GradeMax

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Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Accounting

International Advanced Level
Paper 2: Corporate and Management Accounting

Friday 8 June 2018 – Afternoon
Time: 3 hours

Paper Reference
WAC12/01

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 **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 Source Booklet 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.

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P 5 1 8 0 2 A 0 1 3 2

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SECTION A

Answer BOTH questions in this section.

Source material for Question 1 is on pages 2, 3 and 4 of the Source Booklet.

1 (a) Prepare a Statement of Cash Flows for the year ended 31 March 2018 for Kullna Stores plc in accordance with International Accounting Standard (IAS) 7 Statement of Cash Flows (revised).

(43)

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The financial statements for the year ended 31 March 2018 were presented to the Directors at a Board meeting in April. The Human Resources Director stated "It looks like Kullna Stores plc must concentrate on profitability rather than liquidity in the next year".

(b) Evaluate the statement made by the Human Resources Director concerning Kullna Stores plc.

(12)

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(Total for Question 1 = 55 marks)

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

2 (a) Calculate the budgeted (standard) cost of producing **one** packet of Grainbox for:

- labour
- materials
- total variable cost.

(8)

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(b) (i) Calculate for the month of May, stating the formula used in each case, for the **total** production of Grainboxes, the:

- labour efficiency variance
- labour rate variance
- total labour variance.

(13)

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(ii) Calculate for the month of May, stating the formula used in each case, for the **total** production of Grainboxes, the:

- material usage variance
- material price variance
- total material variance.

(14)

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(c) Calculate the actual profit for the month of May 2018.

(8)

(d) Evaluate the performance of Primoatco plc for May 2018.

(12)

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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 8 and 9 of the source booklet.

3 (a) Calculate the:

(i) agreed value of assets to be taken over by Wan Chai plc

(5)

(ii) agreed value of liabilities to be taken over by Wan Chai plc

(3)

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(iii) purchase price paid by Wan Chai plc

(4)

(iv) value of goodwill paid by Wan Chai plc when acquiring North Point plc.

(4)

(b) Show the Journal entries to close the following accounts in the books of North Point plc, **before** any revaluations have taken place. Narratives are not required.

- Property
- Trade payables
- Share Capital - 25 pence (£0.25) Ordinary Shares
- Retained earnings

(8)

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Shareholders in North Point plc received shares in Wan Chai plc and cash in exchange for their shares.

(c) Evaluate whether it is preferable for shareholders to receive shares or cash during a takeover.

(6)

(Total for Question 3 = 30 marks)

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) Prepare, for **each** of the first four months, a Purchases Budget, **in units**, for each of the three parts X, Y, and Z.

(4)

Purchases Budget (units)	Month 1	Month 2	Month 3	Month 4

(b) Calculate, for month 1, the maximum possible amount of production units of the device.

(4)

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(c) Prepare, for **each** of the first four months of production, the inventory budget, in units, for part Y.

(5)

Part Y Inventory Budget (units)	Month 1	Month 2	Month 3	Month 4

Workings

(d) Calculate the total value of the inventory of all **three** parts at the end of month 4.

(9)

In month 5, Brainboxxe plc has identified that the number of units of part Z that are available will determine the maximum level of output.

(e) Calculate, for month 5, the maximum possible level of output.

(2)

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(f) Evaluate whether Brainboxxe plc should be worried about the value of parts in inventory at the end of month 4.

(6)

(Total for Question 4 = 30 marks)

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 The Statement of Changes in Equity of Pontus Transport plc for the year ended 31 March 2018 is shown below.

Figures are in £ millions	Ordinary Share Capital £	Share Premium £	Retained Earnings £	General Reserve £	Foreign Exchange Reserve £	Revaluation Reserve £	Total Equity £
Balance at 1 April 2017	A	55	64	27	10	30	B
Dividends Paid			(23)				(23)
Transfer			(8)		8		C
Profit after Tax			D				89
Balance at 31 March 2018	320	55	E	27	18	30	F

(a) Complete the Statement of Changes in Equity showing figures calculated for letters A to F.

(6)

Workings

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(b) Complete the table below showing how the following reserves can be created and give one example of how each can be utilised (used):

- share premium reserve
- retained earnings
- general reserve
- revaluation reserve.

(9)

	Created	Utilised (used)
Share premium reserve		
Retained earnings		
General reserve		
Revaluation reserve		

(c) Prepare Journal entries, including a narrative, for the transfer of the £8 million shown in the Statement of Changes in Equity.

(3)

On 13 May 2018, a property with a book value of £18 million was sold for £20 million.

The property had previously been revalued from £11 million to £18 million in the books.

(d) Prepare the Journal entries, including a narrative, to show the sale of the property on 13 May 2018.

(6)

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The financial statements were presented to the shareholders at the Annual General Meeting. One shareholder stated at the meeting "I think the dividend policy of the company is not very generous to the shareholders".

(e) Evaluate the statement made by the shareholder.

(6)

(Total for Question 5 = 30 marks)

Source material for Question 6 is on page 14 of the Source Booklet.

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

6 (a) Calculate the **total** estimated profit or loss for **each** gold mine for 2019.

(12)

	Boksville mine	**Igolide mine**	**Orange Deep mine**

Workings

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(b) Calculate the estimated contribution, and the estimated profit or loss, made by **each** of the three gold mines, **per kilo produced**, for 2019.

(12)

Per kilo	Boksville	Igolide	Orange Deep

Workings

(c) Evaluate the figures calculated in (b) to make a decision as to the future of **each** of the three gold mines.

(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 Level
Paper 2: Corporate and Management Accounting

Friday 8 June 2018 – Afternoon
Source Booklet

Paper Reference
WAC12/01

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SECTION A

Answer BOTH questions in this section.

1 The Statements of Financial Position of Kullna Stores plc at 31 March 2017 and 31 March 2018 were as follows:

	31 March 2017	**31 March 2018**
ASSETS	£	£
Non-current assets		
Intangibles – goodwill	133 000	126 000
Property, plant and equipment at cost	10 856 000	11 414 000
Provision for depreciation	(3 270 000)	(3 652 000)
Property, plant and equipment carry over	7 586 000	7 762 000
	7 719 000	7 888 000
Current assets		
Inventories	2 804 000	2 769 000
Trade receivables	923 000	945 000
Other receivables	57 000	51 000
Cash and cash equivalents	121 000	- ----------
	3 905 000	3 765 000
Total Assets	11 624 000	11 653 000

EQUITY AND LIABILITIES		
Equity		
Share capital – Ordinary shares of £1	8 000 000	8 400 000
5.5% Non-redeemable preference shares of £1	600 000	600 000
Share premium	1 000 000	1 050 000
Retained earnings	534 000	308 000
Total Equity	10 134 000	10 358 000
Non-current liabilities		
6% Bank Loan	400 000	500 000
	400 000	500 000
Current liabilities		
Trade payables	742 000	684 000
Other payables	25 000	27 000
Current Tax payable	323 000	67 000
Cash and cash equivalents	---------	17 000
	1 090 000	795 000
Total Equity and Liabilities	11 624 000	11 653 000

Additional information

- Goodwill of £140 000 was paid when purchasing another business in the year ended 31 March 2016. The goodwill is being amortised (depreciated) over 20 years.
- On 8 April 2017 a retail property bought for £1 800 000, with depreciation to date of £720 000, was sold for £970 000.
- On 10 May 2017 a retail property was bought.
- On 19 May 2017 ordinary shareholders received a final dividend for the year ended 31 March 2017 of 1.9 pence (£0.019) per share.
- On 30 August 2017 an issue of 400 000 £1 Ordinary shares at a premium of 12.5 pence (£0.125) per share was made.
- On 1 October 2017 the bank loan was increased.
- On 22 October 2017 all Ordinary shareholders received an interim dividend of 0.5 pence (£0.005) per share.
- Preference shareholders received their dividends in full during the year.
- Profit after interest before tax for the year ended 31 March 2018 was £68 000

Required

(a) Prepare a Statement of Cash Flows for the year ended 31 March 2018 for Kullna Stores plc in accordance with International Accounting Standard (IAS) 7 Statement of Cash Flows (revised).

(43)

The financial statements for the year ended 31 March 2018 were presented to the Directors at a Board meeting in April. The Human Resources Director stated "It looks like Kullna Stores plc must concentrate on profitability rather than liquidity in the next year".

(b) Evaluate the statement made by the Human Resources Director concerning Kullna Stores plc.

(12)

(Total for Question 1 = 55 marks)

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QUESTION 2 BEGINS ON THE NEXT PAGE.

2 Primoatco plc manufactures a wheat-based breakfast product, the Grainbox, using a production line. For the month of May 2018, the following information was available.

Budget:

Production: 512 000 packets of Grainbox.

Each packet of Grainbox contains 200 grams of wheat.

Wheat is to be purchased from suppliers at a rate of 15 pence (£0.15) per kilogram.

The production line will operate for 160 hours in the month and produce 3 200 packets of Grainbox per hour.

The production line is staffed by 16 workers who are each paid £8.00 per hour.

The 16 workers are to work 8 hours per day, five days per week, for four weeks in May.

Actual:

Production: 512 000 packets of Grainbox.

104 000 kilograms of wheat were used in production at a total cost of £15 808

The production line operated for 158 hours in the month and the wage bill was £20 856

Additional Information

1 000 grams equals 1 kilogram

Required

(a) Calculate the budgeted (standard) cost of producing **one** packet of Grainbox for:

- labour
- materials
- total variable cost.

(8)

(b) (i) Calculate for the month of May, stating the formula used in each case, for the **total** production of Grainboxes, the:

- labour efficiency variance
- labour rate variance
- total labour variance.

(13)

(ii) Calculate for the month of May, stating the formula used in each case, for the **total** production of Grainboxes, the:

- material usage variance
- material price variance
- total material variance.

(14)

Primoatco plc is calculating the profit for the month. The following information is available:

- At 30 April 2018, Primoatco plc had 127 000 packets in inventory, valued at 12 pence (£0.12) each.
- Sales for May were 538 000 packets, at 55 pence (£0.55) per packet.
- Fixed costs were £24 775 for the month.

Required

(c) Calculate the actual profit for the month of May 2018.

(8)

(d) Evaluate the performance of Primoatco plc for May 2018.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 Wan Chai plc agreed to purchase North Point plc on 1 April 2018. The directors of Wan Chai plc have agreed to take over all the assets except cash and cash equivalents and trade receivables. Wan Chai plc have agreed to settle all liabilities except tax payable.

The statement of financial position of North Point plc at 31 March 2018 showed:

All assets £140 500 000

All liabilities £105 700 000

Equity and reserves £34 800 000

The following figures and revaluations were agreed by both companies.

- Plant with a value of £2 600 000 was to be worth only a scrap value of £300 000
- Equipment with a book value of £400 000 was to be given a value of zero.
- An exact figure for trade payables was agreed at £11 900 000, down from £12 100 000
- Inventory was reduced in value by £600 000 to its net realisable value.
- The total property value was increased by 20% to a current market value of £19 200 000

Additional information concerning North Point plc

- Trade receivables were £15 700 000
- Cash and cash equivalents balance £1 100 000 debit.
- Tax payable £2 400 000
- Retained earnings balance is £9 800 000 credit
- Equity share capital is £25 000 000, consisting of Ordinary shares of 25 pence (£0.25) per share.

For every 5 shares of 25 pence (£0.25) held in North Point plc, each shareholder would receive:

- one 50 pence (£0.50) share in Wan Chai plc at a premium of 42 pence (£0.42) per share
- 48 pence (£0.48) cash.

Required

(a) Calculate the:

(i) agreed value of assets to be taken over by Wan Chai plc

(5)

(ii) agreed value of liabilities to be taken over by Wan Chai plc

(3)

(iii) purchase price paid by Wan Chai plc

(4)

(iv) value of goodwill paid by Wan Chai plc when acquiring North Point plc.

(4)

(b) Show the Journal entries to close the following accounts in the books of North Point plc, **before** any revaluations have taken place. Narratives are not required.

- Property
- Trade payables
- Share Capital - 25 pence (£0.25) Ordinary Shares
- Retained earnings

(8)

Shareholders in North Point plc received shares in Wan Chai plc and cash in exchange for their shares.

(c) Evaluate whether it is preferable for shareholders to receive shares or cash during a takeover.

(6)

(Total for Question 3 = 30 marks)

4 Brainboxxe plc is to introduce a new model of a handheld device. Brainboxxe plc will assemble the device using three parts it will buy from suppliers.

The suppliers have informed Brainboxxe plc that they are able to supply the parts up to the following maximum units for **each** of the first four months of production.

Part X – 40 000 units per month

Part Y – 64 000 units in month 1, increasing by 10% in each and every month thereafter.

Part Z – 80 000 units in month 1, increasing by 5 000 units in month 3. The higher level can then be supplied in every future month.

Brainboxxe plc has agreed to purchase the parts in the maximum units for **each** of the first four months.

Required

(a) Prepare, for **each** of the first four months, a Purchases Budget, **in units**, for each of the three parts X, Y, and Z.

(4)

The handheld device will contain the following quantities of each part:

Part X - 2 per device

Part Y - 4 per device

Part Z - 5 per device.

Brainboxxe plc wishes to produce the same amount for each of the first four months of production. This will be the maximum possible amount of production units of the device for month 1.

Required

(b) Calculate, for month 1, the maximum possible amount of production units of the device.

(4)

(c) Prepare, for **each** of the first four months of production, the inventory budget, in units, for part Y.

(5)

The parts will be purchased at the following prices:

Part X - £6.50 per part

Part Y - £14.25 per part

Part Z - £11.95 per part.

(d) Calculate the total value of the inventory of all **three** parts at the end of month 4.

(9)

In month 5, Brainboxxe plc has identified that the number of units of part Z that are available will determine the maximum level of output.

(e) Calculate, for month 5, the maximum possible level of output.

(2)

(f) Evaluate whether Brainboxxe plc should be worried about the value of parts in inventory at the end of month 4.

(6)

(Total for Question 4 = 30 marks)

5 The Statement of Changes in Equity of Pontus Transport plc for the year ended 31 March 2018 is shown below.

Figures are in £ millions	Ordinary Share Capital £	Share Premium £	Retained Earnings £	General Reserve £	Foreign Exchange Reserve £	Revaluation Reserve £	Total Equity £
Balance at 1 April 2017	A	55	64	27	10	30	B
Dividends Paid			(23)				(23)
Transfer			(8)		8		C
Profit after Tax			D				89
Balance at 31 March 2018	320	55	E	27	18	30	F

Required

(a) Complete the Statement of Changes in Equity showing figures calculated for letters A to F in the Question Paper.

(6)

(b) Complete the table showing how the following reserves can be created and give one example of how each can be utilised (used):

- share premium reserve
- retained earnings
- general reserve
- revaluation reserve.

(9)

(c) Prepare Journal entries, including a narrative, for the transfer of the £8 million shown in the Statement of Changes in Equity.

(3)

On 13 May 2018, a property with a book value of £18 million was sold for £20 million.

The property had previously been revalued from £11 million to £18 million in the books.

(d) Prepare the Journal entries, including a narrative, to show the sale of the property on 13 May 2018.

(6)

The financial statements were presented to the shareholders at the Annual General Meeting. One shareholder stated at the meeting "I think the dividend policy of the company is not very generous to the shareholders".

(e) Evaluate the statement made by the shareholder.

(6)

(Total for Question 5 = 30 marks)

6 Wittwater Mining plc carries out regular reviews of its operations. The world price of gold has risen to £32 000 per kilo and is expected to stay at this level. This has resulted in Wittwater Mining plc considering reopening some gold mines that it had previously closed, as they were making a loss. These are the three gold mines in the Eastern Area. Wittwater Mining plc cannot sell at a price above £32 000 per kilo as customers would purchase from other suppliers.

The estimates for 2019 for the three gold mines in the Eastern area are nearing completion.

All production of gold is sold at the world price, of £32 000 per kilo.

The following information is available (some figures are given in total, others are given per kilo):

	Boksville mine	**Igolide mine**	**Orange Deep mine**
Revenue	To be calculated	To be calculated	£29 760 000
Direct labour	£17 500 000	£16 000 per kilo	£17 670 000
Direct materials	£7 000 000	£6 000 per kilo	£11 000 per kilo
Fixed costs	£10 500 000	£4 400 000	To be calculated
Production - kilos	700	550	To be calculated

Fixed costs for the Orange Deep mine are made up of the following:

- plant, property and equipment that cost £135 000 000 is being depreciated over 15 years, using the straight line method
- other fixed costs will be £5 880 000

Required

(a) Calculate the **total** estimated profit or loss for **each** gold mine for 2019.

(12)

(b) Calculate the estimated contribution, and the estimated profit or loss, made by **each** of the three gold mines, **per kilo produced**, for 2019.

(12)

(c) Evaluate the figures calculated in (b) to make a decision as to the future of **each** of the three gold mines.

(6)

(Total for Question 6 = 30 marks)

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

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