



# Introduction to Accounting and Economics

## Sample

## Marking Scheme

This marking scheme has been prepared as a **guide only** to markers. This is not a set of model answers, or the exclusive answers to the questions, and there will frequently be alternative responses which will provide a valid answer. Markers are advised that, unless a question specifies that an answer be provided in a particular form, then an answer that is correct (factually or in practical terms) **must** be given the available marks.

If there is doubt as to the correctness of an answer, the relevant NCC Education materials should be the first authority.

**Throughout the marking, please credit any valid alternative point.**

**Where markers award half marks in any part of a question, they should ensure that the total mark recorded for the question is rounded up to a whole mark.**

<b>Answer ALL questions</b>
-----------------------------

**Marks**

**Question 1**

- a) There are two main types of expenditure – capital and revenue.

Explain the following terms.

i) Capital expenditure 2  
**Capital expenditure includes all costs incurred in the acquisition of a non-current asset (1 mark) and is usually a one-off payment (1 mark).**

ii) Revenue expenditure 2  
**Revenue expenditure includes costs that are aimed at ‘maintaining’ non-current assets (1 mark), these costs are incurred on a regular basis (1 mark).**

- b) For each of the following items of expenditure, identify whether the expenditure is classified as *capital* or *revenue* **and** briefly explain why.

i) A new building purchase 2  
**Capital expenditure as this is a new purchase of a large/non-current asset.**

**Award 1 mark for the correct expenditure and 1 mark for the explanation.**

ii) Maintenance costs 2  
**Revenue expenditure as this is a cost to maintain assets.**

**Award 1 mark for the correct expenditure and 1 mark for the explanation.**

iii) A replacement machine 2  
**Capital expenditure as this is a new purchase of a large/non-current asset.**

**Award 1 mark for the correct expenditure and 1 mark for the explanation.**

**Total 10 Marks**

Question 2

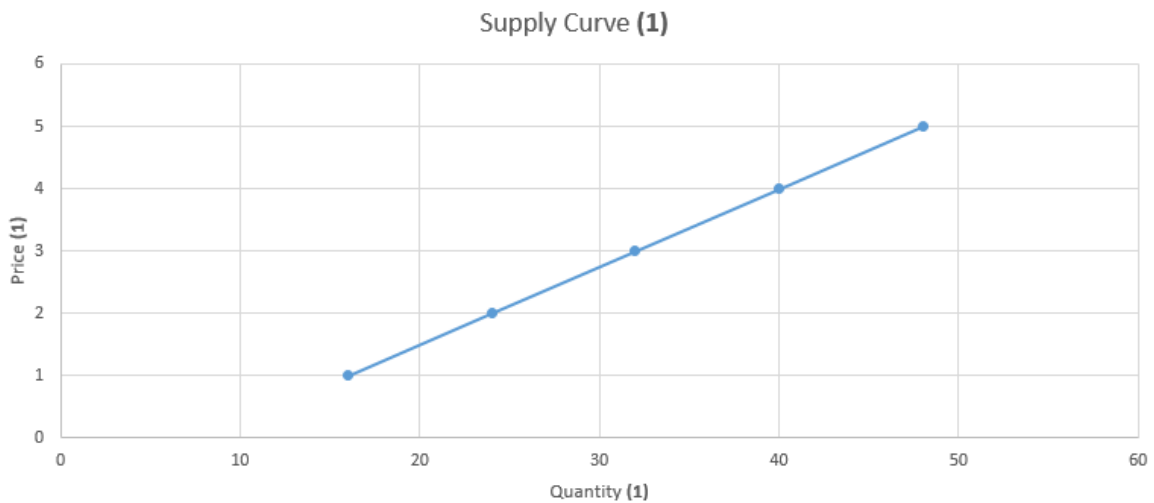
a) Explain the following terms used in economics.

- i) Supply 2  
**Supply is the amount of a product or service (1 mark) businesses are prepared and able to sell at different prices (1 mark).**
- ii) Demand 2  
**Demand is the amount of a product or service (1 mark) customers are prepared to buy at different prices (1 mark).**

b) Zebra Café has supplied the following information about the supply of coffee on a Monday morning. 6

Price (£)	Quantity
1	16
2	24
3	32
4	40
5	48

Prepare a supply curve to illustrate this information.



**Award marks for titles and labels as per the graph above – 3 marks.**

**Award 2 marks for all points accurately plotted (award 1 mark for at least two points accurately plotted).**

**Award 1 mark for an appropriate line of best fit.**

**Total 10 Marks**

**Question 3**

Forest Limited is a private limited company that sells furniture to many countries around the world.

- a) Define the term *exchange rate*. 2  
**An exchange rate is the price of one currency (1 mark) expressed in terms of another currency (1 mark).**
- b) Forest Limited has provided the following ledger accounts for the year ended 31 January 2016. 8

Purchases					
Date	Narrative	£		Date	Narrative
3 July	Cash	85			
7 July	F Morgan	116			
18 July	A Moses	98			

Sales					
Date	Narrative	£		Date	Narrative
				10 July	Cash
					42
				24 July	A Cole
					55

Capital					
Date	Narrative	£		Date	Narrative
				1 July	Cash
					500
				8 July	Bank
					300

Cash					
Date	Narrative	£		Date	Narrative
1 July	Capital	500		3 July	Purchases
10 July	Sales	42			85
31 July	A Iqbal	55		25 July	F Smith
					88

Calculate the balance carried down for **each** of the ledger accounts.  
 State for each account whether the balance carried down is a debit or credit.  
**Award 1 mark for each correct figure and 1 mark for correctly stating whether it is a debit/credit balance.**  
**Purchases: £299 (1 mark), credit (1 mark)**  
**Sales: £97 (1 mark), debit (1 mark)**  
**Capital: £800 (1 mark), debit (1 mark)**  
**Cash: £424 (1 mark), credit (1 mark)**

**Total 10 Marks**

## Question 4

There are many successful global organisations, such as Nike, McDonalds and Coca-Cola.

- a) Explain the term *globalisation*. 2  
***Globalisation is the integration of national economies (1 mark) into the international economy (1 mark) through trade, foreign direct investment, capital flows, migration and the spread of technology (1 mark).***

***Accept any two points – 1 mark for each point.***

- b) Explain TWO (2) arguments in favour of globalisation. 4
- ***Consumers have access to a greater range of products and services (1 mark) at higher quality (1 mark) and lower cost (1 mark).***
  - ***Developing countries benefit from trade (1 mark) with richer countries (1 mark) such as the USA (1 mark).***
  - ***Increasing international trade promotes political stability (1 mark) in international affairs (1 mark).***

***Accept any two points – 2 marks for each point.***

- c) Explain TWO (2) arguments against globalisation. 4
- ***Workers in developing countries (1 mark) are exploited (1 mark) by multinational corporations (1 mark).***
  - ***Environmental damage is increased (1 mark) due to the actions of companies and / or governments (1 mark) that ignore controls on pollution (1 mark).***
  - ***Globalisation undermines the social (1 mark) and cultural (1 mark) framework of developing countries (1 mark).***
  - ***Ideals of consumer society are promoted (1 mark) at the expense of local cultures (1 mark).***

***Accept any two points – 2 marks for each point.***

**Total 10 Marks**

## Question 5

Frederick owns a retail store selling a wide range of stationery and business accessories.

The following data relates to his business for the year ended 31 December 2015.

Cost of opening inventory	£35,000
Closing inventory valuation	£25,000
Rate of inventory turnover	8 times
Gross profit	20% mark-up on cost
Purchases	?

Calculate for the year ended 31 December 2015, the value of Frederick's:

- a) Cost of sales 3  
***Cost of sales = opening inventory + purchases – closing inventory (1 mark)***  
***Cost of sales = 35,000 + 230,000 – 25,000 (1 mark)***  
***Cost of sales = £240,000 (1 mark)***
- b) Purchases 2  
***Mark up = 20%***  
***Cost of sales = 240,000***  
***Gross profit = 240,000 x 20% (1 mark)***  
***Gross profit = £48,000 (1 mark)***  
***Award marks for candidate's own figures based on part (a).***
- c) Gross profit 3  
***Gross profit = sales – cost of sales (1 mark)***  
***48,000 = sales – 240,000 (1 mark)***  
***Sales = £288,000 (1 mark)***  
***Award marks for candidate's own figures based on parts (a) and (b)***
- d) Sales 2  
***Cost of sales = opening inventory + purchases – closing inventory***  
***240,000 = 35,000 + purchases – 25,000 (1 mark)***  
***Purchases = £230,000 (1 mark)***  
***Award marks for candidate's own figures based on part (a).***

Total 10 Marks

**End of paper**

## Marking note

Multiply original mark out of 50 by two to produce final mark out of 100 to be recorded.

## Learning Outcomes matrix

Question	Learning Outcomes assessed	Marker can differentiate between varying levels of achievement
1	1	Yes
2	1, 2	Yes
3	3	Yes
4	4	Yes
5	5	Yes

## Grade descriptors

Learning Outcome	Pass	Merit	Distinction
Understand essential aspects of accounting	Demonstrate adequate level of understanding	Demonstrate robust level of understanding	Demonstrate highly comprehensive level of understanding
Understand essential aspects of economics	Demonstrate adequate level of understanding	Demonstrate robust level of understanding	Demonstrate highly comprehensive level of understanding
Understand how markets operate	Demonstrate adequate level of understanding	Demonstrate robust level of understanding	Demonstrate highly comprehensive level of understanding
Understand the role of money, interest rates and inflation within the area of accounting and economics	Demonstrate adequate level of understanding	Demonstrate robust level of understanding	Demonstrate highly comprehensive level of understanding
Be able to apply a number of key concepts in accounting	Demonstrate adequate and appropriate application	Demonstrate sound and consistently appropriate application	Demonstrate detailed and highly appropriate application