Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International GCSE

Centre Number	Candidate Number

Tuesday 12 May 2020

Morning (Time: 1 hour 15 minutes) | Paper Reference **4AC1/02R**

Accounting
Level 1/2
Paper 2 : Financial Statements

You do not need any other materials. | Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *there may be more space than you need*.
- Calculators may be used.

Information

- The total mark for this paper is 50.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question*.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

P63012A
©2020 Pearson Education Ltd.
1/1/1/

Pearson

Answer ALL questions. Write your answers in the spaces provided.

1 Gurpreet, a sole trader, provided the following trial balance at 31 December 2019.

	Debit $	Credit $
Allowance for doubtful debts		750
Bank	3 000	
Drawings	10 000	
Equity		60 000
Inventory	15 000	
Motor vehicles – accumulated depreciation		25 000
Motor vehicles – cost	50 000	
Office expenses	16 780	
Purchases	45 920	
Revenue		81 385
Trade payables		3 515
Trade receivables	5 575	
Wages	24 375	
Total	170 650	170 650

Additional information

1. During the year ended 31 December 2019, a motor vehicle that was purchased during 2014 for $10 000, was sold for $5 760. This has not yet been recorded in the books. Depreciation is charged on motor vehicles at 10% per annum using the straight line method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

2. At 31 December 2019:
   • inventory was valued at $12 000
   • wages owing were $1 125
   • office expenses paid in advance were $1 280

3. A debt of $575 should be written off as irrecoverable and the allowance for doubtful debts is maintained at 12% of trade receivables.

(a) Prepare the income statement for the year ended 31 December 2019.

(20)

Gurpreet
Income statement for the year ended 31 December 2019

....

....

....

....

....

....

....

....

....

Gurpreet is considering forming a partnership with another sole trader.

(b) Evaluate whether Gurpreet should form a partnership.

(5)

....

....

....

....

....

....

....

....

....

(Total for Question 1 = 25 marks)

2 Taimur and Soha are in partnership. The partnership agreement provided for:
- interest on capital at 10% per annum
- interest on drawings at 5% per annum
- an annual salary of $15 000 for Taimur
- profits and losses to be shared in the ratio of 3:2.

The following information was available at 31 March 2020.

	Taimur $	Soha $
Capital account at 1 April 2019	75 000	50 000
Current account at 1 April 2019	4 750 Dr	3 500
Drawings for the year	20 000	16 000

(a) Prepare the appropriation account for the year ended 31 March 2020.

(7)

Taimur and Soha
Appropriation account for the year ended 31 March 2020

$

Profit for the year   65 000

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(b) (i) Prepare the current account of Taimur for the year ended 31 March 2020.
Balance the account on this date and bring the balance down on 1 April 2020.

(6)

Current Account – Taimur

Date	Details	$	Date	Details	$

(ii) State **one** reason why a debit balance may arise on a partner's current account.

(1)

....

....

The partners believe that they had a very successful year as the profit for the year as a percentage of revenue has increased.

	2019	2020
Gross profit percentage	25%	25%
Profit for the year as a percentage of revenue	12%	15%
Return on capital employed	13.5%	10%

(c) Evaluate the change in profitability of the business over the two years and state whether the partners are correct.

(5)

....

....

....

....

....

....

....

....

....

....

....

....

(d) State, indicating with a tick, (✔), the effect on working capital of **each** of the following transactions.

(6)

Transaction	Increase	Decrease	No effect
Purchase of a non-current asset by cash			
Sale of a non-current asset on credit			
Non-current asset taken by owner for own use			
Purchase of inventory on credit			
Sale of inventory for cash			
Inventory taken by the owner for own use			

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS