

LRN International AS/A Level: Accounting (7151)



**Learning
Resource Network**

Paper 1: Accounting

May / June 2024

(1 Hour 30 minutes)

Marking Scheme

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Question 1: Explain how Jessica could make use of financial accounting to track the performance of her boutique bakery. (3 marks)

Criteria: Understanding of financial accounting's role in performance tracking, linking to Jessica's bakery operations.

Mark Band	Performance Descriptor
1 mark	Limited understanding with vague or inaccurate statements. No specific examples provided.
2 marks	Reasonable understanding with some relevant points, such as tracking income and expenses. Limited linkage to the bakery.
3 marks	Comprehensive explanation of how financial accounting enables Jessica to monitor profitability, cash flow, and overall financial performance. Clear examples given, e.g., income statements.

Example: "Jessica can use financial accounting to track her bakery's income and expenses through income statements, ensuring her profitability and identifying areas for improvement."

Question 2: Explain the significance of income statements, balance sheets, and cash flow statements in Jessica's decision-making process regarding the bakery's expansion. (3 marks)

Criteria: Understanding of the role of financial statements in decision-making.

Mark Band	Performance Descriptor
1 mark	Basic mention of financial statements with no explanation of their significance.
2 marks	Reasonable explanation of the role of one or two statements but lacks depth or a clear link to decision-making.
3 marks	Detailed explanation of the significance of all three statements (income statement for profitability, balance sheet for assets/liabilities, cash flow for liquidity). Strong linkage to expansion planning.

Example: "Jessica can use the balance sheet to evaluate her bakery's solvency, ensuring she has sufficient assets to cover liabilities during expansion."

Question 3: Describe the role of cost accounting in Jessica's bakery expansion plans. (2 marks)

Criteria: Clarity on cost accounting's relevance to decision-making during expansion.

Mark Band	Performance Descriptor
1 mark	Basic mention of cost accounting but no explanation of its relevance to expansion.
2 marks	Clear description of how cost accounting helps Jessica determine production costs, set prices, and assess profitability for expansion plans.

Example: "Cost accounting enables Jessica to calculate unit costs, ensuring competitive pricing while maintaining profitability."

Question 4: Summarise how Jessica can use cost analysis to evaluate the feasibility of introducing new products in her bakery. (3 marks)

Criteria: Explanation of cost analysis in product feasibility evaluation.

Mark Band	Performance Descriptor
1 mark	Limited understanding of cost analysis, with vague or generic statements.
2 marks	Reasonable explanation of cost analysis, including elements like ingredient and labour costs, but lacks full feasibility assessment.
3 marks	Comprehensive summary explaining how cost analysis evaluates profitability, feasibility, and pricing strategies for new products.

Example: "Jessica can assess ingredient costs, overheads, and labour for new products to ensure profitability before introducing them."

Question 5: Discuss how Jessica utilises techniques such as budgeting and variance analysis in managing her bakery's resources. (4 marks)

Criteria: Understanding of budgeting and variance analysis and their application to resource management.

Mark Band	Performance Descriptor
1 mark	Basic mention of budgeting or variance analysis without explanation.
2 marks	Some understanding of budgeting or variance analysis but limited connection to bakery resource management.

3 marks	Good understanding with examples of how Jessica uses these techniques to allocate resources or monitor performance.
4 marks	Comprehensive discussion of both techniques with clear examples, such as budgeting for expansion costs and analysing variances to track financial efficiency.

Example: "Jessica uses budgeting to plan expenses for leasing a larger space and hiring staff. Variance analysis helps her identify deviations from expected costs and address inefficiencies."

Question 6: Define what is meant by scaling up a business. (2 marks)

Criteria: Clarity and accuracy of the definition.

Mark Band	Performance Descriptor
1 mark	Partial definition, lacking key elements like growth or operations.
2 marks	Accurate definition, including growth in operations, resources, or markets.

Example: "Scaling up a business involves expanding operations to increase revenue, market share, or production capacity."

Question 7: State the methods of performance measurement for scaling up a business. (2 marks)

Criteria: Identification of relevant methods.

Mark Band	Performance Descriptor
1 mark	Mentions one performance measurement method without detail.
2 marks	Identifies at least two methods, such as financial ratios and key performance indicators (KPIs).

Example: "Jessica can use financial ratios and KPIs like revenue growth and profit margins to measure performance."

Question 8: Examine the importance of performance measurement in Jessica's decision-making process. (4 marks)

Criteria: Analysis of the relevance of performance measurement.

Mark Band	Performance Descriptor
1 mark	Basic mention of performance measurement with no connection to decision-making.
2 marks	Some explanation of performance measurement but lacks depth or examples.
3 marks	Good analysis with examples of how performance metrics guide Jessica's decision-making.
4 marks	Comprehensive analysis linking performance metrics to resource allocation, risk assessment, and profitability.

Example: "Performance measurement helps Jessica assess operational efficiency and identify areas for improvement, guiding her expansion plans."

Question 9: Determine the role of financial statements in accounting. (3 marks)

Criteria: Explanation of financial statement roles.

Mark Band	Performance Descriptor
1 mark	Mentions the role of financial statements but with limited accuracy or detail.
2 marks	Reasonable explanation of financial statements as tools for summarising financial performance.
3 marks	Detailed explanation, including roles like decision-making, compliance, and investor communication.

Example: "Financial statements summarise financial health, helping businesses comply with regulations and make informed decisions."

Question 10: Analyse how financial statements can assist Jessica in assessing her bakery's financial health. (4 marks)

Criteria: Application of financial statements in assessing financial health.

Mark Band	Performance Descriptor
1 mark	Basic mention of financial statements with no connection to financial health.
2 marks	Some analysis of financial statements but lacks examples or depth.
3 marks	Good analysis with examples, such as income statements for profitability and balance sheets for solvency.
4 marks	Comprehensive analysis of how income statements, balance sheets, and cash flow statements together inform financial health.

Example: "Jessica can use the income statement to assess profitability, the balance sheet to check solvency, and cash flow statements to ensure liquidity."

Question 11: Describe the role of ratio analysis. (2 marks)

Criteria: Understanding and explanation of ratio analysis in accounting.

Mark Band	Performance Descriptor
1 mark	Basic mention of ratio analysis without explanation or context.
2 marks	Clear description of how ratio analysis helps evaluate financial performance, including profitability, liquidity, or efficiency.

Example: "Ratio analysis evaluates financial performance by comparing profitability, liquidity, and efficiency across periods or with industry standards."

Question 12: Explore the significance of ratio analysis in determining the profitability, liquidity, and efficiency of Jessica's bakery operations. (4 marks)

Criteria: Application of ratio analysis to specific aspects of bakery operations.

Mark Band	Performance Descriptor
1 mark	Basic mention of profitability, liquidity, or efficiency with little connection to ratio analysis or the bakery.
2 marks	Some explanation of how ratios like profit margin or current ratio apply to Jessica's bakery.

3 marks	Good exploration with examples, such as using gross profit ratio for pricing decisions or inventory turnover ratio.
4 marks	Comprehensive analysis of multiple ratios with clear examples of their significance to decision-making and bakery operations.

Example: "Jessica can use the current ratio to ensure liquidity for expansion costs and the gross profit margin to assess the impact of new product pricing."

Question 13: Differentiate between trading and manufacturing accounts. (3 marks)

Criteria: Explanation of the differences in purpose and structure.

Mark Band	Performance Descriptor
1 mark	Basic mention of trading and manufacturing accounts without differentiation.
2 marks	Partial differentiation, e.g., trading accounts focus on gross profit, while manufacturing accounts include production costs.
3 marks	Clear and accurate differentiation, including examples of elements in each account, such as direct costs or gross profit.

Example: "A trading account shows gross profit from buying and selling goods, while a manufacturing account includes production costs to calculate the cost of goods manufactured."

Question 14: Summarise how Jessica accounts for unreleased profit resulting from manufactured goods in her bakery's financial statements. (3 marks)

Criteria: Explanation of accounting for unreleased profit and its relevance.

Mark Band	Performance Descriptor
1 mark	Basic mention of unreleased profit without explanation or relevance.
2 marks	Some understanding of adjustments made for unreleased profit in financial statements.
3 marks	Detailed explanation of how unreleased profit is adjusted to avoid overstating income, with an example.

Example: "Jessica adjusts for unreleased profit to reflect accurate costs, ensuring her income statement excludes profits from unsold inventory."

Question 15: State the main methods Jessica can use to calculate closing inventory in her bakery. (2 marks)

Criteria: Identification of inventory valuation methods.

Mark Band	Performance Descriptor
1 mark	Mentions one inventory valuation method without detail.
2 marks	Identifies at least two methods, such as FIFO (First-In, First-Out) and AVCO (Average Cost), with brief explanations.

Example: "Jessica can use FIFO to value inventory based on the oldest costs or AVCO to calculate an average cost per unit."

Question 16: Assess the significance of absorption costing in accounting. (2 marks)

Criteria: Explanation of absorption costing and its importance.

Mark Band	Performance Descriptor
1 mark	Basic mention of absorption costing without detail or significance.
2 marks	Clear explanation of how absorption costing includes fixed and variable costs in product pricing to ensure profitability.

Example: "Absorption costing ensures all production costs, including overheads, are allocated to products, helping Jessica price her bakery items accurately."

Question 17: Examine the application of absorption costing to Jessica's bakery. (4 marks)

Criteria: Application of absorption costing to bakery operations.

Mark Band	Performance Descriptor
1 mark	Basic mention of absorption costing with no connection to the bakery.
2 marks	Some understanding of applying absorption costing, e.g., allocating ingredient and labour costs.
3 marks	Good application with examples, such as including fixed equipment costs in pricing bakery items.

4 marks	Comprehensive application with detailed examples of cost allocation and its impact on pricing and profitability.
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Example: "Jessica allocates costs for utilities and equipment using absorption costing to ensure every product contributes to fixed cost recovery."

Question 18: Discuss the advantages of marginal costing in the context of Jessica's bakery operations. (4 marks)

Criteria: Explanation of marginal costing benefits and application to the bakery.

Mark Band	Performance Descriptor
1 mark	Basic mention of marginal costing without benefits or context.
2 marks	Some understanding of marginal costing advantages, e.g., decision-making for new products.
3 marks	Good discussion with examples, such as using marginal costs to evaluate special orders.
4 marks	Comprehensive discussion of marginal costing benefits, including flexibility in pricing and decision-making, with detailed examples.

Example: "Marginal costing helps Jessica evaluate whether producing a special batch for a local event is profitable by focusing on variable costs."

Question 19: Explain the purpose of the break-even point. (2 marks)

Criteria: Clarity and accuracy of the explanation.

Mark Band	Performance Descriptor
1 mark	Basic mention of break-even point without explanation.
2 marks	Accurate explanation, including its purpose to determine when total revenue equals total costs.

Example: "The break-even point identifies when Jessica's bakery covers all costs, helping her avoid losses."

Question 20: Recommend an appropriate course of action to address limiting factors in Jessica's bakery expansion plans based on cost accounting techniques. (4 marks)

Criteria: Analysis of limiting factors and recommendations using cost accounting.

Mark Band	Performance Descriptor
1 mark	Basic mention of limiting factors with no actionable recommendation.
2 marks	Some understanding of limiting factors, e.g., resource constraints, but limited use of cost accounting techniques.
3 marks	Good recommendation using cost accounting, such as prioritising high-margin products or reallocating resources.
4 marks	Comprehensive recommendation addressing limiting factors with detailed use of cost accounting techniques.

Example: "Jessica could prioritise high-margin pastries and outsource low-margin items to manage resource constraints while maximising profitability."