1(a)(i)
AO1: (1):AO2(4)
AO1: One mark for identifying bank as credit entry
A02: Four marks for posting correct journal entries

Journal

Date	Details	Dr	Cr
		£	£
26 January 2021	Robin Gems	3 150	AO2 **(1)**
	Bank AO1 **(1)**	AO2 **(1)**	3 150
6 March 2021	Security equipment	6 000	AO2 **(1)**
	Hove Security	AO2 **(1)**	6 000

Mark awarded for account name and correct value except for bank. Here, mark awarded for account name and another mark for the correct value.

(5)

(ii)
AO1:(4)AO2(5):AO3(3)
AO1: Four marks for transferring balances or calculating profit
A02: Five marks for calculating and inserting entries
AO3: Three marks for two stage calculations and inserting entries

George
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 April 2021

	£	£
Revenue (sales)		250 000
Less		
Opening inventory	97 000	
Purchases	120 000	
Purchase returns	(8 500)	
	208 500	
Less Closing inventory	(87 500)	
Cost of sales		(121 000) AO3 **(1)** +w
Gross profit		129 000 AO2 **(1of)** +w
Less		
Wages 51 400 + 600	52 000 AO2 **(1)**	
Cleaning expenses	7 100 AO1 **(1)**	
Rates 15 800 – 2 100	13 700 AO2 **(1)**	
Electricity and water charges		
11 750 + 550 – 900	11 400 AO3 **(1)**	
Credit card commission	3 500 AO1 **(1)**	
Security equipment maintenance	4 750 AO1 **(1)**	
Depreciation-		
Leasehold premises	4 000 AO2 **(1)**	
Security equipment	5 800 AO3 **(1)**	
Fixtures and fittings	4 500 AO2 **(1)**	
		(106 750)
Profit for the year		22 250 AO1 **(1of)** + w

(12)

(iii)

AO1:(3)AO2(11):AO3(1)
AO1: Three marks for totalling sub section or transferring balance
A02: Eleven marks for calculating and inserting balance in correct section
AO3: One mark for correctly calculating security equipment balance

Statement of Financial Position at 30 April 2021

Non-current assets	Cost	Accumulated depreciation	Carrying value
	£	£	£
Leasehold premises	60 000	(46 000)	14 000 AO2 **(1of)**
Security equipment	35 000	(11 800)	23 200 AO3 **(1)**
Fixtures and fittings	45 000	(43 500)	1 500 AO2 **(1of)**
	140 000	(101 300)	38 700 AO1 **(1of)**
Current assets			
Inventory			87 500 AO2 **(1)**
Trade receivables			10 700 AO1 **(1)**
Other receivables 2 100 AO2 **(1)** +900 AO2 **(1)**			3 000
Cash and bank 9 100 – 3 150			5 950 AO2 **(1)**
			107 150
Total Assets AO1 **(1)**			145 850
Capital		100 000	
Profit for the year		22 250 of	
		122 250	
Drawings		(15 000)	
			107 250 AO2 **(1of)**
Current liabilities			
Trade payables			
34 600 – 3 150 AO2 **(1)** +6 000 AO2 **(1)**		37 450	
Other payables 600 AO2 **(1)** + 550 AO2 **(1)**		1 150	
			38 600
Total Capital and Liabilities			145 850

(15)

(b)
AO1:(1)
AO1: Two marks for identifying cost type

Premises costs – Fixed costs AO1 **(1)**
Other costs – Semi-variable costs AO1 **(1)**

(2)

(c)
AO1:(2) AO2:(3)
AO1: Two marks for posting premises costs and calculating profit
A02: Three marks for calculating revenue and other costs

Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2022

	£
Revenue	300 000 AO2 **(1)**
Cost of sales	(180 000) AO2 **(1)**
Gross profit	120 000 of
Premises costs	(50 000) AO1 **(1)**
All other costs	(45 000) AO2 **(1)**
Profit for the year	25 000 AO1 **(1of)** +w

(5)

(d)
AO1:(1)
AO1: Four marks for explaining differences

Ethics	**Social Accounting**
Considers the **rights and wrongs** of actions. e.g honest and integrity	Considering **wider factors** in decision making. e.g non-financial
Moral aspects of actions taken e.g fraud and corruption	Considers **community, environment,** effect on employees.
The business or trade association may have a **code of ethics**.	**No code** of social accounting.
Ensure long term **sustainability** for business and society	**Environmental benefits** to the benefit of society

AO1 **(1)** x 2 Ethics
AO1 **(1)** x 2 Social accounting

(4)

(e) **AO1 (1), AO2 (1), AO3 (5), AO4 (5)**

Positive points in favour of making decisions solely on basis of profit made

Profit is the main driver to reward entrepreneurship.
Businesses must make sufficient profit to pay costs and replace non-current assets.
Maximising profit may lead to efficient control of costs.
Profit ensures that the business is a going concern.

Negative points against making decisions solely on basis of profit made

Wider factors such as the businesses impact on the workers, community and environment should be made.
Consideration of these factors may lead to a more motivated workforce which may increase profits.
Ethical issues should also be considered at all times e.g selling dangerous goods.
Need to gain a good reputation which adds to brand value.
Some organisations are non-profit making e.g clubs and societies.

Accept any other valid points

Decision
Candidates may conclude that decision making solely on the basis of profit is acceptable. Candidates should support that decision with an appropriate rationale.

6 (a)

AO1:(4)

AO1: Four marks for explanation

(i) Business entity

The **business** is treated as completely **separate (1)** AO1 from the **owner (1)** AO1 of the business.

(ii) Realisation

Profit is only regarded as having been **earned (1)** AO1 when the **legal title to the goods passes (1)** AO1 from the seller to the buyer.

(b)

AO1:(2)AO2(6):AO3(2)

AO1:Two marks for correct transfer of amounts

A02: Six marks for calculating and inserting entries

AO3: Two marks for two stage calculations and inserting entries

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 September 2021.

	Units	£	Units	£
Revenue			2 700	94 500
Less Returns			(30)	(1 050)
			2 670	93 450 **(1)** AO3
Purchases	2 900	58 000 **(1)** AO2		
Less Returns	(50)	(1 000) **(1)** AO2		
	2 850	57 000		
Less Closing inventory	(180)	(3 600) **(1)** AO3		
Cost of sales	2 670			53 400
Gross profit				40 050
Other Income				
Bank interest				105 **(1)** AO1
				40 155
Less expenses				
Delivery 13 500 +150		13 650 **(1)** AO2		
Rent 7 500 – 1 500		6 000 **(1)** AO2		
General expenses 5 800 + 720		6 520 **(1)** AO2		
Depreciation 400 + 200		600 **(1)** AO2		
Bank charges		230 **(1)** AO1		
				(27 000)
Profit for the year				13 155

(10)

(c)

AO1:(3)AO2(6):AO3(1)

AO1: Three marks for correct transfer of amounts

A02: Six marks for calculating and inserting entries

AO3: One mark for calculation of payment to suppliers and inserting entry

Summarized Bank Account

Date	Details	£	Date	Details	£
2020					
1 Oct	Capital	2 000			
2020/21			2020/21		
	Revenue	94 500 **(1)** AO2	October	Refunds	1 050 **(1)** AO2
	Bank interest	105 **(1)** AO1		Delivery paid	13 500 **(1)** AO2
				Payments to suppliers	52 350 **(1)** AO3
				Rent paid 6 000 + 1 500	7 500 **(1)** AO2
				General expenses paid	5 800 **(1)** AO2
				Computer	1 200 **(1)** AO1
				Fixtures and fittings	1 700
				Drawings	4 350 **(1)** AO2
				Bank charges	230
				Balance c/d	8 925
		96 605			96 605
1 Nov	Balance b/d	8 925 **(1of)** AO1			

Workings

Payments to suppliers £57 000 - £4 650 = £52 350

Drawings £750 + £3 600 = £4 350

(10)

(d)

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

Points for not maintaining full accounts

- Shakti will not spend time or cost in maintaining full records.
- No professional input required to prepare ongoing accounts or year-end statements.
- Shakti has more time available to carry out tasks in running the business.

Points for maintaining full accounts

- Accounting records would assist in the management of Shakti's business as effective decisions can be made.
- Profit can be established at regular intervals, not just at year end.
- Balances of costs incurred and sums owing to suppliers are easily obtained.

Decision

Candidates may conclude that it would be better for Shakti to maintain/not maintain a full set of records. Candidates should support that decision with an appropriate rationale.

3 (a) AO1:(2)

AO1: Two marks for stating reasons

- Assist in locating errors
- Proof of arithmetical accuracy
- Balances of control accounts should be equal to total trade receivable or total trade payables
- Speeds up the preparation of final accounts/trial balance
- Help to detect/reduce fraud
- Provide a summary of transactions for trade receivables and trade payables.

MAX 2 x (1) AO1 **(2)**

(b)(i) AO1:(2) AO2(7):AO3(2)

AO1: Two marks for recording given balances with a narrative

AO2: Seven marks a narrative and correct use of balance

AO3: Two marks for contra entry and sales applied correctly

Trade Receivables Ledger Control Account

Date	Details	£	Date	Details	£
2024			2024		
1 Dec	Balance b/d	5 550	1 Dec	Balance b/d	200 **(1)** AO1
	Sales	8 000 **(1)** AO3		Bank	6 500 **(1)** AO2
	Benay (cheque dishounored	1 200 **(1)** AO2		Discount allowed	180 **(1)** AO2
	Interest charged	40 **(1)** AO2		Returns in	450 **(1)** AO2
				Irrecoverable debts	350 **(1)** AO2
				Contra (set-off)	600 **(1)** AO3
31 Dec	Balance c/d	130		Balance c/d	6 640
2025		14 920	2025		14 920
1 Jan	Balance b/d	6 640 **(1)** AO2	I Jan	Balance b/d	130 **(1)** AO1

(11)

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

AO1: One mark for recording given balances with a narrative

AO2: Five marks for a narrative and correct use of balance

AO3: One marks for contra entry

Trade Payables Ledger Control Account

Date	Details	£	Date	Details	£
2024			2024		
	Bank	4 900 **(1)** AO2	1 Dec	Balance b/d	3 800 **(1)** AO1
	Returns out	270 **(1)** AO2		Purchases	4 650 **(1)** AO2
	Discount received	70 **(1)** AO2			
	Contra (set-off)	600 **(1)** AO3			
	Balance c/d	2 610			
		8 450			8 450
2025			2025		
			1 Jan	Balance b/d	2 610 **(1)** AO2

(c)(i) AO1:(2)

AO1: Two marks for stating possible reasons

- **Returns made after payment** has been made.
- A refund after payment.
- Cash discount (discount allowed) not recorded.
- Overpaid
- Advance payment
- Overcharged

Do not accept responses which just state Returns.

MAX 2 x (1) AO1 **(2)**

(ii) AO1(2)

AO1: Two marks for stating possible reasons

- Lack of funds available/bankruptcy
- Cheque inaccurate: no date, numbers and words different, not signed. **Only allow one example for one mark.**
- Cheque was out of date/ 'stale' / over six months from drawing overdue.

MAX 2 x **(1)** AO1 **(2)**

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

Reasons for using International Accounting Standards (IAS)

Accounts prepared in the same way can be compared with other time periods or other businesses.

The accounts of national and international businesses will be prepared using a common framework.

Stakeholders can have greater reliability in the accounts produced.

Points against using International Accounting Standards (IAS)

Standards are still open to interpretation and may be used in different ways.

Requires specialist knowledge of the standards of a person with accounting knowledge.

Cost of recruiting personnel to implement may be high.

IAS do not cover non-financial aspects

Decision

Candidates may conclude that it is or is not appropriate to use International Accounting Standards (IAS). Candidates' conclusion should be supported by 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)

Q3	**Total marks**	**30**

1(a)
AO2(6)
AO2: Six marks for correct narrative and numerical adjustment

General Journal

	Dr	Cr
	£	£
Global ICT	1 800 **(1)**AO2	
Purchases returns		1 800 **(1)**AO2
Drawings	900 **(1)**AO2	
Wages		900 **(1)**AO2
Electricity and water	2 300 **(1)**AO2	
Bank		2 300 **(1)**AO2

(6)

(b)(i)

AO1:(4) AO2(9) :AO3(2)
AO1: Four marks for recording balances
AO2: Nine marks for adjusting balances
AO3: Two marks for calculating the cost of sales and wages

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	£	£
Revenue		309 000 **(1)**AO1
Opening inventory	37 600	
Purchases	216 000	
Purchase returns 20 300 + 1 800	(22 100) **(1)**AO2	
	231 500	
Closing inventory	(51 100)	
Cost of sales		(180 400) **(1)**AO3+W
Gross profit		128 600 **(1of)**AO1+W
Wages 40 800 - 900 + 3 700	43 600 **(1)**AO3	
Management salaries	25 000 **(1)**AO1	
Electricity and water 9 700 + 2 300	12 000 **(1)**AO2	
Premises running costs	6 900 **(1)**AO1	
Advertising expenses 17 000 – 2 400	14 600 **(1)**AO2	
Bank loan interest 1 700 +1 300	3 000 **(1)**AO2	
Irrecoverable debt	2 500 **(1)**AO2	
Increase in allowance for irrecoverable debts	800 **(1)**AO2	
Depreciation:		
Premises	1 600 **(1)**AO2	
Computers and equipment	4 000 **(1)**AO2	
Fixtures and fittings	2 400 **(1)**AO2	
		(116 400)
Profit for the year		12 200

(15)

(ii)

AO1:(5) AO2(12) :AO3(1)
AO1: Five marks for recording balances
AO2: Twelve marks for calculating and recording balances
AO3: One mark for calculating trade receivables less allowance

Statement of Financial Position at 31 December 2019

		Cost	Accumulated depreciation	Carrying value
		£	£	£
Non-current assets				
Premises		80 000	23 600	56 400 **(1of)**AO2
Computers and equipment		30 000	18 000	12 000 **(1of)**AO2
Fixtures and fittings		16 000	12 000	4 000 **(1of)**AO2
		126 000	53 600	72 400
Current assets				
Inventory				51 100 **(1)**AO1
Trade receivables	37 500 – 2 500	35 000 **(1)**AO2		
Less Allowance for ID		(1 400)		
				33 600 **(1of)**AO3
Other receivables:				2 400 **(1)**AO2
Bank and cash	10 350 - 2 300			8 050 **(1)**AO2
				95 150
Total assets				167 550
Capital				80 000 **(1)**AO1
Current account:				
Balance				6 700 **(1)**AO1
Net profit				12 200
				18 900
Drawings	22 000 + 900			(22 900)
				(4 000)
				76 000 **(1of)**AO2
Non-current liabilities **(1)**AO1				
5% Bank loan				30 000 **(1)**AO2
Current liabilities				
Trade payables	28 350 **(1)**AO1- 1 800			26 550 **(1)**AO2
5% Bank loan				30 000 **(1)**AO2
Other payables:	3 700 **(1)**AO2+ 1 300 **(1)**AO2			5 000
				61 550
Total capital and liabilities				167 550

(18)

(c)

AO1:(3) AO3(1)

AO1: Three marks for recording balances given in question

AO3: One mark for calculating goodwill apportionment

	Raj	Paul
	£	£
Capital	80 000	80 000 **(1)**AO1 both
Goodwill	-	60 000 **(1)**AO1
	80 000	140 000
Goodwill adjustment	(24 000)	(36 000) **(1)**AO3 both
Adjusted capital	56 000	104 000 **(1of)**AO1 both

(4)

(d)

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

Positive points in favour of the partnership

- The partnership will offer both software and hardware solutions to customers
- Paul has an established business which is generating high profits/goodwill
- Extra expertise will be available to Raj and to customers
- Greater management resource available to allowing holiday and sickness cover.
- Raj and Paul can exercise their specialist skills.
- Both partners are in complimentary businesses.
- Increases the capital therefore enabling expansion to take place.

Negative points for the partnership

- Raj loses a third of his capital buying a proportion of Paul's goodwill
- Raj cannot make decisions alone, both partners must agree
- Joint and several liability for actions

Decision

Candidates may conclude that formation of the partnership is positive or negative. Candidates should support that decision with an appropriate rationale.

Q1 (a) AO1:(11) AO2(10)

AO1: Eleven marks for recording given balances

AO2: Ten marks for calculating and correct use of balance

Rapid Supplies

Statement of Profit Loss and Other Comprehensive Income for the year ended 30 April 2024

	£	£
Revenue	345 000	
Less returns inwards	(11 180)	
		333 820 **(1)**AO1
Opening inventory	9 800	
Purchases	187 900	
Less returns outwards	(5 700) **(1)**AO1	
		192 000
Less closing inventory		(12 000)
Cost of sales		180 000**(1of)**AO2**+W**
Gross profit		153 820
Plus Other Income		
Commission received	8 000 **(1)**AO1	
Discount received	950 **(1)**AO1	
Profit on disposal	1 250 **(1)**AO1	
		10 200
		164 020
Less Expenses		
Allowance for irrecoverable debts	320 **(1)**AO2	
Bank loan interest (500 + 250)	750 **(1)**AO2	
Delivery vehicle expenses	6 250 **(1)**AO1	
Discount allowed	1 350 **(1)**AO1	
General expenses	7 450 **(1)**AO1	
Insurance	2 100 **(1)**AO1	
Irrecoverable debts (850 + 400)	1 250 **(1)**AO2	
Depreciation - Premises	1 800 **(1)**AO2	
- Delivery vehicles	4 000 **(1)**AO2	
- Office equipment	7 500 **(1)**AO2	
Marketing costs (11 250 – 1 500)	9 750 **(1)**AO2	
Power and water (13 500+1 100- 400)	14 200 **(1)**AO2	
Rates	11 900 **(1)**AO1	
Wages and salaries	60 400 **(1)**AO1	
		(129 020)
Profit for the year		35 000 **(1of)**AO2 **+W**
		No Aliens

(21)

Note: Discount allowed deducted from revenue **(1)**AO1

Discount received deducted from purchases **(1)**AO1

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

AO1: Five marks for recording given balances

AO2: Twelve marks for calculating and correct use of balance

AO3: One mark for calculating delivery vehicle accumulated depreciation.

Statement of Financial Position at 30 April 2024

Non-current assets			
	Cost	**Accumulated depreciation**	**Carrying value**
	£	**£**	**£**
Premises	90 000	10 800	79 200 **(1of)**AO2
Delivery vehicles	40 000 **(1)**AO2	24 000 **(1)**AO3	16 000
Office equipment	30 000	20 900	9 100 **(1of)**AO2
	160 000	55 700	104 300 **(1of)**AO1
Current assets			
Inventory		12 000 **(1)**AO1	
Trade receivables less	12 800		
Less irrecoverable debts	(400)		
	12 400 **[1]**AO2		
Less allowance for irrecoverable debts	(620) **[1]**AO2	11 780 **(3)**AO1	
Other receivables 400**[1]** +1 500**[1]**		1 900 **(2)**AO2	
Cash and bank 10 120**[1]** + 3 750**[1]**		13 870 **(2)**AO2	
			39 550
TOTAL ASSETS			143 850
Capital		100 000	
Profit for the year		35 000	
		135 000	
Drawings		(28 000)	
			107 000 **(1of)**AO2
Non-current liabilities			
5% bank loan			20 000 **(1)**AO1**+W**
Current liabilities			
Trade payables		15 500 **(1)**AO1	
Other payables 1 100**[1]** +250**[1]**		1 350 **(2)**AO2	
			16 850
TOTAL CAPITAL AND LIABILITIES			143 850

(18)

(c) (i) AO1:(2)
AO1: Two marks for explaining the terms

Hours worked **(1)**AO1 x fixed **rate per hour (1)**AO1

(2)

(c) (ii) AO1:(2)
AO1: Two marks for explaining the terms

Items completed **(1)**AO1 x **rate per item (1)**AO1

(2)

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

Points in favour of a change to piecework
The delivery driver will be incentivised to increase the number of deliveries which would increase their income and the profit for the business.
More customers may be able to be reached more quickly and faster.
Delivery drivers will become motivated to work hard will be rewarded with higher pay.

Points against a change to piecework
Other employees are remunerated on a day work basis.
Delivery drivers will be in a hurry and not have the time to provide good customer service.
From the employee's point of view income is not guaranteed as it would be with day rate.
Some deliveries may take longer because of distance travelled and size/number of items delivered. Unfair to penalise drivers for long journeys or large loads.
Drivers will be in a hurry and take driving risks with speeding and possible accidents.
As the drivers are rushing possible damage to customers goods.

Conclusion
Candidates may conclude that it will be better to continue with the current remuneration arrangement or to change to a piecework basis. The candidate's conclusion should be supported by an appropriate rationale.

Note
Accept other valid answers

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**

4 (a) AO1:(2)

AO1: Two marks for explaining the term

Profitability is the **excess of income over expenditure (1)** AO1 compared to a factor such as **capital employed or revenue. (1)** AO1

Or

Is **ability to make profits (1)** AO1

MAX **(2)**

(b) AO1:(1) AO2(7)

AO1: One marks for recording revenue

AO2: Seven marks for calculating and recording figures or answers

(i)	gross profit as a percentage of revenue	20 000 **(1)** AO2 x 100 = 40% 50 000 **(1)** AO2
(ii)	inventory turnover (times per annum)	30 000 =5 times **(1)** AO2 (5 000 + 7 000)/2**(1)** AO2
(iii)	profit for the year as a percentage of revenue	9 200 x 100 = 18.4% **(1)** AO2 50 000 **(1)** AO1
(iv)	percentage return on capital employed.	9 200 + 300 **(1)** AO2 x 100 = 63.33% 9 000 + 6 000 **(1)** AO2

(8)

(c) AO3(3)

AO3: One marks for calculating trade receivables

- The gross profit percentage of Alesha is **better** than the sector. **This may be because** of higher prices or lower cost of sales. **(1)** AO3
- Alesha does not turn her inventory over **as rapidly** as the sector. **This may be because** of higher inventory levels or higher prices charged. **(1)** AO2
- The profit for the year to revenue is **better** than the sector which **indicates that** Alesha is controlling her costs well. **(1)** AO2
- The return on capital employed is far **better** than the sector average **indicating that** Alesha is using less capital to generate her profit than other businesses. **(1)** AO2

Max (4)

(d) AO1:(2) AO2(5)

AO1: Two marks for recording given balances or calculating profit

AO2: Five marks for calculating income and expenses and correct use of balance

	£	£
Revenue		80 000 **(1)** AO2
Cost of sales		(48 000) **(1of)** AO1
Gross profit		32 000
less		
Depreciation	3 800 **(1)** AO2	
Loan interest	500 **(1)** AO2	
Other expenses	15 050 **(1)** AO2	
		(19 350)
Forecast profit for the year		12 650 **(1of)** AO1+w

(6)

(e) AO1:(3)

AO1: Four marks for identifying other financial and non-financial considerations

Possible considerations:

- Liquidity of the business. No information is available.
- Are the estimates realistic.
- Is there demand? Can 60% more children's clothes be sold.
- Will the bank extend the loan
- Loan interest rate could increase
- Greater pressure on Alesha managing a business twice the size
- Location of the business can it sustain a larger business
- Availability of skilled staff in the area
- Strength of brand loyalty built up

4 x **(1)** AO1

ACCEPT ANY OTHER VALID POINTS financial or non-financial

(4)

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

Points in favour of expansion

Alesha's profitability is high as a return on revenue or capital employed.
Possible opportunity to substantially increase profit.
Can extend the range of products on offer.

Points against expansion

The expansion doubles the workload on Alesha.
The projections are only estimates.
Greater risk that the demand is insufficient for the expansion.
Need more resources in staffing and services all of which will require management time.
Effect on cash flow, does she have enough funds to complete the expansion.

Decision

Candidates may conclude that it is/is not recommended to close expand the store. Candidates' decision should be supported by an appropriate rationale.

ACCEPT ANY OTHER VALID POINTS financial or non-financial

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)

Q4	**Total marks**	**30**

Question Number	Answer	Mark
1(a)	AO1 (7), AO2 (7) A01: Seven marks for recording the given expense in the trial balance. A02: Seven marks for adjustment. Weston Airways Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2016 £ £ Revenue 1 500 000(1) AO1 Less Salaries-Aircrew (275 000 + 13 000) 288 000 (1) AO2 Administration 82 000 (1) AO1 Landing charge expenses 90 000 (1) AO1 Fuel (140 000 + 20 000) 160 000 (1) AO2 Ground services 210 000 (1) AO1 Aircraft maintenance 315 000 (1) AO1 Marketing (70 000 – 10 000) 60 000 (1) AO2 Administration expenses 145 000 (1) AO1 Rent 50 000 (1) AO1 Depreciation – Aircraft 48 000 (1) AO2 Computers and fixtures 8 000 (1) AO2 Bank loan interest 9 000 (1) + 3 000(1) 12 000 AO2 (1 468 000) Profit for the year 32 000	(14)

Question Number	Answer	Mark
1(b)	AO1 (7), AO2 (7) A01: Seven marks for recording the given entry. A02: Seven marks for adjustment. Statement of Financial Position at 30 September 2016 Non-current assets Cost £ Accumulated Depreciation £ Carrying value £ Aircraft 600 000 (548 000) 52 000 (1) AO2 Computers and fixtures 58 000 (26 000) 32 000 (1) AO2 658 000 (574 000) 84 000 Current assets Trade receivables 47 000 (1) AO1 Other receivables 10 000 (1) AO2 Cash and bank 486 000 (1) AO1 543 000 Total assets (1) AO1 627 000 Capital 300 000 (1) AO1 Profit for the year 32 000 (1 of) AO1 332 000 Non-current liabilities (1) AO1 6% Bank Loan (repayable 30 June 2020) 200 000 (1) AO2 Current liabilities Trade payables 59 000 (1) AO1 Other payables (13 000 (1) AO2+20 000 (1) AO2 3 000 (1) AO2) 36 000 95 000 Total capital and liabilities 627 000	(14)

Question Number	Answer	Mark
1(c)	AO1 (2), AO2 (9), AO3 (4) AO1: Two marks for transferring balance and calculating new balance. AO2: Nine marks for calculations. AO3: Four marks for two stage calculations.	(15)

Effect on Profit or Loss

Proposal 1 - Aircraft are purchased				Proposal 2 - Aircraft are hired.			
			£				£
Profit for the year ended 30 September 2016 (from part (a))			32 000	Profit for the year ended 30 September 2016 (from part (a))			32 000 (1 of) AO1
	Increase to profit	Decrease to profit			Increase to profit	Decrease to profit	
	£	£			£	£	
Revenue	282 000 (2)			Revenue	282 000		
Fuel	48 000 (1)			Fuel	48 000 (1 of)		
Aircraft maintenance	126 000 (1)			Aircraft maintenance	126 000 (1 of)		
Ground services expenses		42 000 (1)		Ground services expenses		42 000 (1 of)	
Depreciation		96 000 (2)		Depreciation	48 000 (1 of)		
Additional bank loan interest		120 000 (1)		Additional bank loan interest	Nil	Nil	
Hire of aircraft	Nil	Nil		Hire of aircraft		250 000 (1)	
Sub totals	456 000	258 000	198000	Sub totals	504 000	292 000	212 000
Projected profit or loss for the year ended 30 September 2017			230 000	Projected profit or loss for the year ended 30 September 2017			244 000 (1 of) AO1

Workings
Revenue
1 500 000 x 10% = + 150 000 (1) AO3
1 650 000 x 8% = + 132 000 (1) AO3
+ 282 000

Fuel
160 000 x 70% = - 48 000 (1) AO2

Aircraft maintenance
315 000 x 40 % = - 126 000 (1) AO2

Ground services expenses
210 000 x 20% = + 42 000 (1) AO2

Depreciation
1 800 000 x 8% =144 000 (1) AO3
-48 000 (1 of) AO3 = + 96 000

Additional loan interest
1 500 000 x 8% = + 120 000 (1) AO2

Workings
Aircraft hire
125 000 x 2 = 250 000 (1) AO2

Question Number	Indicative content	Mark
1(d)	AO1 (1), AO2 (1), AO3 (5), AO4 (5) Potential arguments to lease • No requirement for major loan and the risk attached to borrowing such a large sum. Inability to repay loan if there is a down turn in the market • No interest charge to impact upon profit. Removal of risk of interest rate rises • Lower or no repair costs to aircraft. These costs may be factored into the annual lease charge and borne by the lessor • Cash flow 'smoothed' as annual cost of lease matched to annual revenue • Cash inflow from sale of existing planes. Although relatively small this will be a valuable source of cash • More projected profit (own figure) using this model. Potential arguments to buy • Long term commitment to lease for 12 years. Weston Airways will be required to commit to a long term contract which may be difficult to vary from at a later date. Perhaps more flexible to buy • Aircraft would be owned by Weston Airways. This would enable them to modify the aircraft as required without seeking the permission of the lessor • Hire total costs are higher than purchasing. The debate is whether to incur a major loan at the start or to make regular annual payments for the lease. The total cost of purchase including loan repayment and interest is less than the total lease charge over 12 years • Cash flow more difficult to manage as there is considerable expenditure at the start of the project. The lease option smooths the cash flow over the life of the project. Conclusion • Candidates may argue for lease or purchase. Candidate's decision should be supported by key arguments in arriving at that decision.	(12)