

1(a)(i) AO1:(7) AO2(9):AO3(2)

AO1: Seven marks for recording given balances

AO2: Nine marks for calculating and correct use of balance

AO3: Two marks for calculating cost of sales and allowance for irrecoverable debts

Anwar

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

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

(18)

Examiners notes

Marks for figure and reasonable description.

Depreciation must state 'depreciation or minimum of 'Dep' plus non-current asset name and figure.

Must state 'Loss on disposal', bank interest must state "interest",

Provision for legal claim must refer to both provision and legal claim not just 'provision'.

(ii) A01:(4) A02(11):A03(2)

A01: Four marks for recording given balances

A02: Eleven marks for calculating and correct use of balance

A03: Two marks for calculating trade receivables and closing capital

Statement of Financial Position at 30 September 2025

Non-current assets	£	£	£
	Cost	Accumulated depreciation	Carrying value
Premises	80 000	(19 600)	60 400 (1of) A02
Computers and equipment	50 000	(41 000)	9 000 (1of) A02
Fixtures and fittings	<u>14 000</u>	<u>(12 100)</u>	<u>1 900 (1of) A02</u>
	<u>144 000</u>	<u>(72 700)</u>	<u>71 300 (1of) A02</u>
Current assets			
Inventory		12 150 (1) A01	
Trade receivables	6 500 (1) A02		
Allowance for irre'le debt	<u>(260)</u>		
		6 240 (1) A03	
Other receivables		600 (1) A02	
Cash		<u>950 (1) A01</u>	
			<u>19 940</u>
Total Assets			<u>91 240</u>
Capital		60 000	
Profit for the year		<u>13 240</u>	
		73 240	
Drawings		<u>(12 000)</u>	
			<u>61 240(1of) A03</u>
Non-current liabilities			
5% bank loan			7 500 (1) A02
Current liabilities			
Trade payables		9 400 (1) A01	
Bank overdraft		7 250 (1) A01	
5% bank loan		2 500 (1) A02	
Provision for legal claim		2 500 (1) A02	
Other payables		<u>850 (2) A02</u>	
700 [1] +150 [1]			<u>22 500</u>
Capital and Liabilities			<u>91 240</u>

(17)

Examiners notes

NCA - OF carrying values must be less than:

Premises - 62 000

Computers and equipment - 12 000

Fixtures and fittings - 4000

Capital must contain the three elements of opening, profit and drawings.

Minimum of 'bank loan' but does not need non-current liabilities or 5%

Provision must state both "Legal claim" and "provision".

(b)(i) A01:(1) A02(3):A03(1)

A01: One mark for recording given balances

A02: Three marks for calculating and correct use of balance

A03: One mark for calculating labour cost

Annual Cost of Operating Proposed Security System

	Workings	£
Depreciation	Cost £12 000 + Installation £3 000 [1] = £15 000 ÷ 6 = £2 500 [1of]	2 500 (2of) A02
Annual maintenance		2 000 (1) A02
Annual labour cost	10 hrs x 12 months x 2 assistants = 240 hours x £5	<u>1 200</u> (1) A03
		<u>5 700</u> (1of) A01

(5)

Examiners notes

Depreciation of £2 000 is worth 1 mark.

Evidence of all 3 cost elements for final OF figure

(ii) A01:(2) A02(1)

A01: Two marks for using given balances

A02: One mark for calculating the saving

	£
Cost of goods stolen	8 500 (1) A01
Annual operating cost	<u>(5 700)</u> (1of) A01
Saving/Deficit	<u>2 800</u> (1of) A02

(3)

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

(c) A01 (1), A02 (1), A03 (5), A04 (5)

Points in favour of sales on-line, cash with order

The liquidity position of the business should improve with cash with order.

There would be no irrecoverable debts.

Reduced costs associated with trade receivables process

A shop might be an expensive premises to maintain for this method of selling when a smaller and cheaper warehouse might be better to trade on-line.

Sales can take place 24/7 and out of shop opening hours.

Greater customer base

Shoplifting (theft) would be eliminated.

Points against sales on-line, cash with order

Anwar also sells to other businesses who may go to other suppliers who offer credit terms.

Business customers will probably be buying larger quantities on credit. If these customers are lost retail customers will only buy small quantities.

Customers visiting the shop can inspect the goods and possibly make an impulse purchase, on-line this is less likely to happen.

At present customers come to the shop to purchase, but selling on-line would incur delivery charges for Anwar and costs of packaging.

Anwar will incur the costs of setting up and maintaining a sales website.

Issues around on-line security and technical issues, potential customers may avoid on-line purchases.

Social accounting issues around shop staff losing their jobs.

Decision

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

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

(12)

Q1	Total marks	55
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Question Number	Answer	Mark
4 (a)	<p>AO1:(4) AO1: Four marks for explaining the difference between profit and profitability</p> <p>Profit is the difference between income and expenditure (1) AO1 for a given period recorded in the income statement. (1) AO1</p> <p>Whereas</p> <p>Profitability is the profit for a period compared to another factor usually revenue or capital employed. (1) AO1 It is the ability to generate profits. (1) AO1</p>	(4)

Question Number	Answer	Mark
4 (b)	<p>AO1:(3) AO2(5) AO1: Three marks for transferring balances to formula AO2: Five marks for calculating ratios</p> <p>Gross profit as a percentage of revenue</p> $\frac{100\,000}{240\,000} \times 100 = 41.7\% \text{ (1) AO2}$ <p>Net profit for the year as a percentage of revenue</p> $\frac{2\,000}{240\,000} \times 100 = 0.8\% \text{ (1) AO1 (1) AO2}$ <p>Percentage return on capital employed</p> $\frac{2\,000 + 1\,000}{40\,000 + 10\,000} \times 100 = 6\% \text{ (1of) AO2 (1) AO2}$ <p>Trade payables payment period.</p> $\frac{15\,000}{160\,000} \times 365 = 34.2 \text{ days (1of) AO2 (1) AO1}$	(8)

Question Number	Answer	Mark																																										
4 (c)	<p>AO1:(1)AO2(4) AO1: One marks for transferring opening balance of inventory AO2: Four marks for calculating balances</p> <p>Forecast Statement of Profit or Loss and Comprehensive Income for the year ended 30 September 2019</p> <table border="1"> <thead> <tr> <th></th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td>360 000</td> </tr> <tr> <td>Inventory 1 October 2019</td> <td>35 000 (1) AO1</td> <td></td> </tr> <tr> <td>Purchases</td> <td><u>255 000</u> (1) AO2</td> <td></td> </tr> <tr> <td></td> <td>290 000</td> <td></td> </tr> <tr> <td>Inventory 30 September 2020</td> <td><u>(50 000)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td>240 000 (1of) AO2</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td>120 000 (1) AO2</td> </tr> <tr> <td>Wages</td> <td>77 000 (1) AO2</td> <td></td> </tr> <tr> <td>Depreciation</td> <td>10 000</td> <td></td> </tr> <tr> <td>Bank loan interest</td> <td>2 000</td> <td></td> </tr> <tr> <td>General expenses</td> <td><u>17 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>(106 000)</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td><u>14 000</u> (1of) AO1</td> </tr> </tbody> </table>		£	£	Revenue		360 000	Inventory 1 October 2019	35 000 (1) AO1		Purchases	<u>255 000</u> (1) AO2			290 000		Inventory 30 September 2020	<u>(50 000)</u>		Cost of sales	240 000 (1of) AO2		Gross profit		120 000 (1) AO2	Wages	77 000 (1) AO2		Depreciation	10 000		Bank loan interest	2 000		General expenses	<u>17 000</u>				<u>(106 000)</u>	Profit for the year		<u>14 000</u> (1of) AO1	(6)
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4 (d)	<p>AO2(3):AO3(1) AO2: Three marks for calculating the ratio AO3: One mark for arriving at the correct capital employed</p> <p>Net profit for the year as a percentage of revenue</p> $\frac{14\,000}{360\,000} \text{ (1of) AO2} \times 100 = 3.9\% \text{ (1of) AO2}$ <p>Percentage return on capital employed.</p> $\frac{14\,000 \text{ (of)} + 2\,000}{40\,000 + 8\,000 + 10\,000 \text{ (1) AO3}} \times 100 = 27.6\% \text{ (1of) AO2}$	(4)

Question Number	Answer	Mark
4 (e)	<p>AO3(2) AO3: Two marks for arriving at correct trade payables</p> $\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365 = \frac{20\,959 \text{ (1of) AO3}}{255\,000 \text{ (1of) AO3}} \times$ <p>Or</p> $\frac{\pounds 255\,000 \text{ (1of) AO3}}{365 \text{ days}} = \pounds 698.6 \text{ per day} \times 30 \text{ days} = \pounds 20\,959 \text{ (1of) AO3}$	(2)

Question Number	Answer	Mark
4 (f)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Positive points for using only financial factors Ratios measure past performance. They can tell us about our current profitability, liquidity and the use of assets. There are accepted performance 'yardsticks' for comparison. Non-financial factors are hard to measure. If they are included ratios are not accurate.</p> <p>Negative points for using only financial factors Non-financial factors will give an indication of performance in the future by considering such things such as quality of management and staff and products for the future/reputation which are within the business Other non-financial factors outside the business control such as and size and development of the market and the level of competition need to be considered. It ignores social and ethical responsibility May understate the business value</p> <p>Decision Candidates may conclude that the use of only financial factors is acceptable or not acceptable. Candidates should support that decision with an appropriate rationale.</p>	(6)