



National  
Qualifications

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**X800/76/01**

**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 Higher Accounting

*Always apply these general principles. Use them in conjunction with the specific 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 specific 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 **outline** questions, candidates must make a number of brief statements appropriate to the question asked. These may include facts, features or characteristics.

Up to the total mark allocation for this question

- award **1 mark** for each accurate statement

- (f) For **distinguish** questions, candidates must demonstrate knowledge of the differences between things, features, methods or choices. This does not need to be a comparative sentence.

Up to the total mark allocation for this question

- award **1 mark** for each accurate statement

- (g) For **explain** questions, candidates must make a number of points which relate cause and effect and/or make relationships between things clear, for example by showing connections between a process/situation. These may include theoretical concepts. There is no need to prioritise the reasons.

Up to the total mark allocation for this question

- award **1 mark** for each accurate explanation
- award **1 mark** for further development of an explanation, including exemplification where appropriate

- (h) 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.

Marking instructions for each question

Section 1

| Question                                 |           | Expected response(s)  |           |      |  | Max mark | Additional guidance |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
|--|-----------|---|-----------|------|--|----------|---------------------|-----------|--------|-----|----------|---------|----------|----------|-----|----------|---------|---------|-----------|--|-----------|--------|---------|---------|--|-------------------|--------|--------|----------|------|--|--|--|---------|-----|----------------------|--|--|---------|-----|------------------------------|--|--|---------|-----|----------|--|
| 1.                                       | (a)       | <p><b>Profit or Loss on Revaluation</b></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; border-bottom: 1px solid black;">Old Value</th> <th style="text-align: right; border-bottom: 1px solid black;">New Value</th> <th style="text-align: right; border-bottom: 1px solid black;">Change</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Property</td> <td style="text-align: right;">£80,000</td> <td style="text-align: right;">£130,000</td> <td style="text-align: right;">£50,000*</td> <td></td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">£40,000</td> <td style="text-align: right;">£30,000</td> <td style="text-align: right;">-£10,000*</td> <td></td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">£8,000</td> <td style="text-align: right;">£12,000</td> <td style="text-align: right;">£4,000*</td> <td></td> </tr> <tr> <td>Trade Receivables</td> <td style="text-align: right;">£9,000</td> <td style="text-align: right;">£6,000</td> <td style="text-align: right;">-£3,000*</td> <td style="text-align: right;">*(2)</td> </tr> <tr> <td>Increase in provision for Doubtful Debts</td> <td></td> <td></td> <td style="text-align: right;">-£1,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Revaluation Expenses</td> <td></td> <td></td> <td style="text-align: right;">-£4,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td><u>Profit on Revaluation</u></td> <td></td> <td></td> <td style="text-align: right;">£36,000</td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table> |           |      |  |          | Old Value           | New Value | Change |     | Property | £80,000 | £130,000 | £50,000* |     | Vehicles | £40,000 | £30,000 | -£10,000* |  | Inventory | £8,000 | £12,000 | £4,000* |  | Trade Receivables | £9,000 | £6,000 | -£3,000* | *(2) | Increase in provision for Doubtful Debts |  |  | -£1,000 | (1) | Revaluation Expenses |  |  | -£4,000 | (1) | <u>Profit on Revaluation</u> |  |  | £36,000 | (1) | <b>4</b> | <p>*All correct 2 marks<br/>3 correct 1 mark<br/>2 or fewer correct 0 marks.</p> |
|  | Old Value | New Value   | Change    |      |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Property                                 | £80,000   | £130,000  | £50,000*  |      |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Vehicles                                 | £40,000   | £30,000   | -£10,000* |      |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Inventory                                | £8,000    | £12,000   | £4,000*   |      |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Trade Receivables                        | £9,000    | £6,000  | -£3,000*  | *(2) |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Increase in provision for Doubtful Debts |           |   | -£1,000   | (1)  |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Revaluation Expenses                     |           |   | -£4,000   | (1)  |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| <u>Profit on Revaluation</u>             |           |   | £36,000   | (1)  |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
|  | (b)       | <p><u>Share of profit on revaluation</u></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 30%;">Donnelly</td> <td style="width: 10%; text-align: center;">3/8</td> <td style="width: 20%; text-align: right;">£13,500</td> <td style="width: 30%;"></td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td>Scott</td> <td style="text-align: center;">5/8</td> <td style="text-align: right;">£22,500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table>  |           |      |  | Donnelly | 3/8                 | £13,500   |        | (1) | Scott    | 5/8     | £22,500  |          | (1) | <b>2</b> |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Donnelly                                 | 3/8       | £13,500   |           | (1)  |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |
| Scott                                    | 5/8       | £22,500   |           | (1)  |  |          |                     |           |        |     |          |         |          |          |     |          |         |         |           |  |           |        |         |         |  |                   |        |        |          |      |  |  |  |         |     |                      |  |  |         |     |                              |  |  |         |     |          |  |

| Question              |                 | Expected response(s)  |               |     | Max mark | Additional guidance |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
|-----------------------|-----------------|---|---------------|-----|----------|---------------------|----------------|---------------|--|--------|---------|----------|----------|--|----------------------|--------|---------|--|-----|-----------------------|---------|---------|--|-----|-------------------|--------|---------|--|-----|--|---------|----------|---------|--|----------------------|--------|---------|--------|-----|---------------------|---------|----------|----------|--|--|---|--|
|                       | (c)             | <u>New profit sharing ratios</u><br><br>Donnelly                      3/8 x 4/5                      30%<br>Scott                            5/8 x 4/5                      50%<br>Cahill                            1/5                                20%   |               |     | (2)      | 2                   | All or nothing |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
|                       | (d)             | <u>New Equity Accounts</u><br><br><table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: center;"><u>Donnelly</u></th> <th style="width: 15%; text-align: center;"><u>Scott</u></th> <th style="width: 10%; text-align: center;"><u>Cahill</u></th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td style="text-align: right;">£75,000</td> <td style="text-align: right;">£125,000</td> <td style="text-align: right;">£80,000*</td> <td></td> </tr> <tr> <td>Transfer Current A/c</td> <td style="text-align: right;">£3,100</td> <td style="text-align: right;">-£2,400</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit on Revaluation</td> <td style="text-align: right;">£13,500</td> <td style="text-align: right;">£22,500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Share of Goodwill</td> <td style="text-align: right;">£7,500</td> <td style="text-align: right;">£12,500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">£99,100</td> <td style="text-align: right; border-top: 1px solid black;">£157,600</td> <td style="text-align: right; border-top: 1px solid black;">£80,000</td> <td></td> </tr> <tr> <td>Goodwill written off</td> <td style="text-align: right;">£6,000</td> <td style="text-align: right;">£10,000</td> <td style="text-align: right;">£4,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>New Equity Balances</td> <td style="text-align: right;">£93,100</td> <td style="text-align: right;">£147,600</td> <td style="text-align: right;">£76,000*</td> <td></td> </tr> </tbody> </table> |               |     |          | <u>Donnelly</u>     | <u>Scott</u>   | <u>Cahill</u> |  | Equity | £75,000 | £125,000 | £80,000* |  | Transfer Current A/c | £3,100 | -£2,400 |  | (1) | Profit on Revaluation | £13,500 | £22,500 |  | (1) | Share of Goodwill | £7,500 | £12,500 |  | (1) |  | £99,100 | £157,600 | £80,000 |  | Goodwill written off | £6,000 | £10,000 | £4,000 | (1) | New Equity Balances | £93,100 | £147,600 | £76,000* |  |  | 5 |  |
|                       | <u>Donnelly</u> | <u>Scott</u>  | <u>Cahill</u> |     |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
| Equity                | £75,000         | £125,000  | £80,000*      |     |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
| Transfer Current A/c  | £3,100          | -£2,400   |               | (1) |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
| Profit on Revaluation | £13,500         | £22,500   |               | (1) |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
| Share of Goodwill     | £7,500          | £12,500   |               | (1) |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
|                       | £99,100         | £157,600  | £80,000       |     |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
| Goodwill written off  | £6,000          | £10,000   | £4,000        | (1) |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
| New Equity Balances   | £93,100         | £147,600  | £76,000*      |     |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |
|                       |                 | *Opening and closing balances, arithmetic and extraneous (1)  |               |     |          |                     |                |               |  |        |         |          |          |  |                      |        |         |  |     |                       |         |         |  |     |                   |        |         |  |     |  |         |          |         |  |                      |        |         |        |     |                     |         |          |          |  |  |   |  |

| Question                            | Expected response(s)  | Max mark | Additional guidance |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
|-------------------------------------|---|----------|---------------------|---|--|-----------------------|--|---------|--|-----------------------------------|--|--|--|---------------------------------|------|--|-----------|----------------------------------|------|--|----------------------------------|------|--|--|--|---------|-----|----------------------------------|--|--|--|-----------------------------------|--------|--|--------------|-------------------------------------|---------|--|------------------------------------|--------|--|--|--|---------|-----|----------------------|--|--|--|----------|--|--------|-----|--|--|---------|--|--------------------------|--|--|--|-----------------------------------|---------|--|--------------|------------------------------------|---------|--|------------------------------------|--------|--|--|--|---------|-----|---|--|
| (e)                                 | <p><u>Donnelly, Scott and Cahill</u><br/> <b>Income Statement for Year ended 31 December Year 2 ✓</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Profit for the Year ✓</td> <td></td> <td style="text-align: right;">80,000*</td> <td></td> </tr> <tr> <td><u>Add Interest on Drawings ✓</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Donnelly            £5,000 x 5%</td> <td style="text-align: right;">£250</td> <td></td> <td rowspan="3" style="vertical-align: middle;">}    £950</td> </tr> <tr> <td>Scott                £8,000 x 5%</td> <td style="text-align: right;">£400</td> <td></td> </tr> <tr> <td>Cahill               £6,000 x 5%</td> <td style="text-align: right;">£300</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">£80,950</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td><u>Less Interest on Equity ✓</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Donnelly            £93,100 x 10%</td> <td style="text-align: right;">£9,310</td> <td></td> <td rowspan="3" style="vertical-align: middle;">}    £31,670</td> </tr> <tr> <td>Scott                £147,600 x 10%</td> <td style="text-align: right;">£14,760</td> <td></td> </tr> <tr> <td>Cahill               £76,000 x 10%</td> <td style="text-align: right;">£7,600</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">£49,280</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td><u>Less Salary ✓</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Donnelly</td> <td></td> <td style="text-align: right;">£2,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">£47,280</td> <td></td> </tr> <tr> <td><u>Share of Profit ✓</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Donnelly            £47,280 x 30%</td> <td style="text-align: right;">£14,184</td> <td></td> <td rowspan="3" style="vertical-align: middle;">}    £47,280</td> </tr> <tr> <td>Scott                £47,280 x 50%</td> <td style="text-align: right;">£23,640</td> <td></td> </tr> <tr> <td>Cahill               £47,280 x 20%</td> <td style="text-align: right;">£9,456</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">£47,280</td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table> <p>*Profit for the Year, heading, labels, arithmetic and no extraneous (1)</p> |          | £                   | £ |  | Profit for the Year ✓ |  | 80,000* |  | <u>Add Interest on Drawings ✓</u> |  |  |  | Donnelly            £5,000 x 5% | £250 |  | }    £950 | Scott                £8,000 x 5% | £400 |  | Cahill               £6,000 x 5% | £300 |  |  |  | £80,950 | (1) | <u>Less Interest on Equity ✓</u> |  |  |  | Donnelly            £93,100 x 10% | £9,310 |  | }    £31,670 | Scott                £147,600 x 10% | £14,760 |  | Cahill               £76,000 x 10% | £7,600 |  |  |  | £49,280 | (1) | <u>Less Salary ✓</u> |  |  |  | Donnelly |  | £2,000 | (1) |  |  | £47,280 |  | <u>Share of Profit ✓</u> |  |  |  | Donnelly            £47,280 x 30% | £14,184 |  | }    £47,280 | Scott                £47,280 x 50% | £23,640 |  | Cahill               £47,280 x 20% | £9,456 |  |  |  | £47,280 | (1) | 5 |  |
|                                     | £   | £        |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Profit for the Year ✓               |   | 80,000*  |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| <u>Add Interest on Drawings ✓</u>   |   |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Donnelly            £5,000 x 5%     | £250  |          | }    £950           |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Scott                £8,000 x 5%    | £400  |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Cahill               £6,000 x 5%    | £300  |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
|                                     |   | £80,950  | (1)                 |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| <u>Less Interest on Equity ✓</u>    |   |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Donnelly            £93,100 x 10%   | £9,310  |          | }    £31,670        |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Scott                £147,600 x 10% | £14,760   |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Cahill               £76,000 x 10%  | £7,600  |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
|                                     |   | £49,280  | (1)                 |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| <u>Less Salary ✓</u>                |   |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Donnelly                            |   | £2,000   | (1)                 |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
|                                     |   | £47,280  |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| <u>Share of Profit ✓</u>            |   |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Donnelly            £47,280 x 30%   | £14,184   |          | }    £47,280        |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Scott                £47,280 x 50%  | £23,640   |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
| Cahill               £47,280 x 20%  | £9,456  |          |                     |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |
|                                     |   | £47,280  | (1)                 |   |  |                       |  |         |  |                                   |  |  |  |                                 |      |  |           |                                  |      |  |                                  |      |  |  |  |         |     |                                  |  |  |  |                                   |        |  |              |                                     |         |  |                                    |        |  |  |  |         |     |                      |  |  |  |          |  |        |     |  |  |         |  |                          |  |  |  |                                   |         |  |              |                                    |         |  |                                    |        |  |  |  |         |     |   |  |

| Question             |           | Expected response(s)   |           |  | Max mark | Additional guidance |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
|----------------------|-----------|--|-----------|--|----------|---------------------|----|-----|-----------------|--|---------|----------|-----------------|--|----------|-----------|--------------------|--|---------|-----------|--------|--|-----------|-----------|----------|---------|--|-----------|----------------------|-------|--|-----------|---------|----|----|-----|-----------------|---------|--|----------|-----------------|--|----------|-----------|--------------------|--|----------|-----------|----------|---------|--|-----------|----------------------|-------|--|-----------|---------|----|----|-----|-----------------|--|--|-------|-----------------|--|-----------|----------|--------------------|--|-----------|-----------|----------|-----------|--|-----------|----------------------|---------|--|-----------|---|--|
| (f)                  |           | <p><b>Current Account - Donnelly</b></p> <table> <thead> <tr> <th>Details</th> <th>Dr</th> <th>Cr</th> <th>Bal</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td></td> <td>3,100 ✓</td> <td>3,100 Cr</td> </tr> <tr> <td>Share of Profit</td> <td></td> <td>14,184 ✓</td> <td>17,284 Cr</td> </tr> <tr> <td>Interest on Equity</td> <td></td> <td>9,310 ✓</td> <td>26,594 Cr</td> </tr> <tr> <td>Salary</td> <td></td> <td>2,000 (1)</td> <td>28,594 Cr</td> </tr> <tr> <td>Drawings</td> <td>5,000 ✓</td> <td></td> <td>23,594 Cr</td> </tr> <tr> <td>Interest on Drawings</td> <td>250 ✓</td> <td></td> <td>23,344 Cr</td> </tr> </tbody> </table> <p><b>Current Account - Scott</b></p> <table> <thead> <tr> <th>Details</th> <th>Dr</th> <th>Cr</th> <th>Bal</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td>2,400 ✓</td> <td></td> <td>2,400 Dr</td> </tr> <tr> <td>Share of Profit</td> <td></td> <td>23,640 ✓</td> <td>21,240 Cr</td> </tr> <tr> <td>Interest on Equity</td> <td></td> <td>14,760 ✓</td> <td>36,000 Cr</td> </tr> <tr> <td>Drawings</td> <td>8,000 ✓</td> <td></td> <td>28,000 Cr</td> </tr> <tr> <td>Interest on Drawings</td> <td>400 ✓</td> <td></td> <td>27,600 Cr</td> </tr> </tbody> </table> <p><b>Current Account - Cahill</b></p> <table> <thead> <tr> <th>Details</th> <th>Dr</th> <th>Cr</th> <th>Bal</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td></td> <td></td> <td>0 (1)</td> </tr> <tr> <td>Share of Profit</td> <td></td> <td>9,456 (1)</td> <td>9,456 Cr</td> </tr> <tr> <td>Interest on Equity</td> <td></td> <td>7,600 (1)</td> <td>17,056 Cr</td> </tr> <tr> <td>Drawings</td> <td>6,000 (1)</td> <td></td> <td>11,056 Cr</td> </tr> <tr> <td>Interest on Drawings</td> <td>300 (1)</td> <td></td> <td>10,756 Cr</td> </tr> </tbody> </table> <p>Headings, nomenclature, arithmetic and no extraneous (1)</p> |           |  | Details  | Dr                  | Cr | Bal | Opening balance |  | 3,100 ✓ | 3,100 Cr | Share of Profit |  | 14,184 ✓ | 17,284 Cr | Interest on Equity |  | 9,310 ✓ | 26,594 Cr | Salary |  | 2,000 (1) | 28,594 Cr | Drawings | 5,000 ✓ |  | 23,594 Cr | Interest on Drawings | 250 ✓ |  | 23,344 Cr | Details | Dr | Cr | Bal | Opening balance | 2,400 ✓ |  | 2,400 Dr | Share of Profit |  | 23,640 ✓ | 21,240 Cr | Interest on Equity |  | 14,760 ✓ | 36,000 Cr | Drawings | 8,000 ✓ |  | 28,000 Cr | Interest on Drawings | 400 ✓ |  | 27,600 Cr | Details | Dr | Cr | Bal | Opening balance |  |  | 0 (1) | Share of Profit |  | 9,456 (1) | 9,456 Cr | Interest on Equity |  | 7,600 (1) | 17,056 Cr | Drawings | 6,000 (1) |  | 11,056 Cr | Interest on Drawings | 300 (1) |  | 10,756 Cr | 7 | <p>Mark is awarded for correct entry in all 3 current accounts.</p> <p>Award 3 marks if complete reversal.</p> <p>If Equity balance is included, DNA Interest on Equity award.</p> |
| Details              | Dr        | Cr   | Bal       |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Opening balance      |           | 3,100 ✓  | 3,100 Cr  |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Share of Profit      |           | 14,184 ✓   | 17,284 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Interest on Equity   |           | 9,310 ✓  | 26,594 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Salary               |           | 2,000 (1)  | 28,594 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Drawings             | 5,000 ✓   |  | 23,594 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Interest on Drawings | 250 ✓     |  | 23,344 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Details              | Dr        | Cr   | Bal       |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Opening balance      | 2,400 ✓   |  | 2,400 Dr  |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Share of Profit      |           | 23,640 ✓   | 21,240 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Interest on Equity   |           | 14,760 ✓   | 36,000 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Drawings             | 8,000 ✓   |  | 28,000 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Interest on Drawings | 400 ✓     |  | 27,600 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Details              | Dr        | Cr   | Bal       |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Opening balance      |           |  | 0 (1)     |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Share of Profit      |           | 9,456 (1)  | 9,456 Cr  |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Interest on Equity   |           | 7,600 (1)  | 17,056 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Drawings             | 6,000 (1) |  | 11,056 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |
| Interest on Drawings | 300 (1)   |  | 10,756 Cr |  |          |                     |    |     |                 |  |         |          |                 |  |          |           |                    |  |         |           |        |  |           |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |         |  |          |                 |  |          |           |                    |  |          |           |          |         |  |           |                      |       |  |           |         |    |    |     |                 |  |  |       |                 |  |           |          |                    |  |           |           |          |           |  |           |                      |         |  |           |   |  |



| Question |     |  | Expected response(s) |               |          | Max mark | Additional guidance   |
|----------|-----|--|----------------------|---------------|----------|----------|---|
|          |     |  | £<br>At Cost         | £<br>Agg Depn | £<br>NBV |          | * <b>1 mark</b> for current account balances of all 3 partners. |
|          |     | Current Accounts   |                      |               |          |          |   |
|          |     | Donnelly   |                      | 23,344 *      |          |          |   |
|          |     | Scott  |                      | 27,600 *      |          |          |   |
|          |     | Cahill   |                      | 10,756 *(1)   |          |          |   |
|          |     |  |                      |               | 61,700   |          |   |
|          |     |  |                      |               | 378,400  |          |   |
|          |     | Revaluation reserve  |                      |               | 20,000   | (1)      |   |
|          |     |  |                      |               | 398,400  |          |   |
|          |     | Headings, arithmetic and no extraneous (1)   |                      |               |          |          |   |
|          | (h) | <ul style="list-style-type: none"> <li>• Increased equity is introduced to the business (1)</li> <li>• More expertise or specialist knowledge (1)</li> <li>• Workload can be shared (1)</li> <li>• May allow expansion of the business (1)</li> <li>• Eliminates competition when skills and resources are combined (1)</li> </ul> |                      |               |          | <b>2</b> |   |



| Question               |  | Expected response(s) | Max mark | Additional guidance |       |      |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
|------------------------|--|----------------------|----------|---------------------|-------|------|-----|--|-------|-------|-------|-------|-------|-------|--|------------------------|-----|-----|-----|-------|-------|-----|--|-------|-------|-------|-------|-------|--|-----------------------|-----|-----|-------|-------|-------|-----|------------|-------|-------|-------|-------|-------|------|----------|---|
| <b>2. PART A</b>       |  |                      |          |                     |       |      |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
| (a)                    | <p><b>Production Budget ✓</b></p> <table border="1"> <thead> <tr> <th></th> <th>July</th> <th>August</th> <th>Sept</th> <th>Oct</th> <th>Nov</th> <th></th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>2,500</td> <td>2,800</td> <td>3,400</td> <td>6,200</td> <td>5,000</td> <td></td> </tr> <tr> <td>Less Opening Inventory</td> <td>500</td> <td>560</td> <td>680</td> <td>1,240</td> <td>1,000</td> <td>(1)</td> </tr> <tr> <td></td> <td>2,000</td> <td>2,240</td> <td>2,720</td> <td>4,960</td> <td>4,000</td> <td></td> </tr> <tr> <td>Add Closing Inventory</td> <td>560</td> <td>680</td> <td>1,240</td> <td>1,000</td> <td>1,020</td> <td>(1)</td> </tr> <tr> <td>Production</td> <td>2,560</td> <td>2,920</td> <td>3,960</td> <td>5,960</td> <td>5,020</td> <td>(1)*</td> </tr> </tbody> </table> |                      | July     | August              | Sept  | Oct  | Nov |  | Sales | 2,500 | 2,800 | 3,400 | 6,200 | 5,000 |  | Less Opening Inventory | 500 | 560 | 680 | 1,240 | 1,000 | (1) |  | 2,000 | 2,240 | 2,720 | 4,960 | 4,000 |  | Add Closing Inventory | 560 | 680 | 1,240 | 1,000 | 1,020 | (1) | Production | 2,560 | 2,920 | 3,960 | 5,960 | 5,020 | (1)* | <b>3</b> | * 1 mark for production total, heading and correct sales figures. |
|                        | July   | August               | Sept     | Oct                 | Nov   |      |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
| Sales                  | 2,500  | 2,800                | 3,400    | 6,200               | 5,000 |      |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
| Less Opening Inventory | 500  | 560                  | 680      | 1,240               | 1,000 | (1)  |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
|                        | 2,000  | 2,240                | 2,720    | 4,960               | 4,000 |      |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
| Add Closing Inventory  | 560  | 680                  | 1,240    | 1,000               | 1,020 | (1)  |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
| Production             | 2,560  | 2,920                | 3,960    | 5,960               | 5,020 | (1)* |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |
| (b)                    | <ul style="list-style-type: none"> <li>• Sell preference shares where a fixed dividend is received in return for investing in the company (1)</li> <li>• Sell ordinary shares in return for a share of the profits in the form of a variable dividend (1) a successful year means high dividend/poor year no or low dividend (1)</li> <li>• Debentures - issue of loan/with fixed annual interest (1)</li> </ul>   | <b>3</b>             |          |                     |       |      |     |  |       |       |       |       |       |       |  |                        |     |     |     |       |       |     |  |       |       |       |       |       |  |                       |     |     |       |       |       |     |            |       |       |       |       |       |      |          |   |

| Question |     | Expected response(s) |                                 |                      |            |              |               |            |              |                | Max mark   | Additional guidance |  |      |
|----------|-----|----------------------|---------------------------------|----------------------|------------|--------------|---------------|------------|--------------|----------------|------------|---------------------|--|------|
|          | (c) | (i)                  | <b>Baking Process Account ✓</b> |                      |            |              |               |            |              |                |            | <b>7</b>            | <p>If complete reversal or not shown as an account, award <b>3 marks</b>.</p> <p>DNA <b>1 mark</b> max, if nomenclature error.</p> <p>DNA <b>1 mark</b>, if any quantity is entered other than materials.</p> <p>Normal loss must be based on input material quantity.</p> <p>* If CPU is calculated correctly and applied to both Finished Goods and Abnormal Loss but Balance is incorrect, award <b>1 mark</b>.</p> |      |
|          |     |                      |                                 | <b>Input</b>         |            |              | <b>Output</b> |            |              | <b>Balance</b> |            |                     |  |      |
|          |     |                      |                                 | <b>Qty</b>           | <b>CPU</b> | <b>Value</b> | <b>Qty</b>    | <b>CPU</b> | <b>Value</b> | <b>Qty</b>     | <b>CPU</b> | <b>Value</b>        |  |      |
|          |     |                      |                                 | Opening WIP          | 500        | 1·20         | 600·00        |            |              | 500            |            | 600·00              |  | (1)  |
|          |     |                      |                                 | Materials            | 1,500      | 0·50         | 500·00        |            |              | 1,000          |            | 1,100·00            |  |      |
|          |     |                      |                                 | Labour               |            |              | 5,200·00      |            |              |                |            | 6,300·00            |  | (1)  |
|          |     |                      |                                 | Variable Overheads   |            |              | 800·00        |            |              |                |            | 7,100·00            |  |      |
|          |     |                      |                                 | Fixed Overheads      |            |              | 1,040·00      |            |              |                |            | 8,140·00            |  | (1)  |
|          |     |                      |                                 | <b>Normal Loss</b>   |            |              |               | 75         | 0·20         | 15·00          | 1,425      |                     | 8,125·00   | (1)  |
|          |     |                      |                                 | <b>Closing WIP</b>   |            |              |               | 425        |              | 2,125·00       | 1,000      | 6·00                | 6,000·00   | (1)  |
|          |     |                      |                                 | <b>Good Output</b>   |            |              |               | 900        | 6·00*        | 5,400·00       | 100        |                     | 600·00   |      |
|          |     |                      |                                 | <b>Abnormal Loss</b> |            |              |               | 100        | 6·00*        | 600·00         |            |                     | 0·00   | (2)* |

| Question                |       |  | Expected response(s)  |        |      |        |         |      |        |     | Max mark | Additional guidance |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |
|-------------------------|-------|--|---|--------|------|--------|---------|------|--------|-----|----------|---------------------|--|--|--------|--|--|---------|--|--|--|--|-----|-----|-------|-----|-----|-------|-----|-----|-------|--|----------------|-----|------|--------|--|--|--|-----|------|--------|-----|-------------------------|--|--|--|-----|------|-------|--|--|--------|-----|------------------|--|--|--|--|--|--------|--|--|---|-----|---|--|
|                         | (ii)  | Abnormal Loss Account ✓  | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="3">Input</th> <th colspan="3">Output</th> <th colspan="3">Balance</th> <th></th> </tr> <tr> <th></th> <th>Qty</th> <th>CPU</th> <th>Value</th> <th>Qty</th> <th>CPU</th> <th>Value</th> <th>Qty</th> <th>CPU</th> <th>Value</th> <th></th> </tr> </thead> <tbody> <tr> <td>Baking process</td> <td>100</td> <td>6·00</td> <td>600·00</td> <td></td> <td></td> <td></td> <td>100</td> <td>6·00</td> <td>600·00</td> <td>(1)</td> </tr> <tr> <td>Cash &amp; Cash Equivalents</td> <td></td> <td></td> <td></td> <td>100</td> <td>0·20</td> <td>20·00</td> <td></td> <td></td> <td>580·00</td> <td>(1)</td> </tr> <tr> <td>Income Statement</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>580·00</td> <td></td> <td></td> <td>0</td> <td>(1)</td> </tr> </tbody> </table> |        |      |        |         |      |        |     |          | Input               |  |  | Output |  |  | Balance |  |  |  |  | Qty | CPU | Value | Qty | CPU | Value | Qty | CPU | Value |  | Baking process | 100 | 6·00 | 600·00 |  |  |  | 100 | 6·00 | 600·00 | (1) | Cash & Cash Equivalents |  |  |  | 100 | 0·20 | 20·00 |  |  | 580·00 | (1) | Income Statement |  |  |  |  |  | 580·00 |  |  | 0 | (1) | 4 |  |
|                         | Input |  |   | Output |      |        | Balance |      |        |     |          |                     |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |
|                         | Qty   | CPU  | Value   | Qty    | CPU  | Value  | Qty     | CPU  | Value  |     |          |                     |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |
| Baking process          | 100   | 6·00   | 600·00  |        |      |        | 100     | 6·00 | 600·00 | (1) |          |                     |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |
| Cash & Cash Equivalents |       |  |   | 100    | 0·20 | 20·00  |         |      | 580·00 | (1) |          |                     |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |
| Income Statement        |       |  |   |        |      | 580·00 |         |      | 0      | (1) |          |                     |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |
|                         | (d)   | Margin is profit on selling price whereas mark-up is profit on cost price. (1) |   |        |      |        |         |      |        |     | 1        |                     |  |  |        |  |  |         |  |  |  |  |     |     |       |     |     |       |     |     |       |  |                |     |      |        |  |  |  |     |      |        |     |                         |  |  |  |     |      |       |  |  |        |     |                  |  |  |  |  |  |        |  |  |   |     |   |  |

| Question  | Expected response(s)  | Max mark  | Additional guidance                              |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
|---|---|-----------|--|-----------|---|-----------|---|--|--|---------|-----|-----------------------|--|--|--|--|----------------------------|---------|-----|--|--|-----------------------------|--------|-----|--|--|--|---------|------|--|--|---|--------|------|---------|--|------------------------------|--|--|--|--|--|--|--|--|--|---|--|--|--|--|---|--|--|---------|--|--|--|
| <b>2. PART B</b>  |   | <b>19</b> | Depreciation and Basic Wages - 2 all or nothing. |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| (a)   | <p><b>OPERATING COST STATEMENT ✓</b></p> <table border="1" data-bbox="331 368 1460 1129"> <thead> <tr> <th></th> <th>£</th> <th></th> <th>£</th> <th>Max marks</th> </tr> </thead> <tbody> <tr> <td>Depreciation<br/><math>\frac{(75,000 - 5,000)}{7} = 10,000 \times 10</math></td> <td></td> <td></td> <td>100,000</td> <td>(2)</td> </tr> <tr> <td><b>Drivers Wages:</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Basic (40 x £15 x 48 x 10)</td> <td>288,000</td> <td>(2)</td> <td></td> <td></td> </tr> <tr> <td>Holiday (40 x £15 x 4 x 10)</td> <td>24,000</td> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td>Overtime (double time)<br/>(£15 x 2 x 10 x 48 x 10)</td> <td>144,000</td> <td>(2)*</td> <td></td> <td></td> </tr> <tr> <td>Overtime (time and a half)<br/>(£15 x 1.5 x 5 x 48 x 10)</td> <td>54,000</td> <td>(2)*</td> <td>510,000</td> <td></td> </tr> <tr> <td><b>Relief Drivers Wages:</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total Operating Hours<br/>(10 x 7 x 52 x 10) = 36,400 (1)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hours Worked<br/>(55 x 48 x 10) = 26,400 (1)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Relief Hours<br/>36,400 - 26,400 = 10,000 (1) x 10 (1)</td> <td></td> <td></td> <td>100,000</td> <td></td> </tr> </tbody> </table> |           | £  |           | £ | Max marks | Depreciation<br>$\frac{(75,000 - 5,000)}{7} = 10,000 \times 10$ |  |  | 100,000 | (2) | <b>Drivers Wages:</b> |  |  |  |  | Basic (40 x £15 x 48 x 10) | 288,000 | (2) |  |  | Holiday (40 x £15 x 4 x 10) | 24,000 | (1) |  |  | Overtime (double time)<br>(£15 x 2 x 10 x 48 x 10) | 144,000 | (2)* |  |  | Overtime (time and a half)<br>(£15 x 1.5 x 5 x 48 x 10) | 54,000 | (2)* | 510,000 |  | <b>Relief Drivers Wages:</b> |  |  |  |  | Total Operating Hours<br>(10 x 7 x 52 x 10) = 36,400 (1) |  |  |  |  | Hours Worked<br>(55 x 48 x 10) = 26,400 (1) |  |  |  |  | Relief Hours<br>36,400 - 26,400 = 10,000 (1) x 10 (1) |  |  | 100,000 |  |  | <p>* Award 1 mark if any single part of the calculation is missing</p> |
|   | £   |           | £  | Max marks |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Depreciation<br>$\frac{(75,000 - 5,000)}{7} = 10,000 \times 10$ |   |           | 100,000  | (2)       |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| <b>Drivers Wages:</b>   |   |           |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Basic (40 x £15 x 48 x 10)                                      | 288,000   | (2)       |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Holiday (40 x £15 x 4 x 10)                                     | 24,000  | (1)       |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Overtime (double time)<br>(£15 x 2 x 10 x 48 x 10)              | 144,000   | (2)*      |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Overtime (time and a half)<br>(£15 x 1.5 x 5 x 48 x 10)         | 54,000  | (2)*      | 510,000  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| <b>Relief Drivers Wages:</b>                                    |   |           |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Total Operating Hours<br>(10 x 7 x 52 x 10) = 36,400 (1)        |   |           |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Hours Worked<br>(55 x 48 x 10) = 26,400 (1)                     |   |           |  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |
| Relief Hours<br>36,400 - 26,400 = 10,000 (1) x 10 (1)           |   |           | 100,000  |           |   |           |   |  |  |         |     |                       |  |  |  |  |                            |         |     |  |  |                             |        |     |  |  |  |         |      |  |  |   |        |      |         |  |                              |  |  |  |  |  |  |  |  |  |   |  |  |  |  |   |  |  |         |  |  |  |

| Question  |                 | Expected response(s)   |   |            |     | Max mark | Additional guidance |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
|---|-----------------|--|---|------------|-----|----------|---------------------|--|----------|-----|--------|--|--|-----------------|--|--|------------|-----------|--------|--|--|--|-----------|-------|--|--|-------------------------|--------|---------|-----|------------------------------|--|--|----------------|--|--|--|--|
|   |                 | <table border="1"> <tr> <td>Office and Admin (3,000 x 12)</td> <td>36,000</td> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td>Garage Rental (2,250 x 4)</td> <td>9,000</td> <td>(1)</td> <td>45,000</td> <td></td> </tr> <tr> <td>Fuel<br/>((10 x 500 x 52) (1) / 13) x £1.35 (1)</td> <td>27,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Insurance</td> <td>52,250</td> <td rowspan="3">}</td> <td></td> <td></td> </tr> <tr> <td>Licensing</td> <td>7,950</td> <td></td> <td></td> </tr> <tr> <td>Maintenance and Repairs</td> <td>59,700</td> <td>146,900</td> <td>(1)</td> </tr> <tr> <td><b>TOTAL RUNNING COSTS ✓</b></td> <td></td> <td></td> <td><b>901,900</b></td> <td></td> </tr> </table> <p>Heading, label and arithmetic (1)</p> | Office and Admin (3,000 x 12)   | 36,000     | (1) |          |                     | Garage Rental (2,250 x 4)                                      | 9,000    | (1) | 45,000 |  | Fuel<br>((10 x 500 x 52) (1) / 13) x £1.35 (1) | 27,000          |  |  |            | Insurance | 52,250 | }  |  |  | Licensing | 7,950 |  |  | Maintenance and Repairs | 59,700 | 146,900 | (1) | <b>TOTAL RUNNING COSTS ✓</b> |  |  | <b>901,900</b> |  |  |  |  |
| Office and Admin (3,000 x 12)   | 36,000          | (1)  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Garage Rental (2,250 x 4)   | 9,000           | (1)  | 45,000  |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Fuel<br>((10 x 500 x 52) (1) / 13) x £1.35 (1)                            | 27,000          |  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Insurance   | 52,250          | }  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Licensing   | 7,950           |  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Maintenance and Repairs   | 59,700          |  | 146,900   | (1)        |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| <b>TOTAL RUNNING COSTS ✓</b>  |                 |  | <b>901,900</b>  |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| (b)   | (i)             | <table border="1"> <tr> <td>Passenger Miles<br/>(45 x 0.8 x 500 x 52 x 10) = 9,360,000 passenger miles</td> <td>(2)</td> </tr> </table>  | Passenger Miles<br>(45 x 0.8 x 500 x 52 x 10) = 9,360,000 passenger miles | (2)        |     |          | 2                   | Award 1 mark if any single part of the calculation is missing. |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Passenger Miles<br>(45 x 0.8 x 500 x 52 x 10) = 9,360,000 passenger miles | (2)             |  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
|   | (ii)            | <table border="1"> <tr> <td>Sales Income (9,360,000 x £0.20)</td> <td>£1,872,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>less: Costs</td> <td>£901,900</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Estimated Profit</b></td> <td><b>£970,100</b></td> <td></td> <td></td> <td><b>(1)</b></td> </tr> </table>  | Sales Income (9,360,000 x £0.20)  | £1,872,000 |     |          |                     | less: Costs  | £901,900 |     |        |  | <b>Estimated Profit</b>                        | <b>£970,100</b> |  |  | <b>(1)</b> |           | 1      | Award mark for entry of costs data and calculation of profit with arithmetic accuracy. Be aware of consequentiality. |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| Sales Income (9,360,000 x £0.20)  | £1,872,000      |  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| less: Costs   | £901,900        |  |   |            |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |
| <b>Estimated Profit</b>   | <b>£970,100</b> |  |   | <b>(1)</b> |     |          |                     |  |          |     |        |  |  |                 |  |  |            |           |        |  |  |  |           |       |  |  |                         |        |         |     |                              |  |  |                |  |  |  |  |

Section 2

| Question  | Expected response(s)                        |                  |            |                    |                    |            |                    |                |            |                    |                    | Max mark | Additional guidance |
|-----------|---|------------------|------------|--------------------|--------------------|------------|--------------------|----------------|------------|--------------------|--------------------|----------|---------------------|
| 3. PART A | Inventory Record Card for Component KFC01 ✓ |                  |            |                    |                    |            |                    |                |            |                    |                    | 6        |                     |
|           |   | <b>Receipts</b>  |            |                    | <b>Issues</b>      |            |                    | <b>Balance</b> |            |                    |                    |          |                     |
|           | <b>Date</b>                                 | <b>Details</b>   | <b>Qty</b> | <b>Price<br/>£</b> | <b>Value<br/>£</b> | <b>Qty</b> | <b>Price<br/>£</b> | <b>Value</b>   | <b>Qty</b> | <b>Price<br/>£</b> | <b>Value<br/>£</b> |          |                     |
|           | 01/09                                       | Opening balance  |            |                    |                    |            |                    | 2,500          | 6.00       | 15,000             | (1)*               |          |                     |
|           | 07/09                                       | Purchases        | 1,500      | 6.40               | 9,600              |            |                    | 4,000          | 6.15       | 24,600             | (1)                |          |                     |
|           | 12/09                                       | Issue to Job 307 |            |                    |                    | 1,000      | 6.15               | 6,150          | 3,000      | 6.15               | 18,450             | (1)      |                     |
|           | 15/09                                       | Purchases        | 2,000      | 6.95               | 13,900             |            |                    | 5,000          | 6.47       | 32,350             | (1)                |          |                     |
|           | 17/09                                       | Returns          |            |                    |                    | 200        | 6.95               | 1,390          | 4,800      | 6.45               | 30,960             | (1)      |                     |
|           | 24/09                                       | Issue to Job 310 |            |                    |                    | 1,200      | 6.45               | 7,740          | 3,600      | 6.45               | 23,220             | (1)      |                     |

\* Award 1 mark for correct heading and opening balance.

If date/details column not included, do not award first available mark.

| Question               |                     | Expected response(s) |  | Max mark | Additional guidance  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
|------------------------|---------------------|----------------------|--|----------|--|------------------------|------------------------|-------------------|---------------------|-----------------|-----------|-----------|---------|-----|--------|---|--|
| <b>3. PART B</b>       |                     |                      |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
|                        | (a)                 |                      | <table border="1"> <thead> <tr> <th></th> <th>Andrews plc</th> <th>Bhuvan plc</th> </tr> </thead> <tbody> <tr> <td>Fixed Interest Funding</td> <td>750,000+2,000,000</td> <td>2,500,000+3,000,000</td> </tr> <tr> <td>Ordinary Shares</td> <td>2,750,000</td> <td>2,000,000</td> </tr> <tr> <td>Gearing</td> <td>1:1</td> <td>2.75:1</td> </tr> </tbody> </table>  |          | Andrews plc  | Bhuvan plc             | Fixed Interest Funding | 750,000+2,000,000 | 2,500,000+3,000,000 | Ordinary Shares | 2,750,000 | 2,000,000 | Gearing | 1:1 | 2.75:1 | 2 | 1 mark for Andrews;<br>1 mark for Bhuvan |
|                        | Andrews plc         | Bhuvan plc           |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
| Fixed Interest Funding | 750,000+2,000,000   | 2,500,000+3,000,000  |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
| Ordinary Shares        | 2,750,000           | 2,000,000            |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
| Gearing                | 1:1                 | 2.75:1               |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
|                        | (b)                 | (i)                  | <table border="1"> <thead> <tr> <th></th> <th>Andrews plc</th> </tr> </thead> <tbody> <tr> <td>Fixed Interest Funding</td> <td>3,500,000+2,000,000</td> </tr> <tr> <td>Ordinary Shares</td> <td>2,750,000</td> </tr> <tr> <td>Gearing</td> <td>2:1 (1)</td> </tr> </tbody> </table>  |          | Andrews plc  | Fixed Interest Funding | 3,500,000+2,000,000    | Ordinary Shares   | 2,750,000           | Gearing         | 2:1 (1)   | 1         |         |     |        |   |  |
|                        | Andrews plc         |                      |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
| Fixed Interest Funding | 3,500,000+2,000,000 |                      |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
| Ordinary Shares        | 2,750,000           |                      |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
| Gearing                | 2:1 (1)             |                      |  |          |  |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |
|                        |                     | (ii)                 | <p>The ordinary shareholders will receive a lower rate of return as there will be less profit available for payment to ordinary shareholders (due to the increased number of preference shareholders). (1)</p> <p>Ordinary shareholders stand to possibly lose out in periods of lower profits as there are more shareholders to receive a share of the profits. (1)</p> <p>However, in periods of higher profits the ordinary shareholders would stand to benefit as there would be more profit available for distribution to them. (1)</p> | 1        | Accept either an impact when profits are low or when profits are high. |                        |                        |                   |                     |                 |           |           |         |     |        |   |  |

| Question |   | Expected response(s)                                       |                   |     | Max mark | Additional guidance |
|----------|---|--|-------------------|-----|----------|---------------------|
| (c)      | (i)                                       | Profit available for distribution to ordinary shareholders |                   |     | 3        |                     |
|          |   |  | <b>Bhuvan plc</b> |     |          |                     |
|          |   | Profit for Year before finance cost and taxation           | £1,750,000        |     |          |                     |
|          |   | Less Debenture Finance Cost                                | £150,000          | (1) |          |                     |
|          |   |  | £1,600,000        |     |          |                     |
|          |   | Less Corporation tax (25%)                                 | £400,000          | (1) |          |                     |
|          |   | Profit for Year after taxation                             | £1,200,000        |     |          |                     |
|          |   | Less Preference Dividends (8%)                             | £200,000          | (1) |          |                     |
|          | Profit available to Ordinary Shareholders | £1,000,000   | (1)               |     |          |                     |
| (ii)     |   | Profit available to Ordinary Shareholders                  | £1,000,000        |     | 2        | All or nothing.     |
|          |   | Retained Profit (60%)                                      | £600,000          |     |          |                     |
|          |   | Total dividend paid to ordinary shareholders               | £400,000          | (2) |          |                     |



| Question |       | Expected response(s)   | Max mark | Additional guidance |
|----------|-------|--|----------|---------------------|
|          | (iii) | <p><b>Total percentage dividend to be paid to shareholders</b></p> $\frac{\text{Total dividend paid}}{\text{Ordinary Share Equity}} \times 100 = \frac{£400,000}{2,000,000} \times 100$ <p style="text-align: center;">20% (1)</p> | 1        |                     |
|          | (iv)  | <p>Ordinary Dividend per share = Total dividend paid/number of ordinary shares</p> $\frac{£400,000}{4,000,000}$ <p>Ordinary dividend per share 10p (1)</p>   | 1        |                     |
|          | (v)   | <p><math>\frac{\text{Profit for the Year after Tax and Preference Dividends}}{\text{Number of Ordinary Shares}} = \frac{£1,000,000}{4,000,000}</math></p> <p>Earnings per share £0.25 (1)</p>                                      | 1        |                     |
| (d)      | (i)   | <p>Price Earnings Ratio x Earnings per Share 7.4 times x 25p</p> <p><b>Market Price per share</b> £1.85 (1)</p>  | 1        |                     |
|          | (ii)  | <p><math>\frac{\text{Ordinary dividend per share}}{\text{Market Price per share}} \times 100 = \frac{£0.10}{£1.85} \times 100</math></p> <p>Dividend Yield 5.41% (1)</p>   | 1        |                     |

| Question |     |     | Expected response(s)  | Max mark | Additional guidance                       |
|----------|-----|-----|---|----------|---|
| 4.       | (a) | (i) | <p><u>Profits earned for Project 1 = cash inflow - depreciation charge</u></p> <p>Depreciation = (initial investment - residual value)/life of project</p> <p><b>Project 1</b><br/> = (£305,000 - £80,000)/5<br/> = £45,000 per annum (2)</p> <p><b>Profit earned</b><br/> Year 1 (£132,000-£45,000) = £87,000<br/> Year 2 (£104,000-£45,000) = £59,000<br/> Year 3 (£82,000-£45,000) = £37,000<br/> Year 4 (£71,750-£45,000) = £26,750<br/> Year 5 (£64,000-£45,000) = £19,000</p> <p style="text-align: right;">} (1)</p> <p><u>Profits earned for Project 2 = cash inflow - depreciation charge</u></p> <p>Depreciation = (initial investment - residual value)/life of project</p> <p><b>Project 2</b><br/> = (£220,000 - £100,000)/5<br/> = £24,000 per annum (2)</p> <p><b>Profit earned</b><br/> Year 1 (£150,000-£24,000) = £126,000<br/> Year 2 (£60,000-£24,000) = £36,000<br/> Year 3 (£40,000-£24,000) = £16,000<br/> Year 4 (£36,000-£24,000) = £12,000<br/> Year 5 (£32,000-£24,000) = £8,000</p> <p style="text-align: right;">} (1)</p> | 6        | If Depreciation is missing award 2 marks. |

| Question | Expected response(s)   | Max mark           | Additional guidance |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
|----------|--|--------------------|---------------------|--------------------|--------|----------|----------|--------|----------|----------|--------|---------|----------|--------|---------|--|--------|---------|--|--|---------|--------------------|--------|----------|----------|--------|---------|----------|--------|---------|----------|--------|---------|--|--------|---------|--|----|--|
|          | <p>(ii) <b><u>Accounting Rate of Return (ARR)</u></b></p> <p><b>Project 1</b><br/> Average profits <math>(87,000+59,000+37,000+26,750+19,000)/5 = £45,750</math> (1)<br/> ARR = <math>£45,750/£305,000 = 15\%</math> (1)</p> <p><b>Project 2</b><br/> Average profits <math>(126,000+36,000+16,000+12,000+8,000)/5 = £39,600</math> (1)<br/> ARR = <math>£39,600/£220,000 = 18\%</math> (1)</p> <p><b><u>Payback</u></b></p> <p><b>Project 1 – investment £305,000</b></p> <table border="1" data-bbox="327 659 1252 874"> <thead> <tr> <th></th> <th>Inflows</th> <th>Cumulative inflows</th> </tr> </thead> <tbody> <tr> <td>Year 1</td> <td>£132,000</td> <td>£132,000</td> </tr> <tr> <td>Year 2</td> <td>£104,000</td> <td>£236,000</td> </tr> <tr> <td>Year 3</td> <td>£82,000</td> <td>£318,000</td> </tr> <tr> <td>Year 4</td> <td>£71,750</td> <td></td> </tr> <tr> <td>Year 5</td> <td>£64,000</td> <td></td> </tr> </tbody> </table> <p><b>Payback in Year 3</b><br/> <b>To nearest day:</b> 2 years plus <math>(£69,000(1)/£82,000 (1) *365</math> days)<br/> = 2 years 308 days (1)</p> <p><b>Project 2 - investment £220,000</b></p> <table border="1" data-bbox="327 1078 1252 1294"> <thead> <tr> <th></th> <th>Inflows</th> <th>Cumulative inflows</th> </tr> </thead> <tbody> <tr> <td>Year 1</td> <td>£150,000</td> <td>£150,000</td> </tr> <tr> <td>Year 2</td> <td>£60,000</td> <td>£210,000</td> </tr> <tr> <td>Year 3</td> <td>£40,000</td> <td>£250,000</td> </tr> <tr> <td>Year 4</td> <td>£36,000</td> <td></td> </tr> <tr> <td>Year 5</td> <td>£32,000</td> <td></td> </tr> </tbody> </table> <p><b>Payback in Year 3</b><br/> <b>To nearest day:</b> 2 years plus <math>(£10,000(1)/£40,000 (1) *365</math> days)<br/> = 2 years 92 days (1)</p> |                    | Inflows             | Cumulative inflows | Year 1 | £132,000 | £132,000 | Year 2 | £104,000 | £236,000 | Year 3 | £82,000 | £318,000 | Year 4 | £71,750 |  | Year 5 | £64,000 |  |  | Inflows | Cumulative inflows | Year 1 | £150,000 | £150,000 | Year 2 | £60,000 | £210,000 | Year 3 | £40,000 | £250,000 | Year 4 | £36,000 |  | Year 5 | £32,000 |  | 10 |  |
|          | Inflows  | Cumulative inflows |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 1   | £132,000   | £132,000           |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 2   | £104,000   | £236,000           |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 3   | £82,000  | £318,000           |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 4   | £71,750  |                    |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 5   | £64,000  |                    |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
|          | Inflows  | Cumulative inflows |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 1   | £150,000   | £150,000           |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 2   | £60,000  | £210,000           |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 3   | £40,000  | £250,000           |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 4   | £36,000  |                    |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |
| Year 5   | £32,000  |                    |                     |                    |        |          |          |        |          |          |        |         |          |        |         |  |        |         |  |  |         |                    |        |          |          |        |         |          |        |         |          |        |         |  |        |         |  |    |  |

| Question |       | Expected response(s)   | Max mark | Additional guidance   |
|----------|-------|--|----------|---|
|          | (iii) | Project 2 should be chosen because ARR is highest (1) or paid back more quickly (1).   | 1        |   |
|          | (b)   | <p>Advantages of Accounting Rate of Return</p> <ul style="list-style-type: none"> <li>• ARR is easy to understand and simple to calculate</li> <li>• ARR focuses on the overall profit generated by the project</li> <li>• It is similar to other accounting ratios used for making comparisons</li> </ul> <p>Disadvantages of Accounting Rate of Return</p> <ul style="list-style-type: none"> <li>• Timings of cash inflows are ignored</li> <li>• ARR ignores the time value of money</li> <li>• ARR only focuses on total profit over the life of the project</li> <li>• No benchmark/guidelines of what is an acceptable rate of return</li> <li>• Where time scales are different, the ARR is not suitable</li> <li>• ARR is not suitable for comparing projects with different investment amounts</li> <li>• Profit for year can be subject to different definitions</li> <li>• The benefits of high profits in the earlier years is ignored</li> </ul> | 3        | <p>2 marks maximum for advantages.</p> <p>1 mark maximum for disadvantages.</p> |

[END OF MARKING INSTRUCTIONS]