

Q5

(a) AO1:(4)

**AO1: Four marks for explaining two causes of depreciation**

1. Physical deterioration/ wear and tear/ usage. **(1)AO1** The result of using the non-current asset is that over time the item will deteriorate to a poor physical state. **(1)AO1**
2. Economic reason/ obsolescence. **(1)AO1** Most commonly because the non-current asset has become old technology and replaced by more efficient assets. **(1)AO1**
3. Passing of time. **(1)AO1** Where an asset such as a lease depreciates because the remaining period is reduced. **(1)AO1**
4. Depletion. **(1)AO1** Usually in the case of wells or mines where extraction of the materials has devalued the non-current asset. **(1)AO1**

**2 points x 2 marks**

**(4)**

(b) AO1:(4)

**AO1: Four marks for explaining why different depreciation methods might be used**

Reducing balance method. Used when the non-current assets loses **more of the value in the early years (1)AO1** and this needs to be **reflected in the Income Statement** and the value in the Statement of Financial Position. **(1)AO1** These non-current assets may incur higher maintenance costs as time passes so the total cost or ownership will even out.

Straight-line method. Used where the non-current asset **loses value evenly over the years (1)AO1** and the **benefit given** is consistent over a number of years. **(1)AO1**

**Note**

**Not** simpler to calculate for straight line.

**(4)**

(c) AO1:(1) AO2(8):AO3(3)

AO1: One marks for recording the total costs

AO2: Eight marks for calculating each individual cost

AO3: Three marks for calculating fuel costs and the insurance on the Classic

	(i) Classic petrol	(ii) Super electric
<b>Per Year</b>	<b>£</b>	<b>£</b>
Depreciation	4 000 (1)AO2	6 500 (1)AO2
Fuel cost	3 750 (1)AO3	600 (1)AO3
Service maintenance	600 (1)AO2	350 (1)AO2
Repairs	200 (1)AO2	150 (1)AO2
Road tax	150 (1)AO2	-
Insurance	300 (1)AO3	400 (1)AO2
<b>Total</b>	<u>9 000</u>	<u>8 000 (1of)AO1</u> Both

(6)

(6)

(d) AO2(4)

AO2: Four marks for calculating the cost per kilometre

	(i) Classic petrol	(ii) Super electric
<b>Total cost per kilometre</b>	<u>£9 000</u> (1of)AO2 20 000 km = £0.45 per km (1of)AO2	<u>£8 000</u> (1of)AO2 20 000 km = £0.40 per km(1of)AO2

(2)

(2)

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

One comment on the petrol car and one comment on the electric car.

<b>Points for Classic petrol</b>	<b>Points for Super electric</b>
Fuel stations available and the refuel process is quick	No or limited environmental damage from emissions.
The capital cost of the car is cheaper	The running cost of the car for a year is lower. <b>(of)</b>
<b>Points against Classic petrol</b>	<b>Points against Super electric</b>
Pollution of the environment ongoing.	The range is only 200 km on a single charge.
Less cost effective than electric. <b>(of)</b>	May be difficult to find a charging point on a long journey.
	New technology which may have hidden problems.
	Re-charging the vehicle can be time consuming.

### Decision

Candidates may conclude that the Classic car or the Super car is the most appropriate to purchase. Candidates should support that decision with an appropriate rationale.

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

(6)

<b>Q5</b>	<b>Total marks</b>	<b>30</b>
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