



Pearson Edexcel International Advanced Level Accounting

International Advanced Subsidiary (WAC11)

The Accounting System and Costing

Exemplar scripts with examiner commentaries

Section A: Question 1

Introduction

Examiner commentaries on exemplar scripts WAC11, Section A, Question 1

This set of exemplar responses with examiner commentaries for Question 1 is part of the set for Unit 1, The Accounting System and Costing. It has been produced to support teachers and students teaching and studying the International Advanced Level Accounting qualification.

This pack includes examiner commentaries on exemplar scripts which exemplify performances in this component from the June 2017 examination. Due to the nature of accounting questions, considerable data is required upon which questions are set. This document should therefore be used alongside other examination materials on the website.

Link to May/June 2017 Wac11 Examination Question Papers and Mark schemes are available on IAL Accounting web page [here](#)

There are other IAL Accounting teaching and learning materials on the website [here](#).

Script 1 – A very strong response to the question (Q1ai and Q1aii) the evaluation should be studied as an exemplar.

Student's answer to Question 1 (a)

1 (a) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

(17)

Revenue		525 000
<u>Cost of Sales</u>		
Purchases (+2500)	90600 88200	
Inventory	17500 108100 108200	
Less closing inventory	<u>20800</u>	<u>87300</u>
Gross profit		437700
<u>Expenses</u>		
Wages	139200	
Management salaries	57000	
Motor Vehicle expenses	45000	
Electricity and gas	5700	
Rent	28000	
Marketing Expenses	66900	
Loan interest (1800 owing)	4800	
Allowance for bad debts (200-900)	1200	
Depreciation: Motor Vehicles	36000	
Office Equipment	6000	
loose tools (38000-8000)-10000	<u>12000</u>	<u>401800</u>
Profit for the year		<u><u>35900</u></u>

(ii) Statement of Financial Position at 31 March 2017.

(13)

<u>Non-current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Carried Value</u>
Motor Vehicles	180000	108000	72000
Office Equipment	40000	31000	9000
loose tools			<u>18000</u>
			<u>99000</u>

<u>CURRENT ASSETS</u>			
Inventory		20800	
Bank & Cash		3100	
Trade Receivables	70000		
Less allowance for bad debts	<u>2100</u>	<u>67900</u>	
Other receivables		<u>4000</u>	<u>95800</u>
Total Assets			<u>194800</u>

<u>Equity & Liabilities:</u>			
Capital			65000
Net profit			<u>35900</u>
			<u>100900</u>
Less Drawings			<u>18000</u>
			<u>82900</u>

<u>Current Liabilities</u>			
Trade Payables + 2500		<u>46200</u>	
Other payables (1900 + 1800)		<u>3700</u>	18000
		<u>51900</u>	
Long term loan		<u>60000</u>	<u>111900</u>
Total equity & liabilities			<u>194800</u>

Examiner's Comments

This student was awarded 17 marks for part (i) and 13 marks for part (ii).

The student was totally accurate in preparing the profit and loss statement. Examiners will award marks for correct figures and correctly recording the costs and expenses to arrive at the gross profit and profit for the year. The expenses can be recorded after calculating the gross profit in any order.

In the statement of financial position the correct location of all assets and liabilities is as critical as the correct calculation of the figure. A variation of layouts is currently accepted from students but ideally the layout should record total assets and total capital/equity and liabilities. In the exemplar the candidate has used the correct IAS layout and all of the calculations are correct. Therefore full marks were awarded.

Student's answer to Question 1 (b)

(b) Calculate the:

- (i) total cost (including overheads and profit) of employing **one** plumbing technician for the next financial year

(7)

Wages - 100 00

Taxes 2000 $(10000 \times 12\%) \times 20\% \div 12$

Dep. of motor Vehicle 9000 $108000 \div 12$

Vehicle Expenses 4000

Tools Depreciation 1500

26500 ($\times 35\%$)

Mark-up 9275

~~35775~~ 35775

~~1600~~ $(40 \times 50) \times 80\%$

~~Total cost of one technician~~ 37375

35775

8% charged on customer 1600

37375

- (ii) hourly rate that Amsha should charge customers in the next financial year for plumbing technician services.

(2)

~~37375~~ $37375 \div 2000 = 18.69$

$(40 \times 50) \times 80\% = 1600$

Examiner's Comments

The student was awarded 5 marks for part (i).

The student correctly calculated wages, taxes and motor vehicle expenses for one mark each. A mark up of 35% was used and a total cost derived both of which attracted one mark on the own figure rule. The depreciation on the motor vehicles and tools were incorrect and therefore these two marks were lost.

This is a good example of the correct process being used to calculate total cost.

In part (ii) 0 marks were awarded.

The numerator used was not the total cost calculated in part (i). Also the annual hours for recovery of the overhead were incorrectly calculated at 1 600. Therefore as both the numerator and divisor were incorrect the final answer could not be rewarded.

Student's answer to Question 1 (c) and (d)

Amsha remunerates his plumbing technicians on a day work basis. He is considering changing the method of remuneration to a group bonus scheme.

(c) Explain how a group bonus scheme would operate.

(4)

In a group bonus scheme, technicians would work in teams. They would be given an amount of money based on the ^{number} ~~amount~~ of technicians ~~and in how much~~ ~~time they have saved compared to the same time~~ they were allowed. They would receive the hourly rate multiplied by the time they saved & multiplied by 50%.

(d) Evaluate, from Amsha's perspective, the use of a group bonus scheme for remunerating the plumbing technicians.

(12)

Using group bonus scheme has a number of benefits. Firstly, the productivity of the workers would increase and produce goods faster and more efficiently. This will help reduce the average cost per unit for the business. Also, workers would be more encouraged to work since they will have to produce goods faster in order to save as much time they can. The working environment would be better since they work in group and help each other so they would work happier. Finally, it is up to the workers if they will receive a higher wages so they know they must work harder to achieve it. On the other hand though, workers may rush to produce the goods in order to save time and quality of the products might suffer, which may lead to less demand and less profits for the firm. Also, some members of the group may do less work than the others and deserve a lower wage but they don't get it. Also, it is more complex calculations to calculate the wage per worker in a group bonus scheme. There could also be conflict between the members of the group and this might lead to lower productivity or lower quality products.

It all depends on how the workers will respond and how hard they will work among themselves, but generally it is a good scheme to raise productivity.

(Total for Question 1 = 55 marks)

Examiner's Comments

The student was awarded 2 marks for part (c)

The student demonstrated that they understood that workers would be rewarded for a share of the time saved. This attracted 2 marks. No marks were awarded for the concept of a standard time for a job and the establishment of a total standard time for all jobs undertaken by the group.

The response to part (d) is a very strong. The student was awarded 12 marks.

Levels based marking was applied. The important aspects of evaluation are that both sides of the argument are considered, the points for and against. Also there must be reasoning, not just the statement of ideas without any reasoning. There must also be a conclusion reached with some rationale. Here all of those elements were present. Increased productivity, reduction in average cost, workers encouraged to help each other were all positive points. These were counterbalanced with the effect of product quality and potential conflicts. A conclusion was reached with some rationale. This was a Level 4 answer and the full 12 marks were awarded.

Script 2 – A strong response to preparing financial statements and a good evaluation

1 (a) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

(17)

	£	£	£
Sales Revenue			525 000
Less Cost of Sales:			
Opening Inventory		17 500	
Ordinary Goods Purchased		90 600	
		108 100	
Less Closing Inventory		(20 800)	(87 300)
Gross Profit			437 700
Less Expenses:			
Plumbing technicians' wages		139 200	
Management Salaries (75 000 - 18 000)		57 000	
Motor vehicle Expenses (65 000 + 12 000)		45 000	
Electricity Gas		5 200	
Rent of premises (32 000 - 4 000)		28 000	
Marketing Expenses (65 000 + 19 000)		66 900	
Bank loan Interest (3 000 + 1 800)		4 800	
Provisions for Doubtful Debts (2 100 - 900)		1 200	
Depreciation: Motor Vehicles		36 000	
Office Equipment		6 000	
Loose Tools		12 000	(40 1800)
Net Profit			<u>359 000</u>

Statement of Financial Position

	Cost	Depn	NBV
	£	£	£
<u>Non Current Assets:</u>			
Motor Vehicles	180 000	108 000	72 000
Office equipment	40 000	31 000	9 000
Loose tools	38 000	20 000	18 000
	<u>258 000</u>	<u>159 000</u>	<u>99 000</u>

<u>Current Assets:</u>			
Inventory		20 800	
Trade Receivables	70 000	79 900	
Provision for Depreciation	(21 000)	67 900	
Other Receivables		4 000	
Bank and cash		<u>31 000</u>	<u>95 800</u>
Total Assets			<u>194 800</u>

<u>Equity and liabilities:</u>			
Opening Capital		65 000	
Add Net Profit		<u>35 900</u>	
		100 900	
Less Drawings		<u>(18 000)</u>	
		82 900	

Current Liabilities:

Bank Short term loan 8%	60000	
Trade Payables (45200 + 2500)	<u>48200</u>	<u>108200</u>
Total Equity & Liabilities		<u>191100</u>

Examiner's Comments

The student was awarded 17 marks for part (i) and 11 marks for part (ii).

The statement of profit and loss was accurately structured, complete and correctly calculated and the full 17 marks were awarded.

The statement of financial position was correctly structured in a good IAS layout with all assets and equity/liabilities in their correct sections. The two other payables were not recorded in the position statement and therefore those 2 marks were not awarded.

(b) Calculate the:

- (i) total cost (including overheads and profit) of employing **one** plumbing technician for the next financial year

(7)

Wages	10 000	139 200 : 12 = 11 600
Employment taxes	2000	11600
Depreciation ^{Motor} 6000 : 12	500	
Motor vehicle expenses	4000	
Depreciation loose tools	1000	
	<u>17500</u>	

Total Cost for one plumbing technician 17500

- (ii) hourly rate that Amsha should charge customers in the next financial year for plumbing technician services.

(2)

$$\begin{aligned} 45 \times 50 \times 1.80/\text{hr} &= 1800 \text{ hours} \quad 2250 \text{ hours} \times 12 = 27000 \\ 17500 \times 12 &= 210000 \quad 27000 \times 0.8 = 21600 \\ 210000 : 21600 &= \text{£}9.72 \text{ per hour} \end{aligned}$$

Examiner's Comments

The student was awarded 4 marks in part (i).

Marks were awarded for the correct calculation of wages, taxes, motor vehicle expenses and depreciation of tools. The depreciation of motor vehicles was incorrect and no calculation had been made for mark up, therefore no total cost established.

The student was awarded 0 marks in part (ii).

The calculation in (i) was multiplied by twelve and therefore the own figure rule did not apply. The divisor was incorrect. Therefore as both elements of the calculation were incorrect no marks could be awarded.

Student's answer to Question 1 (c) and (d)

Amsha remunerates his plumbing technicians on a day work basis. He is considering changing the method of remuneration to a group bonus scheme.

(c) Explain how a group bonus scheme would operate.

(4)

A group bonus scheme would allow a lot of plumbers to work and a bonus on their pay will be calculated on the total hours worked by the whole group in one day. The hours saved by the whole group will increase their bonus ~~are~~ for each plumber.

(d) Evaluate, from Amsha's perspective, the use of a group bonus scheme for remunerating the plumbing technicians.

(12)

A group bonus scheme would increase the productivity for the workers as they will want to save time when working. The bonus will make the group work faster ~~saving~~ in making the prices for each work less to the customers as less hours will be paid by the customer thus increasing volume of Revenue. Using a group bonus scheme will increase labour productivity, labour inputs in relation to labour outputs. In contrast, workers might rush their work causing bad quality plumbing. Also if one of the workers does not save time to increase the bonus pay, he will still get a bonus from the time saved by other workers. Surveillance of the workers work will be needed to make sure the quality and productivity are good, thus increasing the expenses. Using a group bonus scheme can be beneficial to a business as long as the workers are checked for how productive and the quality of their work.

Examiner's Comments

The student was awarded 1 mark in part (c).

There was a reference to 'time saved' and therefore 1 mark was awarded.

The student was awarded 11 marks in part (d).

Here the positive benefits were compared with the points against with reasoning applied. Increased productivity, reduced costs were counterbalanced with potential bad quality, bonus payments to individuals who had not saved time. The examiners felt that there was a conclusion, but that the rationale was limited. This was a Level 4 response and 11 marks were awarded.