



Mark Scheme (Results)

Summer 2025

Pearson Edexcel International Advanced Level
In Accounting (WAC12)

Unit 2: Corporate and Management Accounting

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question 1 Mark Scheme

(a) AO1 (3) AO2 (3)

AO1: Three marks for calculating and totalling interest.

AO2: Three marks for calculating the weighted average cost of capital.

Option B	£	Interest Rate	Interest	
Government Loan	800 000	17.5%	140 000	Both
Debenture	1 200 000	15%	180 000	(1)AO1
Preference Shares	500 000	7%	35 000	Both
Ordinary Shares	1500 000	3%	45 000	(1)AO1
Total	4 000 000		400 000	(1o/f)AO1

$$\text{Weighted average cost of capital} = \frac{400\,000}{4\,000\,000} \times 100 \text{ (1o/f)AO2}$$

$$= 10\% \text{ (1o/f)AO2}$$

(6)

(b) AO1 (2)

AO1: Two marks for correct choice and correct reason

Metropolis Traffic plc should select Option B, (1) AO1 because it has a lower (o/f) WACC. (1) AO1

(2)

(c)A01 (9) A02 (11) A03 (2)

A01: Seven marks for calculation of costs. One mark each for insertion of revenue and costs for all years when calculating net present value.

A02: Four marks for calculation of revenue. One mark for calculation of net cash flow.

Six marks for calculation of discounted net cash flow for each of the five years and the total.

A03: One mark for insertion of capital cost for year zero and one mark for correct use of discount factor.

Revenue						
Population	Car owners	No regulations	Journeys per week	Weeks in a year	Charge per trip	Total Revenue
800 000	35%	6%	2	50	£5.00	£8 400 000
	both(1)A02		both(1)A02		(1)A02	(1)A02

Costs	Per year	No of cameras	Total		
Maintenance	750	200	150000	(1)A01	
	Per month	Months	Annual total		
Office Rent	22000	12	264000	(1)A01	
Staff costs	110000	12	1320000	(1)A01	
Electricity	19000	12	228000	(1)A01	
Other costs			750000	(1)A01	
Licence fee			4200000	(1)A01	
Total			6912000	(1o/f)A01	

Net Present Value	Revenue	Costs	Net Cash Flow	Discount Factor	Discounted Net Cash Flow	
Year	£	£	£	10%	£	
0					-4000000	(1)A03
1	8 400 000	6 912 000	1 488 000	0.909	1 352 592	(1o/f)A02
2	8 400 000	6 912 000	1 488 000	0.826	1 229 088	(1o/f)A02
3	8 400 000	6 912 000	1 488 000	0.751	1 117 488	(1o/f)A02
4	8 400 000	6 912 000	1 488 000	0.683	1 016 304	(1o/f)A02
5	8 400 000	6 912 000	1 488 000	0.621	924 048	(1o/f)A02
	(1o/f)A01	(1o/f)A01	(1o/f)A02	(1)A03	1 639 520	(1o/f)A02

(22)

(d) A02 (9)

A02: Nine marks for correct calculation of accounting rate of return.

Total costs per year = £6 912 000 + annual depreciation

$$= £6\,912\,000 + \frac{£4\,000\,000}{5}$$

$$= (£6\,912\,000 + £800\,000) \text{ (1o/f) A02} = £7\,712\,000 \text{ (1o/f) A02}$$

$$\text{Profit per year} = (£8\,400\,000 - £7\,712\,000) \text{ (1o/f) A02} = £688\,000 \text{ per year (1o/f) A02}$$

$$\text{Accounting rate of return} = \frac{\text{Average annual profit}}{\text{Initial investment}} \times 100 \text{ (1) A02} \quad (1) \text{ A02}$$

$$\text{Accounting rate of return} = \frac{£688\,000}{£4\,000\,000} \times 100 \text{ (1o/f) A02} = 17.2\% \text{ (1o/f) A02} \quad (1) \text{ A02}$$

OR

$$\text{Accounting rate of return} = \frac{\text{Average annual profit}}{\text{Average investment}} \times 100 \text{ (1) A02} \quad (1) \text{ A02}$$

$$\text{Accounting rate of return} = \frac{£688\,000}{£2\,000\,000} \times 100 \text{ (1o/f) A02} = 34.4\% \text{ (1o/f) A02} \quad (1) \text{ A02}$$

(9)

(e) A03 (4)

A03: Four marks for correct calculation of profitability index.

$$\text{Profitability Index} = \frac{\text{Net present value of investment} + \text{cost of investment}}{\text{Cost of investment}} \text{ (1) A03}$$

$$= \frac{£1\,639\,520 + £4\,000\,000}{£4\,000\,000} \text{ (1o/f) A03} \quad (1) \text{ A03}$$

$$= 1.41 \text{ (1o/f) A03}$$

OR

$$\text{Profitability Index} = \frac{\text{Net present value of investment}}{\text{Cost of investment}} \text{ (1) A03}$$

$$= \frac{£1\,639\,520}{£4\,000\,000} \text{ (1o/f) A03} \quad (1) \text{ A03}$$

$$= 0.41 \text{ (1o/f) A03}$$

(4)

(f)AO1 (1) AO2 (1) AO3 (4) AO4 (6)

For the project

All figures are own figures for return on investment

The figures show a positive return for this project. The NPV of the project is positive, at £1 639 520 at the end of year 5. This is a large sum, after having taken into account the falling value of money over time.

The accounting rate of return looks good at 17.2%/34.4% which is better than the interest rate.

The Profitability index is healthy at 1.41 / 0.41

The payback period is 2.688 years, or 2 years and 8.26 months

The project is for 5 years. It is unlikely that it will stop after 5 years. Metropolis Traffic win the contract, they will probably be in a position to extend the contract after 5 years.

If Metropolis Traffic win this contract and successfully operate the scheme, they would be in a good position to win contracts for similar schemes in other cities and towns.

Against the project

The city council are taking 50% of the revenue of the scheme. This appears to be very high. Is it possible to negotiate this 50% down to a lower figure. Or are there other companies who are happy to accept 50% of the revenue? These companies could bid for the project, and possibly win the contract.

Other points

Some of the figures involved are estimates, and actual figures could be much lower e.g. number of cars being charged per journey, could be much lower. If this is the case, then revenues would be much lower. On the other hand, the figures for cars being fined could be higher, and revenues could be higher.

Conclusion

Candidates may conclude that it is favourable/unfavourable to undertake the project. Conclusion should be supported by an appropriate rationale for the decision.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1- 3	Isolated elements of knowledge and understanding which are recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which may be applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial information in an appropriate format and communicates reasoned explanations.
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial information and makes an informed decision.

(12)

Total for Question 1 = 55 marks

2. Mark scheme

(a)(i) A01 (2)

A01: One mark for each example of a revenue reserve.

Examples of revenue reserves are:

- Retained earnings/Profit and Loss
- General reserve
- Foreign exchange reserve
- Capital replacement reserve

(1) A01 × 2 (1 mark for each correct answer)

(2)

(ii) A01 (1)

A01: One mark for stating how a revenue reserve is created.

Revenue reserves are transferred from retained profit created after profit for the year has been calculated. (1) A01

(1)

(iii) A01 (2)

A01: One mark for each use of a revenue reserve.

Two uses of revenue reserves are:

- Profit and loss reserve can be used to pay dividends. (1) A01
- A revenue reserve can be transferred to the profit and loss account. (1) A01
- A revenue reserve can be used to issue bonus shares

(2)

(b) (i) A01 (2)

A01: One mark for each example of a capital reserve.

Examples of capital reserves are:

- Share premium reserve
- Revaluation reserve
- Capital redemption reserve

(1) A01 × 2 (1 mark for each correct answer)

(2)

(ii) A01 (2) A03 (2)

A01: One mark for each basic statement of how the reserve is created.

A03: One mark for each extension of statement.

- Share Premium created when issuing shares (1) A01 above their face value (1) A03
- Revaluation reserve created when revaluing upwards / the amount of the upward revaluation (1) A01 of a non-current asset (1) A03
- Capital Redemption reserve created when redeeming company's own shares (1) A01 without an issue of new shares. (1) A03
(max 2 examples)

(4)

(iii) A02 (2)

A02: One mark for each use stated.

The share premium account can be used for

- Writing off preliminary expenses on formation of a company or a share issue.
- OR To pay a premium on redemption of shares or debentures
- OR Issue Bonus shares
(only one use required) (1) A02

The Capital redemption reserve may be used to fund an issue of fully paid bonus shares. (1) A02

The revaluation reserve can be transferred to the profit and loss account when the non-current asset is sold. (1) A02
(max 2 examples)

(2)

(c) A02 (6)

A02: Six marks for correct completion of Journal entries showing account and amount.

The Journal

	Debit £	Credit £
£1 Ordinary Share Capital	7 500 000(1) A02	
Bank		7 500 000(1) A02
Share Premium	6 000 000(1) A02	
Bank		6 000 000(1) A02
Retained Earnings	13 500 000(1) A02	
Capital Redemption Reserve		13 500 000(1) A02

(6)

(d)(i) AO1 (2) AO3 (2)

AO1: One mark for each basic statement of advantage. (maximum of two)

AO3: One mark for each extension of statement of advantage. (maximum of two)

Advantages of redeeming shares:

- Company may have excess/large amounts of cash, (1)AO1 which they feel would be best used / no better use than redeeming shares. (1)AO3
- Less funds will have to be paid out in the future (1)AO1 as dividends. (1)AO3
- Certain ratios will improve, (1)AO1
e.g. Return on Capital Employed, Earnings per share. (1)AO3 (need only one). This will make managers and directors and the company look better. (1) AO3
- The share price will rise (1)AO1 as fewer shares are on the market. (1)AO3

(d)(ii) AO1 (2) AO3 (2)

AO1: One mark for each basic statement of disadvantage. (maximum of two)

AO3: One mark for each extension of statement of disadvantage. (maximum of two)

Disadvantages of redeeming shares:

- Drain on companies liquid resources. (1)AO1 i.e. cash and cash equivalents. (1)AO3
- Liquidity ratios will worsen. (1)AO1 e.g. Current ratio, and Acid ratio (1)AO3
- Gearing ratio will worsen. (1)AO1 as Debts are a larger percentage of capital employed. (1)AO3
- Opportunity cost to the company (1)AO1 as the funds could be spent elsewhere eg open new branch.
- Shareholders may be upset (1)AO1 as they will not receive future dividends. (1)AO3
- Administration cost may be quite expensive (1)AO1 eg staffing costs to handle the redemption. (1)AO3

(e) A02 (6)

A02: Six marks for correct completion of Journal showing accounts and amount.

The Journal

	Debit	Credit
Retained earnings (1) A02	112 500	
Redeemable preference share dividends (1) A02		112500 Both (1)A02
Redeemable preference share dividends (1)A02	112 500	
Bank (1) A02		112500 Both (1o/f)A02

(6 marks)

(f) A01 (1) A02 (9)

A01 : One mark for correct insertion of retained earnings at start of year.

A02 : Nine marks for all other correct workings to calculate dividend per share.

<u>To calculate the balance in Retained earnings</u>		
Retained earnings reserve at start of year	21375000	(1)A01
Less		
Deduction for ordinary share redemption	(13500000)	(1o/f)A02
Redeemable preference share dividend - May	(112500)	both
Redeemable preference share dividend - November	(112500)	(1o/f)A02
Balance in Retained earnings account	7650000	(1o/f)A02
<u>To calculate the number of ordinary shares</u>		
Number of ordinary shares at start year	50000000	(1)A02
Number of ordinary shares redeemed in May	(7500000)	(1o/f)A02
Number of ordinary shares at end year	42500000	(1o/f)A02
<u>To calculate the maximum dividend</u>		
Maximum dividend per share payable	7650000	(1o/f)A02
	42500000	(1o/f)A02
	=£0.18	per share
		(1o/f)A02

10 marks

(g)AO1 (1) AO2 (1) AO3 (4) AO4 (6)

Case For using all funds in Retained earnings

Shareholders will be kept happy. They receive a dividend of £0.18 (o/f) per share. This represents a return of 10% (o/f) given that the market price of the share is £1.80

A return of 10% (o/f) is a very good return, being above what could be earned in a deposit account.

A good return through dividends will help to push the market price of the share upwards.

Shareholders are likely to want to hold onto, or buy into, a share giving high returns.

There is £2m in the General reserve, and this can be transferred back into the Retained Earnings account. This can be used for future dividends and other expenditure.

Case Against using all funds in Retained earnings

The company has used all the funds in retained earnings. This will make it impossible to give out future dividends for ordinary shareholders

The company may not have the liquid funds i.e. cash, to make these large payments. It may result in an overdraft.

The 10% (o/f) dividend may be seen as being over generous and unwise. The redeemable preference share is only giving a return of 4.5%

Funds may be in short supply as £13.5 (o/f) million was spent redeeming the ordinary shares.

By paying out a large dividend just before the year end, the Retained earnings figure on the Statement of financial position at the year-end will appear very small. This may not encourage future investment and may have a negative effect on the share price.

Conclusion

It is probably not a wise decision to pay out a 10% (o/f) return on ordinary shares, especially when Redeemable preference shares are only returning 4.5%.

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Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial information and makes an informed decision.

(12)
Total for Question 2 = 55 marks

TOTAL FOR SECTION A - 110 MARKS

Q3 Mark scheme

(a) [AO1] 5 [AO2] 5 [AO3] 1 [AO1] : Four marks for calculation of fixed costs and total fixed costs. One mark for calculation of total variable costs. [AO2] : Two marks for calculation of contribution per passenger journey Three marks for calculation of break-even point. [AO3] : One mark for calculation of variable cost per passenger per driver.	
£	
Fixed Costs per year	Loan repayment = (£1 650 x 12) = 19 800 (1)A01 i Insurance = 5 400 Road tax = 420(1)A01 both Servicing = (£350 x 3) = 1050 Administration costs = 12 600 (1)A01 both Total Fixed Costs = 39 270 (1)A01
Variable Costs per passenger per journey	Fuel = 5 Drivers (105 / 35) = 3 (1)A03 both Total Variable Costs = 8 (1)A01
Contribution per passenger per journey	(19 - 8) (1o/f)A02 = 11 (1o/f)A02
Break-even point	= $\frac{39\,270}{11}$ (1o/f)A02 = 3 570 passengers (1o/f)A02 11(1o/f)A02
11 marks	

(b) [AO2] 2

[AO2] : Two marks for calculation of number of journeys required to break-even.

Number of tours required to break-even = $\frac{3\,570}{35}$ (1o/f)A02 = 102 tours(1o/f)A02

2 marks

(c) (i) [AO2] 5

[AO2] : Five marks for calculation of margin of safety.

Actual sales revenue = (5 x 36 x 35 x £19) (1)A02 = £119 700 (1o/f)A02
Break-even sales revenue = (102 x 35 x £19) (1o/f)A02 = £67 830 (1o/f)A02
Margin of safety = £51 870 (1o/f)A02

5 marks

(ii) [AO3] 3

[AO3] : Three marks for calculation of margin of safety as a percentage of sales.

Margin of safety as a percentage of sales = $\frac{(\pounds 51\,870 \times 100)}{(\pounds 119\,700)}$ (1o/f)AO3 = 43.33% (1o/f)AO3

3 marks

(d) (i) [AO3] 2

[AO3] : Two marks for a definition of a semi-fixed cost.

An item of expenditure that increases in total as activity rises, in a stepped, (1)AO3 rather than a linear, function (1)AO3

2 marks

(ii) [AO3] 1

[AO3] : One mark for an example of a semi-fixed cost.

A coach, if another coach is purchased Or Rent if another store is rented.
Or Managers salaries Or depreciation on another coach Or Supervisors
Or Maintenance (1)AO3

1 mark

(e) [AO2]1 [AO3]2 [AO4]3

Argument for 18 seat minibus

The minibus may have no unfilled seats. This means there is no unused capacity.

Some costs of running the minibus will be lower than the coach. These are likely to include fuel costs, servicing costs and road tax.

The capital cost of the minibus is very likely to be less than the £48 000 spent buying a coach.

The break-even point of the minibus is likely to be lower than the break-even point of the coach.

Argument for 52 seat coach

The coach can take up to 52 passengers at a time which is more than the minibus.

Although the coach is not predicted not to be full, it is still likely to take 35 paying passengers per trip, which is more than the minibus.

The coach is likely to be more profitable than the minibus. If the coach is used, it holds 17 more passengers, so takes $17 \times \pounds 19 = \pounds 323$ more in fares per trip. This would be $180 \times \pounds 323 = \pounds 58\,140$ more revenue in total.

The predicted numbers could be inaccurate, but the coach has room for more passengers if estimates are too low.

To take the same number of passengers, maybe two minibuses could be used. This would involve extra costs eg two drivers

Conclusion

The 52 seat coach takes an average of 35 paying passengers at a time, so is a more profitable option than the 18 seat minibus. The coach needs 20 passengers to break-even but is predicted to take 35 for each tour.

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Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

6 marks

Total for Question 3 = 30 marks

Q4 Mark Scheme

(a) A01 (4)

If the shareholders were paid cash, they would no longer be shareholders. (1) A01 The new company would then have to go to the trouble and expense of a share issue to raise capital. (1) A01

The cash and bank reserves are not available in large enough quantities to buy out the existing shareholders. (1) A01 For example, TasteeBurgers plc only has £84 000 in cash and bank. It would be required to pay out £2 880 000 to shareholders. (1) A01

4 marks

(b) A02(3)

A02: Three marks for correct calculation of purchase consideration

900 000 shares in Tastee Burgers receive 3 600 000 shares of Good Meals plc (1) A02 valued at £0.80 each (1) A02

$3\,600\,000 \times £0.80 = £2\,880\,000$ (1o/f) A01

3 marks

(c) (i) A02 (5) A03 (2)

A02: Three marks for entries of assets and liabilities and one mark each for total in debit and in credit columns.

A03: One mark each for entries of label for Profit on Realisation and Purchase consideration.

Tastee Burgers plc Realisation Account

	£'000		£'000
Property, plant and equipment	3136	Mortgages	1038
Fixtures and Fittings	209	Trade payables	217 (1) A02 both
Computer systems	72	Good Meals plc (1) A03	2 880
		Purchase Consideration	(1o/f) A02
Vehicles	55 (1) A02 all four		
Inventories	75		
Trade receivables	16		
Bank	49		
Cash	35 (1) A02 all four		
Sundry Shareholders account (Profit on Realisation) (1) A03	488 (1o/f) A02		
	4 135		4 135

7 marks

(ii) A02 (5) A03 (1)

A02: Five marks for purchase consideration label and figure, equity entries, reserve entries and profit on realisation label entry.

A03 : One mark for Profit on realisation figure entry.

Tastee Burgers plc Sundry Shareholders Account

	£'000		£'000
Good Meals plc Purchase Consideration (1) A02	2 880 (1o/f) A02	Share Capital	900
		Share Premium	900(1) A02 both
		Retained Earnings	242
		General reserve	350 (1) A02 both
	_____	Realisation account (1) A02 (Profit on Realisation)	<u>488</u> (1o/f) A03
	2 880		2 880

6 marks

(d) A03 (4)

A03: Two marks for each point developed.

Answers could include:

Accept any reasonable answer.

Companies may enjoy benefits of economies of scale. **A03**

For example, buying economies where each unit is purchased at a lower price per unit than if companies bought separately. **A03**

It may be that there are two retail outlets in the same town which could be reduced to one outlet by a merger, **A03** if only one outlet is required. **A03**

4 marks

(e) A02 (1) A03 (2) A04 (3)

Case for taking over at carrying / book value.

Some assets would not need to be adjusted to give a different, market value. For example, bank and cash.

Some liabilities would not need to be adjusted to give a market value. For example, mortgages and trade payables.

It might not be possible for staff in different companies to agree to the new, “market” value of an asset. For example, property, computer systems, inventories.

It is difficult to put a value on items such as fittings, which may be specially made for a business. It might be easier to use the carrying/book value.

Case against taking over at carrying / book value.

Some assets would need to be adjusted to give a different, market value. For example, property prices may be increasing or decreasing and this would affect the market value of a property.

It is difficult to put a value on items such as fittings, which may be specially made for a business.

Inventories may have deteriorated in condition or be obsolete so an adjustment may be needed.

Trade receivables may need to be adjusted due to the possibility of irrecoverable debts.

Computer systems may be outdated or need an upgrade and should be revalued.

The vehicles may need to be revalued to reflect their condition and usage and the second-hand value of vehicles on the market.

Conclusion

Agreeing a market value for assets and liabilities is probably best practice during a merger, but this is not always straightforward.

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6 marks

Total for Question 4 = 30 marks

QUESTION 5

INSERT LANDSCAPE PAGES FOR (a) to (c)

Question 5 Mark scheme

(a) Revenue budget

A01 (1) A02 (7)

A01: One mark for correct calculation of monthly usage per customer

A02: One mark for calculation of monthly charge per customer, monthly standing charge per customer and number of customers.

Two marks for calculation of monthly total charge per customer and revenue.

	Sept	Oct		Nov	Dec	
Weekly usage per customer	400	500		625	750	
Monthly usage per customer	1600	2000		2500	3000	A01(1)
Price per unit	£0.07	£0.07		£0.07	£0.07	
Monthly usage charge per customer	£112.00	£140.00		£175.00	£210.00	A02(1o/f)
Daily fixed charge per customer	£0.22	£0.22		£0.22	£0.22	
Monthly fixed charge per customer	£6.16	£6.16		£6.16	£6.16	A02(1)
Monthly total charge per customer	£118.16	£146.16	Both A02(1o/f)	£181.16	£216.16	Both A02(1o/f)
Number of customers	285000	285000		295000	305000	A02(1)
Revenue	£33675600	£41655600	Both A02(1o/f)	£53442200	£65928800	Both A02(1o/f)
						8 marks

(b) Inventory budget

A01(4)

A01: Four marks for correct preparation of inventory budget.

	Sept	Oct		Nov	Dec	
Weekly usage per customer	400	500		625	750	A01(1)
Number of customers	285000	285000		295000	305000	A01(1o/f)
Units required for inventory	114000000	142500000	A01(1o/f)	184375000	228750000	A01(1o/f)
						4 marks

(c) Cash budget workings

AO2 (5) AO3 (7)

AO2: One mark each for calculation of total units required per month, number of customers per month, and amount paid each month. Two marks for correct month for bill payment.

AO3: One mark for monthly inventory increase, and amount paid each month. Two marks for correct calculation grossbills. Two marks for correct calculation of discount. Two marks for correct calculation of August weekly usage.

	Aug	Sept	Oct	Nov	Dec	
Monthly usage per customer (units)	1280	1600	2000	2500	3000	
Inventory requirement (units)	320 (W1)	400	500	625	750	
Inventory increase(units)	320	80	100	125	0	AO3(1)
Total required for month(units)	1600	1680	2100	2625	3000	AO2(1o/f)
Number of customers	280000	285000	285000	295000	305000	AO2(1o/f)
Price per unit	£0.04	£0.04	£0.04	£0.04	£0.04	
Gross charge for month	£17920000	£19152000	£23940000	£30975000	£36600000	AO3(2o/f)
Charge to be paid this month		£17920000	£19152000	£23940000	£30975000	AO2(2o/f)
Less Discount Applied			(£383040) AO3(1o/f)	(£478800) both	(£929250)	AO3(1o/f)
Amount Paid		£17920000	£18768960	£23461200	£30045750	AO2(1o/f)
						12 marks

(W1) August weekly usage calculation $400 \times \frac{100}{125} = 320$ AO3(1)
AO3(1)

(d) {AO2} 1 [AO3] 2 [AO4] 3

Answers may include:

Positive aspects of terms

Green Sea Gas plc have been given one month's credit. This will help their cash flow as they do not have to pay on delivery of the gas or pay anything in advance.

Customers are charged at the end of each month for the gas used in that month. This means that Green SeaGas plc can use the cash collected from customers to pay the supplier for gas supplied.

Green SeaGas plc receive a discount of 2% or 3% if the monthly gas supplied is over £18m or £25m respectively. It would appear that winter months sees demand for gas over £25m in some months.

Negative aspects of terms

Green SeaGas plc have been given one month's credit. Some businesses offer a longer credit period.

It appears likely that the summer months e.g. July will see demand for gas below £18 m, so no discount is likely to be allowed. Heating and cooking hot meals will be reduced in the summer.

It is difficult for Green SeaGas plc to persuade customers (e.g. by advertising) to use more gas as it is used for heating and cooking. If Green SeaGas plc could persuade customers to use more gas, they would see discounts assured. This is a demand-led industry.

Conclusion

It appears that terms are reasonable, but not generous. Paying bills within one month is acceptable, but some months may see no discount received.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding that are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

6 marks

Total for Question 5 - 30 Marks

Q6 Mark Scheme

(a)

- (i) A02 (2): Two marks for calculation of amount customers owed at the year end.

$$(\text{£}76\,000 - \text{£}28\,000) \text{ (1) A02} = \text{£}48\,000 \text{ (1) A02} \quad (2)$$

- (ii) A02 (2): Two marks for calculation of amount suppliers were owed at the year end.

$$(\text{£}39\,000 - \text{£}19\,000) \text{ (1) A02} = \text{£}20\,000 \text{ (1) A02} \quad (2)$$

- (iii) A01(2): Two marks for reasons why a tangible non-current asset would be sold. (maximum of two)

The asset has worn out / obsolete / can no longer be used. (1) A01

There are better / more advanced alternatives available. (1) A01

Company needs to raise cash / improve liquidity (1) A01

Company needs to improve ratios (1) A01

(2)

- (iv) A02 (3): Three marks for calculation of book value of equipment when sold.

$$\text{£}39\,000 \text{ A02} + \text{£}13\,000 \text{ (1) A02} = \text{£}52\,000 \text{ (1) A02} \quad (3)$$

- (v) A01 (1): One mark for comment about statement of cash flows
A03 (1): One mark for comment about effect of depreciation on profit.

The statement is only concerned with cash flows. (1) A01

Depreciation is a non-cash flow item that reduces profit. (1) A03

(2)

- (vi) A01 (2): One mark for comment about statement of cash flows
One mark for comment about cash budget.

A statement of cash flows is prepared for a past period of time. (1) A01

A cash budget is prepared for a future period. (1) A01

OR

A statement of cash flows is based on actual figures. (1) A01

Cash budgets are based on estimated figures. (1) A01

OR

Statement of cash flows is compulsory.

Cash budget is not compulsory

OR

Statement of cash flows is for external use.

Cash budget is for internal use.

(2)

(vii) A02 (1): One mark for calculation of cash balance.

A03 (1): One mark for correct workings for calculation.

$$(\text{£}14\,000 + \text{£}46\,000) (1) \text{ A03} = \text{£}60\,000 (1) \text{ A02}$$

(2)

(viii) A02 (4): Four marks for calculation of movement on bank balance in year.

$$\text{Year-end bank balance} = (\text{£}198\,000 - \text{£}62\,000) (1) \text{ A02} = \text{£}136\,000 (1) \text{ A02}$$

$$\text{Yearly movement} = (\text{£}14\,000 + \text{£}136\,000) (1\text{o}/\text{f}) \text{ A02} = \text{£}150\,000 \text{ increase} (1\text{o}/\text{f}) \text{ A02}$$

(4)

(ix) A03 (5): Five marks for calculation of interim dividend paid.

$$\text{Number of shares} = \frac{15\,000}{6.25} \times 100 (1) \text{ A03} = 240\,000 \text{ shares} (1) \text{ A03}$$

$$\text{Number of shares at year end} = 240\,000 + 60\,000 = 300\,000 \text{ shares} (1\text{o}/\text{f}) \text{ A03}$$

$$\text{Interim dividend paid} = \frac{6\,000}{300\,000} \times 100 (1\text{o}/\text{f}) \text{ A03} = 2\% (1\text{o}/\text{f}) \text{ A03}$$

(5)

(b) [AO2] 1 [AO3] 2 [AO4] 3

Answers may include:

Reasons to invest in Red Jupiter Media plc

The company made a profit of £151 000 after interest in the year ended 31 March 2025.

There is a healthy cash and cash equivalents balance at the year end of £198 000

In the year, Red JupiterMedia plc has issued ordinary shares to the value of £60 000 which shows others/the market are willing to invest in the company.

The company is looking to the future, having invested £164 000 in the year on tangible non-current assets.

The company paid a good level of dividends in the last year. These were 6.25% for the 2024 final dividend, and 2% for the interim dividend of 2025.

Reasons not to invest in Red Jupiter Media plc/ Other points

Adhira has not seen a Statement of Financial Position of the company. She is not aware of the assets and liabilities, nor the overall balance on the profit and loss account at the year end.

For part of the year, the company must have had an overdraft, as there is a mention of bank overdraft interest on the statement.

Adhira does not know the size or length of the bank loan, that is charging interest of £12 000 per year.

Conclusion

It is probably a good investment for Adhira as a profit is being made, and the company has £198 000 in cash and cash equivalents at the year end.

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6 marks

Total for question 6 - 30 marks

TOTAL FOR SECTION B - 90 MARKS

TOTAL FOR QUESTION PAPER = 200 MARKS

