GradeMax

Write your name here

Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Accounting

Paper 1: The Accounting System and Costing

Monday 9 January 2017 – Morning
Time: 3 hours

Paper Reference
WAC11/01

You must have:
Source Booklet (enclosed)

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 **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Do not return insert with the question paper.

Information

- The total mark for this paper is 200.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.
- The source material for use with Questions 1 to 6 is in the enclosed source booklet.

Advice

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

Turn over ▶

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SECTION A

Answer BOTH questions in this section. Write your answers in the spaces provided.

Source material for Question 1 is on pages 2 and 3 of the source booklet.

1 (a) Prepare for the year ended 31 December 2016 the:

(i) Delivery Vehicles Account

(4)

(ii) Delivery Vehicles Disposal Account.

(4)

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(b) Prepare for the partnership the:

(i) Statement of Profit or Loss and Other Comprehensive Income (including an appropriation section) for the year ended 31 December 2016

(17)

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(ii) Current Accounts of the partners for the year ended 31 December 2016

(6)

(iii) Statement of Financial Position at 31 December 2016.

(12)

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Elodie and Harsha are considering admitting Aja as a partner.

(c) Evaluate the possible admission of Aja as a partner.

(12)

(Total for Question 1 = 55 marks)

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Source material for Question 2 is on pages 4 to 6 of the source booklet.

2 (a) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income, in **columnar format**, for the year ended 31 December 2016.

(35)

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The owner of Wright Household is considering closing the café as he believes that the department makes a loss.

(b) Evaluate the closure of the café.

(12)

Wright Household remunerates its staff on a day work basis. It is considering changing this method of remuneration to a group bonus scheme for each department.

(c) Explain the terms:

(i) day work

(2)

(ii) group bonus scheme.

(2)

(d) State **two** advantages for Wright Household of remunerating staff by day work.

(2)

(e) Advise whether a group bonus scheme would be appropriate for the café staff.

(2)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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SECTION B

Answer THREE questions from this section.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

If you answer Question 3, put a cross in this box ☒ .

Source material for Question 3 is on pages 8 and 9 of the source booklet.

3 (a) Calculate for Zollar Power the:

(i) gross profit as a percentage of revenue

(2)

(ii) profit for the year as a percentage of revenue

(2)

(iii) percentage return on capital employed.

(2)

(b) Prepare the Projected Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 November 2017.

(10)

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(c) Calculate for the year ended 30 November 2017 the projected:

(i) profit for the year as a percentage of revenue

(2)

(ii) percentage return on capital employed.

(2)

(d) Explain the term social and ethical accounting.

(4)

(e) Evaluate the proposal of Protea Venture Capital for the purchase of Zollar Power.

(6)

(Total for Question 3 = 30 marks)

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Source material for Question 4 is on page 10 of the source booklet.

If you answer Question 4, put a cross in this box ☒ .

4 (a) Prepare the journal entries to correct the errors (1) to (5) in the books. Narratives are **not** required.

(10)

(b) Complete the account of Kamila given below, showing the additional entries required to correct the errors.

(10)

Kamila Account

2016		£	2016		£
8 November	Purchases	1 400	1 November	Balance b/d	8 000
15 November	Bank	5 600	15 November	Discount	400
30 November	Balance c/d	1 930	20 November	Returns	530
		8 930			8 930
			1 December	Balance b/d	1 930

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(c) Explain the difference between an:

(i) error of compensation and an error of reversal

(2)

(ii) error of principle and an error of commission.

(2)

(d) Evaluate the use of the trial balance.

(6)

(Total for Question 4 = 30 marks)

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Source material for Question 5 is on page 11 of the source booklet.

If you answer Question 5, put a cross in this box ☒ .

5 (a) Explain the difference between mark-up and margin.

(2)

(b) State whether the following costs would be fixed, semi-fixed, semi-variable or variable, giving your reason for each:

(i) raw materials

(2)

(ii) rent of premises

(2)

(iii) telephone costs (included in general expenses).

(2)

(c) Calculate Falgu's profit or loss for the year ended 30 November 2016.

(8)

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Falgu has decided to charge a rate to customers in the future that will provide him with a profit for the year of £40 000.

(d) Calculate the hourly rate that Falgu would need to charge to customers.

(4)

(e) Prepare a quotation for a customer where:

Raw materials purchase price	£1 100
Falgu's hours worked	35 hours

(4)

Falgu is considering the use of information and communications technology (ICT) to operate his business.

(f) Evaluate the use of information and communications technology (ICT) to operate Falgu's business.

(6)

(Total for Question 5 = 30 marks)

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Source material for Question 6 is on pages 12 and 13 of the source booklet.

If you answer Question 6, put a cross in this box ☒ .

6 (a) Explain the difference between:

(i) capital expenditure and revenue expenditure

(2)

(ii) capital and capital employed.

(2)

(b) Calculate for the year ended 31 December 2016 the:

(i) revenue

(4)

(ii) purchases

(3)

(iii) depreciation on computers and fixtures.

(4)

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(c) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016.

(9)

(d) Evaluate the need to maintain double entry records in a business.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

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GradeMax

Pearson Edexcel
International Advanced Level

Accounting
Paper 1: The Accounting System and Costing

Monday 9 January 2017 – Morning
Source Booklet

Paper Reference
WAC11/01

Do not return this source booklet with the question paper.

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SECTION A

Answer BOTH questions in this section.

1 Elodie and Harsha are partners in a transport delivery business. Their partnership agreement states that:

- profits and losses will be shared equally
- salaries will be paid £8 000 per annum to Elodie and £12 000 per annum to Harsha
- interest on capital is allowed at the rate of 5% per annum
- interest on drawings is charged at the rate of 10% per annum.

The following balances were available at 31 December 2016:

	£	
Revenue	525 000	
Commission receivable	16 500	
Trade receivables	38 000	
Allowance for doubtful debts	1 400	
Trade payables	26 000	
Bank overdraft	9 200	
Driver's wages	185 000	
General expenses	67 000	
Management salaries	56 000	
Non-current assets (cost):		
Delivery vehicles	140 000	
Computers and equipment	50 000	
Provisions for depreciation:		
Delivery vehicles	50 000	
Computers and equipment	20 000	
Capital accounts:		
Elodie	40 000	
Harsha	50 000	
Current accounts:		
Elodie	4 000	Cr
Harsha	8 300	Dr
Drawings (excluding partners' salaries):		
Elodie	23 000	
Harsha	28 500	
Rent and insurance	15 800	
Premises repairs	24 000	
Delivery vehicle fuel	106 500	

Additional information at 31 December 2016

(1) Rent £500 was prepaid and insurance £1 250 was owing.

(2) Management salaries include the salaries paid in full to both partners.

(3) On 15 December 2016 Delivery Vehicle B was traded in and replaced by Delivery Vehicle F. The balance of the purchase price for Delivery Vehicle F was on credit from Speed Garage.

No entries had been made in the books.

The details for Delivery Vehicle B and Delivery Vehicle F were:

	Cost £	**Accumulated depreciation to 1 January 2016** £	**Total purchase price** £	**Trade-in value** £
Sold Delivery Vehicle B	14 000	5 000	–	4 000
Purchased Delivery Vehicle F	–	–	25 000	–

(4) Depreciation is to be charged as follows:

- delivery vehicles at the rate of 20% per annum reducing balance
- computers and equipment at the rate of 20% per annum straight line
- no depreciation is charged on non-current assets in the year of purchase
- a full year's depreciation is charged on non-current assets in the year of sale.

(5) The allowance for doubtful debts is to be maintained at 5% of trade receivables.

Required

(a) Prepare for the year ended 31 December 2016 the:

(i) Delivery Vehicles Account

(4)

(ii) Delivery Vehicles Disposal Account.

(4)

(b) Prepare for the partnership the:

(i) Statement of Profit or Loss and Other Comprehensive Income (including an appropriation section) for the year ended 31 December 2016

(17)

(ii) Current Accounts of the partners for the year ended 31 December 2016

(6)

(iii) Statement of Financial Position at 31 December 2016.

(12)

Elodie and Harsha are considering admitting Aja as a partner.

(c) Evaluate the possible admission of Aja as a partner.

(12)

(Total for Question 1 = 55 marks)

2 Wright Household, a retailer, has three departments:

- Furniture
- Carpets
- Café.

The following balances were extracted from the books at 31 December 2016:

	£
Revenue:	
Furniture	450 000
Carpets	300 000
Café	50 000
Cost of sales:	
Furniture	190 000
Carpets	140 000
Café	30 000
Wages:	
Furniture	80 000
Carpets	50 000
Café	20 000
Management salaries	65 000
Delivery vehicle expenses	26 000
Heat and light	10 800
Redecoration of building	13 500
Rates for building	18 900
General expenses	64 000
Non-current assets (cost):	
Land and building	260 000
Delivery vehicle	25 000
Fixtures and equipment	40 000
Provisions for depreciation:	
Land and building	52 000
Delivery vehicle	5 000
Fixtures and equipment	21 000

Additional information at 31 December 2016

(1) A purchase of carpets, £11 000, had been recorded in error as a purchase of furniture for resale.

(2) Wages accrued: Furniture £3 000, Carpets £5 000

(3) Rates for building of £900 were prepaid.

(4) Depreciation is to be charged as follows:

- no depreciation is charged on the land cost of £80 000. Depreciation is charged on the buildings at the rate of 2% straight line
- delivery vehicle at the rate of 25% per annum reducing balance
- fixtures and equipment at the rate of 15% per annum straight line.

(5) Provide for a:

- doubtful debt of £4 000 for carpets supplied to a customer
- legal claim of £600 for an injury to a customer in the café.

(6) Departmental data:

	Furniture	**Carpets**	**Café**
Staff employed (number)	10	7	3
Delivery vehicle use (%)	70	30	Nil
Floor area occupied (sq m)	1 000	600	200
Fixtures and equipment cost (£)	8 000	10 000	22 000

Required

(a) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income, in **columnar format**, for the year ended 31 December 2016.

(35)

The owner of Wright Household is considering closing the café as he believes that the department makes a loss.

(b) Evaluate the closure of the café.

(12)

Wright Household remunerates its staff on a day work basis. It is considering changing this method of remuneration to a group bonus scheme for each department.

(c) Explain the terms:

(i) day work

(2)

(ii) group bonus scheme.

(2)

(d) State **two** advantages for Wright Household of remunerating staff by day work.

(2)

(e) Advise whether a group bonus scheme would be appropriate for the café staff.

(2)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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QUESTION 3 BEGINS ON THE NEXT PAGE.

SECTION B

Answer THREE questions from this section.

3 Protea Venture Capital is considering the purchase of Zollar Power. The following information is available:

Zollar Power
Summary Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 November 2016

	£	£
Revenue		750 000
Cost of sales	300 000	
Wages and salaries	240 000	
Bank loan interest	25 000	
Marketing	40 000	
Depreciation	40 000	
Rent	15 000	
General expenses	75 000	
		735 000
Profit for the year		15 000

Additional information at 30 November 2016

(1) Bank loan £250 000

(2) Capital £550 000

Required

(a) Calculate for Zollar Power the:

(i) gross profit as a percentage of revenue

(2)

(ii) profit for the year as a percentage of revenue

(2)

(iii) percentage return on capital employed.

(2)

If Protea Venture Capital purchased Zollar Power it would:

- invest an additional £250 000 in the business at the start of the year and repay the bank loan in full
- increase marketing expenditure by £31 000 per annum, which will increase sales volume by 20%
- increase the volume of purchases in line with sales, however lower quality goods will be purchased for resale, saving 10% on **all** purchases made
- make 15 staff redundant saving £90 000
- reduce general expenses by £15 000

Required

(b) Prepare the Projected Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 November 2017.

(10)

(c) Calculate for the year ended 30 November 2017 the projected:

(i) profit for the year as a percentage of revenue

(2)

(ii) percentage return on capital employed.

(2)

(d) Explain the term social and ethical accounting.

(4)

(e) Evaluate the proposal of Protea Venture Capital for the purchase of Zollar Power.

(6)

(Total for Question 3 = 30 marks)

4 Sanith prepared a trial balance on 30 November 2016 that failed to agree. In checking his transactions for the month of November, he found that the account of one of his suppliers, Kamila, contained errors. The account was recorded as follows:

Kamila Account

2016		**£**	**2016**		**£**
8 November	Purchases	1 400	1 November	Balance b/d	8 000
15 November	Bank	5 600	15 November	Discount	400
30 November	Balance c/d	1 930	20 November	Returns	530
		8 930			8 930
			1 December	Balance b/d	1 930

On inspection of the books Sanith found the following errors:

(1) Purchases of £1 400 had been correctly entered in the Purchases Account but debited to the account of Kamila.

(2) Discount received of £400 on 15 November had been credited to the account of Kamila. Other entries for this transaction were correct.

(3) A credit purchase of goods from Kamila on 18 November, £2 100, had been posted to the account of Robson.

(4) A return of goods, £350, to Kamila on 20 November had been correctly recorded in the book of prime entry. This had been recorded in Kamila's account as £530

(5) A payment of £1 500 made by cheque to Kamila on 25 November was omitted from the books.

Required

(a) Prepare the journal entries to correct the errors (1) to (5) in the books. Narratives are **not** required.

(10)

(b) Complete the account of Kamila in your question paper, showing the additional entries required to correct the errors.

(10)

(c) Explain the difference between an:

(i) error of compensation and an error of reversal

(2)

(ii) error of principle and an error of commission.

(2)

(d) Evaluate the use of the trial balance.

(6)

(Total for Question 4 = 30 marks)

5 Falgu commenced business as a builder on 1 December 2015. The following information is available for the year ended 30 November 2016:

- raw materials costing £80 000 were purchased and used
- Falgu marks up all raw materials by 15%
- Falgu worked 50 hours per week for 50 weeks of the year
- 80% of the hours worked by Falgu were charged to customers
- overhead costs were:

Rent of premises	£1 000 per month
General expenses	£13 500 per year
Motor vehicle running costs	£8 500 per year

- Falgu charged a rate to customers of £25 per hour to cover his labour and overheads.

Required

(a) Explain the difference between mark-up and margin.

(2)

(b) State whether the following costs would be fixed, semi-fixed, semi-variable or variable, giving your reason for each:

(i) raw materials

(2)

(ii) rent of premises

(2)

(iii) telephone costs (included in general expenses).

(2)

(c) Calculate Falgu's profit or loss for the year ended 30 November 2016.

(8)

Falgu has decided to charge a rate to customers in the future that will provide him with a profit for the year of £40 000.

(d) Calculate the hourly rate that Falgu would need to charge to customers.

(4)

(e) Prepare a quotation for a customer where:

Raw materials purchase price	£1 100
Falgu's hours worked	35 hours

(4)

Falgu is considering the use of information and communications technology (ICT) to operate his business.

(f) Evaluate the use of information and communications technology (ICT) to operate Falgu's business.

(6)

(Total for Question 5 = 30 marks)

6 Raegan buys and sells clothing on credit. She does not maintain a full set of books but the following information is available for the year ended 31 December 2016.

(1) **Cash Book (summary)**

	£		£
Receipts from credit customers	47 200	Balance b/d	750
Cash sales banked	8 300	Payments to credit suppliers	35 000
Commission receivable	5 000	Purchase of computers	7 400
Balance c/d	280	Wages by cheque	9 000
		General expenses	8 630
	60 780		60 780
		Balance b/d	280

(2) Balances at:

	1 January 2016		31 December 2016	
	£		£	
Trade receivables	5 750		4 400	
Trade payables	2 750		6 100	
Inventory	10 920		9 350	
Computers and fixtures (carrying value)	15 000		17 500	
General expenses	450	Accrued	920	Prepaid
Commission receivable	–		600	Accrued

(3) Cash sales were banked after payment of the following:

	£
Wages	10 350
Drawings	10 500
Purchase of fixtures	6 000
Purchase of goods	2 000

(4) Fixtures were sold, on credit, in December for £1 300 at carrying value.

Required

(a) Explain the difference between:

(i) capital expenditure and revenue expenditure

(2)

(ii) capital and capital employed.

(2)

(b) Calculate for the year ended 31 December 2016 the:

(i) revenue

(4)

(ii) purchases

(3)

(iii) depreciation on computers and fixtures.

(4)

(c) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016.

(9)

(d) Evaluate the need to maintain double entry records in a business.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

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