

INTERNATIONAL AS **ACCOUNTING** **AC02**

Paper 2 Financial and Management Accounting

Mark scheme

June 2025

Version: 1.0 Final



2 5 6 X A C 0 2 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

The own figure rule

General principle

The own figure rule is designed to ensure that students are only penalised once for a particular error at the point at which that error is made, and suffer no further penalty as a consequence of the error. The error could be in an account, a calculation, financial statement, or prose explanation. Where the own figure rule is to be applied in a mark scheme, the symbol **OF** is used.

Applications

In an account: a student could still achieve a mark for balancing an account with their own figure, rather than the correct figure, if they had made an error in the account (such as the omission of an entry, or the inclusion of an incorrect figure for an otherwise valid entry). However, it should be noted that an own figure would not be awarded for the balance of an account, if the account contained any item which should not have appeared (often referred to as an 'alien' item).

In a complex calculation to which several marks are allocated: a student could achieve an own figure mark for the result of a complex calculation, if an error has been made in one of the steps leading to the final result. The complex calculation could be a separate task, or an aspect of a larger requirement (such as workings to provide details for a financial statement).

In a financial statement: a student could still achieve a mark for calculating an own figure for a key subtotal within a financial statement where an error had already occurred in the data making up the subsection (such as the omission of an item, or an incorrect figure for an otherwise valid entry). Again, the own figure for a subtotal would not be given if the subsection included any 'alien' item.

In a prose statement: a student who is explaining or interpreting some financial statements or data that they have prepared but which contains errors, would be credited with an appropriate interpretation of their own figures.

Workings

A '**W**' next to a figure in the mark schemes means that the figure needs to be calculated by the student to which workings are shown for reference. If the figure the student has given in their answer is wrong and the marks given for that calculation are more than 1 then the marker must refer to the working for that item. The working will show the steps of the calculation to which the marks are attributed and the student should be allocated the marks for the steps they completed correctly.

Financial Statements

Where questions require students to prepare financial statements (or extracts of these), the indicative mark schemes will include the standard wording that we have suggested. Students may use slightly different wording for entries in statements, which should not be penalised if it is clear that the meaning is the same.

Section A

Question	Answer	Total marks
01	D Revenue	1 AO1 = 1

Question	Answer	Total marks
02	C Selling price – variable costs	1 AO1 = 1

Question	Answer	Total marks				
03	C <table><tr><th>Debit</th><th>Credit</th></tr><tr><td>Motor vehicles at cost</td><td>Bank account</td></tr></table>	Debit	Credit	Motor vehicles at cost	Bank account	1 AO1 = 1
Debit	Credit					
Motor vehicles at cost	Bank account					

Question	Answer	Total marks
04	D Provides information for external stakeholders	1 AO1 = 1

Question	Answer	Total marks
05	D Ordinary shares	1 AO1 = 1

Question	Answer	Total marks
06	D $\frac{\text{Profit from operations}}{\text{Equity + non-current liabilities}} \times 100$	1 AO1 = 1

Question	Answer	Total marks
07	D 15 000 units	1 AO1 = 1

Question	Answer	Total marks
08	D Finance costs; profit from operations; tax	1 AO1 = 1

Question	Answer	Total marks				
09	D <table><tr><th>Debit</th><th>Credit</th></tr><tr><td>Machinery at cost</td><td>Disposal account</td></tr></table>	Debit	Credit	Machinery at cost	Disposal account	1 AO1 = 1
Debit	Credit					
Machinery at cost	Disposal account					

Question	Answer	Total marks
10	A \$657 000	1 AO1 = 1

Qu	Part	Marking guidance	Total marks
11		Calculate the number of units Ivan will need to sell to achieve a target profit of \$35 000. 9 445 (4) W1 Workings W1 <u>Total fixed costs + target profit</u> Contribution per unit <u>\$50 000 (1) W2 + \$35 000 (1) = \$85 000</u> = 9444.444 units \$9 (1) W3 Correctly rounded up = 9 445 (1) W2 Total fixed costs 10 000 units × \$5 per unit = \$50 000 W3 Contribution per unit \$16 selling price – \$7 variable costs = \$9 Marker note: An answer of 9444 or 9444.444 units will be awarded 3 marks	4 AO1 = 4

Qu	Part	Marking guidance	Total marks																
12		Complete the statement of financial position (extract) at 31 December 2024 showing the non-current assets section only. Nyian Ltd Statement of financial position (extract) at 31 December 2024 <table border="1"> <thead> <tr> <th>Non-current assets</th><th>Cost \$</th><th>Accumulated depreciation \$</th><th>Carrying value \$</th></tr> </thead> <tbody> <tr> <td>Motor vehicles</td><td>76 000 (2) W1</td><td>38 760 (3) W2</td><td>37 240</td></tr> <tr> <td>Fixtures and fittings</td><td>15 000 (1)</td><td>12 000 (2) W3</td><td><u>3 000</u></td></tr> <tr> <td colspan="3"></td><td>40 240 (1) OF</td></tr> </tbody> </table> Workings W1 Cost of motor vehicles $\\$60\,000 + \\$36\,000 \text{ (1)} - \\$20\,000 \text{ (1)} = \\$76\,000$ W2 Accumulated depreciation – motor vehicles $\\$33\,000 - \\$10\,200 \text{ (1)} = \\$22\,800 + \\$15\,960 \text{ (1) OF} = \\$38\,760 \text{ (1) OF}$ Accumulated depreciation on motor vehicle sold $(\\$20\,000 - \\$9\,800) = \\$10\,200$ Depreciation charge for the year – motor vehicles $\\$76\,000 \text{ OF W1} - \\$22\,800 \text{ W2} = \\$53\,200 \times 30\% = \\$15\,960$ W3 Accumulated depreciation – fixtures and fittings $\\$9\,000 + \\$3\,000 \text{ (1)} = \\$12\,000 \text{ (1) OF}$ Depreciation charge for the year – fixtures and fittings $\\$15\,000 \times 20\% = \\$3\,000$ Marker note: Calculations where the workings are not transferred or are transferred but in the wrong direction into the extract will not be fully rewarded. For example, a figure for motor vehicles – accumulated depreciation of \$38 760 would be awarded 2 marks if not transferred into the extract or if the \$38 760 is shown as an addition in the extract. A figure for motor vehicles – cost of \$76 000 would be awarded 1 mark if it is not transferred into the extract.	Non-current assets	Cost \$	Accumulated depreciation \$	Carrying value \$	Motor vehicles	76 000 (2) W1	38 760 (3) W2	37 240	Fixtures and fittings	15 000 (1)	12 000 (2) W3	<u>3 000</u>				40 240 (1) OF	9 AO1 = 9
Non-current assets	Cost \$	Accumulated depreciation \$	Carrying value \$																
Motor vehicles	76 000 (2) W1	38 760 (3) W2	37 240																
Fixtures and fittings	15 000 (1)	12 000 (2) W3	<u>3 000</u>																
			40 240 (1) OF																

		Motor vehicles accumulated depreciation – if you see \$48 960 or \$22 800 in the statement of financial position (extract) without workings you can award 2 marks. Fixtures and fittings accumulation depreciation – if you see \$3 000 or \$9 000 in the statement of financial position (extract) without workings you can award 1 mark.	
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Section B

Qu	Part	Marking guidance	Total marks																																										
13		Prepare the budgeted income statement for Droxtton for the year ending 31 March 2026. Droxtton Budgeted income statement for the year ending 31 March 2026 <table><tr><td></td><td style="text-align: center;">\$</td><td style="text-align: center;">\$</td></tr><tr><td>Revenue</td><td></td><td>8 100 000 (3) W1</td></tr><tr><td>Opening inventory</td><td>311 250 (1)</td><td></td></tr><tr><td>Purchases</td><td>5 109 720 (3) W2</td><td></td></tr><tr><td>Closing inventory</td><td><u>(418 320) (1) W3</u></td><td></td></tr><tr><td>Cost of sales</td><td></td><td><u>5 002 650</u></td></tr><tr><td>Gross profit</td><td></td><td>3 097 350 (1) OF*#</td></tr><tr><td>Less: Expenses</td><td></td><td></td></tr><tr><td>Wages</td><td>896 875 (1) W4</td><td></td></tr><tr><td>Other expenses</td><td>658 300 (1)</td><td></td></tr><tr><td>Carriage outwards</td><td>216 000 (2) W5</td><td></td></tr><tr><td>Depreciation</td><td><u>96 000 (1) W6</u></td><td><u>1 867 175</u></td></tr><tr><td></td><td></td><td></td></tr><tr><td>Profit for the year</td><td></td><td><u>1 230 175 (1) OF#</u></td></tr></table> Workings W1 Revenue \$7 500 000/100 000 units = \$75 per unit – 10% = \$67.50 (1) 100 000 + 20% = 120 000 units (1) × \$67.50 OF = \$8 100 000 (1) OF W2 Purchases \$3 765 000/100 400 = \$37.50 + 12% = \$42 (1) Sales – opening inventory + closing inventory = purchases 120 000 – 8 300 + 9 960 = 121 660 (1) × \$42 OF = \$5 109 720 (1) OF W3 Closing inventory 9 960 units × \$42 OF W2 = \$418 320 (1) OF W4 Wages \$875 000 + 2.5% = \$896 875 (1) W5 Carriage outwards \$2.25 – 20% = \$1.80 (1) × 120 000 units OF = \$216 000 (1) OF W6 Depreciation \$480 000 × 20% = \$96 000 (1)		\$	\$	Revenue		8 100 000 (3) W1	Opening inventory	311 250 (1)		Purchases	5 109 720 (3) W2		Closing inventory	<u>(418 320) (1) W3</u>		Cost of sales		<u>5 002 650</u>	Gross profit		3 097 350 (1) OF*#	Less: Expenses			Wages	896 875 (1) W4		Other expenses	658 300 (1)		Carriage outwards	216 000 (2) W5		Depreciation	<u>96 000 (1) W6</u>	<u>1 867 175</u>				Profit for the year		<u>1 230 175 (1) OF#</u>	15 AO2 = 15
	\$	\$																																											
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Profit for the year		<u>1 230 175 (1) OF#</u>																																											

		Marker note: *Mark can be awarded only if revenue and cost of sales are shown. Marks are awarded for correct placement and direction. Carriage outwards must be based on number of units sold. #To award the marks for gross profit and profit for the year the figures must be arithmetically correct and correctly labelled, do not accept abbreviations.	
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Qu	Part	Marking guidance	Total marks																												
14	1	Calculate the contribution per labour hour for each size of baking tin. <table> <tr> <th></th><th>Small \$</th><th>Medium \$</th><th>Large \$</th></tr> <tr> <td>Selling price per unit</td><td>23</td><td>30</td><td>42</td></tr> <tr> <td>Direct materials cost per unit (\$10 per kg)</td><td>2</td><td>3</td><td>4</td></tr> <tr> <td>Direct labour cost per unit (\$12 per hour)</td><td>9</td><td>18</td><td>24</td></tr> <tr> <td>Contribution per unit</td><td>12</td><td>9</td><td>14</td></tr> <tr> <td>Labour hours per unit (W1)</td><td>0.75 hour (1)</td><td>1.5 hours (1)</td><td>2 hours (1)</td></tr> <tr> <td>Contribution per labour hour (W2)</td><td>\$16 (1) OF</td><td>\$6 (1) OF</td><td>\$7 (1) OF</td></tr> </table> Workings W1 Labour hours per unit Labour cost/\$12 per hour labour rate Small = \$9/\$12 per hour = 0.75 hour (1) Medium = \$18/\$12 per hour = 1.5 hours (1) Large = \$24/\$12 per hour = 2 hours (1) W2 Contribution per labour hour Contribution per unit/Labour hours per unit W1 Small = \$12 OF/0.75 hour OF = \$16 (1) OF Medium = \$9 OF/1.5 hours OF = \$6 (1) OF Large = \$14 OF/2 hours OF = \$7 (1) OF		Small \$	Medium \$	Large \$	Selling price per unit	23	30	42	Direct materials cost per unit (\$10 per kg)	2	3	4	Direct labour cost per unit (\$12 per hour)	9	18	24	Contribution per unit	12	9	14	Labour hours per unit (W1)	0.75 hour (1)	1.5 hours (1)	2 hours (1)	Contribution per labour hour (W2)	\$16 (1) OF	\$6 (1) OF	\$7 (1) OF	7 AO2 = 7 (1) row
	Small \$	Medium \$	Large \$																												
Selling price per unit	23	30	42																												
Direct materials cost per unit (\$10 per kg)	2	3	4																												
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Labour hours per unit (W1)	0.75 hour (1)	1.5 hours (1)	2 hours (1)																												
Contribution per labour hour (W2)	\$16 (1) OF	\$6 (1) OF	\$7 (1) OF																												

Qu	Part	Marking guidance	Total marks																																																						
14	2	Calculate the maximum profit that can be made using the 32 000 labour hours available. <table><tr><td></td><td>Small</td><td>Medium</td><td>Large</td><td></td></tr><tr><td>Contribution per labour hour (from 14.1)</td><td>16</td><td>6</td><td>7</td><td>OF row from 14.1</td></tr><tr><td>Ranking</td><td>1</td><td>3</td><td>2</td><td>(1) OF row</td></tr></table> Production schedule <table><tr><th>Product</th><th>Calculation</th><th>Hours</th></tr><tr><td></td><td>Maximum hours</td><td>32 000</td></tr><tr><td>Small</td><td>9 000 × 0.75 hour OF</td><td>6 750 (1) OF</td></tr><tr><td>Large</td><td>4 000 × 2 hours OF</td><td><u>8 000</u> (1) OF</td></tr><tr><td></td><td>Hours remaining</td><td>17 250</td></tr><tr><td>Medium</td><td>11 500* × 1.5 hrs OF</td><td><u>17 250</u> (1) OF</td></tr></table> *11 500 medium tins = 17 250 hours/1.5 hours Maximum profit <table><tr><th>Contribution per unit</th><th></th><th>\$</th></tr><tr><td>Small = \$12 OF</td><td>× 9 000</td><td>108 000 (1) OF</td></tr><tr><td>Medium = \$9 OF</td><td>× 11 500</td><td>103 500 (1) OF</td></tr><tr><td>Large = \$14 OF</td><td>× 4 000</td><td><u>56 000</u> (1) OF</td></tr><tr><td>Total contribution</td><td></td><td>267 500</td></tr><tr><td>Fixed overheads</td><td></td><td><u>(90 000)</u></td></tr><tr><td>Profit</td><td></td><td><u>177 500</u> (1) OF</td></tr></table>		Small	Medium	Large		Contribution per labour hour (from 14.1)	16	6	7	OF row from 14.1	Ranking	1	3	2	(1) OF row	Product	Calculation	Hours		Maximum hours	32 000	Small	9 000 × 0.75 hour OF	6 750 (1) OF	Large	4 000 × 2 hours OF	<u>8 000</u> (1) OF		Hours remaining	17 250	Medium	11 500* × 1.5 hrs OF	<u>17 250</u> (1) OF	Contribution per unit		\$	Small = \$12 OF	× 9 000	108 000 (1) OF	Medium = \$9 OF	× 11 500	103 500 (1) OF	Large = \$14 OF	× 4 000	<u>56 000</u> (1) OF	Total contribution		267 500	Fixed overheads		<u>(90 000)</u>	Profit		<u>177 500</u> (1) OF	8 AO2 = 8
	Small	Medium	Large																																																						
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Fixed overheads		<u>(90 000)</u>																																																							
Profit		<u>177 500</u> (1) OF																																																							

		Marker note: The production ranking must be based on contribution per labour hour and not on contribution per unit of product.	
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Qu	Part	Marking guidance	Total marks																																								
15	1	Complete the statement of changes in equity for the year ended 30 April 2025. Leonist Ltd Statement of changes in equity for the year ended 30 April 2025 <table><tr><th></th><th>Workings</th><th>Share capital \$</th><th>Share premium \$</th><th>Retained earnings \$</th></tr><tr><td>At 1 May 2024</td><td></td><td>150 000</td><td>30 000</td><td>124 020</td></tr><tr><td>Issue of shares</td><td>W1</td><td>125 000 (1)</td><td>100 000 (2)</td><td></td></tr><tr><td>Dividends paid</td><td>W2</td><td></td><td></td><td>(32 000) (3)</td></tr><tr><td>Profit for the year after taxation</td><td>W3</td><td></td><td></td><td>65 480 (2)</td></tr><tr><td>At 30 April 2025</td><td></td><td>275 000</td><td>130 000</td><td>157 500 (1) row OF #</td></tr></table> Workings W1 Issue of shares 250 000 × \$0.50 nominal value = \$125 000 (1) 250 000 × (\$0.90 – \$0.50) = \$0.40 (1) = \$100 000 (1) W2 Dividends paid Final dividend 2024 \$150 000 ÷ \$0.50 = 300 000 × \$0.07 = \$21 000 (1) Interim dividend 2025 (250 000 + 300 000 OF) = 550 000 (1) OF × \$0.02 = \$11 000 (1) OF Total dividend \$21 000 + \$11 000 = \$32 000 OF If the student shows dividends fragmented (i.e. separate entries of \$21 000 and \$11 000) then award 1 mark for each correct item. W3 Profit for the year after tax <table><tr><td>Profit from operations</td><td>87 850</td></tr><tr><td>Finance costs (\$75 000 × 8%)</td><td>(6 000) (1)</td></tr><tr><td>Profit before tax</td><td>81 850</td></tr><tr><td>Taxation</td><td>(16 370) (1)</td></tr><tr><td>Profit for the year after tax</td><td>65 480 OF</td></tr></table>		Workings	Share capital \$	Share premium \$	Retained earnings \$	At 1 May 2024		150 000	30 000	124 020	Issue of shares	W1	125 000 (1)	100 000 (2)		Dividends paid	W2			(32 000) (3)	Profit for the year after taxation	W3			65 480 (2)	At 30 April 2025		275 000	130 000	157 500 (1) row OF #	Profit from operations	87 850	Finance costs (\$75 000 × 8%)	(6 000) (1)	Profit before tax	81 850	Taxation	(16 370) (1)	Profit for the year after tax	65 480 OF	9 AO2 = 9
	Workings	Share capital \$	Share premium \$	Retained earnings \$																																							
At 1 May 2024		150 000	30 000	124 020																																							
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Finance costs (\$75 000 × 8%)	(6 000) (1)																																										
Profit before tax	81 850																																										
Taxation	(16 370) (1)																																										
Profit for the year after tax	65 480 OF																																										

		Marker notes: Each row must have a relevant narrative to receive the mark for that row. If there is no narrative on the share issue line but both entries are correct award 2 marks. If there is no narrative on the dividends paid line, but the answer is correct, award 2 marks. If there is no narrative on the profit for the year after taxation line, but the answer is correct, award 1 mark. #Must be mathematically correct with no extraneous items.	
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Qu	Part	Marking guidance	Total marks															
15	2	Assess the impact that the issue of shares will have on the existing shareholders in Leonist Ltd. <table><tr><th>Level</th><th>Marks</th><th>Description</th></tr><tr><td>3</td><td>5–6</td><td> - Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately. - A clear and balanced analysis of accounting data is provided. The judgement/recommendation is supported by evidence. </td></tr><tr><td>2</td><td>3–4</td><td> - Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately. - A clear but unbalanced OR a balanced but unclear analysis of accounting data is provided. The judgement/recommendation is partially supported by evidence. </td></tr><tr><td>1</td><td>1–2</td><td> - Limited application of knowledge and understanding of principles, concepts and techniques to the context. - A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/recommendation. </td></tr><tr><td>0</td><td>0</td><td>Nothing written worthy of credit.</td></tr></table> Answers may include: Positive impact • Could buy extra shares and increase their % ownership of the company. • Additional capital raised of \$225 000 could be used to invest in assets and increase profits in future years. The increased profits could cause the value of shares to increase over time. It could also lead to increased profits and higher dividends in future. • Gearing will be reduced as equity can be increased by \$225 000. This reduces risk and may attract potential investors, thereby increasing the value of the shares. Negative impact • Possible dilution of ownership unless the shareholder can afford to buy some of the 250 000 new shares. This means that their voting power is reduced and they may have less influence over company decisions. • Additional shareholders will share profits and expect dividends; this could reduce the amount of dividend existing shareholders receive. • Issue of new shares will incur legal and administrative fees which will reduce the profits available for dividends. Other creditworthy material should be rewarded as appropriate.	Level	Marks	Description	3	5–6	- Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately. - A clear and balanced analysis of accounting data is provided. The judgement/recommendation is supported by evidence.	2	3–4	- Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately. - A clear but unbalanced OR a balanced but unclear analysis of accounting data is provided. The judgement/recommendation is partially supported by evidence.	1	1–2	- Limited application of knowledge and understanding of principles, concepts and techniques to the context. - A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/recommendation.	0	0	Nothing written worthy of credit.	6 AO2 = 2 AO3 = 4
Level	Marks	Description																
3	5–6	- Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context clearly and appropriately. - A clear and balanced analysis of accounting data is provided. The judgement/recommendation is supported by evidence.																
2	3–4	- Relevant knowledge and understanding of principles, concepts and techniques has been applied to the context, but not always clearly and/or appropriately. - A clear but unbalanced OR a balanced but unclear analysis of accounting data is provided. The judgement/recommendation is partially supported by evidence.																
1	1–2	- Limited application of knowledge and understanding of principles, concepts and techniques to the context. - A limited analysis of discrete points of accounting data is provided. There is limited support for the judgement/recommendation.																
0	0	Nothing written worthy of credit.																

Section C

Qu	Part	Marking guidance	Total marks																		
16		Advise Pau whether he should accept the order from the new customer. Consider both financial and non-financial factors. <table><tr><th>Level</th><th>Marks</th><th>Description</th></tr><tr><td>4</td><td>10–12</td><td> An excellent response that focuses fully on the demands of the question. - A wide range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied to the context clearly and appropriately. - Accounting data is analysed and evaluated thoroughly to make a balanced, well-reasoned and persuasive judgement/recommendation. </td></tr><tr><td>3</td><td>7–9</td><td> A good response that focuses on many of the demands of the question. - A range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but not always clearly and/or appropriately. - Accounting data is analysed and evaluated to make a balanced and reasoned judgement/recommendation. </td></tr><tr><td>2</td><td>4–6</td><td> A reasonable response that focuses on some of the demands of the question. - Some relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but lacking in clarity and appropriateness. - There is some analysis and evaluation of accounting data but the judgement/recommendation is either unbalanced or there are gaps in the reasoning. </td></tr><tr><td>1</td><td>1–3</td><td> A limited response that has little focus on the demands of the question. - Limited application of relevant knowledge and understanding of accounting principles, concepts and techniques to the context, often lacking in clarity and appropriateness. - There is limited analysis and evaluation. The judgement/recommendation is lacking in both balance and reasoning. </td></tr><tr><td>0</td><td>0</td><td>Nothing written worthy of credit.</td></tr></table>	Level	Marks	Description	4	10–12	An excellent response that focuses fully on the demands of the question. - A wide range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied to the context clearly and appropriately. - Accounting data is analysed and evaluated thoroughly to make a balanced, well-reasoned and persuasive judgement/recommendation.	3	7–9	A good response that focuses on many of the demands of the question. - A range of relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but not always clearly and/or appropriately. - Accounting data is analysed and evaluated to make a balanced and reasoned judgement/recommendation.	2	4–6	A reasonable response that focuses on some of the demands of the question. - Some relevant knowledge and understanding of accounting principles, concepts and techniques is applied, but lacking in clarity and appropriateness. - There is some analysis and evaluation of accounting data but the judgement/recommendation is either unbalanced or there are gaps in the reasoning.	1	1–3	A limited response that has little focus on the demands of the question. - Limited application of relevant knowledge and understanding of accounting principles, concepts and techniques to the context, often lacking in clarity and appropriateness. - There is limited analysis and evaluation. The judgement/recommendation is lacking in both balance and reasoning.	0	0	Nothing written worthy of credit.	12 AO2 = 3 AO3 = 9
Level	Marks	Description																			
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0	0	Nothing written worthy of credit.																			

	Answers may include: AO2 – Application Current contribution per unit = $\\$50 - \\$20 = \\$30$ Break-even point = $\\$60\,000 / \\$30 = 2\,000$ units Current profit = $(5\,000 - 2\,000 \text{ units}) \times \\$30 \text{ contribution} = \\$90\,000$ Price per unit of order = $\\$35\,000 / 1\,000 \text{ units} = \\$35$ Contribution per unit of order = $\\$35 - \\$20 = \\$15$ Additional profit on order = $\\$35\,000 - (\\$20 \text{ VC} \times 1\,000 \text{ units}) = \\$15\,000$ AO3 – Analysis and evaluation Arguments for accepting the order: • The order will give additional profit of \$15 000, assuming that there is no increase in fixed costs which could be stepped. • Pau could achieve economies of scale with larger discounts on the purchase of additional raw materials. This would increase contribution per unit for all output. • The order achieves Pau's objective of expanding the business. • The order would help utilise the extra capacity created by the new machinery. Arguments for rejecting the order: • Pau may not be able to obtain sufficient supplies of raw materials to fulfil the order. • Existing customers could find out about the large discount and ask for similar discounts which would reduce Pau's profitability and increase his break-even point. • If the new customer is in another country, there may be exchange rate fluctuations. Other considerations: • Can Pau obtain sufficient supplies of raw materials? • Is there enough direct labour available and would the workers be willing to work overtime? • What is the capacity of the factory? Are the new machines capable of producing an extra 20% of annual output in 2 months? • Will future orders be paid for in advance? If not, Pau should consider the creditworthiness of the new customer. Marker note: Not all content needs to be covered to gain full marks. The indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.	
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