

1) Statement to calculate the inventory value as at 31 March 2021

	\$	\$
Inventory valued as at 8 April 2021		44780
Add: Sales, at cost ($\$7540 \div 125\%$)	6032 ✓ ¹	
Goods sent to customer on sale-or-return basis, at cost ($\$2000 \times (1 - 45\%)$)	1200 ✓ ¹	
Goods drawn by owner, at cost ($\$720 \div 125\%$)	576 ✓ ¹	7606
		52588
Less: Purchases	4360 ✓ ¹	
Returns inwards, at cost ($\$2500 \div 125\%$)	2000 ✓ ¹	
Goods revalued at not reliable value [$\$1100 - (\$700 - \$100)$]	500 ✓ ¹	
Goods wrongly recorded ($\$3000 - 400 \times \$6$)	2400 ✓ ¹	9460
Inventory value as at 31 March 2021	Q1: 8 / 8	43128 ✓ ¹

Answers written in the margins will not be marked.

2a) Average unit cost = $\frac{800 \times \$40 + 200 \times \$60 \times (1 - 20\%) + 800 \times \$56 + 36000}{800 + 200 + 800 + 600}$ ✓¹

$= \$51$ ✓¹

Amount of closing inventory = $\$51 \times (800 + 200 + 800 - 100 + 600 - 150 - 700)$ ✓¹

$= \$28050$ ✓¹ Q2(a): 4 / 4

Q1 (8/8)

All seven adjustments are correctly identified, directed (add/less) and valued at cost: sales $\$7,540/125\% = \$6,032$; returns inwards $\$2,500/125\% = \$2,000$; drawings $\$720/125\% = \$576$. Sale or return: correctly adds back only the 60% not yet accepted ($\$1,200$). Obsolete item: write-down to NRV of $\$600$ gives $\$500$. Mis-recorded goods: $\$3,000 - \$600 = \$2,400$. Final figure $\$43,128$ correct. Presentation tip (not penalised): name the business in the heading (Adrian Company).

Q2(a) (4/4)

Weighted average correctly applied: total cost $\$122,400 / 2,400$ units = $\$51$ per unit; closing units $550 \times \$51 = \$28,050$. Tip: write the intermediate totals ($\$122,400$; $2,400$ units; 550 units) on their own lines so method marks are secure if a later step slips.

MARKING SUMMARY | Total: 21 / 21 (provisional; supported range 20.5 - 21)

Breakdown: Q1 8/8 | Q2(a) 4/4 | Q2(b) 9/9.

Basis: no marking scheme supplied - answers solved independently; point allocation is inferred, not an official scheme.

Uncertainty: the net profit figure in Q2(b) is unlabelled (some markers deduct 1/2 mark). Q2(a) assumes the periodic weighted-average method, which the question's figures (exactly $\$51$) imply.

Overall: excellent, accurate work. Every adjustment in Q1 is correctly directed and valued at cost, and the abnormal loss in Q2 is handled properly in both COGS and expenses. Keep labelling every final figure.

Answers written in the margins will not be marked.

Kaspar Company			
Income Statement for the year ended 31 December 2026			
	\$	\$	
Sales (1000 x \$120 + 700 x \$140)		218000	✓ ¹
Less: cost of goods sold			
Opening inventory (800 x \$40)	32000		✓ ¹
Add: Purchases	90400		✓ ¹
(200 x \$60 x (1-20%) + 800 x \$50 + \$36000)	122400		
Less: Abnormal inventory loss (150 x \$51)	7650		✓ ¹
	114750		
Less: Closing inventory	28050	86700	✓ ¹
Gross profit		131300	✓ ¹
Less: Other expenses			
Salaries	16800		✓ ^{1/2}
Rent	11000		✓ ^{1/2}
Abnormal inventory loss	6150	33950	✓ ¹
(7650 - \$10 x 150)		97350	✓ ¹

Q2(b): 9 / 9

Q2(b) (9/9, provisional)

Correct heading, sales \$218,000, purchases \$90,400 (trade discount correctly deducted) and opening inventory \$32,000. Abnormal loss of 150 x \$51 = \$7,650 is correctly taken out of cost of goods sold, giving COGS \$86,700 and gross profit \$131,300. Closing inventory \$28,050 agrees with (a).

Expenses: abnormal loss charged net of the \$1,500 insurance compensation (\$6,150) - accepted, treating the agreed compensation as receivable at 31/12/2026.

Net profit \$97,350 is correct, but the line has no label. Always write "Net profit" beside the final figure; some markers deduct 1/2 mark for an unlabelled result.

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