

Commentary on candidate evidence

The candidate evidence has achieved the following marks for each question of the question paper.

Question 1

Candidate 1

The candidate was awarded **39/40 marks** for this question.

For question 1 (a) (i) the candidate was awarded **18/18 marks**.

For question 1 (a) (ii) the candidate was awarded **19/20 marks**. The additional Bad Debt (Note 8) was incorrectly included as a Current Liability instead of being deducted from Trade Receivables – do not award (DNA) 1 mark.

For question 1 (b) the candidate was awarded **2/2 marks**.

Candidate 2

The candidate was awarded **34/40 marks** for this question.

For question 1 (a) (i) the candidate was awarded **16/18 marks**:

- ◆ The additional Bad Debt (Note 8) was incorrectly calculated – DNA 1 mark for additional Bad Debt.
- ◆ Arithmetic error after deducting correct expenses total – DNA 1 mark for Headings, Labels, Arithmetic and No Extraneous.
- ◆ Corporation Tax is consequentially correct using Profit for the Year before Tax – mark awarded.

For question 1 (a) (ii) the candidate was awarded **16/20 marks**:

- ◆ Arithmetic error when adding up Non-Current Assets – DNA 1 mark for Headings, Labels, Arithmetic and No Extraneous.
- ◆ The additional Bad Debt (Note 8) was incorrectly included as a Current Liability 'Other Payables' instead of being deducted from Trade Receivables – DNA 1 mark.
- ◆ Cash and Cash Equivalents was adjusted for consequentially correct amount, but the amount has been deducted instead of being added to increase overdraft – DNA 1 mark.
- ◆ Incorrect Revaluation Reserve of £40 shown – DNA 1 mark (linked with Unappropriated Profit).

For question 1 (b) the candidate was awarded **2/2 marks**.

Candidate 3

The candidate was awarded **12/40 marks** for this question.

For question 1 (a) (i) the candidate was awarded **6/18 marks**:

- ◆ Gross Profit label omitted – DNA 1 mark for Headings, Labels, Arithmetic and No Extraneous.
- ◆ Corporation Tax dealt with at incorrect point – DNA 1 mark.
- ◆ The additional Bad Debt (Note 8) was omitted – DNA 1 mark.
- ◆ The adjustment to Advertising, taking the receivable amount into account (Note 5) was omitted – DNA 1 mark.
- ◆ Debenture Finance Costs omitted – DNA 1 mark.
- ◆ Depreciation of Machinery omitted (Note 2) – DNA 1 mark.
- ◆ Depreciation of Delivery Vehicles omitted (Note 2) – DNA 1 mark.
- ◆ Unappropriated Profit included as Other Income – DNA 1 mark.
- ◆ Correct 'Other Income' items omitted – DNA 2 marks.
- ◆ Incorrectly including equity and reserve items (extraneous) instead of dividend payments and goodwill written off in less section – DNA 2 marks.

For question 1 (a) (ii) the candidate was awarded **6/20 marks**:

- ◆ Machinery and Delivery Van aggregate depreciation consequentially correct based on the omission of depreciation from the Income Statement – marks awarded.
- ◆ Adjustment to Goodwill (Note 11) ignored – DNA 1 mark.
- ◆ Current Assets section all incorrect – DNA 4 marks. (Although Trade Receivables is shown as 222, the Provision for Doubtful Debts has not been deducted from this figure therefore that mark is not awarded.)
- ◆ Debenture Finance Cost payable omitted from Current Liability section – DNA 1 mark.
- ◆ Cash and Cash Equivalents incorrectly shown as a Current Asset and not adjusted – DNA 1 mark.
- ◆ 10% Debentures omitted from Non-Current Liability section – DNA 1 mark.
- ◆ Equity and Reserve section omitted – DNA 5 marks.
- ◆ Incorrect order of labels in top half of Statement and treatment of section totals unclear – DNA 1 mark for Headings, Labels, Arithmetic and No Extraneous.

For question 1 (b) no marks were awarded as the candidate did not provide any response.

Additional guidance on marking question 1

In the Statement of Financial Position:

- ◆ Aggregate Depreciation figures, Corporation Tax payable and Unappropriated Profit are all consequential on calculations from the Income Statement.
- ◆ In the Non-Current Asset section, all three figures must be shown – At Cost, Aggregate Depreciation and Net Book Value to gain marks.
- ◆ Investments and Goodwill must be shown beneath tangible Non-Current Asset items to gain marks.
- ◆ The Market Value of Investments is not required to gain mark.
- ◆ In the Equity section, Ordinary and Preference share information must contain both the number of shares sold and the value of shares to gain full marks.
- ◆ In the Equity section, Ordinary Shares and Bonus shares can be shown as two separate entries, however the Bonus shares must be displayed immediately above or below the Ordinary share information.

Question 2

Candidate 1

The candidate was awarded **38/40 marks** for this question.

For question 2 (a) the candidate was awarded **5/5 marks**.

For question 2 (b) the candidate was awarded **27/29 marks**:

- ◆ In Receipts section, Equity Invested of £40,000 cannot be awarded the mark as Goodwill of £5,000 has also been included as a Receipt entry – DNA 1 mark.
- ◆ Arithmetic error in the Payments section for May – DNA 1 mark for Heading, Labels, Arithmetic, Opening and Closing Balance figures.

For question 2 (c) the candidate was awarded **3/3 marks**.

The question 2 (d) the candidate was awarded **3/3 marks**.

Candidate 2

The candidate was awarded **24/40 marks** for this question.

For question 2 (a) the candidate was awarded **4/5 marks**:

- ◆ Sales Budget heading omitted – DNA 1 mark for heading and production unit figures.

For question 2 (b) the candidate was awarded **14/29 marks**:

- ◆ Cash Budget heading omitted – DNA 1 mark for Heading, Labels, Arithmetic, Opening and Closing Balance figures.
- ◆ Cash Sales figures all incorrect based on Sales units calculated in (a) – DNA 2 marks.
- ◆ Credit Sales figures (Credit Sales 1 month and Credit Sales 2 months) all incorrect based on Sales units calculated in (a) – DNA 6 marks.
- ◆ Equity Invested has been adjusted for Goodwill – DNA 1 mark.
- ◆ Variable Overheads incorrect for 3-month period – DNA 5 marks.

For question 2 (c) the candidate was awarded **3/3 marks**.

For question 2 (d) the candidate was awarded **3/3 marks**.

Candidate 3 – 8/40

The candidate was awarded **8/40 marks** for this question.

For question 2 (a) the candidate was awarded **1/5 marks**:

- ◆ Opening Inventory figures omitted – DNA 1 linked mark for Opening Inventory figure for January and Closing Inventory figure for June.
- ◆ Opening Inventory figures omitted – DNA 1 linked mark for February-June Opening Inventory figures, combined with Closing Inventory figures for January-May.
- ◆ Closing Inventory units added to Production units instead of being subtracted from Production units to equal Sales units – DNA 2 marks.

For question 2 (b) the candidate was awarded **7/29 marks**:

- ◆ Cash Budget heading omitted, and incorrect labels shown – DNA 1 mark for Heading, Labels, Arithmetic, Opening and Closing Balance figures..
- ◆ Cash Sales figure for April incorrectly contains Vehicle Sale amount – DNA 1 mark.
- ◆ Credit Sales 1 month figure for March is incorrect based on Sales units calculated in part (a) – DNA 1 mark.
- ◆ Vehicle Sale amount incorrect (included in Cash Sales for April) – DNA 2 marks.
- ◆ New partner equity invested has been omitted – DNA 1 mark.
- ◆ Loan of £12,000 omitted from Receipts section for March – DNA 1 mark.
- ◆ Materials incorrect for 3-month period based on production units given – DNA 3 marks.
- ◆ Labour incorrect for 3-month period based on production units given – DNA 2 marks.
- ◆ Production Bonus incorrect for each month – DNA 2 marks.
- ◆ Fixed Overheads omitted – DNA 1 mark.
- ◆ Variable Overheads omitted – DNA 5 marks.
- ◆ Purchase of New Vehicle omitted – DNA 1 mark.
- ◆ Loan Interest omitted – DNA 1 mark.

For question 2 (c) **0/3 marks** were awarded as no response was provided by the candidate.

For question 2 (d) **0/3 marks** were awarded as no response was provided by the candidate.

Additional guidance for marking question 2

- ◆ A Sales Budget OR a Production Budget must have an appropriate heading, ideally with the period of the budget included within the heading.
- ◆ Within a Sales Budget OR a Production Budget the terms Opening Inventory and Closing Inventory must be used. Opening Balance and Closing Balance are incorrect.
- ◆ Cash Budget Sales figures are consequential on sales units calculated in a Sales Budget.
- ◆ If Sales units are omitted from a Sales Budget, then no marks can be awarded for Cash Sales and Credit Sales figures.
- ◆ Cash Budget materials, labour and variable overheads are consequential on production units calculated in a Production Budget.
- ◆ Within a Cash Budget the terms Opening Balance, Add Receipts, Less Payments, and Closing Balance is recommended. Add Cash In and Less Cash Out is also acceptable. The terms Less Expenditure or Less Expenses are not accepted.
- ◆ Marks should not be awarded for Credit Sales 2 months if Bad Debts are included within the Cash Budget.
- ◆ If Fixed Costs/Fixed Overheads figure includes Depreciation in the question, then Depreciation must be deducted.
- ◆ If Fixed Costs/Fixed Overheads figure excludes Depreciation in the question, then Depreciation must be ignored.

Question 3

Candidate 1

The candidate was awarded **18/20 marks** for this question.

For question 3 (a) (i) the candidate was awarded **6/6 marks**.

For question 3 (a) (ii) the candidate was awarded **1/2 marks**:

- ◆ Incorrect disadvantage given – DNA 1 mark.

For question 3 (b) (i) the candidate was awarded **8/8 marks**.

For question 3 (b) (ii) the candidate was awarded **3/4 marks**:

- ◆ The headings and nomenclature mark is a linked mark for both the Process Account and Abnormal Loss account. This candidate has only shown the word 'Transfer' in the details of the Process Account and has not indicated where the goods are to be transferred to – DNA 1 mark.

Candidate 2

The candidate was awarded **11/20 marks** for this question.

For question 3 (a) (i) the candidate was awarded **4/6 marks**:

- ◆ Headings shown as Input and Output rather than Receipts and Issues – DNA 1 mark at Opening Balance figure.
- ◆ The issue of inventory is incorrectly referred to as receipts in the Details column – DNA 1 mark on first occasion.

For question 3 (a) (ii) the candidate was awarded **0/2 marks**:

- ◆ 'Easy to calculate' as a statement is too simplistic for Higher – DNA 1 mark.
- ◆ Incorrect disadvantage given. Inventory valuation (AVCO) calculates the cost of inventory and not the selling price charged to customers – DNA 1 mark.

For question 3 (b) (i) the candidate was awarded **5/8 marks**:

- ◆ Normal Loss quantity was incorrect, resulting in an incorrect Normal Loss value – DNA 1 mark.
- ◆ Transfer to stores figures omitted and selling price of £5 was used for CPU in Abnormal Loss entry – DNA 2 marks.

For question 3 (b) (ii) the candidate was awarded **2/4 marks**:

- ◆ Cash and Cash Equivalents entry omitted – DNA 1 mark.
- ◆ Income Statement entry omitted – DNA 1 mark.

Additional guidance on marking question 3

- ◆ The Inventory Record Card must identify the item of inventory within the heading. The name of the business is not required.
- ◆ If the heading is incorrect or the Opening Balance is omitted do not award first available mark.
- ◆ Receipts, Issues and Balance should be used as headings within the Inventory Record Card.
- ◆ The Process Account heading must include the name of the process, eg Process 2.
- ◆ Quantity, CPU and £ should be shown for each Input, Output and Balance section to gain all potential marks.
- ◆ Labour, Variable Overheads and Fixed Overhead costs should only have figures shown in the £ section of the Inputs. If information is shown within the Quantity and CPU sections of the Inputs do not award marks.
- ◆ The Abnormal Loss Account must have a heading.
- ◆ The first entry in the Input section of the Abnormal Loss Account should have the name of the process account in which the abnormal loss occurred.
- ◆ It is recommended that candidates use their workbook landscape rather than portrait for the completion of Inventory Record Cards and Process Accounts. This will ensure they have sufficient space for all the necessary information.

Question 4

Candidate 1

The candidate was awarded **20/20 marks** for this question.

Part A

For question 4 (a) (i) the candidate was awarded **3/3 marks**.

For question 4 (a) (ii) the candidate was awarded **1/1 marks**.

For question 4 (b) (i) the candidate was awarded **4/4 marks**.

For question 4 (b) (ii) the candidate was awarded **2/2 marks**.

For question 4 (b) (iii) the candidate was awarded **3/3 marks**.

For question 4 (b) (iv) the candidate was awarded **1/1 marks**.

For question 4 (c) the candidate was awarded **2/2 marks**.

Part B

The candidate was awarded **4/4 marks**.

Candidate 2

The candidate was awarded **15/20 marks** for this question.

Part A

For question 4 (a) (i) the candidate was awarded **1/3 marks**:

- ◆ Ordinary Share value shown as £2,000,000 instead of £1,000,000 for Duncan plc – DNA 1 mark.
- ◆ Ordinary Share value shown as £3,200,000 instead of £1,600,000 for Robinson plc resulting in incorrect gearing ratio – DNA 1 mark.

For question 4 (a) (ii) the candidate was awarded **0/1 marks**:

- ◆ Incorrect justification given – DNA 1 mark.

For question 4 (b) (i) the candidate was awarded **2/4 marks**:

- ◆ Corporation Tax deducted before Debenture Finance Cost had been deducted – DNA 1 mark.
- ◆ Preference Dividend calculated as 10% of candidate's 'Profit after Tax and Finance Cost' figure instead of 10% of the value of the Preference Shares – DNA 1 mark.
- ◆ The total profit available for distribution to the ordinary shareholders is consequentially correct – mark awarded.

For question 4 (b) (ii) the candidate was awarded **2/2 marks**:

- ◆ Retained Profit of 20% correctly adjusted from consequentially correct total profit available figure – mark awarded.

For question 4 (b) (iii) the candidate was awarded **3/3 marks**:

- ◆ The candidate has incorrectly shown 200,000 shares instead of 2,000,000, however their response of £0.05 is correct based on the division by 2,000,000 shares – full marks awarded.

For question 4 (b) (iv) the candidate was awarded **1/1 marks**:

- ◆ Earnings Per Share consequentially correct based on candidate's earlier figures – mark awarded.

For question 4 (c) the candidate was awarded **2/2 marks**:

- ◆ Market Price Per Share is consequentially correct based on candidate's earnings per share figure calculated in (b) (iv) – 2 marks awarded consequentially.

Part B

The candidate was awarded **4/4 marks**.

Additional guidance for marking question 4

- ◆ Ratio figures should be displayed in thousands or with the inclusion of £000.
- ◆ When calculating the total profit available for distribution to the Ordinary Shareholders the order is as follows: Deduct Debenture Finance Cost first, followed by Corporation Tax and then finally deduct Preference Dividend paid.
- ◆ When calculating Payback, candidates must always round up to the next whole day if the answer has a decimal point.