

INTERNATIONAL AS **ACCOUNTING**

AC01

Paper 1 Introduction to Financial Accounting

Mark scheme

June 2025

Version: 1.0 Final



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.

Further copies of this mark scheme are available from www.oxfordaqa.com

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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	A $\frac{\text{Current assets}}{\text{Current liabilities}}$	1 AO1 = 1

Question	Answer	Total marks
02	C Public limited company	1 AO1 = 1

Question	Answer	Total marks
03	B \$1 651 profit	1 AO1 = 1

Question	Answer	Total marks
04	C \$9 392	1 AO1 = 1

Question	Answer	Total marks
05	B 73 days	1 AO1 = 1

Question	Answer	Total marks
06	B \$513	1 AO1 = 1

Question	Answer	Total marks
07	B Carriage outwards	1 AO1 = 1

Question	Answer	Total marks
08	B Business entity	1 AO1 = 1

Question	Answer	Total marks
09	D Shows historical information	1 AO1 = 1

Question	Answer	Total marks
10	A \$73 920	1 AO1 = 1

Qu	Part	Marking guidance	Total marks															
11		Identify the source document and the book of prime entry used for each of the following transactions. An example is given. <table><tr><th>Transaction</th><th>Source document</th><th>Book of prime entry</th></tr><tr><td>Payment of rent by direct debit</td><td>Bank statement</td><td>Cash book</td></tr><tr><td>Cheque drawn for cash</td><td>Cheque counterfoil (1)</td><td>Cash book (1)</td></tr><tr><td>Purchase of inventory returned to a credit supplier</td><td>(Purchase) credit note (1)</td><td>Purchase returns journal (1)</td></tr><tr><td>Purchase of non-current assets on credit</td><td>(Purchase) invoice (1)</td><td>General journal (1)</td></tr></table>	Transaction	Source document	Book of prime entry	Payment of rent by direct debit	Bank statement	Cash book	Cheque drawn for cash	Cheque counterfoil (1)	Cash book (1)	Purchase of inventory returned to a credit supplier	(Purchase) credit note (1)	Purchase returns journal (1)	Purchase of non-current assets on credit	(Purchase) invoice (1)	General journal (1)	6 AO1 = 6
Transaction	Source document	Book of prime entry																
Payment of rent by direct debit	Bank statement	Cash book																
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Purchase of inventory returned to a credit supplier	(Purchase) credit note (1)	Purchase returns journal (1)																
Purchase of non-current assets on credit	(Purchase) invoice (1)	General journal (1)																

Qu	Part	Marking guidance	Total marks																																													
12		Prepare a trial balance at 31 January 2025. Trial Balance at 31 January 2025 <table><tr><th>Account</th><th>Dr</th><th>Cr</th></tr><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Cash at bank</td><td>8 340</td><td></td></tr><tr><td>Depreciation expense</td><td>5 460</td><td></td></tr><tr><td>Drawings</td><td>17 500</td><td></td></tr><tr><td>Equity</td><td></td><td>31 270</td></tr><tr><td>General expenses</td><td>27 150</td><td></td></tr><tr><td>Inventory at 1 February 2024</td><td>29 500</td><td></td></tr><tr><td>Plant and machinery at cost</td><td>36 400</td><td></td></tr><tr><td>Plant and machinery provision for depreciation</td><td></td><td>16 380</td></tr><tr><td>Purchases</td><td>81 300</td><td></td></tr><tr><td>Purchases returns</td><td></td><td>430</td></tr><tr><td>Revenue</td><td></td><td>138 200</td></tr><tr><td>Trade payables</td><td></td><td>19 370</td></tr><tr><td></td><td>205 650</td><td>205 650</td></tr></table> Marker note: Award 1 mark for each pair of correct entries.	Account	Dr	Cr		\$	\$	Cash at bank	8 340		Depreciation expense	5 460		Drawings	17 500		Equity		31 270	General expenses	27 150		Inventory at 1 February 2024	29 500		Plant and machinery at cost	36 400		Plant and machinery provision for depreciation		16 380	Purchases	81 300		Purchases returns		430	Revenue		138 200	Trade payables		19 370		205 650	205 650	7 AO1 = 7 (1) For both
Account	Dr	Cr																																														
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	205 650	205 650																																														

Section B

Qu	Part	Marking guidance	Total marks																																												
13	1	Prepare a bank reconciliation statement at 31 May 2024. Bank reconciliation statement at 31 May 2024 \$ <table style="width: 100%;"> <tr> <td style="width: 60%;">Balance per cash book</td><td style="width: 10%; text-align: right;">4 341</td><td style="width: 10%; text-align: right;">(2)</td><td style="width: 20%; text-align: right;">W1</td></tr> <tr> <td>Add unpresented cheque</td><td style="text-align: right;">430</td><td style="text-align: right;">(1)</td><td></td></tr> <tr> <td>Less outstanding banking</td><td style="text-align: right;">(282)</td><td style="text-align: right;">(1)</td><td></td></tr> <tr> <td></td><td style="border-top: 1px solid black; text-align: right;">4 489</td><td style="text-align: right;">(1)</td><td></td></tr> </table> Alternative answer Bank reconciliation statement at 31 May 2024 \$ <table style="width: 100%;"> <tr> <td style="width: 60%;">Balance per bank statement</td><td style="width: 10%; text-align: right;">4 489</td><td style="width: 10%; text-align: right;">(1)</td><td style="width: 20%;"></td></tr> <tr> <td>Add outstanding banking</td><td style="text-align: right;">282</td><td style="text-align: right;">(1)</td><td></td></tr> <tr> <td>Less unpresented cheque</td><td style="text-align: right;">(430)</td><td style="text-align: right;">(1)</td><td></td></tr> <tr> <td></td><td style="border-top: 1px solid black; text-align: right;">4 341</td><td style="text-align: right;">(2)</td><td style="text-align: right;">W1*</td></tr> </table> W1 Balance per cash book \$ <table style="width: 100%;"> <tr> <td style="width: 60%;">Original balance</td><td style="width: 10%; text-align: right;">4 360</td><td style="width: 10%;"></td><td style="width: 20%;"></td></tr> <tr> <td>Less bank charges</td><td style="text-align: right;">(19)</td><td style="text-align: right;">(1)</td><td></td></tr> <tr> <td></td><td style="border-top: 1px solid black; text-align: right;">4 341</td><td style="text-align: right;">(1)</td><td style="text-align: right;">OF</td></tr> </table> Marker note: To award marks: Entries on bank reconciliation statement must have an appropriate label. * Award 1 mark for \$4 341 if there is not an appropriate label.	Balance per cash book	4 341	(2)	W1	Add unpresented cheque	430	(1)		Less outstanding banking	(282)	(1)			4 489	(1)		Balance per bank statement	4 489	(1)		Add outstanding banking	282	(1)		Less unpresented cheque	(430)	(1)			4 341	(2)	W1*	Original balance	4 360			Less bank charges	(19)	(1)			4 341	(1)	OF	5 AO2 = 5
Balance per cash book	4 341	(2)	W1																																												
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Less outstanding banking	(282)	(1)																																													
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Less bank charges	(19)	(1)																																													
	4 341	(1)	OF																																												

Qu	Part	Marking guidance	Total marks																																				
13	2	Prepare the following accounts for the year ended 31 May 2024. Dr Discount Allowed Cr <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>31 May</td><td>Cash book</td><td><u>325 (1)</u></td><td>31 May</td><td>Income Statement</td><td><u>325 (1)</u></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> Dr Discount Received Cr <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>31 May</td><td>Income Statement</td><td><u>208 (1)</u></td><td>31 May</td><td>Cash book</td><td><u>208 (1)</u></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> Marker note: To award marks: The entries must be on the correct side and have an appropriate label. Accept trade receivables/customer name/balance b/d for cash book in the discount allowed account and trade payables/supplier name/balance b/d for cash book in the discount received account.	Date	Details	\$	Date	Details	\$	31 May	Cash book	<u>325 (1)</u>	31 May	Income Statement	<u>325 (1)</u>							Date	Details	\$	Date	Details	\$	31 May	Income Statement	<u>208 (1)</u>	31 May	Cash book	<u>208 (1)</u>							4 AO2 = 4
Date	Details	\$	Date	Details	\$																																		
31 May	Cash book	<u>325 (1)</u>	31 May	Income Statement	<u>325 (1)</u>																																		
Date	Details	\$	Date	Details	\$																																		
31 May	Income Statement	<u>208 (1)</u>	31 May	Cash book	<u>208 (1)</u>																																		

Qu	Part	Marking guidance	Total marks															
13	3	Robin prepares a bank reconciliation statement at the end of the financial year. Advise Robin whether he should also prepare a bank reconciliation statement at the end of each month. <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: Arguments for preparing a monthly bank reconciliation statement. - Acts as a deterrent to fraud which could go undetected for several months if the bank reconciliation statement is only prepared once a year. - Enables bank errors to be investigated and the bank informed on a timely basis. - Enables errors in the cash book to be identified on a timely basis to enable Robin to effectively manage his cash. - Enables out of date cheques to be identified and cancelled in the cash book so that he can have an accurate cash book balance at the end of each month. - Enables omissions from the cash book eg the \$19 bank charges to be identified on a timely basis, to ensure the cash book is regularly updated. Arguments against preparing a monthly bank reconciliation statement. - Robin does not appear to have many bank transactions each month so the time/cost of preparing a bank reconciliation statement may not be justified. - If Robin has more bank transactions it will take him time to prepare the bank reconciliation statement which means less time available for running the business or he may have to employ a bookkeeper which will increase expenses.	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.																

		One reason for preparing a bank reconciliation statement is to prevent errors/find missing data so that accurate financial statements are prepared and these financial statements are only prepared at the year end date. Other creditworthy material should be rewarded as appropriate.	
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Qu	Part	Marking guidance	Total marks																																				
14	1	Prepare the trade receivables ledger control account at 30 April 2025. Bring any balance down on 1 May 2025. Dates are not required. Dr Trade Receivables Ledger Control Account Cr <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Details</th><th style="width: 15%;">\$</th><th style="width: 25%;">Details</th><th style="width: 15%;">\$</th></tr> </thead> <tbody> <tr> <td>Balance b/d</td><td>34 000 (1)</td><td>Sales returns journal</td><td>4 930 (1)</td></tr> <tr> <td>Sales journal</td><td>276 400 (1)</td><td>Cash book</td><td>263 605 (1)</td></tr> <tr> <td>Cash book</td><td>240 (1)</td><td>Discount allowed</td><td>2 910 (1)</td></tr> <tr> <td></td><td></td><td>Irrecoverable debts</td><td>1 020 (1)</td></tr> <tr> <td></td><td></td><td>Contra</td><td>175 (1)</td></tr> <tr> <td></td><td></td><td>Balance c/d</td><td>38 000</td></tr> <tr> <td></td><td><u>310 640</u></td><td></td><td><u>310 640</u></td></tr> <tr> <td>Balance b/d</td><td>38 000 (1) OF</td><td></td><td></td></tr> </tbody> </table> Marker note: To award marks: The entries must be on the correct side and have an appropriate label. Accept reasonable abbreviations, eg for balance entries accept bal b/d, bal b/fwd. The OF mark for the balance b/d on 1 May 2025 is for the balancing process and should be awarded if it is arithmetically correct and there are no extraneous items.	Details	\$	Details	\$	Balance b/d	34 000 (1)	Sales returns journal	4 930 (1)	Sales journal	276 400 (1)	Cash book	263 605 (1)	Cash book	240 (1)	Discount allowed	2 910 (1)			Irrecoverable debts	1 020 (1)			Contra	175 (1)			Balance c/d	38 000		<u>310 640</u>		<u>310 640</u>	Balance b/d	38 000 (1) OF			9 AO2 = 9
Details	\$	Details	\$																																				
Balance b/d	34 000 (1)	Sales returns journal	4 930 (1)																																				
Sales journal	276 400 (1)	Cash book	263 605 (1)																																				
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Balance b/d	38 000 (1) OF																																						

Qu	Part	Marking guidance	Total marks																																			
14	2	Prepare the sales account for the year ended 30 April 2025. <table><tr><td colspan="2">Dr</td><td colspan="4">Sales Account</td><td>Cr</td></tr><tr><td>Date</td><td>Details</td><td>\$</td><td>Date</td><td>Details</td><td>\$</td><td></td></tr><tr><td>30 April 2025</td><td>Income statement</td><td>295 275 (1) OF</td><td>30 April 2025</td><td>Sales journal</td><td>276 400 (1)</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>Cash book</td><td>18 875 (1)</td><td></td></tr><tr><td></td><td></td><td><u>295 275</u></td><td></td><td></td><td><u>295 275</u></td><td></td></tr></table> Marker notes: To award marks: The entries must be on the correct side and have an appropriate label. The label should not be a description of the transaction.	Dr		Sales Account				Cr	Date	Details	\$	Date	Details	\$		30 April 2025	Income statement	295 275 (1) OF	30 April 2025	Sales journal	276 400 (1)						Cash book	18 875 (1)				<u>295 275</u>			<u>295 275</u>		3 AO2 = 3
Dr		Sales Account				Cr																																
Date	Details	\$	Date	Details	\$																																	
30 April 2025	Income statement	295 275 (1) OF	30 April 2025	Sales journal	276 400 (1)																																	
				Cash book	18 875 (1)																																	
		<u>295 275</u>			<u>295 275</u>																																	

Qu	Part	Marking guidance	Total marks																														
14	3	Prepare the provision for doubtful debts account at 30 April 2025. Bring any balance down on 1 May 2025. Dr Provision for Doubtful Debts Account Cr <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>30 April 2025</td><td>Balance c/d</td><td>1 140</td><td>1 May 2024</td><td>Balance b/d</td><td>680 (1)</td></tr><tr><td></td><td></td><td></td><td>30 April 2025</td><td>Income statement</td><td>460 (1) OF W2</td></tr><tr><td></td><td></td><td><u>1 140</u></td><td></td><td></td><td><u>1 140</u></td></tr><tr><td></td><td></td><td></td><td>1 May 2025</td><td>Balance b/d</td><td>1 140 (1) OF W1</td></tr></table> W1 Balance b/d \$38 000 OF × 3% = \$1 140 (1) OF W2 Income statement adjustment \$1 140 OF – \$680 = \$460 (1) OF Marker notes: To award marks: The opening balance must be recorded as a credit entry. The credit entry of \$460 must be labelled income statement or equivalent (accept abbreviations). This could be on the debit side if the student has not correctly calculated the closing balance. The balance b/d at 1 May 2025 could be OF if the student has the incorrect closing trade receivables in 14.1.	Date	Details	\$	Date	Details	\$	30 April 2025	Balance c/d	1 140	1 May 2024	Balance b/d	680 (1)				30 April 2025	Income statement	460 (1) OF W2			<u>1 140</u>			<u>1 140</u>				1 May 2025	Balance b/d	1 140 (1) OF W1	3 AO2 = 3
Date	Details	\$	Date	Details	\$																												
30 April 2025	Balance c/d	1 140	1 May 2024	Balance b/d	680 (1)																												
			30 April 2025	Income statement	460 (1) OF W2																												
		<u>1 140</u>			<u>1 140</u>																												
			1 May 2025	Balance b/d	1 140 (1) OF W1																												

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15		Prepare the statement of financial position at 31 March 2025. Zain Statement of financial position at 31 March 2025 <table><thead><tr><th></th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td><u>Non-current assets</u></td><td></td><td></td></tr><tr><td>Motor vehicles at carrying value</td><td></td><td>15 750 (1)</td></tr><tr><td><u>Current assets</u></td><td></td><td></td></tr><tr><td>Inventory</td><td>31 650 (1)</td><td></td></tr><tr><td>Trade receivables</td><td>21 240</td><td></td></tr><tr><td>Other receivables</td><td>1 400 (1) OF</td><td></td></tr><tr><td>Bank</td><td><u>1 590</u> (1) W1</td><td></td></tr><tr><td></td><td></td><td><u>55 880</u> (1) OF*</td></tr><tr><td>Total assets</td><td></td><td><u>71 630</u></td></tr><tr><td><u>Equity</u></td><td></td><td></td></tr><tr><td>At 1 April 2024</td><td></td><td>26 040</td></tr><tr><td>Capital introduced</td><td></td><td>10 000 (1)</td></tr><tr><td>Profit for the year</td><td></td><td><u>25 640</u> (5) W2</td></tr><tr><td></td><td></td><td>61 680</td></tr><tr><td>Drawings</td><td></td><td><u>(29 500)</u></td></tr><tr><td>At 31 March 2025</td><td></td><td>32 180 (1) OF*</td></tr><tr><td><u>Non-current liabilities</u></td><td></td><td></td></tr><tr><td>Bank Loan (2030)</td><td></td><td>29 000 (1)</td></tr><tr><td><u>Current liabilities</u></td><td></td><td></td></tr><tr><td>Trade payables</td><td>9 900</td><td></td></tr><tr><td>Other payables</td><td><u>550</u> (1)</td><td></td></tr><tr><td></td><td></td><td><u>10 450</u> (1) OF*</td></tr><tr><td>Total liabilities</td><td></td><td><u>39 450</u></td></tr><tr><td>Total equity and liabilities</td><td></td><td><u>71 630</u></td></tr></tbody></table>		\$	\$	<u>Non-current assets</u>			Motor vehicles at carrying value		15 750 (1)	<u>Current assets</u>			Inventory	31 650 (1)		Trade receivables	21 240		Other receivables	1 400 (1) OF		Bank	<u>1 590</u> (1) W1				<u>55 880</u> (1) OF*	Total assets		<u>71 630</u>	<u>Equity</u>			At 1 April 2024		26 040	Capital introduced		10 000 (1)	Profit for the year		<u>25 640</u> (5) W2			61 680	Drawings		<u>(29 500)</u>	At 31 March 2025		32 180 (1) OF*	<u>Non-current liabilities</u>			Bank Loan (2030)		29 000 (1)	<u>Current liabilities</u>			Trade payables	9 900		Other payables	<u>550</u> (1)				<u>10 450</u> (1) OF*	Total liabilities		<u>39 450</u>	Total equity and liabilities		<u>71 630</u>	15 AO2 = 15
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	Marker note: To award marks the items must be labelled. Do not accept abbreviations as this is a statement of financial position. Accept reasonable alternatives, eg stock for inventory; prepayments for other receivables; cash at bank or cash and cash equivalents for bank; profit for profit for the year. *Award the OF marks for totals if the section is arithmetically correct and there are no extraneous items such as other payables, non-current assets and trade payables. The OF profit for the year mark is for correctly adjusting gross profit. W1 Bank <table> <tr><td></td><td>\$</td><td></td></tr> <tr><td>Original overdraft figure</td><td>(8 410)</td><td></td></tr> <tr><td>Capital introduced</td><td>10 000</td><td></td></tr> <tr><td></td><td><u>1 590</u></td><td>(1)</td></tr> </table> W2 Profit for the year <table> <tr><td></td><td>\$</td><td></td></tr> <tr><td>Gross profit</td><td>81 630</td><td></td></tr> <tr><td>General expenses W3</td><td>(31 750)</td><td>(1)</td></tr> <tr><td>Depreciation expense</td><td>(5 250)</td><td>(1)</td></tr> <tr><td>Motor expenses</td><td>(2 070)</td><td>(1)</td></tr> <tr><td>Rent and rates W4</td><td>(16 920)</td><td>(1)</td></tr> <tr><td></td><td><u>25 640</u></td><td>(1) OF</td></tr> </table> W3 General expenses <table> <tr><td></td><td>\$</td><td></td></tr> <tr><td>From books of account</td><td>31 200</td><td></td></tr> <tr><td>Owing</td><td>550</td><td></td></tr> <tr><td></td><td><u>31 750</u></td><td></td></tr> </table> W4 Rent and rates <table> <tr><td></td><td>\$</td><td></td></tr> <tr><td>From books of account</td><td>18 320</td><td></td></tr> <tr><td>Paid in advance</td><td>(1 400)</td><td></td></tr> <tr><td></td><td><u>16 920</u></td><td></td></tr> </table>		\$		Original overdraft figure	(8 410)		Capital introduced	10 000			<u>1 590</u>	(1)		\$		Gross profit	81 630		General expenses W3	(31 750)	(1)	Depreciation expense	(5 250)	(1)	Motor expenses	(2 070)	(1)	Rent and rates W4	(16 920)	(1)		<u>25 640</u>	(1) OF		\$		From books of account	31 200		Owing	550			<u>31 750</u>			\$		From books of account	18 320		Paid in advance	(1 400)			<u>16 920</u>		
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Section C

Qu	Part	Marking guidance			Total marks
16		Evaluate whether the bank's options are suitable sources of finance for Rocco's new business.			12
					AO2 = 3 AO3 = 9
		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.			

	Answers may include: AO2 – Application • Rocco has received \$10 000 from a family member that he could invest as capital. • Rocco requires an initial \$262 500 to purchase non-current assets. • Shop premises of \$250 000 will be a non-current asset which could be used as collateral against long-term borrowing. • He will also require funds of at least \$19 000 to purchase inventory and he has trade receivables so is expecting to sell on credit so will need to finance working capital of more than \$19 000. • A bank loan is a fixed sum borrowed for a fixed period of time, interest can be fixed or variable. • Mortgage is a long term loan secured on an asset. • Overdraft is where the bank allows the customer to withdraw more funds than they have in their account. AO3 – Analysis and evaluation • Bank loan Suitable for the purchase of equipment of \$12 500. Would require Rocco to make regular repayments of both the amount borrowed and interest so he will need to plan for these payments. As repayments will be known Rocco will be able to plan for these payments, important in early years when cashflow might be uncertain. Bank will probably require security as he has no track record of trading so Rocco could offer the shop equipment of \$12 500 if the loan was to purchase the equipment. Interest which could be variable or fixed would need to be paid which would be an expense, reducing profit for the year. There may be additional costs such as arrangement fees to be paid. A bank loan is a liability for the business which would increase gearing which could make it difficult to access further funds in the future. This may be a concern in the early years when additional funds are needed as the business expands. The bank may require Rocco to produce a business plan which he may not have the skills to produce, so he may need to employ an accountant, therefore increasing business expenses. • Mortgage Suitable to finance the shop premises of \$250 000. Would be a long-term liability for the business with repayments typically over a period in excess of 20 years.	
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	Early repayment may be possible however there may be penalties. Interest would be payable either at a fixed or variable rate. A fixed rate would enable Rocco to plan expenditure – useful in the early years of a business. If mortgage interest rate is fixed then he could end up paying too much if interest rates were to fall. Interest charge would be a business expense so reduces profit for the year. • Bank overdraft Suitable to finance the working capital. Would not be suitable for financing the purchase of the shop premises. Would be a short-term source of finance. Would increase current liabilities so would reduce the current ratio and liquid capital ratio. Would be repayable on demand so may be a risk in the early years of a business. Interest would be payable on the outstanding balance and would be a business expense so reduces profit for the year. As the interest is only payable on the balance outstanding it is attractive for short-term financing, for instance while waiting for credit customers to settle their accounts. Interest rates are typically higher than on loans and overdrafts. Wider issues Rocco would be a sole trader, which may make raising finance more difficult. He will also have unlimited liability and so his personal possessions will be at risk if he is unable to repay borrowings or fails to meet interest payments. Rocco could invest his \$10 000 into the business as capital. This is an internal source of finance so would not require repayment which would benefit cash flow in the early years of trading. However, Rocco would need to ensure he has sufficient other funds available for his own use to enable him to retain any profits in the business during the early years. There would be no interest to pay on capital invested so no effect on profit for the year. Capital could be used to finance the day-to-day transactions and enable him to pay a deposit on the shop premises which would enable him to minimise interest paid on borrowing. Marker note: The indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.	
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