



PEARSON EDEXCEL  
INTERNATIONAL AS / A LEVEL  
**ACCOUNTING**  
TEACHER RESOURCE PACK 1

- Check student responses to the activities and exam practice questions using the [student book answers](#).
- Prepare for exam success with [practice exam papers](#) and [mark scheme](#).
- Improve exam technique with [model exam answers](#) for each section of the exam paper, covering a range of command words. Also includes activities to embed knowledge of exam requirements.
- Support answer-writing technique for evaluate questions on the exam paper with a [framework](#) and [model answer commentary](#).

# IAS Accounting Exam Practice 'Calculate' style Question

**1.1 Principles of Accounting**  
**1.3 Financial statements**  
**1.5 Analysis of Accounting statements**

- End of period adjustments
- Calculation of profit or loss
- Ratios

## Resource for question

Rory is in business buying and selling goods on credit. The following information is provided:

Transactions for May 2020:

- Goods purchased for £20,000 and goods costing £30,000 were sold.
- Expenses of £10,000 were paid.

Expenses owing at 30 April 2019 were £5,000 and at 31 May 2020 were £3,000.

Inventory at 30 April 2020 was valued at £24,000, while sales were made at a mark-up of 50%.

## Exam question

Calculate the following:

- (a)** The revenue for May 2020
- (b)** The inventory as at 31 May 2020
- (c)** The expenses to be charged for May 2020
- (d)** The profit for May 2020
- (e)** The profit for the year as a percentage of revenue

**(10)**

## Is this a good answer?

(a) 45,000

(b)  $24,000 + 20,000 - 30,000 = \text{£}(14,000)$

(c)  $10,000 + 5,000 + 3,000 = 18,000$

(d)  $45,000 - 14,000 - 18,000 = 13,000$

(e)  $\frac{13,000}{45,000} = 0.29$

## Examiner feedback

The marks available for this question are: 5 for AO1 – demonstration of knowledge; and 5 for AO2 – select and apply knowledge and understanding.

This answer demonstrates the skills of knowledge (AO1) and the selection and application of knowledge and understanding (AO2) but is limited for both assessment objectives.

Part a is numerically correct but does not have a unit of measurement, nor does the candidate show relevant workings. The command ‘calculate’ requires working out numerical problems using formulae showing relevant workings.

Part b shows some workings but the figures are not labelled and the answer is mathematically incorrect.

## Examiner feedback

Part c shows some unlabelled workings, and the accounting treatment of the accrued expenses at the start of the month is incorrect.

In part d the calculation is based on the incorrect selection of data. The candidate has used the inventory figure calculated in part b instead of the cost of sales of £30,000 given in the source data. Stating the formula for calculating profit for the year would be beneficial.

In part e the candidate has used their own figures to calculate the ratio but has not completed the calculation.

This candidate would be awarded 6 marks – 3 for AO1 and 3 for AO2.

## Examiner review of assessment objectives

(a) 45,000

(b)  $24,000 + 20,000 - 30,000 = \text{£}(14,000)$

(c)  $10,000 + 5,000 + 3,000 = 18,000$

(d)  $45,000 - 14,000 - 18,000 = 13,000$

(e)  $\frac{13,000}{45,000} = 0.29$

Key to assessment objectives: Knowledge and Understanding, Application, Analysis, Evaluation

## Activity

*Using the information from the previous slides, improve this answer to the question. Remember that this candidate demonstrated both limited knowledge and application. Make sure you apply your knowledge fully to the question, showing all workings and labelling the figures used.*

## An example of best practice

(a) Revenue = cost of sales x (100 + Mark-up %) = £30,000 x 140% = £45,000

(b) Closing inventory = Opening inventory + Purchases - Sales  
= £24,000 + £20,000 - £30,000 = £14,000

(c) Expenses for the month – paid during the month less opening balance accrued plus closing balance accrued = £10,000 - £5,000 + £3,000 = £8,000

(d) Profit for the month = Revenue - Cost of sales - expenses =  
£45,000 - £30,000 - £8,000 = £7,000

(e) Formula = Profit for the month x 100 / Revenue = 7000 x 100 / 45,000 = 15.5

Key to assessment objectives: Knowledge and Understanding, Application, Analysis, Evaluation

## Examiner feedback

Calculate questions require precise knowledge and understanding of accounting procedures and techniques. Although in most cases marks are not awarded for formulae, it is good exam practice to write down in words the formula/calculation that you are carrying out. This allows you to select and apply (AO2) the relevant data from the data given and the calculations you have already made. In part d you are required to use a formula and your own figures from parts a and c for the revenue and expenses, and the given figure of £30,000 for the cost of sales. Writing down the formulae will make it clear which numbers are required in order to complete the calculation.

The example of best practice would be awarded full marks.

## Evaluate, essay guidance

Evaluate the use of control accounts in small business organisations.

(12)

### Score: Mid-Level 4 (11)

#### Colour key:

Knowledge

Application

Analysis

Evaluation/conclusion

A control account is a memorandum account used to verify the accounting entries made in the subsidiary accounts, normally the individual trade receivables and trade payables.

Control accounts could help locate errors in the personal accounts of individual trade receivables and trade payables. It proves the arithmetical accuracy of the ledger accounts as the total of the control account should agree with the totals of the individual personal accounts. This could be beneficial for a small business as locating errors could save potential additional costs for the business.

However, control accounts only help in locating errors as it does not totally identify the error, making the control account ineffective. Errors such as omission and commission would not be revealed by the use of control accounts. As a result, the arithmetical accuracy would not be confirmed as the errors would appear in both the control account and the individual account. Being a small company, they might not have a lot of trade receivables accounts or trade payables accounts so this might not be a big disadvantage.

Control accounts will help with the decision-making. The control accounts give the total for trade receivables (an asset) and trade payables (a liability). This helps the owner to make decisions about offering cash discounts for customers to encourage prompt payment if the amount of the trade receivable

#### Weaknesses

- Introduction not required – but could focus response.

#### Weaknesses

- An attempt at application but not developed.

#### Strengths

- Good knowledge throughout.
- Developed chains of reasoning.

#### Strengths

- There are balanced comparisons.

control account is too high. This could be important in a small business as cash flow problems might exist if trade credit is difficult to obtain.

However, the preparation of control accounts requires a skilled book-keeper. This will increase the costs of the business and does not guarantee that the control accounts will be free from errors. As the preparation of control accounts provides little additional information, this could be an unnecessary expense.

#### Strengths

- There are balanced comparisons.

In conclusion, I believe that a small business should prepare control accounts as it helps locate but does not prevent errors in the individual accounts. Fewer errors in the accounts will make the financial statements more accurate. The cost of preparing the control accounts is likely to be less than the cost of missing the errors in the accounts as the owner might then make poor decisions based on inaccurate information. Fraud may be reduced, resulting in a successful business in the future. These benefits outweigh the fact that control accounts do not provide a business with any additional information.

#### Strengths

- Excellent knowledge of control accounts in the context of the question – benefits and limitations.
- Well-developed explanations of each benefit and limitation.
- Well-developed conclusion and judgement based on the arguments made.

#### Weaknesses

- Application is weak and not fully developed, as in the location of errors.
- This could be improved by adding: 'It might be important for a small business to ensure trade payables are correct as if they do not pay a supplier on time, the supplier may stop supplying goods or services, and they might not have an alternative supplier.'

## Evaluate, essay framework

Evaluate the use of control accounts in a small business organisation.

(12)

**Score: Mid-Level 4 (11)**

### Plan

Introduction	Not required for Evaluate questions – refer to assessment grid.
1st point	Total account – checks arithmetical accuracy of the individual accounts.
1st point counter-balanced	Not all errors are detected by controls accounts – provide examples.
2nd point	Decision-making – total assets and liabilities of receivable and payables shown. Link to discounts.
2nd point counter-balanced	Requires a skilled book-keeper – accuracy and cost implications.
Conclusion and recommendation	Little new information, accuracy and decisions – beneficial.

### Essay

Introduction	A control account is a memorandum account used to verify the accounting entries made in the subsidiary accounts, normally the individual trade receivables and trade payables.
1st point	Control accounts could help locate errors in the personal accounts of individual trade receivables and trade payables. It proves the arithmetical accuracy of the ledger accounts as the total of the control account should agree with the totals of the individual personal accounts. This could be beneficial for a small business as locating errors could save potential additional costs for the business.
1st point counter-balanced	However, control accounts only help in locating errors as it does not totally identify the error, making the control account ineffective. Errors such as omission and commission would not be revealed by the use of control accounts. As a result, the arithmetical accuracy would not be confirmed as the errors would appear in both the control account and the individual account. Being a small company, they might not have a lot of trade receivables accounts or trade payables accounts so this might not be a big disadvantage.

2nd point	Control accounts will help with the decision-making. The control accounts give the total for trade receivables (an asset) and trade payables (a liability). This helps the owner to make decisions about offering cash discounts for customers to encourage prompt payment if the amount of the trade receivable control account is too high. This could be important in a small business as cash flow problems might exist if trade credit is difficult to obtain.
2nd point counter-balanced	However, the preparation of control accounts requires a skilled book-keeper. This will increase the costs of the business and does not guarantee that the control accounts will be free from errors. As the preparation of control accounts provides little additional information, this could be an unnecessary expense.
Conclusion and recommendation	In conclusion, I believe that a small business should prepare control accounts as it helps locate but does not prevent errors in the individual accounts. Fewer errors in the accounts will make the financial statements more accurate. The cost of preparing the control accounts is likely to be less than the cost of missing the errors in the accounts as the owner might then make poor decisions based on inaccurate information. Fraud may be reduced, resulting in a successful business in the future. These benefits outweigh the fact that control accounts do not provide a business with any additional information.

## Assessment grids

### Evaluate: 12-mark question

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1–3	Isolated elements of knowledge and understanding that 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 that are 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 knowledge and understanding, supported by relevant application to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects. Evaluation may be presented using financial and non-financial information with a decision made.
Level 4	10–12	Accurate and thorough knowledge and understanding, supported by relevant and effective application to the scenario. Analysis is coherent with logical chains of reasoning, showing causes and effects. Evaluation is balanced, wide-ranging and well contextualised, using financial and perhaps non-financial information, and an appropriate decision is made.

### Evaluate: 6-mark question

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1–2	Isolated elements of knowledge and understanding that are recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	3–4	Elements of knowledge and understanding that 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.
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