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

Thursday 19 October 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 in Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- All calculations must be shown.
- 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.

Source material for Question 1 is on pages 2 to 4 of the source booklet.

1 (a) Prepare, for the year ended 31 July 2017, the:

(i) capital accounts of Aaron, Bitan and Chaman

(5)

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(ii) Statement of Profit or Loss and Other Comprehensive Income (including the appropriation of profit or loss)

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(iii) current accounts of Aaron, Bitan and Chaman.

(6)

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(b) Prepare the Statement of Financial Position at 31 July 2017.

(12)

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Chaman considered setting up business as a sole trader before agreeing to join the partnership of Aaron and Bitan.

(c) Evaluate Chaman's decision to join the partnership of Aaron and Bitan as an alternative to opening a business as a sole trader.

(12)

(Total for Question 1 = 55 marks)

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QUESTION 2 BEGINS ON THE NEXT PAGE.

Source material for Question 2 is on pages 6 and 7 of the source booklet.

2 (a) Identify which of the errors could be corrected by using the Suspense Account.

(3)

(b) Prepare the journal entries to record the correction of all errors.
Narratives are **not** required.

(16)

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(c) Prepare the Suspense Account after the correction of all errors, showing the opening balance.

(5)

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(d) Prepare the following corrected ledger accounts:

(i) Inventory Account

(3)

(ii) Discount Allowed Account

(3)

(iii) Computer Expenses Account.

(3)

Although the trial balance had failed to balance, Marvan prepared draft financial statements that showed a draft profit for the year of £23 350

(e) Calculate the revised profit or loss for the year **after** the correction of all errors by completing the table.

(10)

			£
Draft profit for the year			23 350
	Increase	Decrease	
	£	£	
(1) The Sales Day Book had been under-cast by £3 250			
(2) Purchases on credit from Gayesha £850, had been recorded in the ledger account of Gihan.			
(3) On 31 August 2017, a page from the inventory count (stock-take), for a total of £900, had been omitted.			
(4) Discount allowed of £280 had been credited to the Discount Allowed Account.			
(5) Rent of £6 000 had been paid for the period 1 May – 31 October 2017. The full sum had been charged to the Statement of Profit or Loss and Other Comprehensive Income.			
(6) Telephone expenses of £750, had been correctly recorded in the Bank Account but had been recorded in the Telephone Expenses Account as £570			
(7) The purchase of a new computer, £5 000, had been recorded in the Computer Expenses Account. Depreciation was charged on computers at the rate of 25% per annum using the straight line method.			
Sub total			
Revised profit for the year			

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QUESTION 2 CONTINUES ON THE NEXT PAGE.

(f) Evaluate the usefulness of preparing draft financial statements when it is known that there are errors in the books.

(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 ☒.

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

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

3 (a) Calculate, for the year ended 30 September 2017, the:

(i) total revenue

(4)

(ii) total purchases.

(3)

(b) Calculate, at 30 September 2017, the:

(i) closing inventory

(3)

(ii) bank balance.

(3)

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(c) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2017.

(7)

Bebi is considering merging her business and personal bank account.

(d) Explain the accounting concept that would be broken if Bebi records all business and personal transactions in a single bank account.

(2)

(e) Explain the method of depreciation used for the motor van.

(2)

(f) Evaluate Bebi's decision not to maintain a formal set of books.

(6)

(Total for Question 3 = 30 marks)

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Source material for Question 4 is on pages 10 and 11 of the source booklet.

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

4 (a) State how the following accounting concepts apply to depreciation:

(i) going concern

(2)

(ii) consistency.

(2)

(b) Calculate the depreciation to be charged for each type of non-current asset for the year ended 30 June 2017:

(i) land and buildings

(2)

(ii) motor vehicles

(3)

(iii) loose tools.

(3)

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(c) Complete the schedule of non-current assets.

(12)

Schedule of Non-current Assets at 30 June 2017

	Land and buildings	**Motor vehicles**	**Loose tools**
	£	**£**	**£**
Cost at 30 June 2016	250 000	72 000	15 000
Additions for year			
Disposals for year			
Total non-current asset cost			
Less depreciation			
Provision at 30 June 2016	80 000	30 000	5 000
Depreciation on non-current asset disposals			
Depreciation for the year ended 30 June 2017			
Total accumulated depreciation			
Carrying value at 30 June 2017			

(d) Evaluate the depreciation policy of Hoppe Electricals for land and buildings.

(6)

(Total for Question 4 = 30 marks)

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Source material for Question 5 is on pages 12 and 13 of the source booklet.

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

5 (a) Explain the accounting terms:

(i) semi-variable cost

(2)

(ii) overhead allocation

(2)

(iii) absorption of overheads.

(2)

(b) Calculate the **total** overhead cost (including the reallocation of Administration), of the:

- Metal shop
- Paint shop.

(7)

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(c) Calculate the overhead recovery rates per labour hour for the:

(i) Metal shop

(2)

(ii) Paint shop.

(2)

A customer has requested a quotation for the repair of his car. Ding Repairs will purchase the car parts and paint for £250. The repair will take 16 hours in the Metal shop and 20 hours in the Paint shop. Ding Repairs will include an additional charge of £150 on the total cost for profit.

(d) Prepare the quotation for the customer.

(7)

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(e) Evaluate the usefulness of apportioning overheads to departments.

(6)

(Total for Question 5 = 30 marks)

Source material for Question 6 is on pages 14 and 15 of the source booklet.

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

6 (a) Explain the accounting terms:

(i) profitability

(2)

(ii) liquidity.

(2)

(b) Calculate the bank balance at 31 August 2017.

(4)

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(c) Calculate, for the year ended 31 August 2017, the:

(i) inventory turnover (times)

(2)

(ii) current ratio

(2)

(iii) liquid (acid test) ratio

(2)

(iv) trade payables payment period (in days)

(2)

(v) trade receivables collection period (in days)

(2)

(vi) revenue to non-current assets.

(2)

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(d) Evaluate the liquidity of Yaso's business at 31 August 2017.

(6)

A friend of Yaso's stated that you cannot judge the success of a business by the financial factors alone. You must also consider non-financial factors.

(e) Identify **four** non-financial factors that could be important when judging the success of Yaso's business.

(4)

(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

Thursday 19 October 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 Aaron and Bitan are in partnership, sharing profits and losses equally.

On 31 July 2016, the capital account balances of the partners were:

Aaron	£50 000
Bitan	£75 000

On 1 August 2016, Aaron and Bitan agreed to admit Chaman as a partner.
A Partnership Agreement was prepared as follows:

- Chaman would bring assets of £35 000 into the partnership.
- Goodwill was valued at £40 000
- Goodwill would not be retained in the books of the new partnership.
- No interest would be paid on capital.
- Interest would be charged on drawings at the rate of 5% on balances at the end of the year.
- Salaries would be paid to Bitan £15 000 and Chaman £12 000
- Profits and losses would be shared: Aaron two-fifths ($^2/_5$); Bitan two-fifths ($^2/_5$) and Chaman one-fifth ($^1/_5$).

At the end of the first year of trading, on 31 July 2017, the following balances **excluding the capital accounts** remained in the books of the partnership.

	£
Current accounts - 1 August 2016	
Aaron	1 300 Dr
Bitan	900 Cr
Drawings - Aaron	8 000
Bitan	21 000
Chaman	16 000
Revenue	377 500
Purchases	183 200
Non-current assets (cost):	
Land and buildings	100 000
Motor vehicles	80 000
Office equipment	40 000
Provision for depreciation:	
Land and buildings	4 000
Motor vehicles	24 000
Office equipment	10 000
Wages and salaries	56 500
General expenses	31 000
Allowance for doubtful debts	1 500
Inventory 1 August 2016	36 500
Carriage inwards	10 300
Carriage outwards	7 450
Insurance	3 650
Rent	12 000
Rent receivable	1 750
Motor vehicles expenses	9 800
Trade receivables	48 000
Trade payables	42 050
Bank	5 000 Dr
8% bank loan (repayable December 2025)	50 000
Bank loan interest paid	2 000

Additional information at 31 July 2017

- Inventory £40 000
- Insurance includes the annual motor vehicle renewal of £1 200 paid on 1 February 2017.
- General expenses of £4 000 were prepaid.
- Rent receivable of £750 is outstanding.
- The 8% bank loan was taken out in 2015.
- Drawings included the payment of the partner's salaries.
- Depreciation is charged at the rate of:
  - 2% per annum on the cost of land and buildings
  - 20% per annum on motor vehicles using the reducing balance method
  - 15% per annum on office equipment using the straight line method.
- The allowance for doubtful debts is to be maintained at 5%.

Required

(a) Prepare, for the year ended 31 July 2017, the:

(i) capital accounts of Aaron, Bitan and Chaman

(5)

(ii) Statement of Profit or Loss and Other Comprehensive Income (including the appropriation of profit or loss)

(20)

(iii) current accounts of Aaron, Bitan and Chaman.

(6)

(b) Prepare the Statement of Financial Position at 31 July 2017.

(12)

Chaman considered setting up business as a sole trader before agreeing to join the partnership of Aaron and Bitan.

(c) Evaluate Chaman's decision to join the partnership of Aaron and Bitan as an alternative to opening a business as a sole trader.

(12)

(Total for Question 1 = 55 marks)

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QUESTION 2 BEGINS ON THE NEXT PAGE.

2 Marvan extracted a trial balance on 31 August 2017. The trial balance failed to balance so Marvan opened a Suspense Account to record the difference.

On inspection of the books and draft financial statements, Marvan discovered the following errors:

(1) The Sales Day Book had been under-cast by £3 250

(2) Purchases on credit from Gayesha of £850, had been recorded in the ledger account of Gihan.

(3) On 31 August 2017, a page from the inventory count (stock-take), for a total of £900, had been omitted.

(4) Discount allowed of £280 had been credited to the Discount Allowed Account.

(5) Rent of £6 000 had been paid for the period 1 May - 31 October 2017. The full amount had been charged to the Statement of Profit or Loss and Other Comprehensive Income.

(6) Telephone expenses of £750 had been correctly recorded in the Bank Account but had been recorded in the Telephone Expenses Account as £570

(7) The purchase of a new computer, £5 000, had been recorded in the Computer Expenses Account. Depreciation was charged on computers at the rate of 25% per annum using the straight line method.

Required

(a) Identify which of the above errors could be corrected by using the Suspense Account.

(3)

(b) Prepare the journal entries to record the correction of all errors.
Narratives are **not** required.

(16)

(c) Prepare the Suspense Account after the correction of all errors, showing the opening balance.

(5)

On the 31 August 2017, the following balances were recorded in the ledger **before** the correction of errors.

Inventory Account	£41 600
Discount Allowed Account	£1 320
Computer Expenses Account	£12 300

Required

(d) Prepare the following corrected ledger accounts:

(i) Inventory Account

(3)

(ii) Discount Allowed Account

(3)

(iii) Computer Expenses Account.

(3)

Although the trial balance had failed to balance, Marvan prepared draft financial statements that showed a draft profit for the year of £23 350

(e) Calculate the revised profit or loss for the year **after** the correction of all errors by completing the table in your Question Paper.

(10)

(f) Evaluate the usefulness of preparing draft financial statements when it is known that there are errors in the books.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 Bebi is a sole trader buying and selling goods for cash and on credit. When she commenced business she decided not to keep a formal set of books.

Bebi is now required to calculate her profit or loss for the year and seeks your help.

In discussion with Bebi the following information is available:

(1) At the start of the year, on 1 October 2016, her assets and liabilities were:

- inventory £13 600
- motor van for business use £11 400 (at valuation)
- trade receivables £10 400
- trade payables £8 000
- bank overdraft £1 700

(2) Cheque receipts during the year from trade receivables were £106 000 for credit sales and a further £9 200 was owed by trade receivables at 30 September 2017.

(3) Bebi banked £3 000 from cash sales **after** she had paid for the following in cash:

- motor van expenses £7 800
- wages £14 000
- personal drawings £9 200

(4) Credit purchases of £95 000 were paid by cheque during the year and £15 000 was owed to trade payables at 30 September 2017.

(5) Bebi marked up all goods by $33^{1}/_{3}\%$

(6) The motor van was valued at £8 300 at 30 September 2017.

(7) Bebi paid £6 500 by cheque for general expenses during the year.

(8) At 30 September 2017, wages of £900 were accrued and general expenses of £400 were prepaid.

Required

(a) Calculate, for the year ended 30 September 2017, the:

(i) total revenue

(4)

(ii) total purchases.

(3)

(b) Calculate, at 30 September 2017, the:

(i) closing inventory

(3)

(ii) bank balance.

(3)

(c) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2017.

(7)

Bebi is considering merging her business and personal bank account.

(d) Explain the accounting concept that would be broken if Bebi records all business and personal transactions in a single bank account.

(2)

(e) Explain the method of depreciation used for the motor van.

(2)

(f) Evaluate Bebi's decision not to maintain a formal set of books.

(6)

(Total for Question 3 = 30 marks)

4 The Statement of Financial Position of Hoppe Electricals at 30 June 2016, showed the following:

Non-current Asset	Cost	Accumulated Depreciation	Carrying Value
	£	£	£
Land and buildings	250 000	80 000	170 000
Motor vehicles	72 000	30 000	42 000
Loose tools	15 000	5 000	10 000
Total	337 000	115 000	222 000

(1) During the year ended 30 June 2017, the following non-current asset transactions took place:

- An extension to the building costing £60 000 was completed and occupied.
- New motor vehicles were purchased at a cost of £23 000
- Existing motor vehicles with a cost of £25 000, were sold for their carrying value of £5 000
- Additional loose tools were purchased for £6 000. Loose tools were valued on 30 June 2017 at £14 000

(2) Hoppe Electricals has the following depreciation policy:

- Land and buildings are depreciated at the rate of 10% per annum using the straight line method.
- Motor vehicles are depreciated at the rate of 25% per annum using the reducing balance method.
- Loose tools are depreciated using the revaluation method.
- A full year's depreciation is charged on all non-current assets owned at the end of the year.

Required

(a) State how the following accounting concepts apply to depreciation:

(i) going concern

(2)

(ii) consistency.

(2)

(b) Calculate the depreciation to be charged for each type of non-current asset for the year ended 30 June 2017:

(i) land and buildings

(2)

(ii) motor vehicles

(3)

(iii) loose tools.

(3)

(c) Complete the schedule of non-current assets in your Question Paper.

(12)

(d) Evaluate the depreciation policy of Hoppe Electricals for land and buildings.

(6)

(Total for Question 4 = 30 marks)

5 Ding Repairs is in business as a car body repair workshop. The business has three departments: Metal shop, Paint shop and Administration. The following information is available:

(1) Raw materials – car parts and paint.
All car parts and paint to repair cars are purchased to order and will be charged to the customer at cost plus 20%

(2) Labour
Metal shop employees are paid £7.50 per hour.
Paint shop employees are paid £10.00 per hour.

Metal shop employees work 45 hours per week for 50 weeks per year.
80% of all employee working hours are charged directly to customer repair jobs.

Paint shop employees work 48 hours per week for 50 weeks per year.
75% of all employee working hours are charged directly to customer repair jobs.

(3) Overheads
Allocated overheads:

	£
• Metal shop	39 000
• Paint shop	53 000
• Administration	24 000

Other overheads:

	£
Rent and rates	20 000
Depreciation of equipment	28 000
Insurance	7 000
Management salaries	45 000

Additional information

	Metal shop	Paint shop	Administration
Floor area (sq m)	600	300	100
Employees (number)	5	3	1
Equipment value (£)	20 000	100 000	20 000

The total overhead for Administration is reallocated: 75% Metal Shop, 25% Paint Shop.

Required

(a) Explain the accounting terms:

(i) semi-variable cost

(2)

(ii) overhead allocation

(2)

(iii) absorption of overheads.

(2)

(b) Calculate the **total** overhead cost (including the reallocation of Administration), of the:

- Metal shop
- Paint shop.

(7)

(c) Calculate the overhead recovery rates per labour hour for the:

(i) Metal shop

(2)

(ii) Paint shop.

(2)

A customer has requested a quotation for the repair of his car. Ding Repairs will purchase the car parts and paint for £250. The repair will take 16 hours in the Metal shop and 20 hours in the Paint shop. Ding Repairs will include an additional charge of £150 on the total cost for profit.

Required

(d) Prepare the quotation for the customer.

(7)

(e) Evaluate the usefulness of apportioning overheads to departments.

(6)

(Total for Question 5 = 30 marks)

6 Yaso is in business buying and selling goods on credit. He is concerned that although his business is making a good profit, his balance at the bank is not increasing. The following information is available:

(1) At 1 September 2016, the bank balance was £40 000, and the inventory was £35 000

(2) Summarised bank transactions for the year ended 31 August 2017.

	£
Receipts from trade receivables	625 000
Payments to trade payables	580 000
Non-current assets purchased	250 000
6% loan taken out by Yaso	300 000
Expenses paid	125 000
Drawings	40 000

(3) Asset and liabilities at 31 August 2017.

	£
Trade receivables	160 000
Trade payables	60 000
Inventory	45 000
Expenses prepaid	20 000
Non-current assets	320 000
6% bank loan (repayable December 2022)	300 000
Bank	To be calculated

(4) Credit transactions in the year ended 31 August 2017.

	£
Purchases	570 000
Revenue	800 000

Required

(a) Explain the accounting terms:

(i) profitability

(2)

(ii) liquidity.

(2)

(b) Calculate the bank balance at 31 August 2017.

(4)

(c) Calculate, for the year ended 31 August 2017, the:

(i) inventory turnover (times)

(2)

(ii) current ratio

(2)

(iii) liquid (acid test) ratio

(2)

(iv) trade payables payment period (in days)

(2)

(v) trade receivables collection period (in days)

(2)

(vi) revenue to non-current assets.

(2)

The following information is available for Yaso's business for the previous year, ended 31 August 2016, and for the sector average for that year.

	Yaso For the year ended 31 August 2016	**Sector average For the year ended 31 August 2016**
Inventory turnover	11 times	12 times
Current ratio	1.9:1	2:1
Liquid (acid test) ratio	1.1:1	1:1
Trade payables payment period (in days)	40 days	45 days
Trade receivables collection period (in days)	50 days	35 days
Revenue to non-current assets	2:1	2.5:1

(d) Evaluate the liquidity of Yaso's business at 31 August 2017.

(6)

A friend of Yaso's stated that you cannot judge the success of a business by the financial factors alone. You must also consider non-financial factors.

(e) Identify **four** non-financial factors that could be important when judging the success of Yaso's business.

(4)

(Total for Question 6 = 30 marks)

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

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