

International Pre-Master's in Business
Quartz ID: 1274

Unit ID: 2348

Finance and Accounting for Managers

Global Examination

Sample Assessment

Marking Scheme

Markers are advised that, unless a task 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.

This marking scheme has been prepared as a **guide only** to markers and there will frequently be many alternative responses which will provide a valid answer.

Throughout the marking, please credit any valid alternative point.

Each candidate's script must be fully annotated with the marker's comments (where applicable) and the marks allocated for each part of the tasks.

Candidate Name and ID number:		
Marker's comments:		
Moderator's comments:		
Mark:	Moderated mark:	Final mark:
Penalties applied for academic malpractice:		

SECTION A: Answer ALL questions. Total 20 marks.

**Answer these in your answer booklet – do NOT write on this Question Paper.
Write ONE (1) correct answer from A, B, C, or D for each question in your answer booklet.**

Each question is worth 1 mark.

Marks

Question 1

Which financial statement measures the profit of a business for a period?

1

- A** Balance Sheet
- B** Income Statement
- C** Cash Flow Statement
- D** Statement of Changes in Equity

Mark Scheme

B. Income Statement

Question 2

A business purchases inventory for £12,000 on credit. Which accounts are affected?

1

- A** +Inventory; +Cash
- B** +Inventory; +Trade Payables
- C** +Trade Payables; –Cash
- D** –Inventory; +Trade Payables

Mark Scheme

B. +Inventory; +Trade Payables

Question 3

Which of the following is a non-current asset?

1

- A** Trade receivables
- B** Inventory
- C** Building
- D** Cash

Mark Scheme

C. Building

Question 4

Which accounting concept requires recognising losses as soon as they are foreseeable?

1

- A Accruals
- B Going Concern
- C Prudence
- D Consistency

Mark Scheme**C. Prudence****Question 5**

A business buys a machine for £20,000. It is expected to last 5 years with no residual value. Straight-line depreciation per year is:

1

- A £2,000
- B £3,000
- C £4,000
- D £5,000

Mark Scheme**C. £4,000****Question 6**

Which of the following is NOT a current liability?

1

- A Accrued expenses
- B Bank overdraft
- C Trade payables
- D Bank loan payable in 8 years

Mark Scheme**D. Bank loan payable in 8 years**

Question 7

Which statement is always true?

1

- A Assets + Liabilities = Capital
- B Assets = Liabilities
- C Assets = Capital + Liabilities
- D Capital = Assets – Profit

Mark Scheme

C. Assets = Capital + Liabilities

Question 8

A business sells inventory for £7,000 that cost £5,000. Gross profit is:

1

- A £1,500
- B £2,000
- C £5,000
- D £7,000

Mark Scheme

B. £2,000

Question 9

Which of the following is an intangible asset?

1

- A Inventory
- B Machinery
- C Patent
- D Cash

Mark Scheme

C. Patent

Question 10

A business receives £6,000 cash for work to be done next month. Under accrual accounting, this is recorded as:

1

- A Revenue
- B Liability
- C Asset
- D Capital

Mark Scheme

B. Liability

Question 11

If depreciation increases, which is affected?

1

- A Cash increases
- B Profit decreases
- C Inventory increases
- D Capital increases

Mark Scheme

B. Profit decreases

Question 12

Which inventory valuation method assumes that the earliest items purchased are sold first?

1

- A LIFO
- B FIFO
- C AVCO
- D Standard cost

Mark Scheme

B. FIFO

Question 13

A business pays £1,200 for insurance covering 12 months. At year-end, only 3 months have passed. Prepaid insurance is:

1

- A £300
- B £600
- C £900
- D £1,200

Mark Scheme**B. £900****Question 14**

Which cost is not included in the price of inventory?

1

- A Purchase price
- B Import duties
- C Carriage inwards
- D Carriage outwards

Mark Scheme**D. Carriage outwards****Question 15**

A company has sales of £40,000, cost of sales of £25,000, and expenses of £10,000. Profit is:

1

- A £5,000
- B £10,000
- C £15,000
- D £25,000

Mark Scheme**A. £5,000**

Question 16

Which financial statement shows assets and liabilities?

1

- A Cash Flow Statement
- B Income Statement
- C Balance Sheet
- D Statement of Changes in Equity

Mark Scheme**C. Balance Sheet****Question 17**

A business purchases equipment for £50,000 by taking out a bank loan. What is the effect on the accounting equation?

1

- A Assets ↑, Liabilities ↑
- B Assets ↓, Capital ↑
- C Liabilities ↑, Capital ↓
- D Assets ↑, Capital ↓

Mark Scheme**A. Assets ↑, Liabilities ↑****Question 18**

Which concept ensures financial statements can be compared over time?

1

- A Accrual
- B Consistency
- C Materiality
- D Prudence

Mark Scheme**B. Consistency**

Question 19

Which of the following would appear in the investing section of a cash flow statement?

1

- A** Interest received
- B** Proceeds from the sale of equipment
- C** Payment of dividends
- D** Repayment of loan

Mark Scheme

B. Proceeds from the sale of equipment

Question 20

A business begins the year with a capital of £45,000. Profit for the year is £8,000, and drawings are £5,000. Closing capital is:

1

- A** £40,000
- B** £45,000
- C** £48,000
- D** £53,000

Mark Scheme

C. £48,000

Total 20 Marks

SECTION B: Answer ALL questions. Total 80 marks.

Marks

Question 21

Paul starts a small trading business. The following transactions occur on Day 1:

- Invests £10,000 cash into the business
- Buys inventory for £4,000 cash
- Sells inventory costing £2,000 for £3,000 cash
- Pays £200 for electricity
- Has £300 owed to him by a customer (credit sale).

a) Prepare the Income Statement for Day 1.

5

Mark Scheme

<i>Item</i>	<i>£</i>
<i>Revenue</i>	<i>3,000 (cash) + 300 (credit) = 3,300</i>
<i>Cost of Sales</i>	<i>2,000</i>
<i>Gross Profit</i>	<i>1,300</i>
<i>Expenses</i>	<i>Electricity 200</i>
<i>Net Profit</i>	<i>1,100</i>

Calculation Notes:

- *Revenue = Cash + Credit*
- *Gross Profit = Revenue – Cost of Sales*
- *Net Profit = Gross Profit – Expenses*

Award:

1 mark — Showing revenue of £3,300 (cash + credit).

1 mark — Showing cost of sales £2,000.

1 mark — Showing gross profit £1,300.

1 mark — Including electricity expense £200.

1 mark — Correct net profit of £1,100.

- b) Prepare the Cash Flow Statement, to include the operating activities only.

Mark Scheme

Cash Flow	£
Cash received from sales	+3,000
Purchase of inventory	-4,000
Electricity paid	-200
Net cash flow from operating activities	-1,200

Credit sale (£300) not included in cash flow (accrual principle).

Award:

- 1 mark — Showing opening cash (implicit zero acceptable).
- 1 mark — Listing cash inflow from cash sales £3,000.
- 1 mark — Listing cash outflow for inventory £4,000.
- 1 mark — Listing cash outflow for electricity £200.
- 1 mark — Correct net cash flow from operating activities (£1,200).
- 1 mark — Correct closing cash figure £8,800.

- c) Prepare the Balance Sheet as at the end of Day 1.

9

Mark Scheme

Assets	£
Cash	$10,000 - 4,000 + 3,000 - 200 = 8,800$
Inventory	$4,000 - 2,000 = 2,000$
Trade receivables	300
Total Assets	11,100

Liabilities & Capital	£
Capital (Opening 10,000 + Profit 1,100)	11,100
Total Liabilities & Capital	11,100

Check: Assets = Liabilities + Capital

Award:

- 1 mark — Cash asset £8,800.
- 1 mark — Trade receivables £300.
- 1 mark — Inventory £2,000.
- 1 mark — Total assets £11,100.
- 1 mark — Showing capital introduced £10,000.
- 1 mark — Showing profit £1,100.
- 1 mark — Identifying no liabilities/zero loan.
- 1 mark — Total equity £11,100.
- 1 mark — Balance sheet balances.

Marks
5

d) Explain TWO (2) reasons why profit \neq cash.

Mark Scheme

- ***Credit Sales: Revenue is recognised, but cash has not yet been received.***
- ***Prepayments/Expenses: Cash spent on inventory or expenses may not immediately affect profit until revenue is realised.***

Award:

1 mark — Accruals: revenue recognised before cash received.

1 mark — Expenses recognised before cash paid.

1 mark — Non-cash expenses (e.g., depreciation).

1 mark — Timing differences in receipts/payments.

1 mark — Prepayments/deferrals distort cash vs profit.

Total 25 Marks

Question 22

A company provides the following data:

- Sales revenue: £120,000
- Cost of sales: £70,000
- Administration expenses: £18,000
- Selling expenses: £10,000
- Interest expense: £2,000
- Tax rate: 20%.

a) Prepare the Income Statement for the year.

10

Mark Scheme

Item	£
Revenue	120,000
Cost of Sales	70,000
Gross Profit	50,000
Admin & Selling Expenses	18,000 + 10,000 = 28,000
Operating Profit	22,000
Interest	-2,000
Profit before tax	20,000
Tax (20%)	-4,000
Net Profit	16,000

Award:

- 1 mark — Revenue £120,000.**
- 1 mark — Cost of sales £70,000.**
- 1 mark — Gross profit £50,000.**
- 1 mark — Admin expenses £18,000 included.**
- 1 mark — Selling expenses £10,000 included.**
- 1 mark — Operating profit £22,000.**
- 1 mark — Interest expense £2,000 deducted.**
- 1 mark — Profit before tax £20,000.**
- 1 mark — Tax at 20% = £4,000.**
- 1 mark — Profit after tax = £16,000.**

b) Calculate the profit margin.

Mark Scheme

$$\text{Profit Margin} = \frac{\text{Net Profit}}{\text{Revenue}} \times 100 = \frac{16,000}{120,000} \times 100 = 13.33\%$$

Award:

- 1 mark — *Formula stated.*
- 1 mark — *Using profit after tax.*
- 1 mark — *Using revenue as denominator.*
- 1 mark — *Numerical calculation*
- 1 mark — *Correct answer: 13.33%.*

c) Explain THREE (3) reasons why profit margin may decline.

10

Mark Scheme

- *Rising Cost of Goods Sold: Higher input costs reduce gross profit.*
- *Higher Operating Expenses: Admin or selling expenses increase, reducing net profit.*
- *Falling Sales Price: Competitive pricing may reduce revenue without lowering costs.*
- *Inefficiency: Poor production or labour efficiency increases costs.*
- *Inventory Mismanagement: Excess wastage or stock write-offs reduce profit.*

Award:

- 1 mark — *Higher cost of sales.*
- 1 mark — *Higher operating expenses.*
- 1 mark — *Competitive pressure → lower prices.*
- 1 mark — *Production inefficiencies.*
- 1 mark — *Poor cost control.*
- 1 mark — *Unfavourable product mix.*
- 1 mark — *Economic slowdown.*
- 1 mark — *Increased finance costs.*
- 1 mark — *Weak marketing/sales volume decline.*
- 1 mark — *Discounting reducing margins.*

Total 25 Marks

Question 23

You are given the following balances:

Item	£
Equipment (cost)	50,000
Accumulated depreciation	20,000
Inventory	12,000
Trade receivables	8,000
Trade payables	5,000
Bank loan (5 years)	25,000
Cash	6,000

- a) Prepare a classified Balance Sheet.

15

Mark Scheme**Non-Current Assets**

- *Equipment (50,000 – 20,000) = 30,000*

Current Assets

- *Inventory = 12,000*
- *Trade receivables = 8,000*
- *Cash = 6,000*
- *Total Current Assets = 26,000*

Current Liabilities

- *Trade payables = 5,000*

Non-Current Liabilities

- *Bank loan = 25,000*

Capital (Balancing Figure)

- *Total Assets = 30,000 + 26,000 = 56,000*
- *Total Liabilities = 5,000 + 25,000 = 30,000*
- *Capital = 56,000 – 30,000 = 26,000*

Balance Sheet	£
Assets	
Non-Current Assets	30,000
Current Assets	26,000
Total Assets	56,000
Liabilities & Capital	
Current Liabilities	5,000
Non-Current Liabilities	25,000
Capital	26,000
Total Liabilities & Capital	56,000

Award:

- 1 mark — Showing equipment at cost £50,000.**
- 1 mark — Showing accumulated depreciation £20,000.**
- 1 mark — Net book value £30,000.**
- 1 mark — Inventory £12,000.**
- 1 mark — Trade receivables £8,000.**
- 1 mark — Cash £6,000.**
- 1 mark — Total current assets £26,000.**
- 1 mark — Total assets £56,000.**
- 1 mark — Bank loan classified as non-current.**
- 1 mark — Trade payables classified as current liability.**
- 1 mark — Total liabilities £30,000.**
- 1 mark — Equity as balancing figure £26,000.**
- 1 mark — Correct classification structure.**
- 1 mark — Statement balances.**
- 1 mark — Suitable formal presentation.**

- b) Explain the difference between *capital expenditure* and *revenue expenditure*, with examples. **10**

Mark Scheme

Capital Expenditure:

- **Long-term benefit to business**
- **Example: Buying machinery (£50,000)**

Revenue Expenditure:

- **Short-term or day-to-day costs**
- **Example: Repairing equipment, paying wages, electricity**

Award:

- 1 mark — Definition of capital expenditure.**
- 1 mark — Capital expenditure example.**
- 1 mark — Long-term benefit explained.**
- 1 mark — Definition of revenue expenditure.**
- 1 mark — Revenue expenditure example.**
- 1 mark — Short-term benefit explained.**
- 1 mark — Impact on balance sheet.**
- 1 mark — Impact on income statement.**
- 1 mark — Distinguishing feature (improves vs maintains asset).**
- 1 mark — Clear comparative explanation.**

Total 25 Marks

Question 24

Explain the accruals concept and how it affects the measurement of profit. Provide TWO (2) detailed examples.

5

Mark Scheme**Accruals Concept:**

- *Revenue and expenses are recognised when earned or incurred, not when cash is received/paid.*

Effect on Profit:

- *Matches income to the period in which it is earned and expenses to the period incurred.*
- *Provides an accurate measure of profit.*

Examples:

- *Credit Sale: Sale of £500 recognised as revenue even if cash is not received.*
- *Accrued Expense: Electricity bill of £200 incurred but not yet paid, included in expenses to calculate profit.*

Award:

1 mark — Definition of accruals concept.

1 mark — Income recognised when earned.

1 mark — Expenses recognised when incurred.

1 mark — Example: accrued expense.

1 mark — Example: accrued income.

Total 5 Marks

Learning Outcomes Matrix

Task	Learning Outcome(s) / Assessment Criteria assessed	Marker can differentiate between varying levels of achievement
1 – 20 (MCQs)	LO1; LO2; LO3; LO4 and LO5	Yes
21	LO1 and LO2	Yes
22	LO1 and LO3	Yes
23	LO2 and LO5	Yes
24	LO1 and LO4	Yes

Grade Descriptors

Learning Outcome	Pass	Merit	Distinction
1. Be able to demonstrate an understanding of the fundamental principles of finance and accounting, including the roles, purpose, and interconnections between financial and management accounting in decision-making processes	<p>Correctly prepares basic financial statements with minor errors.</p> <p>Demonstrates understanding of key concepts such as revenue, expenses, assets, and liabilities.</p> <p>Uses accounting terminology appropriately at a basic level.</p>	<p>Accurately applies accounting principles across all tasks.</p> <p>Clearly explains concepts such as accruals, capital vs revenue expenditure, and profit measurement.</p> <p>Demonstrates consistent technical accuracy.</p>	<p>Demonstrates confident, precise mastery of accounting principles.</p> <p>Clearly explains interconnections between financial statements.</p> <p>Uses professional accounting language fluently and accurately throughout.</p>
2. Be able to analyse and interpret the components of financial statements, including the statement of financial position, statement of profit or loss, and statement of cash flows, to assess an organisation's financial performance and position	<p>Produces usable financial statements and basic ratio calculations.</p> <p>Provides simple interpretations of financial performance and position.</p>	<p>Analyses financial performance using profit margin and statement data.</p> <p>Explains how transactions affect financial position and profitability.</p> <p>Demonstrates understanding of classification and structure.</p>	<p>Provides clear, critical evaluation of performance and financial position.</p> <p>Demonstrates insight into liquidity, profitability, and solvency.</p> <p>Draws well-supported conclusions from financial information.</p>
3. Be able to apply financial management techniques, such as budgeting, investment appraisal, and cost-volume-profit analysis, to support effective strategic and operational decision-making in various organisational contexts	<p>Shows limited awareness of performance measures.</p> <p>Calculates profit margin correctly.</p>	<p>Explains factors influencing profitability and margins.</p> <p>Demonstrates understanding of cost control and revenue management.</p>	<p>Provides well-reasoned analysis of declining profit margins.</p> <p>Demonstrates strategic insight into pricing, cost structures, and financial management decisions.</p>

<p>4. Be able to evaluate the role of working capital management, financing strategies, and cash flow optimisation in ensuring the financial sustainability of organisations, with an emphasis on the needs of different stakeholders</p>	<p>Identifies basic cash movements and working capital items.</p> <p>Recognises that profit and cash are different concepts.</p>	<p>Explains the impact of receivables, inventory, and expenses on cash flow.</p> <p>Demonstrates understanding of short-term liquidity management.</p>	<p>Provides a clear, integrated evaluation of working capital efficiency.</p> <p>Explains cash flow risks and sustainability with strong financial insight.</p>
<p>5. Be able to develop practical financial solutions by integrating accounting principles, ethical considerations, and contemporary developments in the field, tailored to specific organisational and stakeholder needs</p>	<p>Provides straightforward explanations of accounting concepts.</p> <p>Applies principles to simple business scenarios.</p>	<p>Integrates theory with practice when explaining expenditure classification and profit vs cash.</p> <p>Demonstrates sound judgement in applied accounting decisions.</p>	<p>Demonstrates high-level integrative thinking across financial statements and concepts.</p> <p>Provides insightful, business-relevant explanations suitable for stakeholder decision-making.</p> <p>Shows professional judgement and applied problem-solving capability.</p>