

4(a) **AO1(2) AO2(4)**

**AO1: Two marks for transferring balances**

**AO2: Four marks for calculating results**

(i)

$$\frac{\pounds 420\,000}{\pounds 820\,000} \times 100 = 51.22\% \text{ (1) AO2}$$

$$\pounds 820\,000 \text{ (1) AO1}$$

(2)

(ii)

$$\frac{\pounds 12\,000}{\pounds 820\,000} \times 100 = 1.46\% \text{ (1) AO1 (1) AO2}$$

$$\pounds 820\,000$$

(2)

(iii)

$$\frac{(\pounds 12\,000 + \pounds 25\,000)}{(\pounds 300\,000 + \pounds 500\,000)} \times 100 = 4.63\% \text{ (1) AO2}$$

$$(\pounds 300\,000 + \pounds 500\,000)$$

(2)

(b) **AO1(2) AO2(5) AO3(3)**

**AO1: Two marks for transferring balances**

**AO2: Five marks for calculating forecast entries**

**AO3: Three marks for initial two stage calculations and inserting entries**

Forecast Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 30 September 2023

	£	£
Revenue		750 000 <b>(2) AO2/3</b>
Cost of sales	450 000 <b>(2) AO2/3</b>	
Wages and salaries	156 000 <b>(1) AO3</b>	
Loan interest	37 000 <b>(1) AO2</b>	
Depreciation	65 000 <b>(1) AO2</b>	
Rent	18 000 <b>(1) AO1</b>	
General expenses	60 000 <b>(1) AO2</b>	
		(786 000)
Loss for the year		(36 000) <b>(1of) AO1 + w</b>

**(10)**

**Workings**

Cost of sales  $400\,000 + 50\% = 600\,000$  **(1) AO3** less 25% = £450 000 **(1) AO2**

Sales  $450\,000 \times \frac{100}{60}$  **(1) AO3** = £750 000 **(1of) AO2**

Wages and salaries  $250\,000 - 100\,000 = 150\,000 \times \frac{104}{100} = £156\,000$  **(1) AO3**

(c) **AO1(1) AO2(3)**

**AO1: One mark for transferring revenue**

**AO2: Three marks for calculating ratios**

(i)

$\frac{(36\,000)}{750\,000} \times 100 = (4.80)\%$  **(1of) AO2**  
**(1of) AO1**

**(2)**

(ii)

$\frac{((36\,000) + 37\,000)}{(300\,000 + 500\,000 + 200\,000)} \times 100 = 0.01\%$  **(1of) AO2**  
**(1) AO2**

**(2)**

(d) **AO1(4)**

**AO1: Four marks for identifying affects**

<b>Social accounting Aspects</b>	<b>Ways Affected</b>
Local community	Less secondary employment with less general expenditure in the local community.
Environment	Larger volumes of extraction of resources.  No Government regulation and therefore possible pollution.
Workforce	Less employment with 50 redundancies.
Health and safety	Without Government regulation possible lowering of safety standards.
Use of natural resources	Extracting 50% more natural resource than before. Questions on sustainability.

Explain possible ways affected (1) **AO1** x 4

**(4)**

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

**Positive points for purchase**

There is **additional investment in the business** with the purchase of non-current assets.

The **gross profit percentage** at 40% is good.

**Economies of scale** with better and more modern equipment.

**Negative points against purchase**

The business has **substantial debt** which has been increased to £700 000 to be repaid within five years. Can the business generate the cash flow to repay the five-year bank loans?

The **profitability is very poor** with the ROCE decreasing to 0.01%

**Expenses and costs** are high.

Profit seems to be driving the business at the expense of a range of **social accounting factors**.

**Decision**

Candidates may conclude that Primary Metals should/should not be purchased.

Candidates should support that decision with an appropriate rationale.