1(a) AO1:(7) AO2(10):AO3(3)

AO1: Seven marks for recording given balances

AO2: Ten marks for calculating and correct adjustment of balance

AO3: Three marks for cost of sales, electricity and water, salaries

Aaira and Benul
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2024

	£	£
Revenue		425 000
Less		
Opening inventory	52 000	
Purchases	200 000	
Carriage inwards	5 500 **(1)**AO1	
	257 500	
Closing inventory	(62 500)	
Cost of sales		(195 000) **(1)**AO3 + W
Gross profit		230 000
less		
Allowance for irrecoverable debts	500 **(1)**AO2	
Bank loan interest (1 800 + 1 200)	3 000 **(1)**AO2	
Computer training expenses	8 900 **(1)**AO1	
Delivery vehicle expenses	18 700 **(1)**AO1	
Discount allowed	4 100 **(1)**AO1	
Electricity and water (6 200+900-600)	6 500 **(1)**AO3	
General expenses (7 300 – 400)	6 900 **(1)**AO2	
Irrecoverable debts (1 500 + 3 000)	4 500 **(1)**AO2	
Depreciation – Delivery vehicles	18 000 **(1)**AO2	
Computer equipment	7 000 **(1)**AO2	
Fixtures and fittings	2 300 **(1)**AO2	
Rent and rates	14 500 **(1)**AO1	
Salaries (75 000 -5 000 – 12 000)	58 000 **(1)**AO3	
Wages	39 600 **(1)**AO1	
		(192 500)
Profit for the year		37 500 **(1of)**AO1+W
Less		
Interest on capital		
Aaira	3 000	
Benul	1 500	**(1)**AO2 Both
		(4 500)
Salaries		
Aaira	5 000	
Benul	12 000	**(1)**AO2 Both

		(17 000)
		16 000
Share of profit		
Aaira	9 600	
Benul	6 400	**(1of)**AO2 Both
		(16 000)

(20)

(b)(i) AO1:(4) AO2(1)

AO1: Four marks for transferring appropriation balances and drawings

AO2: One mark for recording salaries paid

Date		**Aaira**	**Benul**	**Date**		**Aaira**	**Benul**
		£	**£**			**£**	**£**
2024				**2024**			
1 Jan	Balance b/d	3 250		1 Jan	Balance b/d		650
	Drawings	7 500	8 000		Int on cap	3 000	1 500
	Salary paid	5 000	12 000		Salary	5 000	12 000
31 Dec	Balance c/d	1 850	550		Profit share	9 600 **(OF)**	6 400 **(OF)**
		17 600	20 550			17 600	20 550
2025				2025			
				1 Jan	Balance b/d	1 850	550

(5)

(1)AO1 x 4 BOTH partners int on cap, salary, share of profit (OF), drawings

(1)AO2 for BOTH both salaries paid

(b)(ii) AO1:(5) AO2(12):AO3(1)

AO1: Five marks for recording given balances

AO2: Twelve marks for calculating and correct adjustment of balance

AO3: One marks for calculating depreciation of fixtures and fittings

Statement of Financial Position at 31 December 2024

	Cost	**Aggregate depreciation**	**Carrying value**
	£	**£**	**£**
Non-current assets			
Delivery vehicles	72 000	(38 000)	34 000 **(1of)**AO2
Computer equipment	40 000	(19 000)	21 000 **(1of)**AO2
Fixtures and fittings	23 000 **(1)**AO2	(15 500) **(1)**AO3	7 500
	135 000	(72 500)	62 500
Current assets			
Inventory		62 500 **(1)**AO1	
Trade receivables			
(41 000- 3 000)	38 000 [1]AO2		
Less Allowance	(1 900) [1]AO2		
		36 100 (2)	
Other receivables			
600 **[1]** + 400 **[1]**		1 000 **(2)**AO2	
Cash and bank -			
(8 400**[1]** – 3 000**[1]**)		5 400 **(2)**AO2	
			105 000
Total assets			167 500
	Aaira	**Benul**	
Capital	50 000	25 000	75 000 **(1)**AO1
Current accounts	1 850 (OF)	550 (OF)	2 400 **(1of)**AO1
Non-current liability			
5% bank loan			48 000 **(1)**AO1 +W
Current liabilities			
Trade payables		28 000 **(1)**AO2	
5% bank loan		12 000 **(1)**AO1	
Other payables:			
900 **[1]** +1 200 **[1]**		2 100 **(2)**AO2	
			42 100

Total capital and liabilities			167 500

(18)

(c) AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Arguments for taking an 8% bank loan

All the profits of the business can still be shared by two partners not three.

No dilution of ownership or control

At the end of the 10-year period the business premises will be owned by Aaira and Benul and do not have to be shared with a third partner.

Interest can be paid as a business expense and not an appropriation of profit.

Arguments for taking an additional partner

An extra partner would aid the day-to-day management of the business.

The extra partner would bring expertise into the business.

The capital sum does not have to be repaid.

The interest to be paid annually on the capital is at a lower rate than the bank loan.

Decision

Candidates may conclude that it is better to take an 8% bank loan or an additional partner.

Candidates' conclusion 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**