </tr> <tr> <td colspan="6">Equity:</td> </tr> <tr> <td colspan="2">Ordinary Shares of £1 each</td> <td></td> <td></td> <td>260,000</td> <td>(1)</td> </tr> <tr> <td colspan="2">Share Premium</td> <td></td> <td></td> <td>24,000</td> <td>(1)</td> </tr> <tr> <td colspan="2">Revaluation Reserve</td> <td></td> <td></td> <td>160,000</td> <td>(1)</td> </tr> <tr> <td colspan="2">Retained Earnings</td> <td></td> <td></td> <td>130,920</td> <td>(1)</td> </tr> <tr> <td colspan="2">Non-controlling interest</td> <td></td> <td></td> <td>64,880</td> <td>(1)</td> </tr> <tr> <td colspan="2"></td> <td></td> <td></td> <td><u>639,800</u></td> <td></td> </tr> </tbody> </table> <p>L/E/A = 2 marks*</p> | Statements of Financial Position as at 31 December Year 5 |                     |                |     |  |  |  |  | £ |  | £ |  | Non-current Assets |  |  |  |  |  | Tangible |  |  |  | 776,000 | (1) | Goodwill (£8,000 – £3,200) |  |  |  |  | (2) |  | (1) (1) |  |  | <u>4,800</u> |  |  |  |  |  | 780,800 |  | Current Assets |  |  |  |  |  | Inventory |  |  | 68,800 | (1) |  | Trade receivables |  |  | 70,200 | (1) |  | Cash and Cash Equivalents |  | (2 + 6 + 16) |  |  |  |  | (1) (1) (1) |  | <u>24,000</u> | (3) |  |  |  |  |  | <u>163,000</u> |  | Total Assets |  |  |  | 943,800 |  | Current Liabilities |  |  |  |  |  | Trade payables |  |  | 144,000 | (1) |  | Non-current Liabilities |  |  |  |  |  | 10% Debentures |  |  | <u>160,000</u> | (1) |  | Total Liabilities |  |  |  | <u>304,000</u> |  | Net Assets |  |  |  | 639,800 |  | Equity: |  |  |  |  |  | Ordinary Shares of £1 each |  |  |  | 260,000 | (1) | Share Premium |  |  |  | 24,000 | (1) | Revaluation Reserve |  |  |  | 160,000 | (1) | Retained Earnings |  |  |  | 130,920 | (1) | Non-controlling interest |  |  |  | 64,880 | (1) |  |  |  |  | <u>639,800</u> |  | 17 | <p>*2 marks for layout/no extraneous/arithmetic correct (L/E/A).</p> <p>1 mark for 2 of (L/E/A) achieved.</p> |
| Statements of Financial Position as at 31 December Year 5 |   |   |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|   |   | £   |                     | £              |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Non-current Assets  |   |   |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Tangible  |   |   |                     | 776,000        | (1) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Goodwill (£8,000 – £3,200)                                |   |   |                     |                | (2) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|   | (1) (1)   |   |                     | <u>4,800</u>   |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|   |   |   |                     | 780,800        |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Current Assets  |   |   |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Inventory   |   |   | 68,800              | (1)            |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Trade receivables   |   |   | 70,200              | (1)            |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Cash and Cash Equivalents                                 |   | (2 + 6 + 16)  |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|   | (1) (1) (1)   |   | <u>24,000</u>       | (3)            |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|   |   |   |                     | <u>163,000</u> |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Total Assets  |   |   |                     | 943,800        |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Current Liabilities                                       |   |   |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Trade payables  |   |   | 144,000             | (1)            |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Non-current Liabilities                                   |   |   |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| 10% Debentures  |   |   | <u>160,000</u>      | (1)            |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Total Liabilities   |   |   |                     | <u>304,000</u> |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Net Assets  |   |   |                     | 639,800        |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Equity:   |   |   |                     |                |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Ordinary Shares of £1 each                                |   |   |                     | 260,000        | (1) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Share Premium   |   |   |                     | 24,000         | (1) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Revaluation Reserve                                       |   |   |                     | 160,000        | (1) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Retained Earnings   |   |   |                     | 130,920        | (1) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
| Non-controlling interest                                  |   |   |                     | 64,880         | (1) |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |
|   |   |   |                     | <u>639,800</u> |     |  |  |  |  |   |  |   |  |                    |  |  |  |  |  |          |  |  |  |         |     |                            |  |  |  |  |     |  |         |  |  |              |  |  |  |  |  |         |  |                |  |  |  |  |  |           |  |  |        |     |  |                   |  |  |        |     |  |                           |  |              |  |  |  |  |             |  |               |     |  |  |  |  |  |                |  |              |  |  |  |         |  |                     |  |  |  |  |  |                |  |  |         |     |  |                         |  |  |  |  |  |                |  |  |                |     |  |                   |  |  |  |                |  |            |  |  |  |         |  |         |  |  |  |  |  |                            |  |  |  |         |     |               |  |  |  |        |     |                     |  |  |  |         |     |                   |  |  |  |         |     |                          |  |  |  |        |     |  |  |  |  |                |  |    |   |

| Question |         | Expected response(s)   | Max mark | Additional guidance |
|----------|---------|--|----------|---------------------|
|          | (d) (i) | Discounting is calculating the value of future cash inflows in today's terms. (1) This is done by establishing the cost of capital/expected rate of return then applying the relevant discount rate using a table of data. (1) For example, if it was expected that the rate of return was 10% you would check the discount factor against each year and multiply the expected inflow of cash by that which would give the inflow as if it was being received today (1)  | 2        |                     |
|          | (ii)    | <p><b>Possible responses:</b></p> <p>IRR: Advantages</p> <ul style="list-style-type: none"> <li>• straightforward to calculate and interpret as if the IRR is positive the project should be considered (1)</li> <li>• where competing projects have positive IRR, the highest return is best so making decision making easier (1)</li> </ul> <p>IRR: Disadvantages</p> <ul style="list-style-type: none"> <li>• requires a little more trial and error before arriving at the final IRR number (1)</li> <li>• does not work as well where the scale or duration of competing projects vary (1)</li> </ul> | 4        |                     |

Section 2

| Question |     | Expected response(s)                       |                  |                  |                  | Max mark   | Additional guidance |
|----------|-----|--|------------------|------------------|------------------|--|---------------------|
| 3.       | (a) |  | <b>April</b>     | <b>May</b>       | <b>June</b>      |  |                     |
|          |     | Opening Inventory                          | 900              | 3,400            | 4,700            | (2) for April<br>(12,000 × 0.75) = (1)<br>(9,000 × 0.10) = (1)<br>(1) for May & Jun both correct   | 4                   |
|          |     | Production                                 | 14,500           | 16,300           | 17,600           |  |                     |
|          |     |  | 15,400           | 19,700           | 22,300           |  |                     |
|          |     | Sales                                      | 12,000           | 15,000           | 18,700           |  |                     |
|          |     | Closing Inventory                          | 3,400            | 4,700            | 3,600            | (1) line   |                     |
|          | (b) | <b>Profit Statement - Marginal Costing</b> |                  |                  |                  |  |                     |
|          |     |  | <b>April</b>     | <b>May</b>       | <b>June</b>      |  |                     |
|          |     |  | £                | £                | £                |  |                     |
|          |     | Sales – public                             | 285,000          | 356,250          | 444,125          | (1) for April Sales – public   | 12                  |
|          |     | Sales – trade                              | 801,000          | 1,001,250        | 1,248,225        | (1) for April Sales – trade<br>(1) for all other sales figures correct   |                     |
|          |     | <b>Total Sales Revenue</b>                 | <b>1,086,000</b> | <b>1,357,500</b> | <b>1,692,350</b> |  |                     |
|          |     | Opening Inventory                          | 49,500           | 187,000          | 258,500          | *  |                     |
|          |     | Material                                   | 275,500          | 309,700          | 334,400          | (1) line   |                     |
|          |     | Labour                                     | 348,000          | 391,200          | 422,400          | (1) line   |                     |
|          |     | Variable Overheads                         | 174,000          | 195,600          | 211,200          | (1) line   |                     |
|          |     | Closing Inventory                          | (187,000)        | (258,500)        | (198,000)        | (2) for April<br>(£19 + £24 + £12) = (1)<br>(£55 × 3,400) = (1)<br>(1) for May & Jun both correct<br>* Opening inventories must correspond for marks to be awarded |                     |

| Question |  |  | Expected response(s)          |                |                |                  | Max mark   | Additional guidance |
|----------|--|--|-------------------------------|----------------|----------------|------------------|--|---------------------|
|          |  |  |                               |                |                |                  |  |                     |
|          |  |  | <b>Total Production Costs</b> | <b>660,000</b> | <b>825,000</b> | <b>1,028,500</b> |  |                     |
|          |  |  |                               |                |                |                  |  |                     |
|          |  |  | Contribution                  | 426,000        | 532,500        | 663,850          | <b>(1 line)</b><br>must be labelled                          |                     |
|          |  |  |                               |                |                |                  |  |                     |
|          |  |  | Fixed Overheads               | 99,000         | 117,500        | 124,000          | <b>(1 line)</b>  |                     |
|          |  |  |                               |                |                |                  |  |                     |
|          |  |  | Profit                        | 327,000        | 415,000        | 539,850          | <b>(1 line)</b><br>must be labelled and no arithmetic errors |                     |

| Question |     | Expected response(s)                         |                  |                  |                  | Max mark   | Additional guidance |   |
|----------|-----|--|------------------|------------------|------------------|--|---------------------|---|
|          | (c) | <b>Profit Statement - Absorption Costing</b> |                  |                  |                  | <b>14</b>  |                     |   |
|          |     |  | <b>April</b>     | <b>May</b>       | <b>June</b>      |  |                     |   |
|          |     |  | £                | £                | £                |  |                     |   |
|          |     | Sales – public                               | 285,000          | 356,250          | 444,125          |  |                     | (1) for all sales figures correctly entered.<br>Accept one line showing Total Sales Revenue   |
|          |     | Sales – trade                                | 801,000          | 1,001,250        | 1,248,225        |  |                     |   |
|          |     | <b>Total Sales Revenue</b>                   | <b>1,086,000</b> | <b>1,357,500</b> | <b>1,692,350</b> |  |                     |   |
|          |     | Opening Inventory                            | 55,800           | 210,800          | 291,400          |  |                     | *   |
|          |     | Material                                     | 275,500          | 309,700          | 334,400          |  |                     | (1) for all 3 lines<br>(2) for April<br>(£875,000/125,000) = (1)<br>(£7 x 14,500) = (1)<br>(1) for May & Jun both correct                                 |
|          |     | Labour                                       | 348,000          | 391,200          | 422,400          |  |                     |   |
|          |     | Variable Overheads                           | 174,000          | 195,600          | 211,200          |  |                     |   |
|          |     | Fixed Overheads                              | 101,500          | 114,100          | 123,200          |  |                     |   |
|          |     | Closing Inventory                            | (210,800)        | (291,400)        | (223,200)        |  |                     | (2) for April<br>(£55+£7) = (1)<br>(£62 x 3,400) = (1)<br>(1) for May & Jun both correct<br>* Opening inventories must correspond for marks to be awarded |
|          |     | <b>Total Production Costs</b>                | <b>744,000</b>   | <b>930,000</b>   | <b>1,159,400</b> |  |                     |   |
|          |     |  | 342,000          | 427,500          | 532,950          |  |                     |   |
|          |     | Under/over absorption                        | Over             | Under            | Under            | (3)<br>(1 mark per month)                          |                     |   |
|          |     |  | 2,500            | (3,400)          | (800)            | (1) for April<br>(1) for May & Jun both correct    |                     |   |
|          |     | Profit                                       | 344,500          | 424,100          | 532,150          | (1) line must be labelled and no arithmetic errors |                     |   |

| Question   |      | Expected response(s)                               |          |       | Max mark | Additional guidance   |
|--|------|--|----------|-------|----------|---|
| 4.   | (a)  | CASH FLOW FROM OPERATING ACTIVITIES                | £000     | £000  |          | One mark for each entry correctly applied.<br>+/- rule applies for repeated entry.<br>* See overleaf for detailed workings<br>Share issue and share premium can be combined for full marks.<br><br># 2 marks for arithmetic accuracy/knowledge of layout.<br>All items entered under the appropriate heading in the cash flow statement and no arithmetic errors – two marks<br>One error – award one mark<br>Two or more errors – no marks |
|  |      | Operating profit (Profit for the year)*            |          | 180·6 | 4        |   |
|  |      | Non-cash adjustments:                              |          |       |          |   |
|  |      | Depreciation                                       | 30 (1)   |       |          |   |
|  |      | Loss on sale of vehicles                           | 3 (2)    |       |          |   |
|  |      | Loss on sale of property                           | 50 (1)   |       |          |   |
|  |      | Gain on sale of machinery                          | (5) (2)  | 78    | 6        |   |
|  |      | Operating cash flows before working equity changes |          | 258·6 |          |   |
|  |      | Changes in working equity                          |          | 45    | 3        |   |
|  |      | Cash generated from operations                     |          | 303·6 |          |   |
|  |      | Interest paid                                      | (1·6)    |       | 4        |   |
|  |      | Tax paid   | (5)      | (6·6) | 2        |   |
|  |      | NET CASH FLOW FROM OPERATING ACTIVITIES            |          | 297   |          |   |
|  |      | CASH FLOW FROM INVESTING ACTIVITIES                |          |       |          |   |
|  |      | Purchase of Non-Current Assets                     | (1155)   |       | 1        |   |
|  |      | Sale of Non-Current Assets                         | 825      | (330) | 1        |   |
|  |      | Net cash used in investing activities              |          | (33)  |          |   |
| CASH FLOW FROM FINANCING ACTIVITES               |      |  |          |       |          |   |
| Dividends Paid                                   | (40) |  | 1        |       |          |   |
| Share issue                                      | 100  |  | 1        |       |          |   |
| Debenture issue                                  | 20   |  | 1        |       |          |   |
| Share Premium                                    | 20   |  | 1        |       |          |   |
| Net cash used in financing activities            |      | 100  |          |       |          |   |
| <b>Net increase in cash and cash equivalents</b> |      | <b>67</b>  | <b>1</b> |       |          |   |



| Question                       | Expected response(s)  | Max mark                    | Additional guidance |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|--------------------------------|---|-----------------------------|---------------------|--|-----|--------------------------------|-----|--|-----|-----------------|----|---|--|----------------|----|---|----------|--|-------|--|--|---------------|---------|--|-----|---------------------------|---------------|--|-----|---------------------------|-----------|--|-----|----------------------------|---------------|--|-----|------------|---------|---|-----|--------------------|---------|----|-----|-----------------|---------|-----------|-----|--|--|----|--|--|---------------------|--|--|--|-----|-----|--|--|-----------------|--|--|--|-----|-----|--|--|------|--|--|--|----------------|--|--|--|-----|-----|--|--|--|
|                                | <p>Workings:</p> <p>Operating profit:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;">Retained profit (270 – 150)</td> <td style="width: 15%; text-align: right;">120</td> <td style="width: 15%;"></td> <td style="width: 35%; text-align: right;">(1)</td> </tr> <tr> <td>Debenture interest (4·8 + 0·8)</td> <td style="text-align: right;">5·6</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Corporation Tax</td> <td style="text-align: right;">15</td> <td style="font-size: 2em;">}</td> <td></td> </tr> <tr> <td>Dividends paid</td> <td style="text-align: right;">40</td> <td style="font-size: 2em;">}</td> <td style="text-align: right;">(1 both)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">180·6</td> <td></td> <td></td> </tr> </table> <p>Non-cash adjustments:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;">Depreciation:</td> <td style="width: 15%; text-align: right;">20 + 10</td> <td></td> <td style="width: 35%; text-align: right;">(1)</td> </tr> <tr> <td>Loss on sale of vehicles:</td> <td style="text-align: right;">20 – (30 – 7)</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Loss on sale of property:</td> <td style="text-align: right;">800 – 850</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gain on sale of machinery:</td> <td style="text-align: right;">5 – (15 – 15)</td> <td></td> <td style="text-align: right;">(2)</td> </tr> </table> <p>Changes in working equity:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;">Inventory:</td> <td style="width: 15%; text-align: right;">40 – 35</td> <td style="width: 15%; text-align: right;">5</td> <td style="width: 35%; text-align: right;">(1)</td> </tr> <tr> <td>Trade receivables:</td> <td style="text-align: right;">65 – 50</td> <td style="text-align: right;">15</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade payables:</td> <td style="text-align: right;">30 – 55</td> <td style="text-align: right;"><u>25</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">45</td> <td></td> </tr> </table> <p>Interest paid (Debentures):</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;"></td> <td style="width: 15%; text-align: right;">(60·8%) + (20·8%/2)</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(12 + 5·6) – 16</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">=1·6</td> <td></td> <td></td> </tr> </table> <p>Tax paid:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;"></td> <td style="width: 15%; text-align: right;">(10 + 15) – 20</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> </table> | Retained profit (270 – 150) | 120                 |  | (1) | Debenture interest (4·8 + 0·8) | 5·6 |  | (2) | Corporation Tax | 15 | } |  | Dividends paid | 40 | } | (1 both) |  | 180·6 |  |  | Depreciation: | 20 + 10 |  | (1) | Loss on sale of vehicles: | 20 – (30 – 7) |  | (2) | Loss on sale of property: | 800 – 850 |  | (1) | Gain on sale of machinery: | 5 – (15 – 15) |  | (2) | Inventory: | 40 – 35 | 5 | (1) | Trade receivables: | 65 – 50 | 15 | (1) | Trade payables: | 30 – 55 | <u>25</u> | (1) |  |  | 45 |  |  | (60·8%) + (20·8%/2) |  |  |  | (1) | (1) |  |  | (12 + 5·6) – 16 |  |  |  | (1) | (1) |  |  | =1·6 |  |  |  | (10 + 15) – 20 |  |  |  | (1) | (1) |  |  |  |
| Retained profit (270 – 150)    | 120   |                             | (1)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Debenture interest (4·8 + 0·8) | 5·6   |                             | (2)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Corporation Tax                | 15  | }                           |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Dividends paid                 | 40  | }                           | (1 both)            |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | 180·6   |                             |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Depreciation:                  | 20 + 10   |                             | (1)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Loss on sale of vehicles:      | 20 – (30 – 7)   |                             | (2)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Loss on sale of property:      | 800 – 850   |                             | (1)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Gain on sale of machinery:     | 5 – (15 – 15)   |                             | (2)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Inventory:                     | 40 – 35   | 5                           | (1)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Trade receivables:             | 65 – 50   | 15                          | (1)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
| Trade payables:                | 30 – 55   | <u>25</u>                   | (1)                 |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                |   | 45                          |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | (60·8%) + (20·8%/2)   |                             |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | (1)   | (1)                         |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | (12 + 5·6) – 16   |                             |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | (1)   | (1)                         |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | =1·6  |                             |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | (10 + 15) – 20  |                             |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |
|                                | (1)   | (1)                         |                     |  |     |                                |     |  |     |                 |    |   |  |                |    |   |          |  |       |  |  |               |         |  |     |                           |               |  |     |                           |           |  |     |                            |               |  |     |            |         |   |     |                    |         |    |     |                 |         |           |     |  |  |    |  |  |                     |  |  |  |     |     |  |  |                 |  |  |  |     |     |  |  |      |  |  |  |                |  |  |  |     |     |  |  |  |

| Question |     | Expected response(s)  | Max mark | Additional guidance   |
|----------|-----|---|----------|---|
|          | (b) | <p>Company may not trade internationally and not adopt the International Accounting Standards. (1)</p> <p>Home country may have maintained their own standard. (1)</p> <p>Company may trade only with countries that have not adopted the standard. (1)</p> | 2        | <p>1 mark for each correct point, and/or development of the point.</p> <p>Accept any other reasonable response.</p> |

[END OF MARKING INSTRUCTIONS]