

# Cambridge International AS & A Level

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**ACCOUNTING****9706/22**

Paper 2 Fundamentals of Accounting

**May/June 2026****MARK SCHEME**Maximum Mark: 90

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**Published**

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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This document consists of **16** printed pages.

**General marking principles**

All examiners must apply these marking principles when marking candidate responses.

|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Examiners must award marks for each response in line with: <ul style="list-style-type: none"><li>the specific <b>content</b> defined in the mark scheme</li><li>the specific <b>skills</b> defined in the mark scheme or in the level descriptions</li><li>the <b>standard of response</b> required as exemplified by the standardisation scripts.</li></ul>                                                                                                                                                                                                                                                                                    |
| 2 | Examiners must award <b>whole marks</b> (not half marks, or other fractions).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3 | Examiners must award marks <b>positively</b> . This means that: <ul style="list-style-type: none"><li>marks are not deducted for errors or omissions</li><li>marks are awarded for correct/valid answers as defined in the mark scheme and also for <b>other valid answers</b> which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate</li><li>the quality of spelling, punctuation and grammar are judged <b>only</b> when the mark scheme indicates that these features are <b>specifically assessed</b> in the question. However, the meaning of all responses must be unambiguous.</li></ul> |
| 4 | Examiners must <b>consistently</b> apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 5 | Examiners must use the <b>full range of marks</b> defined in the mark scheme, unless limited by the quality of the candidate responses seen.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 6 | Examiners must award marks according to the mark scheme and <b>must not</b> award marks with grade thresholds or grade descriptions in mind.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

**Social Sciences-Specific Marking Principles  
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

**Annotations guidance for centres**

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

**Annotations**

| Annotation                                                                        | Meaning                                                    |
|-----------------------------------------------------------------------------------|------------------------------------------------------------|
|  | Correct and relevant point made in answering the question. |
|  | Incorrect point or error made.                             |
| <b>LNK</b>                                                                        | Two statements are linked.                                 |
| <b>REP</b>                                                                        | Repetition                                                 |
| <b>A</b>                                                                          | An extraneous figure                                       |
| <b>BOD</b>                                                                        | Benefit of the doubt given.                                |
| <b>SEEN</b>                                                                       | Noted but no credit given                                  |
| <b>OF</b>                                                                         | Own figure                                                 |
| Highlight                                                                         | Highlight                                                  |
| Off page<br>Comment                                                               | Off page comment                                           |

**Abbreviations and guidance**

The following abbreviations may be used in the mark scheme:

**OF** = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

**W** = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

**CF** = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

**Extraneous item** = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

**Curly brackets, }**, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. }\*

**row** = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

**Accept other valid responses.** This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

| Question                              | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks              |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------|----|----------------------------------|---------------------------|-----|---------------------------------------|---------|---------------------------------|--|----------|--|----------|--------|-----|-----------------------------|--------------------------|-----|--------------------------------|-----|-------------|---------------|--------|-----|---------------|--------|---------------|-------------|-----------|------|------------|-------|--------|-------------------|---------|--|--|--------------------|---------|--|--|-------------|------------------|--|---------------|--|---------------|---|
| 1(a)                                  | <p><b>Calculate the <u>total</u> revenue of the business for the year ended 31 December 2025.</b></p> <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Closing balance credit customers</td><td>8 320</td><td>(1)</td></tr><tr><td>Less opening balance credit customers</td><td>(4 940)</td><td>(1)</td></tr><tr><td></td><td>3 380</td><td></td></tr><tr><td>Receipts</td><td>47 580</td><td>(1)</td></tr><tr><td>Discounts allowed <b>W1</b></td><td>305</td><td>(1)</td></tr><tr><td>Irrecoverable debt written off</td><td>145</td><td>(1)</td></tr><tr><td>Cash receipts</td><td>14 800</td><td>(1)</td></tr><tr><td>Total revenue</td><td>66 210</td><td>(1) <b>OF</b></td></tr></table> <p>Refer to workings if incorrect final answer and ignore labels.</p> <p><b>W1</b> Discounts allowed: <math>\\$47\,580 \times \frac{1}{4} = \\$11\,895</math> represents 97.5% of settlement;<br/>discount = <math>2.5/97.5 \times \\$11\,895 = \\$305</math> (1)</p> <p><b>Alternative approach</b></p> <table><tr><td>Balance b/d</td><td>4 940 (1)</td><td>Bank</td><td>47 580 (1)</td></tr><tr><td>Sales</td><td>51 410</td><td>Discounts allowed</td><td>305 (1)</td></tr><tr><td></td><td></td><td>Irrecoverable debt</td><td>145 (1)</td></tr><tr><td></td><td></td><td>Balance c/d</td><td><u>8 320 (1)</u></td></tr><tr><td></td><td><u>56 350</u></td><td></td><td><u>56 350</u></td></tr></table> <p>51 410 (<b>OF</b>) + 14 800 (1) = 66 210 (1)<b>OF</b></p> |                    | \$               |    | Closing balance credit customers | 8 320                     | (1) | Less opening balance credit customers | (4 940) | (1)                             |  | 3 380    |  | Receipts | 47 580 | (1) | Discounts allowed <b>W1</b> | 305                      | (1) | Irrecoverable debt written off | 145 | (1)         | Cash receipts | 14 800 | (1) | Total revenue | 66 210 | (1) <b>OF</b> | Balance b/d | 4 940 (1) | Bank | 47 580 (1) | Sales | 51 410 | Discounts allowed | 305 (1) |  |  | Irrecoverable debt | 145 (1) |  |  | Balance c/d | <u>8 320 (1)</u> |  | <u>56 350</u> |  | <u>56 350</u> | 7 |
|                                       | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                    |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Closing balance credit customers      | 8 320                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | (1)                |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Less opening balance credit customers | (4 940)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (1)                |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|                                       | 3 380                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                    |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Receipts                              | 47 580                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (1)                |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Discounts allowed <b>W1</b>           | 305                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1)                |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Irrecoverable debt written off        | 145                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1)                |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Cash receipts                         | 14 800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (1)                |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Total revenue                         | 66 210                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (1) <b>OF</b>      |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Balance b/d                           | 4 940 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Bank               | 47 580 (1)       |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Sales                                 | 51 410                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Discounts allowed  | 305 (1)          |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Irrecoverable debt | 145 (1)          |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Balance c/d        | <u>8 320 (1)</u> |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|                                       | <u>56 350</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                    | <u>56 350</u>    |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| 1(b)                                  | <p><b>Calculate the amount of cash stolen.</b></p> <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Total receipts (11800+80)</td><td></td><td>11 880</td><td></td></tr><tr><td>Total payments (5800+1050+4320)</td><td></td><td>(11 170)</td><td></td></tr><tr><td></td><td></td><td>710</td><td>(1)*</td></tr><tr><td>Increase in cash balance</td><td></td><td>(350)</td><td>(1)</td></tr><tr><td>Stolen cash</td><td></td><td>360</td><td>(1)</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                    | \$               | \$ |                                  | Total receipts (11800+80) |     | 11 880                                |         | Total payments (5800+1050+4320) |  | (11 170) |  |          |        | 710 | (1)*                        | Increase in cash balance |     | (350)                          | (1) | Stolen cash |               | 360    | (1) | 3             |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|                                       | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | \$                 |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Total receipts (11800+80)             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 11 880             |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Total payments (5800+1050+4320)       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (11 170)           |                  |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 710                | (1)*             |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Increase in cash balance              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (350)              | (1)              |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |
| Stolen cash                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 360                | (1)              |    |                                  |                           |     |                                       |         |                                 |  |          |  |          |        |     |                             |                          |     |                                |     |             |               |        |     |               |        |               |             |           |      |            |       |        |                   |         |  |  |                    |         |  |  |             |                  |  |               |  |               |   |

| Question                               | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Marks        |                    |              |                    |                                        |                  |      |        |  |        |  |        |   |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------|--------------|--------------------|----------------------------------------|------------------|------|--------|--|--------|--|--------|---|
| 1(c)                                   | <p><b>Calculate the profit or loss made on the disposal of motor vehicle A.</b></p> <p>Carrying value of vehicle at time of disposal: \$32 000 less depreciation ((2 × 20% × \$32 000) + (20% × 32 000 × 9/12)) = \$14 400 <b>(1)</b><br/>Disposal: \$14 400 – \$16 300 = \$1 900 <b>(1)</b> profit <b>(1)</b></p> <p><b>Alternative approach</b></p> <table><tr><td>Cost</td><td>32 000}</td><td>Depreciation</td><td>17 600} <b>(1)</b></td></tr><tr><td>Statement of profit or loss <b>(1)</b></td><td>1 900 <b>(1)</b></td><td>Bank</td><td>16 300</td></tr><tr><td></td><td>33 900</td><td></td><td>33 900</td></tr></table> | Cost         | 32 000}            | Depreciation | 17 600} <b>(1)</b> | Statement of profit or loss <b>(1)</b> | 1 900 <b>(1)</b> | Bank | 16 300 |  | 33 900 |  | 33 900 | 3 |
| Cost                                   | 32 000}                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Depreciation | 17 600} <b>(1)</b> |              |                    |                                        |                  |      |        |  |        |  |        |   |
| Statement of profit or loss <b>(1)</b> | 1 900 <b>(1)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Bank         | 16 300             |              |                    |                                        |                  |      |        |  |        |  |        |   |
|                                        | 33 900                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |              | 33 900             |              |                    |                                        |                  |      |        |  |        |  |        |   |

| Question                                                  | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Marks  |               |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------|----|--|--------------------------|--------|--|---------------|------------------------------|----|--|------------|-----------------------------------------------------------|-------|--|---------------|--|--|--------|--|---------------|--|--|--|----------------------------------|-----|--|------------|-------------------|-----|--|------------|---------------------------|-------|--|--|---------------------------|-----|--|------------|------------------------------------------|--------|--|------------|-----------------------------------------------------|-----|--|---------------|----------------------------|--------|--|------------|----------------|-------|--|------------|----------------------------|--------|--|------------|--|--|--------|--|---------------------|--|-------|---------------|----|
| 1(d)                                                      | <p><b>Prepare the statement of profit or loss for the year ended 31 December 2025.</b></p> <p style="text-align: center;">Airport Transfers<br/>Statement of profit or loss for the year ended 31 December 2025</p> <table><tr><td></td><td style="text-align: center;">\$</td><td style="text-align: center;">\$</td><td></td></tr><tr><td>Revenue <b>from 1(a)</b></td><td style="text-align: center;">66 210</td><td></td><td style="text-align: center;"><b>(1) OF</b></td></tr><tr><td>Irrecoverable debt recovered</td><td style="text-align: center;">80</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Profit/gain on disposal of motor vehicle <b>from 1(c)</b></td><td style="text-align: center;">1 900</td><td></td><td style="text-align: center;"><b>(1) OF</b></td></tr><tr><td></td><td></td><td style="text-align: center;">68 190</td><td></td></tr><tr><td>Less expenses</td><td></td><td></td><td></td></tr><tr><td>Irrecoverable debt (written off)</td><td style="text-align: center;">145</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Discounts allowed</td><td style="text-align: center;">305</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Wages of office assistant</td><td style="text-align: center;">5 800</td><td></td><td></td></tr><tr><td>Depreciation of equipment</td><td style="text-align: center;">380</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Depreciation of motor vehicles <b>W1</b></td><td style="text-align: center;">13 900</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Uninsured loss of cash/stolen cash <b>from 1(b)</b></td><td style="text-align: center;">360</td><td></td><td style="text-align: center;"><b>(1) OF</b></td></tr><tr><td>General expenses <b>W2</b></td><td style="text-align: center;">12 370</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Rent <b>W3</b></td><td style="text-align: center;">5 690</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td>Wages of drivers <b>W4</b></td><td style="text-align: center;">20 010</td><td></td><td style="text-align: center;"><b>(1)</b></td></tr><tr><td></td><td></td><td style="text-align: center;">58 960</td><td></td></tr><tr><td>Profit for the year</td><td></td><td style="text-align: center;">9 230</td><td style="text-align: center;"><b>(1) OF</b></td></tr></table> <p><b>W1</b> Depreciation of vehicles: Vehicle A, \$4 800 Vehicle B, <math>20\% \times \\$36\,000 = \\$7\,200</math>; Vehicle C, <math>20\% \times \frac{1}{4} \times \\$38\,000 = \\$1\,900</math>, i.e. \$13 900</p> <p><b>W2</b> General expenses: <math>\\$11\,320 + \\$1\,050 = 12\,370</math></p> <p><b>W3</b> Rent: <math>\\$6\,200 - \\$510 = \\$5\,690</math></p> <p><b>W4</b> Wages of drivers: <math>\\$18\,860 + \text{closing owing } \\$1\,150 = \\$20\,010</math></p> |        | \$            | \$ |  | Revenue <b>from 1(a)</b> | 66 210 |  | <b>(1) OF</b> | Irrecoverable debt recovered | 80 |  | <b>(1)</b> | Profit/gain on disposal of motor vehicle <b>from 1(c)</b> | 1 900 |  | <b>(1) OF</b> |  |  | 68 190 |  | Less expenses |  |  |  | Irrecoverable debt (written off) | 145 |  | <b>(1)</b> | Discounts allowed | 305 |  | <b>(1)</b> | Wages of office assistant | 5 800 |  |  | Depreciation of equipment | 380 |  | <b>(1)</b> | Depreciation of motor vehicles <b>W1</b> | 13 900 |  | <b>(1)</b> | Uninsured loss of cash/stolen cash <b>from 1(b)</b> | 360 |  | <b>(1) OF</b> | General expenses <b>W2</b> | 12 370 |  | <b>(1)</b> | Rent <b>W3</b> | 5 690 |  | <b>(1)</b> | Wages of drivers <b>W4</b> | 20 010 |  | <b>(1)</b> |  |  | 58 960 |  | Profit for the year |  | 9 230 | <b>(1) OF</b> | 12 |
|                                                           | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | \$     |               |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Revenue <b>from 1(a)</b>                                  | 66 210                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |        | <b>(1) OF</b> |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Irrecoverable debt recovered                              | 80                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Profit/gain on disposal of motor vehicle <b>from 1(c)</b> | 1 900                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        | <b>(1) OF</b> |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 68 190 |               |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Less expenses                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |        |               |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Irrecoverable debt (written off)                          | 145                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Discounts allowed                                         | 305                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Wages of office assistant                                 | 5 800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        |               |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Depreciation of equipment                                 | 380                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Depreciation of motor vehicles <b>W1</b>                  | 13 900                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Uninsured loss of cash/stolen cash <b>from 1(b)</b>       | 360                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |        | <b>(1) OF</b> |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| General expenses <b>W2</b>                                | 12 370                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Rent <b>W3</b>                                            | 5 690                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Wages of drivers <b>W4</b>                                | 20 010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |        | <b>(1)</b>    |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 58 960 |               |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |
| Profit for the year                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 9 230  | <b>(1) OF</b> |    |  |                          |        |  |               |                              |    |  |            |                                                           |       |  |               |  |  |        |  |               |  |  |  |                                  |     |  |            |                   |     |  |            |                           |       |  |  |                           |     |  |            |                                          |        |  |            |                                                     |     |  |               |                            |        |  |            |                |       |  |            |                            |        |  |            |  |  |        |  |                     |  |       |               |    |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1(e)     | <p><b>Advise Zahir whether or not he should introduce a computerised system of accounting. Justify your answer by considering the advantages and disadvantages of this proposal.</b></p> <p><b>Advantages (max 2)</b><br/>           May reduce late payments if reminders are issued using the credit control system (1)<br/>           May reduce likelihood of irrecoverable debts (1)<br/>           Can track customers and improve credit control (1)<br/>           Improved liquidity and profits (1)<br/>           Speed/efficiency/time saving of processing information (1)<br/>           Automatic provision of reports or financial statements (1)<br/>           Potential for additional useful features: payroll/inventory control (1)<br/>           Accuracy/less errors of records (1)<br/>           Space can be saved/less paper used/large amount of data stored (1)<br/>           Production of business documents e.g. invoices and statements of accounts (1)<br/>           Auditing and fraud prevention (1)<br/>           Records/data are more secure (using passwords/back-ups) (1)<br/>           (Balances are) up to date (1)</p> <p><b>Disadvantages (max 2)</b><br/>           No guarantee that system will improve situation/reminders could be ignored (1)<br/>           Cost of capital equipment/setting up/capital expenditure (1)<br/>           Cost of software package/updating/maintenance (1)<br/>           Lack of experience/training required (1)<br/>           Data security risks/hacking/cyber-attacks/virus (1)<br/>           Systems crashing/loss of data (1)<br/>           Employee resistance (1)</p> <p><b>Decision supported with a comment (1)</b></p> | 5     |
| 2(a)(i)  | <p><b>Calculate the following for the year ended 31 December 2024.</b></p> <p><b>cost of sales</b></p> <p>60% × \$240 000 = \$144 000 (1)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1     |

| Question                                                                    | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                  | Marks   |             |                                                                             |                                                                                     |   |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---|
| 2(a)(ii)                                                                    | <p><b>purchases</b></p> <p>Cost of sales \$144 000 <b>from 2(a)(i) (1) OF</b> + closing inventory \$19 600 – opening inventory \$16 400 = \$147 200 <b>(1) OF</b></p>                                                                                                                                                                                                                                                                   | 2       |             |                                                                             |                                                                                     |   |
| 2(b)                                                                        | <p><b>Calculate the trade payables turnover (days) for the year ended 31 December 2024, stating the formula used.</b></p> <table><tr><td>formula</td><td>calculation</td></tr><tr><td><math display="block">\frac{\text{trade payables}}{\text{card purchases}} \times 365</math> <b>(1)</b></td><td><math display="block">\frac{\\$14\,400}{\\$147\,200 \text{ OF}} \times 365 = 36 \text{ days}</math> <b>(1)OF</b></td></tr></table> | formula | calculation | $\frac{\text{trade payables}}{\text{card purchases}} \times 365$ <b>(1)</b> | $\frac{\$14\,400}{\$147\,200 \text{ OF}} \times 365 = 36 \text{ days}$ <b>(1)OF</b> | 2 |
| formula                                                                     | calculation                                                                                                                                                                                                                                                                                                                                                                                                                             |         |             |                                                                             |                                                                                     |   |
| $\frac{\text{trade payables}}{\text{card purchases}} \times 365$ <b>(1)</b> | $\frac{\$14\,400}{\$147\,200 \text{ OF}} \times 365 = 36 \text{ days}$ <b>(1)OF</b>                                                                                                                                                                                                                                                                                                                                                     |         |             |                                                                             |                                                                                     |   |

| Question                    | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Marks   |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|----|--|---------|--|---------|-----|---------------|--|--|--|-------------------|--------|--|--|-----------|-------------|--|--|--|---------|--|--|-----------------------------|--------------|--|--|--|--|---------|--------|--------------|--|---------|--------|---|
| 2(c)                        | <p><b>Prepare the <u>trading section</u> of the statement of profit or loss for the year ended 31 December 2025.</b></p> <p style="text-align: center;">Naila</p> <p style="text-align: center;">Statement of profit and loss for the year ended 31 December 2024 (trading section)</p> <table><tr><td></td><td style="text-align: center;">\$</td><td style="text-align: center;">\$</td><td></td></tr><tr><td>Revenue</td><td></td><td style="text-align: right;">288 000</td><td style="text-align: right;">(1)</td></tr><tr><td>Cost of sales</td><td></td><td></td><td></td></tr><tr><td>    Opening inventory</td><td style="text-align: right;">19 600</td><td></td><td></td></tr><tr><td>    Purchases</td><td style="text-align: right;">189 600 (1)</td><td></td><td></td></tr><tr><td></td><td style="text-align: right;">209 200</td><td></td><td></td></tr><tr><td>    Closing inventory <b>W1</b></td><td style="text-align: right;">(22 000) (1)</td><td></td><td></td></tr><tr><td></td><td></td><td style="text-align: right;">187 200</td><td style="text-align: right;">(1) OF</td></tr><tr><td>Gross profit</td><td></td><td style="text-align: right;">100 800</td><td style="text-align: right;">(1) OF</td></tr></table> <p><b>W1</b> Closing inventory<br/>Average inventory = \$187 200/9 = \$20 800<br/>Closing inventory = \$41 600 – \$19 600 = \$22 000</p> |         | \$     | \$ |  | Revenue |  | 288 000 | (1) | Cost of sales |  |  |  | Opening inventory | 19 600 |  |  | Purchases | 189 600 (1) |  |  |  | 209 200 |  |  | Closing inventory <b>W1</b> | (22 000) (1) |  |  |  |  | 187 200 | (1) OF | Gross profit |  | 100 800 | (1) OF | 5 |
|                             | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$      |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| Revenue                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 288 000 | (1)    |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| Cost of sales               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |         |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| Opening inventory           | 19 600                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |         |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| Purchases                   | 189 600 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
|                             | 209 200                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |         |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| Closing inventory <b>W1</b> | (22 000) (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |         |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 187 200 | (1) OF |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| Gross profit                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 100 800 | (1) OF |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |
| 2(d)                        | <p><b>Advise Naila whether or not she should go ahead with her proposal. Justify your answer by considering the advantages <u>and</u> disadvantages of the proposal.</b></p> <p>Advantages (<b>Max 3</b>)<br/>Will increase rate of inventory turnover (1)<br/>Reduce storage costs (1)<br/>Less chance of wastage/spoilage (1)<br/>Goods are sold faster so will improve liquidity/cash flow (1)<br/>Attract new customers (1)</p> <p>Disadvantages (<b>Max 3</b>)<br/>Possible loss of customers for the slow-selling lines (1)<br/>Loss of these customers could reduce sales on other lines (1)<br/>Decrease in profits resulting from loss of sales (1)</p> <p><b>Decision</b> supported with a comment (1)</p> <p><b>Accept other valid responses</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 5       |        |    |  |         |  |         |     |               |  |  |  |                   |        |  |  |           |             |  |  |  |         |  |  |                             |              |  |  |  |  |         |        |              |  |         |        |   |

| Question                                                                         | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Marks               |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|--|-------------------------------------|---------|--|----------------------------------------------------------------------------------|-----------|-----|-------------------------------------------------|--------|---------------|---------------------------------------|----------|---------------|-----------------------------|-------------|-------------|---------|-------------|-----------------------------------------------|---------------------|----------------------|--|--|--|----------------|---|
| 3(a)                                                                             | <p><b>Calculate the revised profit for the year ended 31 December 2025.</b></p> <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Draft profit for the year</td><td>58 600</td><td></td></tr><tr><td>Add correction of allowance for irrecoverable debts<br/>May be shown as 300 + 100</td><td>400</td><td>(1)</td></tr><tr><td>Add depreciation <b>W1</b></td><td>10 000</td><td>(1)</td></tr><tr><td>Less tax on profit for the year</td><td>(11 700)</td><td>(1)</td></tr><tr><td>Revised profit for the year</td><td>57 300</td><td>(1)</td></tr></table> <p><b>W1</b> Plant and equipment carrying amount before incorrect depreciation charge:<br/>\$160 000 × 5/4 = \$200 000; correct depreciation charge is 15% × \$200 000 = \$30 000;<br/>correction is \$10 000</p>                                                                                                                                                                                                                                                               |                     | \$                   |  | Draft profit for the year           | 58 600  |  | Add correction of allowance for irrecoverable debts<br>May be shown as 300 + 100 | 400       | (1) | Add depreciation <b>W1</b>                      | 10 000 | (1)           | Less tax on profit for the year       | (11 700) | (1)           | Revised profit for the year | 57 300      | (1)         | 4       |             |                                               |                     |                      |  |  |  |                |   |
|                                                                                  | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                     |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Draft profit for the year                                                        | 58 600                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                     |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Add correction of allowance for irrecoverable debts<br>May be shown as 300 + 100 | 400                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (1)                 |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Add depreciation <b>W1</b>                                                       | 10 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1)                 |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Less tax on profit for the year                                                  | (11 700)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | (1)                 |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Revised profit for the year                                                      | 57 300                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1)                 |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| 3(b)                                                                             | <p><b>Calculate the revised balance of retained earnings for the year ended 31 December 2025.</b></p> <table><tr><td></td><td>\$</td><td></td></tr><tr><td>Retained earnings at 1 January 2025</td><td>157 200</td><td></td></tr><tr><td>Less bonus issue <b>W1</b></td><td>(125 000)</td><td>(1)</td></tr><tr><td>Add revised profit for the year <b>from 3a)</b></td><td>57 300</td><td>(1) <b>OF</b></td></tr><tr><td>Retained earnings at 31 December 2025</td><td>89 500</td><td>(1) <b>OF</b></td></tr></table> <p><b>W1</b> Bonus issue:</p> <p>1 800 000 × 2/3 shares at \$0.25 each = \$300 000<br/>Transfer from retained earnings = \$300 000 – share premium 175 000 = \$125 000</p> <p><b>Alternative approach</b></p> <table><tr><td>Bonus issue</td><td>125 000 (1)</td><td>Balance b/d</td><td>157 200</td></tr><tr><td>Balance c/d</td><td><u>89 500 (1) <b>OF</b></u><br/><u>214 500</u></td><td>Profit for the year</td><td>57 300 (1) <b>OF</b></td></tr><tr><td></td><td></td><td></td><td><u>214 500</u></td></tr></table> |                     | \$                   |  | Retained earnings at 1 January 2025 | 157 200 |  | Less bonus issue <b>W1</b>                                                       | (125 000) | (1) | Add revised profit for the year <b>from 3a)</b> | 57 300 | (1) <b>OF</b> | Retained earnings at 31 December 2025 | 89 500   | (1) <b>OF</b> | Bonus issue                 | 125 000 (1) | Balance b/d | 157 200 | Balance c/d | <u>89 500 (1) <b>OF</b></u><br><u>214 500</u> | Profit for the year | 57 300 (1) <b>OF</b> |  |  |  | <u>214 500</u> | 3 |
|                                                                                  | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                     |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Retained earnings at 1 January 2025                                              | 157 200                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                     |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Less bonus issue <b>W1</b>                                                       | (125 000)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (1)                 |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Add revised profit for the year <b>from 3a)</b>                                  | 57 300                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1) <b>OF</b>       |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Retained earnings at 31 December 2025                                            | 89 500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1) <b>OF</b>       |                      |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Bonus issue                                                                      | 125 000 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Balance b/d         | 157 200              |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
| Balance c/d                                                                      | <u>89 500 (1) <b>OF</b></u><br><u>214 500</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Profit for the year | 57 300 (1) <b>OF</b> |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |
|                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                     | <u>214 500</u>       |  |                                     |         |  |                                                                                  |           |     |                                                 |        |               |                                       |          |               |                             |             |             |         |             |                                               |                     |                      |  |  |  |                |   |

| Question                              | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Marks  |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--|--------------------|--|-----------------------|---------|---------------------------------------|-------------|--|----------------|----------------|--|-----------|--------|-----------------------------|------------|---------------------------|--------|--|----------------|--------------|-------------------------|------------------------|--|--------|--|---------------|-------------|---------------------|--------|-----------------------------|---------------|--------------|----------------|---------------------|--|-----------------|------------|--------------------------|--------|------------------------|------------|-------------------|----------------|------------------------------|-------------------------|---|
| 3(c)                                  | <p><b>Prepare the statement of financial position at 31 December 2025.</b></p> <p style="text-align: center;">J Limited<br/>Statement of financial position at 31 December 2025</p> <p style="text-align: right;">\$</p> <table><tr><td colspan="2">Assets</td></tr><tr><td colspan="2">Non-current assets</td></tr><tr><td>Property at valuation</td><td style="text-align: right;">736 000</td></tr><tr><td>Plant and equipment at carrying value</td><td style="text-align: right;">170 000 (1)</td></tr><tr><td></td><td style="text-align: right;"><u>906 000</u></td></tr><tr><td colspan="2">Current assets</td></tr><tr><td>Inventory</td><td style="text-align: right;">51 800</td></tr><tr><td>Trade and other receivables</td><td style="text-align: right;">53 800 (1)</td></tr><tr><td>Cash and cash equivalents</td><td style="text-align: right;">28 700</td></tr><tr><td></td><td style="text-align: right;"><u>134 300</u></td></tr><tr><td>Total assets</td><td style="text-align: right;"><u>1 040 300 (1) OF</u></td></tr><tr><td colspan="2">Equity and liabilities</td></tr><tr><td colspan="2">Equity</td></tr><tr><td>Share capital</td><td style="text-align: right;">750 000 (1)</td></tr><tr><td>Revaluation reserve</td><td style="text-align: right;">65 000</td></tr><tr><td>Retained earnings from 3(b)</td><td style="text-align: right;">89 500 (1) OF</td></tr><tr><td>Total equity</td><td style="text-align: right;"><u>904 500</u></td></tr><tr><td colspan="2">Current liabilities</td></tr><tr><td>(8%) Debentures</td><td style="text-align: right;">90 000 (1)</td></tr><tr><td>Trade and other payables</td><td style="text-align: right;">34 100</td></tr><tr><td>Tax/taxation (payable)</td><td style="text-align: right;">11 700 (1)</td></tr><tr><td>Total liabilities</td><td style="text-align: right;"><u>135 800</u></td></tr><tr><td>Total equity and liabilities</td><td style="text-align: right;"><u>1 040 300 (1) OF</u></td></tr></table> | Assets |  | Non-current assets |  | Property at valuation | 736 000 | Plant and equipment at carrying value | 170 000 (1) |  | <u>906 000</u> | Current assets |  | Inventory | 51 800 | Trade and other receivables | 53 800 (1) | Cash and cash equivalents | 28 700 |  | <u>134 300</u> | Total assets | <u>1 040 300 (1) OF</u> | Equity and liabilities |  | Equity |  | Share capital | 750 000 (1) | Revaluation reserve | 65 000 | Retained earnings from 3(b) | 89 500 (1) OF | Total equity | <u>904 500</u> | Current liabilities |  | (8%) Debentures | 90 000 (1) | Trade and other payables | 34 100 | Tax/taxation (payable) | 11 700 (1) | Total liabilities | <u>135 800</u> | Total equity and liabilities | <u>1 040 300 (1) OF</u> | 8 |
| Assets                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Non-current assets                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Property at valuation                 | 736 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Plant and equipment at carrying value | 170 000 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
|                                       | <u>906 000</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Current assets                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Inventory                             | 51 800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Trade and other receivables           | 53 800 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Cash and cash equivalents             | 28 700                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
|                                       | <u>134 300</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Total assets                          | <u>1 040 300 (1) OF</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Equity and liabilities                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Equity                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Share capital                         | 750 000 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Revaluation reserve                   | 65 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Retained earnings from 3(b)           | 89 500 (1) OF                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Total equity                          | <u>904 500</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Current liabilities                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| (8%) Debentures                       | 90 000 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Trade and other payables              | 34 100                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Tax/taxation (payable)                | 11 700 (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Total liabilities                     | <u>135 800</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |
| Total equity and liabilities          | <u>1 040 300 (1) OF</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |        |  |                    |  |                       |         |                                       |             |  |                |                |  |           |        |                             |            |                           |        |  |                |              |                         |                        |  |        |  |               |             |                     |        |                             |               |              |                |                     |  |                 |            |                          |        |                        |            |                   |                |                              |                         |   |

| Question                                                                                                                 | Answer                                                                                                                    |                  |                                                                 |           |                     |          | Marks |            |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------|-----------|---------------------|----------|-------|------------|
| 4(a)                                                                                                                     | <b>Complete the table to show the apportionment of overheads and the reapportionment of service department overheads.</b> |                  |                                                                 |           |                     |          | 7     |            |
|                                                                                                                          |                                                                                                                           |                  | Production departments                                          |           | Service departments |          |       |            |
|                                                                                                                          |                                                                                                                           | Total            | Baking                                                          | Packaging | Stores              | Canteen  |       |            |
|                                                                                                                          |                                                                                                                           | \$               | \$                                                              | \$        | \$                  | \$       |       |            |
|                                                                                                                          | Overheads allocated                                                                                                       | 34 500           | 17 300                                                          | 8 200     | 3 900               | 5 100    |       |            |
|                                                                                                                          | Depreciation of machinery                                                                                                 | 18 700           | 11 000                                                          | 4 400     | 1 100               | 2 200    |       | (1) row    |
|                                                                                                                          | Power                                                                                                                     | 4 800            | 2 880                                                           | 768       | 192                 | 960      |       | (1) row    |
|                                                                                                                          | Rent                                                                                                                      | 11 000           | 5 940                                                           | 3 080     | 880                 | 1 100    |       | (1) row    |
|                                                                                                                          | Total                                                                                                                     | 69 000           | 37 120                                                          | 16 448    | 6 072               | 9 360    |       |            |
|                                                                                                                          | Reapportionment Stores department                                                                                         |                  | 2 024                                                           | 2 530     | (6 072)             | 1 518    |       | (1) OF row |
|                                                                                                                          | Subtotal                                                                                                                  |                  | 39 144                                                          | 18 978    | –                   | 10 878   |       |            |
|                                                                                                                          | Reapportionment Canteen department                                                                                        |                  | 7 615                                                           | 3 263     |                     | (10 878) |       | (1) OF row |
| Total                                                                                                                    |                                                                                                                           | 46 759<br>(1) OF | 22 241<br>(1) OF                                                | –         | –                   |          |       |            |
| 4(b)                                                                                                                     | <b>Calculate, to <u>two</u> decimal places, the overhead absorption rates for each of the two production departments.</b> |                  |                                                                 |           |                     |          | 4     |            |
|                                                                                                                          | Baking department                                                                                                         |                  | \$46 759/5800 = \$8.06 (1) OF per machine hour (1)<br>From 4(a) |           |                     |          |       |            |
|                                                                                                                          | Packaging department                                                                                                      |                  | \$22 241/820 = \$27.12 (1) OF per labour hour (1)<br>From 4(a)  |           |                     |          |       |            |
| 4(c)                                                                                                                     | <b>State <u>two</u> reasons why overheads could be over-absorbed in the packaging department.</b>                         |                  |                                                                 |           |                     |          | 2     |            |
| If actual overheads are less than budgeted overheads (1)<br>If actual production is greater than budgeted production (1) |                                                                                                                           |                  |                                                                 |           |                     |          |       |            |

| Question                                                                 | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Marks         |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----|--|------------------|---------|------------|-----------------------------------------------------------|---------|--------------------------------------------------------------|---------|----------------------------------------------------------------------|-------|---------------|--------------------------------------------------------------------------|-------|---------------|------------|--------|---------------|------------|--------|---------------|---------------------|--------|---------------|---|
| 4(d)                                                                     | <p><b>Calculate the selling price of the order.</b></p> <table border="1"> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Direct materials</td><td>31.00 }</td><td rowspan="3"><b>(1)</b></td></tr> <tr> <td>Direct labour: Baking department (<math>\\$11.50 \times 8.5</math>)</td><td>97.75 }</td></tr> <tr> <td>Direct labour: Packaging department (<math>\\$11.50 \times 3.5</math>)</td><td>40.25 }</td></tr> <tr> <td>Overheads: Baking department (<math>\\$8.06 \times 9.5</math>) <b>from 4b)</b></td><td>76.57</td><td><b>(1) OF</b></td></tr> <tr> <td>Overheads: Packaging department (<math>\\$27.12 \times 3.5</math>) <b>from 4b)</b></td><td>94.92</td><td><b>(1) OF</b></td></tr> <tr> <td>Total cost</td><td>340.49</td><td><b>(1) OF</b></td></tr> <tr> <td>Add profit</td><td>340.49</td><td><b>(1) OF</b></td></tr> <tr> <td>Total selling price</td><td>680.98</td><td><b>(1) OF</b></td></tr> </table> <p>* \$169 = <b>(1)</b> for combined direct materials and labour.</p>          |               | \$ |  | Direct materials | 31.00 } | <b>(1)</b> | Direct labour: Baking department ( $\$11.50 \times 8.5$ ) | 97.75 } | Direct labour: Packaging department ( $\$11.50 \times 3.5$ ) | 40.25 } | Overheads: Baking department ( $\$8.06 \times 9.5$ ) <b>from 4b)</b> | 76.57 | <b>(1) OF</b> | Overheads: Packaging department ( $\$27.12 \times 3.5$ ) <b>from 4b)</b> | 94.92 | <b>(1) OF</b> | Total cost | 340.49 | <b>(1) OF</b> | Add profit | 340.49 | <b>(1) OF</b> | Total selling price | 680.98 | <b>(1) OF</b> | 6 |
|                                                                          | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |               |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Direct materials                                                         | 31.00 }                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>(1)</b>    |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Direct labour: Baking department ( $\$11.50 \times 8.5$ )                | 97.75 }                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |               |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Direct labour: Packaging department ( $\$11.50 \times 3.5$ )             | 40.25 }                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |               |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Overheads: Baking department ( $\$8.06 \times 9.5$ ) <b>from 4b)</b>     | 76.57                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>(1) OF</b> |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Overheads: Packaging department ( $\$27.12 \times 3.5$ ) <b>from 4b)</b> | 94.92                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>(1) OF</b> |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Total cost                                                               | 340.49                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(1) OF</b> |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Add profit                                                               | 340.49                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(1) OF</b> |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| Total selling price                                                      | 680.98                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(1) OF</b> |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |
| 4(e)                                                                     | <p><b>Advise the directors whether or not this order should be accepted. Justify your answer by considering the advantages and disadvantages of accepting the order. Calculations are <u>not</u> required.</b></p> <p>For <b>(Max 3)</b><br/>         Could make use of future spare capacity helping to retain direct labour <b>(1)</b><br/>         May lead to future orders <b>(1)</b></p> <p>Against <b>(Max 3)</b><br/>         Currently at full capacity so will have to let down other customers <b>(1)</b><br/>         Regular customers may hear of reduced price and request the same <b>(1)</b><br/>         Will workforce be available for overtime? <b>(1)</b><br/>         Will potential overtime costs make the order unprofitable? <b>(1)</b><br/>         Decrease in current (gross) profit margin <b>(1)</b><br/>         Prediction of reduced demand may be wrong <b>(1)</b></p> <p><b>Decision</b> supported with a comment <b>(1)</b></p> <p><b>Accept other valid responses</b></p> | 5             |    |  |                  |         |            |                                                           |         |                                                              |         |                                                                      |       |               |                                                                          |       |               |            |        |               |            |        |               |                     |        |               |   |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks    |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 4(f)     | <p><b>State <u>two</u> features of the AVCO method of inventory valuation.</b></p> <p>Avoids inequality of identical items being charged to different jobs at different prices <b>(1)</b></p> <p>Smooths out changes in cost <b>(1)</b></p> <p>Recognises that identical items purchased at different times and prices have identical values <b>(1)</b></p> <p>A new average value is calculated every time a new purchase of inventory is made <b>(1)</b></p> <p>May not represent any price actually paid for inventory <b>(1)</b></p> <p><b>Max 2</b></p> <p><b>Accept other valid responses</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>2</b> |
| 4(g)     | <p><b>Explain <u>one</u> advantage and <u>one</u> disadvantage of the JIT system of inventory management.</b></p> <p>Advantages <b>(Max 2 marks)</b></p> <p>Reduces the need to hold large quantities of inventory <b>(1)</b> resulting in reduced storage costs <b>(1)</b></p> <p>Less cash is tied up in inventory <b>(1)</b> this could then mean cash can be used for other opportunities <b>(1)</b></p> <p>Less inventory stolen/damaged <b>(1)</b> which lowers wastage costs/improves profit margins <b>(1)</b></p> <p>Inventory is always available when required <b>(1)</b> preventing holdups in production <b>(1)</b></p> <p>can react fast to changes in consumer tastes <b>(1)</b> which helps increase revenue <b>(1)</b></p> <p>Disadvantages <b>(Max 2 marks)</b></p> <p>Requires a reliable supply chain <b>(1)</b> to avoid stockouts/delays in production <b>(1)</b></p> <p>Requires proper operations management <b>(1)</b> to identify which components are required and at what time <b>(1)</b></p> <p>Unexpected orders cannot be met <b>(1)</b> as materials aren't in storage/lose out on sales/revenue <b>(1)</b></p> <p>Delivery/admin costs may be higher <b>(1)</b> due to increased amount of orders placed <b>(1)</b></p> <p>Miss out on economies of scale/bulk buying/discounts <b>(1)</b> which will lead to higher average costs <b>(1)</b></p> <p><b>Accept other valid responses</b></p> | <b>4</b> |