GradeMax

Write your name here

Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Accounting

International Advanced Subsidiary
Paper 1: The Accounting System and Costing

Tuesday 16 May 2017 – Afternoon
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 the 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.

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

1 (a) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

(17)

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(ii) Statement of Financial Position at 31 March 2017.

(13)

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(b) Calculate the:

(i) total cost (including overheads and profit) of employing **one** plumbing technician for the next financial year

(7)

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(ii) hourly rate that Amsha should charge customers in the next financial year for plumbing technician services.

(2)

Amsha remunerates his plumbing technicians on a day work basis. He is considering changing the method of remuneration to a group bonus scheme.

(c) Explain how a group bonus scheme would operate.

(4)

(d) Evaluate, from Amsha's perspective, the use of a group bonus scheme for remunerating the plumbing technicians.

(12)

(Total for Question 1 = 55 marks)

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Source material for Question 2 is on pages 4 and 5 of the source booklet.

2 (a) Using only the list of balances provided in the Source Booklet, prepare the Trial Balance at 30 April 2017 and show the value of the accumulated fund.

(10)

(b) Explain **two** differences between a **trial balance** and a **statement of financial position**.

(4)

1 .....

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.....

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2 .....

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(c) Prepare for the year ended 30 April 2017 the:

(i) Subscriptions Account

(5)

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(ii) Gym Equipment Account

(4)

(iii) Gym Equipment - Provision for Depreciation Account

(4)

(iv) Refreshment Trading Account

(3)

(v) Income and Expenditure Account.

(7)

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(d) Prepare an extract of the Statement of Financial Position at 30 April 2017 **showing the assets** of the Aviana Gym Club.

(6)

The Management Committee of the Aviana Gym Club is proposing to purchase its own gym premises rather than renting premises.

(e) Evaluate the proposal of the Management Committee.

(12)

(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 the box ☒ .

Source material for Question 3 is on pages 6 and 7 of the source booklet.

3 (a) Explain how the **Trade Receivables Ledger** differs from the **Sales Day Book**.

(4)

(b) Prepare the journal entries to correct the two errors. Narratives are **not** required.

(6)

(c) Calculate the **corrected** closing balance on the account of Mille Street Stores at 30 April 2017.

(4)

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(d) Prepare the Trade Receivables Ledger Control Account for the month of April 2017.

(10)

(e) Evaluate the usefulness of preparing control accounts.

(6)

(Total for Question 3 = 30 marks)

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

Source material for Question 4 is on page 8 of the source booklet.

4 (a) Explain the importance of **liquidity** to a business.

(4)

(b) Calculate for Easi Spend, at 1 May 2016, the:

(i) current ratio

(2)

(ii) liquid (acid test) ratio.

(2)

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(c) Complete below the summarised financial statements for the year ended 30 April 2017.

(10)

Easi Spend
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2017

	Workings	£	£
Revenue			
Opening inventory			
Purchases			
Closing inventory			
Cost of sales			
Gross profit			
Expenses			
Depreciation			
Profit for the year			

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Statement of Financial Position at 30 April 2017

	Workings	£	£
Assets			
Non-current assets			
Inventory			
Trade receivables			
Bank			
Capital and liabilities			
Capital			
Trade payables			

(d) Calculate, for the year ended 30 April 2017, the:

(i) inventory turnover

(2)

(ii) trade receivables collection period

(2)

(iii) trade payables payment period.

(2)

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(e) Evaluate the liquidity position of Easi Spend at 30 April 2017.

(6)

(Total for Question 4 = 30 marks)

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

Source material for Question 5 is on page 9 of the source booklet.

5 (a) Explain the terms:

(i) fixed cost

(2)

(ii) semi-fixed cost.

(2)

(b) Explain, with the use of appropriate accounting concepts and conventions, how the furniture and equipment depreciation will be charged to the total cost of the Sunshine Villa for the year.

(4)

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(c) Calculate for the Sunshine Villa, for the year ended 30 April 2017, the:

(i) total costs

(10)

(ii) profit or loss

(3)

(iii) return on capital employed.

(3)

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Before purchasing the Sunshine Villa a friend of John advised him of alternative investments for his savings. The friend advised that he could have deposited the money in a bank and obtained interest of 3% per annum.

(d) Evaluate John's decision to purchase the Sunshine Villa.

(6)

(Total for Question 5 = 30 marks)

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

Source material for Question 6 is on pages 10 and 11 of the source booklet.

6 (a) Calculate the value of the inventory of raw materials at 31 March 2017 using the First In First Out (FIFO) perpetual inventory valuation method.

(4)

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(b) Prepare the Manufacturing Account for the year ended 31 March 2017.

(14)

(c) Explain how the following would be accounted for in the Statement of Financial Position at 31 March 2017:

(i) manufacturing assembly wages prepaid

(2)

(ii) depreciation for the year on manufacturing equipment

(2)

(iii) provision for unrealised profit on manufacture.

(2)

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The business is considering changing its method of valuing raw materials inventory to Last In First Out (LIFO).

(d) Evaluate the use of Last In First Out (LIFO) as a method of valuing the inventory of raw materials.

(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
International Advanced Subsidiary
Paper 1: The Accounting System and Costing

Tuesday 16 May 2017 – Afternoon
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 Amsha owns a plumbing business that installs and maintains plumbing systems in properties.

The following balances were available from his books on 31 March 2017.

	£
Purchase of raw materials	88 100
Plumbing technicians' wages	139 200
Management salaries	75 000
Bank and cash	3 100 Dr
Inventory 1 April 2016	17 500
Trade payables	45 700
Trade receivables	70 000
Capital	65 000
Motor vehicle expenses	45 000
Electricity and gas	5 700
Rent of premises	32 000
Marketing expenses	65 000
Revenue	525 000
8% bank loan (repayable 31 May 2017)	60 000
Bank loan interest paid	3 000
Non-current assets (cost):	
Motor vehicles	180 000
Office equipment	40 000
Loose tools	38 000
Provisions for depreciation:	
Motor vehicles	72 000
Office equipment	25 000
Loose tools	8 000
Allowance for doubtful debts	900

Additional information at 31 March 2017

- Inventory £20 800
- A purchase of raw materials on credit of £2 500 made on 29 March 2017 had not been recorded in the books.
- Management salaries include drawings of £18 000 paid to Amsha.
- Rent of premises of £4 000 was prepaid and marketing expenses of £1 900 were owing.
- The 8% bank loan was taken out on 1 April 2016.
- Depreciation is charged as follows:

  Motor vehicles at the rate of 20% per annum straight line
  Office equipment at the rate of 15% per annum straight line
  Loose tools by revaluation. At the year end the value was £18 000

- The allowance for doubtful debts is to be maintained at 3%.

Required

(a) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

(17)

(ii) Statement of Financial Position at 31 March 2017.

(13)

Amsha is considering the hourly rates that he will charge in the next financial year for his plumbing technician services. He provides you with the following information.

- Amsha will continue to employ 12 plumbing technicians each of whom is provided with a motor vehicle in order to undertake their work.
- Each plumbing technician will be paid wages of £10 000 per annum.
- Amsha will pay employment taxes at 20% of the plumbing technicians' wages.
- All of the motor vehicle depreciation relates to motor vehicles used by plumbing technicians.
- Motor vehicle expenses for **each** vehicle will be £4 000 per annum.
- Loose tools depreciation is charged equally to the 12 plumbing technicians and is estimated to be the same in the next financial year.
- Amsha applies a mark-up of 35% on costs for overheads and profit.
- Each plumbing technician works 45 hours per week for 50 weeks per year. Amsha estimates that 80% of the hours worked are undertaking work that is directly charged to the customer.

Required

(b) Calculate the:

(i) total cost (including overheads and profit) of employing **one** plumbing technician for the next financial year

(7)

(ii) hourly rate that Amsha should charge customers in the next financial year for plumbing technician services.

(2)

Amsha remunerates his plumbing technicians on a day work basis. He is considering changing the method of remuneration to a group bonus scheme.

(c) Explain how a group bonus scheme would operate.

(4)

(d) Evaluate, from Amsha's perspective, the use of a group bonus scheme for remunerating the plumbing technicians.

(12)

(Total for Question 1 = 55 marks)

2 The following balances were extracted from the books of Aviana Gym Club on 30 April 2017.

	£
Members' subscriptions	5 300
Income from rental of equipment	1 050
Refreshment sales	2 400
Refreshment purchases	960
Non-current assets (cost):	
Gym equipment	8 500
Office fixtures	3 000
Provisions for depreciation:	
Gym equipment	2 500
Office fixtures	800
Rent of premises	2 000
Heating and lighting	1 100
Trade payable – refreshments	570
Sundry expenses	1 600
Cash	80
Bank overdraft	4 000
Gym equipment maintenance	950
Inventory of refreshments 1 May 2016	480

Required

(a) Using only the above list of balances, prepare the Trial Balance at 30 April 2017 and show the value of the accumulated fund.

(10)

Additional information at 30 April 2017

- Members had prepaid subscriptions of £350. Subscriptions in arrears were £230. It was agreed that £140 of the subscriptions in arrears was now irrecoverable and would be written off.
- A purchase of refreshments, £60 on credit, had been omitted from the books.
- Depreciation is charged on all non-current assets owned at the end of the year as follows:
  - gym equipment 20% per annum reducing balance
  - office fixtures 10% per annum straight line.
- On 25 March 2017, gym equipment that had cost £1 500, and had a carrying value of £600, was sold for £800 cash. On 30 March 2017, new gym equipment costing £4 600 was purchased by cheque. No entries had been made in the books to record these transactions.
- Inventory of refreshments was £570.

Required

(b) Explain **two** differences between a **trial balance** and a **statement of financial position**.

(4)

(c) Prepare for the year ended 30 April 2017 the:

(i) Subscriptions Account

(5)

(ii) Gym Equipment Account

(4)

(iii) Gym Equipment - Provision for Depreciation Account

(4)

(iv) Refreshment Trading Account

(3)

(v) Income and Expenditure Account.

(7)

(d) Prepare an extract of the Statement of Financial Position at 30 April 2017 **showing the assets** of the Aviana Gym Club.

(6)

The Management Committee of the Aviana Gym Club is proposing to purchase its own gym premises rather than renting premises.

(e) Evaluate the proposal of the Management Committee.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 Gihan is a retailer who buys and sells goods. The following information was available for the month of April 2017.

- Balances of the Trade Receivables Control Account on 1 April 2017 were:

£
3 450 Dr
50 Cr

- Summary of transactions for April 2017 (before corrections):

	£
Sales: Cash	1 900
Credit	7 830
Sales returns	470
Discount allowed	520
Cheques received from trade receivables	6 695
Refund to credit customer by cheque	210
Interest charged on overdue account	95

- On inspection of the books, Gihan found the following errors in the account of Mille Street Stores:

  – a return of goods, £70, from Mille Street Stores had not been recorded in the books

  – trade discount had been allowed by Gihan on a sale of goods at the rate of 25%. The sale should have been allowed trade discount at the rate of 10%. Mille Street Stores were charged £225 after trade discount

  – Gihan's Trade Receivables Ledger on 30 April 2017 (before correction of Mille Street Stores Account) contained the following balances:

	Dr	Cr
	£	£
Muttiah	1 000	-
Nalak	-	150
Southsyde Trading	2 300	-
Mille Street Stores	700	-

Required

(a) Explain how the **Trade Receivables Ledger** differs from the **Sales Day Book**.

(4)

(b) Prepare the journal entries to correct the two errors. Narratives are **not** required.

(6)

(c) Calculate the **corrected** closing balance on the account of Mille Street Stores at 30 April 2017.

(4)

(d) Prepare the Trade Receivables Ledger Control Account for the month of April 2017.

(10)

(e) Evaluate the usefulness of preparing control accounts.

(6)

(Total for Question 3 = 30 marks)

4 Easi Spend's summarised Statement of Financial Position at 1 May 2016 was:

Assets	**£**
Non-current assets	30 000
Inventory	40 000
Trade receivables	25 000
Bank	5 000
	100 000
Capital and liabilities	
Capital	85 000
Trade payables	15 000
	100 000

Required

(a) Explain the importance of **liquidity** to a business.

(4)

(b) Calculate for Easi Spend, at 1 May 2016, the:

(i) current ratio

(2)

(ii) liquid (acid test) ratio.

(2)

The following information related to the year ended 30 April 2017.

- Sales of £135 000 were all made on credit.
- Purchases of £72 000 were all made on credit.
- The average inventory for the year was £32 500
- Cheque receipts from trade receivables were £123 000
- Cheque payments to trade payables were £80 000
- Expenses of £33 000 were paid by cheque.
- Depreciation on non-current assets for the year was £4 500

Required

(c) Complete in the question paper the summarised financial statements for the year ended 30 April 2017.

(10)

(d) Calculate, for the year ended 30 April 2017, the:

(i) inventory turnover

(2)

(ii) trade receivables collection period

(2)

(iii) trade payables payment period.

(2)

(e) Evaluate the liquidity position of Easi Spend at 30 April 2017.

(6)

(Total for Question 4 = 30 marks)

5 John purchased the Sunshine Villa, a property that he rents to customers for holidays.

The Sunshine Villa, including furniture and equipment, was purchased on 1 May 2016 for £200 000. John used £60 000 of his own savings and a 4% bank loan of £140 000, repayable in 20 years, to fund the purchase.

After the first year of trading ended on the 30 April 2017, the following information is available.

- There were 20 bookings in the year, for a total of 250 days, at a rental of £125 per day.
- In addition to the interest on the bank loan, the costs of the Sunshine Villa were:
  - Electricity £50 every month plus £20 per day when the villa is rented
  - Water and gas £200 per month
  - Cable TV and internet £75 per month
  - Insurance £800 per annum
  - Management and marketing costs £1 000 per annum plus £50 per booking
  - Repairs and maintenance £100 per month plus £100 per booking
  - Villa cleaning £100 per booking.
- The furniture and equipment is valued at £30 000, half of which will need to be replaced in 5 years and half will need to be replaced in 10 years.

Required

(a) Explain the terms:

(i) fixed cost

(2)

(ii) semi-fixed cost.

(2)

(b) Explain, with the use of appropriate accounting concepts and conventions, how the furniture and equipment depreciation will be charged to the total cost of the Sunshine Villa for the year.

(4)

(c) Calculate for the Sunshine Villa, for the year ended 30 April 2017, the:

(i) total costs

(10)

(ii) profit or loss

(3)

(iii) return on capital employed.

(3)

Before purchasing the Sunshine Villa a friend of John advised him of alternative investments for his savings. The friend advised that he could have deposited the money in a bank and obtained interest of 3% per annum.

(d) Evaluate John's decision to purchase the Sunshine Villa.

(6)

(Total for Question 5 = 30 marks)

6 Banwell Products manufactures goods using steel. The price of steel is currently variable.

The following information is available for the year ended 31 March 2017.

- Raw material:

  Inventory 1 April 2016 120 tons at £800 per ton

Date	Receipts	Issues
April – June 2016	80 tons at £750	90 tons
July – September 2016	70 tons at £700	60 tons
October – December 2016	100 tons at £650	80 tons
January – March 2017	60 tons at £600	70 tons

  Banwell Products issues raw materials to production using the First In First Out (FIFO) perpetual inventory valuation method.

- Wages and salaries:
  Manufacturing machinist wages £93 000
  Production management salaries £84 000
  Indirect manufacturing wages £16 800
  Administration wages and salaries £102 000
  Manufacturing assembly wages £83 500
  Manufacturing assembly wages prepaid at 31 March 2017 £6 500

- Other costs and expenses:
  Depreciation on manufacturing equipment £45 000
  Depreciation on administration equipment £16 000
  Rent of premises £37 000
  Rent owing at 31 March 2017 £5 500
  (80% of the rent relates to the factory)
  Insurance £40 000
  Insurance prepaid at 31 March 2017 £5 000
  (60% of the insurance relates to the factory)
  Marketing expenses £60 000

- Inventories at:

	1 April 2016	31 March 2017
Raw materials	To be calculated	To be calculated
Work in progress	£55 000	£47 300
Finished goods	£82 000	£73 000

- Banwell Products transferred production to finished goods at an agreed value of £640 000

Required

(a) Calculate the value of the inventory of raw materials at 31 March 2017 using the First In First Out (FIFO) perpetual inventory valuation method.

(4)

(b) Prepare the Manufacturing Account for the year ended 31 March 2017.

(14)

(c) Explain how the following would be accounted for in the Statement of Financial Position at 31 March 2017:

(i) manufacturing assembly wages prepaid

(2)

(ii) depreciation for the year on manufacturing equipment

(2)

(iii) provision for unrealised profit on manufacture.

(2)

The business is considering changing its method of valuing raw materials inventory to Last In First Out (LIFO).

(d) Evaluate the use of Last In First Out (LIFO) as a method of valuing the inventory of raw materials.

(6)

(Total for Question 6 = 30 marks)

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

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