GradeMax

Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
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**Pearson Edexcel**
**International Advanced Level**

Centre Number | Candidate Number

# Monday 4 November 2019

Morning (Time: 3 hours) | Paper Reference **WAC12/01**

# Accounting

## International Advanced Level
## Paper 2: Corporate and Management Accounting

**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 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.

*Turn over* ▶

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## SECTION A

**Answer BOTH questions in this section.**

**Source material for Question 1 is on pages 2 to 6 of the Source Booklet.**

**1** (a) Prepare for Cyprieat plc, in accordance with International Accounting Standard (IAS) 1 (Revised), for the year ended 30 September 2019, a Statement of Profit or Loss and Other Comprehensive Income.

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(b) Evaluate the use of information and communication technology (ICT) in accounting.

**(12)**

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**(Total for Question 1 = 55 marks)**

**Source material for Question 2 is on pages 8 and 9 of the Source Booklet.**

**2** (a) Calculate the break-even point for Option 1 Town Centre site for **one** year, measured in:

(i) sales units

**(12)**

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(ii) sales revenue.

**(2)**

(b) Calculate for Option 1 Town Centre site for **one** year the:

(i) margin of safety in sales units

**(3)**

(ii) margin of safety as a percentage of sales.

**(3)**

(c) Calculate the profit for Option 1 Town Centre site for **one** year.

**(4)**

(d) Explain **two advantages** of break-even analysis.

**(4)**

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(e) Explain **two disadvantages** of break-even analysis.

**(4)**

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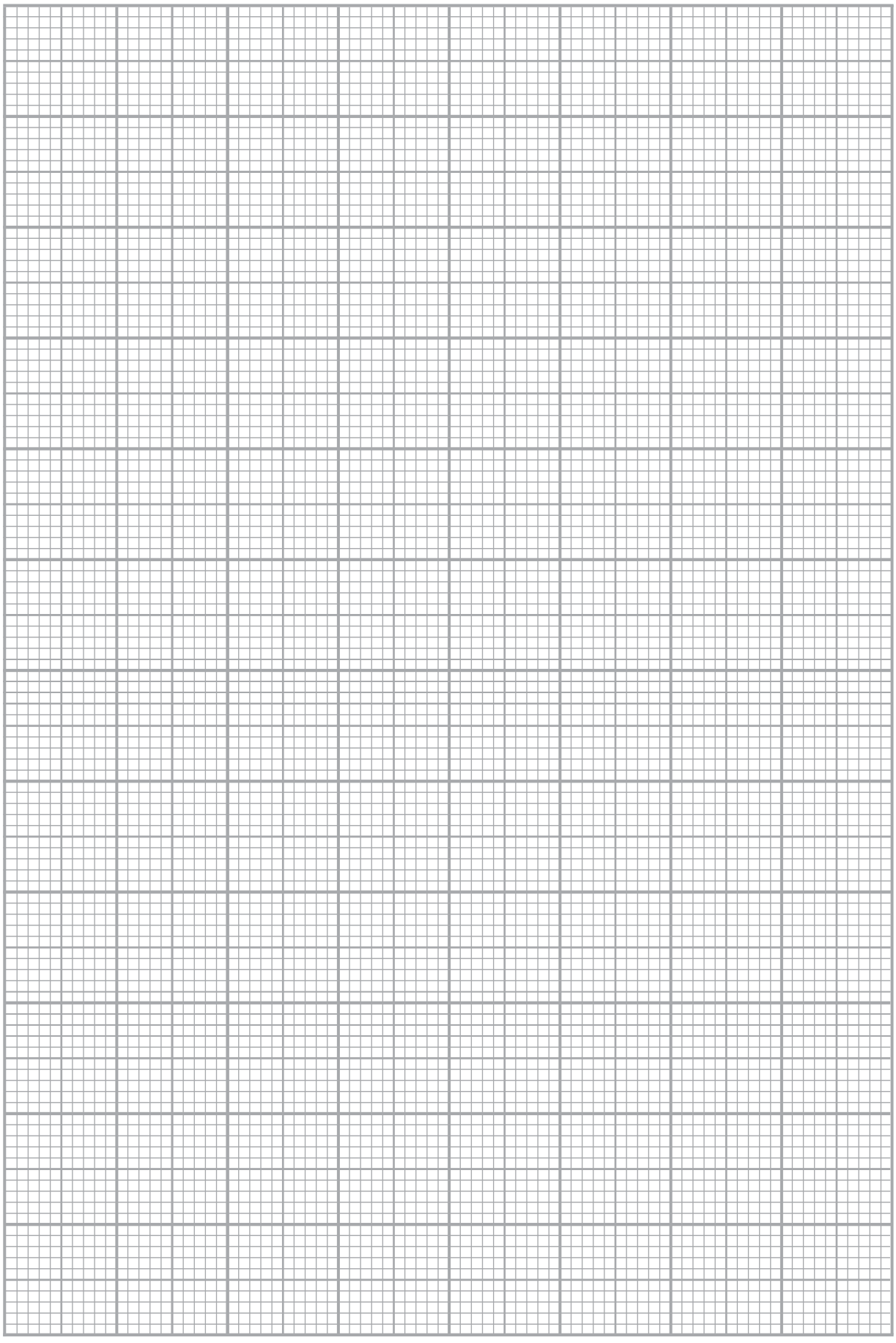
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(f) Complete a break-even graph for Option 2 Countryside site for **one** year, for an output of 0 to 180 000 units.

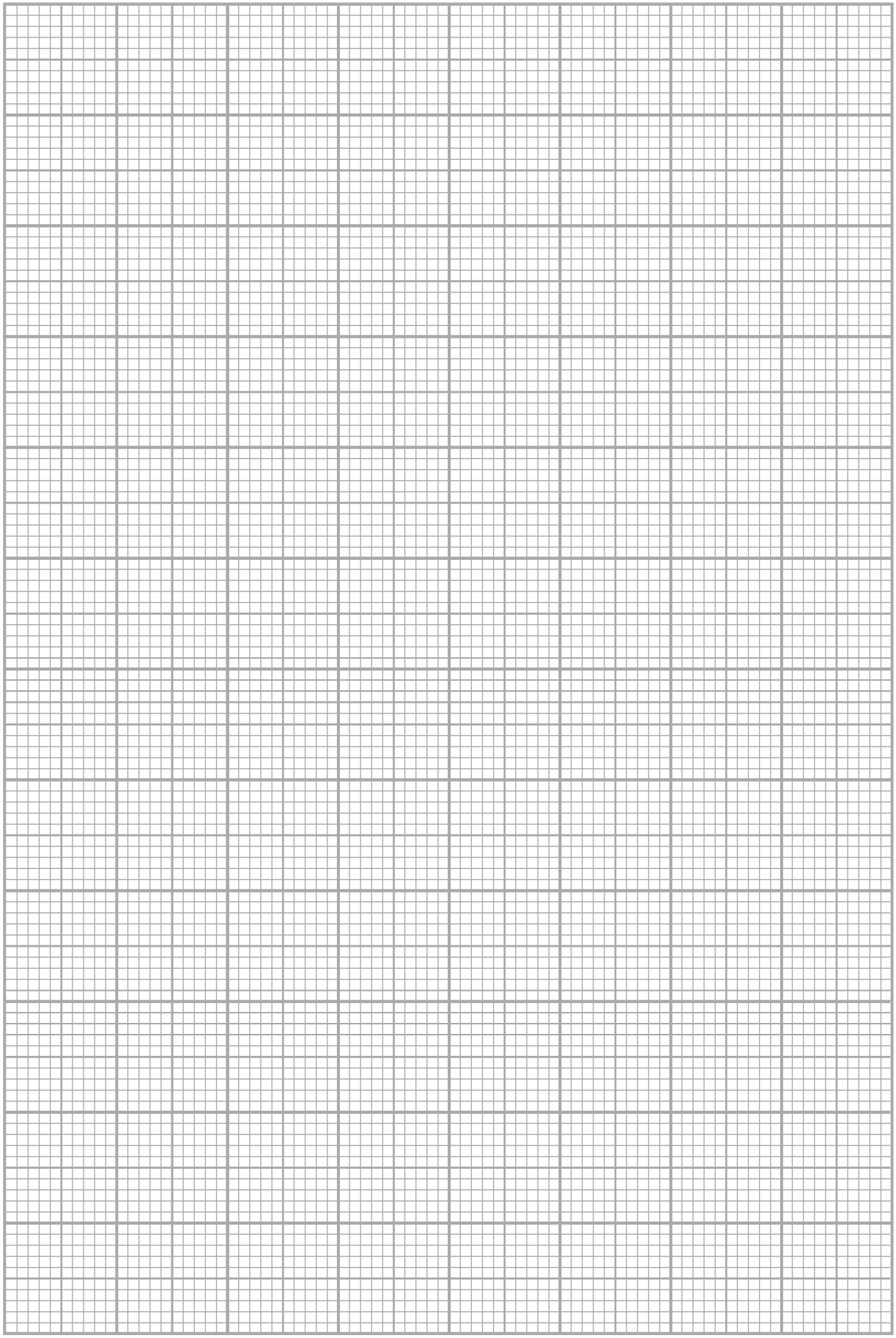
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(g) Explain what useful information the angle of incidence would give to the management of the company.

**(3)**

(h) Evaluate the **two** possible options for the site of the new factory, considering financial and non-financial factors.

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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 10 and 11 of the Source Booklet.**

**3** (a) Prepare for management, a profit and loss statement for the Ashton factory, for the year ended 30 September 2019, using **marginal costing**. Your statement must show both the total contribution and the total profit.

**(14)**

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Merillion plc has received an offer from an overseas supplier who is willing to supply the exhaust units for £15 per unit.

(b) Explain **two non-financial** factors that Merillion plc may have to consider before deciding whether to accept the offer from the overseas supplier.

**(4)**

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(c) Evaluate, considering **only financial** factors, whether Merillion plc should accept the offer from the overseas supplier to supply at £15 per unit.

**(6)**

(d) Prepare the profit and loss statement for the Berton factory, for the year ended 30 September 2019, using **marginal costing.**

**(6)**

**(Total for Question 3 = 30 marks)**

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**QUESTION 4 BEGINS ON PAGE 24.**

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

**Source material for Question 4 is on pages 12 to 14 of the Source Booklet.**

**4** (a) Prepare, for the year ended 30 September 2019, the following sections from the Statement of Cash Flows, in accordance with International Accounting Standard (IAS) 7.

(i) Cash flows from Investing activities

**(7)**

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(ii) Cash flows from Financing activities

**(10)**

(iii) The reconciliation of cash and cash equivalents at the start of the financial year with cash and cash equivalents at the end of the financial year.

**(3)**

The Chief Financial Accountant wishes to ensure that your figures agree with her figures.

(b) Calculate, using your answers from (a), the net cash flow from Operating activities, for the financial year ended 30 September 2019.

**(4)**

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(c) Evaluate the performance of Jamalpur Logistics plc concerning liquidity, for the financial year ended 30 September 2019.

**(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 15 of the Source Booklet.**

**5** (a) Calculate, for an output of 1 880 units, the **total** budgeted:

(i) quantity of raw materials, in square metres

**(2)**

(ii) cost of the raw materials

**(2)**

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(iii) number of direct labour hours

**(2)**

(iv) cost of direct labour.

**(2)**

(b) Calculate, for the month of October, the **total**:

(i) material usage variance

**(4)**

(ii) material price variance.

**(6)**

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(c) Complete the reconciliation statement for the **total actual** cost of production of 1 880 units, to the **total budgeted** cost of production of 1 880 units.

**(6)**

| **Reconciliation statement** | **£** | **£** | **£** |
|---|---|---|---|
| Actual cost of production of 1 880 units | | | |
| Variances | Favourable | Adverse | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total variances | | | |
| Budgeted cost of production of 1 880 units | | | |

(d) Evaluate the performance of the production department of Jaffna Doors Ltd for October.

**(6)**

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**(Total for Question 5 = 30 marks)**

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**QUESTION 6 BEGINS ON PAGE 34.**

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

**Source material for Question 6 is on page 16 of the Source Booklet.**

**6** (a) Calculate the following for the year ended 30 September 2019.

(i) Dividend per share

**(3)**

(ii) Dividend yield

**(3)**

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(iii) Dividend cover

**(4)**

(iv) Earnings per share

**(3)**

(v) Price earnings ratio

**(3)**

(vi) Return on capital employed.

**(8)**

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At the Board Meeting, the Chief Executive said, 'The dividend yield is an important ratio and helps judge the success of the company'.

(b) Evaluate the importance of the dividend yield ratio in judging the success of Emirates Techtronics plc.

**(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

# Monday 4 November 2019

Morning (Time: 3 hours) | Paper Reference **WAC12/01**

# Accounting

## International Advanced Level
## Paper 2: Corporate and Management Accounting

**Source Booklet**
**Do not return this Source Booklet with the question paper.**

*Turn over* ▶

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## SECTION A

**Answer BOTH questions in this section.**

**1** Cyprieat plc employs chefs to produce ready-to-cook meals at its factory. The meals are then delivered to the company's shops, before being sold to customers.
At 30 September 2019, the following balances were in the books.

**SOURCE MATERIAL FOR QUESTION 1 CONTINUES ON PAGE 4.**

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**SOURCE MATERIAL FOR QUESTION 1 CONTINUES ON PAGE 4.**

| | Debit | Credit |
|---|---|---|
| | £ | £ |
| Advertising | 59 000 | |
| Bank | 93 750 | |
| Bank charges | 11 000 | |
| Bank loan | | 375 000 |
| Bank loan interest | 15 000 | |
| Cash | 127 000 | |
| 8% debenture 2024 | | 1 500 000 |
| Direct materials | 3 090 000 | |
| Discount received on direct materials | | 71 000 |
| Electricity | 180 000 | |
| Equipment at cost | 60 000 | |
| Factory buildings at cost | 2 100 000 | |
| Factory buildings provision for depreciation | | 84 000 |
| Fuel for motor vans | 140 000 | |
| Gas | 24 000 | |
| Goodwill | 11 000 | |
| Insurance | 46 000 | |
| Inventory of direct materials at 1 October 2018 | 244 500 | |
| Land at cost | 2 325 000 | |
| Motor vans at cost | 315 000 | |
| Motor vans provision for depreciation | | 199 000 |
| Motor vans maintenance costs | 238 000 | |
| Office expenses | 138 000 | |
| Ordinary shares of £1 | | 1 558 000 |
| Rent for shops | 654 000 | |
| Retained earnings | | 384 750 |
| Revenue | | 7 489 000 |
| Stationery | 9 000 | |
| Trade payables | | 48 000 |
| Wages | 1 828 500 | |
| | 11 708 750 | 11 708 750 |

**Additional information at 30 September 2019**

- Inventory of direct materials £281 500
- Advertising includes £12 000 paid in advance.
- No entry has yet been made in the books for the payment of interest on the debenture.
- Electricity is to be apportioned on the following basis:

| Factory | Office | Shops |
|---|---|---|
| 4 | 1 | 5 |

- Equipment consists of five new ovens, purchased at the start of the year, which are expected to last 10 years.
- Assuming a nil residual value and using the straight line method:
  - the factory building is to be depreciated over a 50-year life
  - the motor vans are to be depreciated over a four-year life.
- Gas is to be apportioned one third to each of the factory, the office and the shops.
- Insurance is to be apportioned on the following basis :

| Factory | Motor vans | Office | Shops |
|---|---|---|---|
| 7 | 10 | 1 | 5 |

- Interest owing on the bank loan is £6 000
- Wages were:

| | £ |
|---|---|
| Chefs | 525 500 |
| Office staff | 117 000 |
| Motor van drivers | 302 000 |
| Shop staff | 884 000 |
| | 1 828 500 |

- A provision for corporation tax is to be made for £185 000, which is to be paid by 30 April 2020.

**Required**

(a) Prepare for Cyprieat plc, in accordance with International Accounting Standard (IAS) 1 (Revised), for the year ended 30 September 2019, a Statement of Profit or Loss and Other Comprehensive Income.

**(43)**

(b) Evaluate the use of information and communication technology (ICT) in accounting.

**(12)**

**(Total for Question 1 = 55 marks)**

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**SOURCE MATERIAL FOR QUESTION 2 BEGINS ON PAGE 8.**

**2** Homesounds plc is a multinational electronics company producing a range of products. The company has recently received permission to produce digital radios from the holders of the patent on payment of a royalty fee of £1.45 per unit produced.

Homesounds plc has to decide between two possible options for a site for a new factory to build the digital radios.

The following information regarding the two sites is available.

Option 1 Town Centre site

- Rent of the factory will be £60 000 per month.
- Payments to direct labour will be at a rate of £7.50 per unit.
- Material costs will be £3.75 per unit.
- Power costs will be £14 625 per quarter (three-month period) plus 5 pence (£0.05) per unit.
- Managers' salaries will be £45 000 per month.
- Delivery costs will be 35 pence (£0.35) per unit.
- Other fixed costs will be £27 000 per month.

Option 2 Countryside site:

- Rent of the factory will be £55 000 per month.
- Payments to direct labour will be at a rate of £7.80 per unit.
- Material costs will be £4.05 per unit.
- Power costs will be £15 000 per quarter (three-month period) plus 10 pence (£0.10) per unit.
- Managers' salaries will be £40 000 per month.
- Delivery costs will be 70 pence (£0.70) per unit.
- Other fixed costs will be £25 000 per month.

Digital radios will sell for £35.00 each.
Annual production will be 180 000 units, all of which will be sold.

**Required**

(a) Calculate the break-even point for Option 1 Town Centre site for **one** year, measured in:

(i) sales units

**(12)**

(ii) sales revenue.

**(2)**

(b) Calculate for Option 1 Town Centre site for **one** year the:

(i) margin of safety in sales units

**(3)**

(ii) margin of safety as a percentage of sales.

**(3)**

(c) Calculate the profit for the Option 1 Town Centre site for **one** year.

**(4)**

(d) Explain **two advantages** of break-even analysis.

**(4)**

(e) Explain **two disadvantages** of break-even analysis.

**(4)**

(f) Complete a break-even graph, in the question paper, for Option 2 Countryside site for **one** year, for an output of 0 to 180 000 units.

Your graph must show the following:

- appropriate scales
- fixed costs
- total costs
- sales revenue
- break-even point
- margin of safety for an output of 180 000 units
- profit for an output of 180 000 units
- the angle of incidence.

**(8)**

(g) Explain what useful information the angle of incidence would give to the management of the company.

**(3)**

(h) Evaluate the **two** possible options for the site of the new factory, considering financial and non-financial factors.

**(12)**

**(Total for Question 2 = 55 marks)**

**TOTAL FOR SECTION A = 110 MARKS**

## SECTION B

**Answer THREE questions from this section.**

**3** Merillion plc produces parts for cars from two factories:

- Ashton factory produces exhaust units
- Berton factory produces petrol tanks.

There is also a head office at Chanton.

Merillion plc produces statements using both absorption costing and marginal costing.

The following information is available, for the Ashton factory, for the year ended 30 September 2019.

| | |
|---|---|
| Opening inventory | 5 000 units valued at £82 000 |
| Production | 96 000 units per year |
| Direct labour | 1.5 hours work per unit at a wage rate of £7.20 per hour |
| Direct materials | £3.50 per unit |
| Fixed overheads | £7 000 per month |
| Semi variable costs | £144 000 per year plus £2.50 per unit |
| Sales price | £29 per unit |
| Closing inventory | 6 000 units |

Head office fixed costs are £54 000 per year, apportioned between Ashton and Berton in the ratio 5:3.

**Required**

(a) Prepare for management, a profit and loss statement for the Ashton factory, for the year ended 30 September 2019 using **marginal costing**. Your statement must show both the total contribution and the total profit.

**(14)**

Merillion plc has received an offer from an overseas supplier who is willing to supply the exhaust units for £15 per unit.

(b) Explain **two non-financial** factors that Merillion plc may have to consider before deciding whether to accept the offer from the overseas supplier.

**(4)**

(c) Evaluate, considering **only financial** factors, whether Merillion plc should accept the offer from the overseas supplier to supply at £15 per unit.

**(6)**

The profit and loss statement for the Berton factory, for the year ended 30 September 2019, was prepared using **absorption costing**, and is shown below.

8% of production remained unsold.

| | £ | £ |
|---|---|---|
| Revenue | | 2 154 000 |
| Cost of sales: | | |
| Variable production cost | 1 085 000 | |
| Fixed production cost | 764 000 | |
| | 1 849 000 | |
| Less closing inventory | (147 920) | |
| Cost of sales | | 1 701 080 |
| Profit | | 452 920 |

(d) Prepare the profit and loss statement for the Berton factory, for the year ended 30 September 2019, using **marginal costing.**

**(6)**

**(Total for Question 3 = 30 marks)**

**4** You are the Assistant Financial Accountant for Jamalpur Logistics plc.

The Statements of Financial Position for the last two years are shown below.

| | 30 September 2018 | 30 September 2019 |
|---|---|---|
| **ASSETS** | **£** | **£** |
| **Non-current assets** | | |
| Property, plant and equipment | 27 084 000 | 22 125 000 |
| Provision for depreciation | (7 358 000) | (6 661 000) |
| Property, plant and equipment carrying value | 19 726 000 | 15 464 000 |
| Intangible assets | 5 600 000 | 5 200 000 |
| | 25 326 000 | 20 664 000 |
| **Current assets** | | |
| Inventories | 8 774 000 | 9 245 000 |
| Trade receivables | 642 000 | 750 000 |
| Other receivables | 46 000 | 34 000 |
| Bank | 286 000 | ---------- |
| Cash | 105 000 | 93 000 |
| | 9 853 000 | 10 122 000 |
| | | |
| **Total assets** | **35 179 000** | **30 786 000** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Ordinary shares of £0.50 | 8 100 000 | 9 200 000 |
| 7% preference shares of £1 | 2 500 000 | 2 000 000 |
| General reserve | 1 012 000 | 1 253 000 |
| Retained earnings | 4 237 000 | 5 017 000 |
| | 15 849 000 | 17 470 000 |
| **Non-current liabilities** | | |
| 8% bank loan | 4 800 000 | 3 600 000 |
| 11% debenture | 5 000 000 | ---------- |
| Mortgage on property | 3 200 000 | 3 000 000 |
| | 13 000 000 | 6 600 000 |

| | | |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 5 586 000 | 6 036 000 |
| Other payables | 114 000 | 102 000 |
| Bank overdraft | ---------- | 144 000 |
| Current tax payable | 630 000 | 434 000 |
| | 6 330 000 | 6 716 000 |
| | | |
| **Total equity and liabilities** | **35 179 000** | **30 786 000** |

**Additional information**

- On 17 October 2018 ordinary shareholders received a final dividend for 2018 of £162 000
- On 30 October 2018 preference shareholders received a final dividend for 2018 of £100 000
- On 23 November 2018 property that cost £4 900 000 with depreciation to date of £1 290 000 was sold for £3 850 000
- On 4 December 2018 plant that cost £387 000 with a carrying value of £193 000 was sold for £167 000
- On 5 January 2019 equipment was bought for £328 000
- On 11 April 2019, after the redemption of preference shares, the remaining preference shareholders received an interim dividend of 3.5%.
- On 22 April 2019, after the issue of additional ordinary shares, all ordinary shareholders received an interim dividend of 1%.
- On 1 May 2019 Jamalpur Logistics plc bought shares in ABC Ltd for £241 000
  On 25 June 2019 Jamalpur Logistics plc received dividends of £18 000 from ABC Ltd.
  On 18 September 2019 Jamalpur Logistics plc sold the shares in ABC Ltd for £227 000
- Amortisation of intangible assets for the financial year totalled £300 000
- An intangible asset was sold for £100 000 during the financial year.
- Operating profit for the year was £1 270 000

The Chief Financial Accountant has completed the Cash Flows from Operating Activities for the Statement of Cash Flows for the year ended 30 September 2019. She wants you to help with the preparation of all other sections of the Statement of Cash Flows.

**Required**

(a) Prepare, for the year ended 30 September 2019, the following sections from the Statement of Cash Flows, in accordance with International Accounting Standard (IAS) 7.

(i) Cash flows from Investing activities

**(7)**

(ii) Cash flows from Financing activities

**(10)**

(iii) The reconciliation of cash and cash equivalents at the start of the financial year with cash and cash equivalents at the end of the financial year.

**(3)**

The Chief Financial Accountant wishes to ensure that your figures agree with her figures.

(b) Calculate, using your answers from (a), the net cash flow from Operating activities, for the financial year ended 30 September 2019.

**(4)**

(c) Evaluate the performance of Jamalpur Logistics plc concerning liquidity, for the financial year ended 30 September 2019.

**(6)**

**(Total for Question 4 = 30 marks)**

**5** Jaffna Doors Ltd produces glass doors in a factory. The Cost Accountant is considering the figures for the production department for the month of October.

| | **Budget** | | **Actual** | |
|---|---|---|---|---|
| Production (units) | 1 920 | | 1 880 | |
| Direct materials | 4 224 square metres | £194 304 | 3 984 square metres | £171 312 |
| Direct labour | 3 360 hours | £28 560 | 3 478 hours | £27 824 |
| Overheads | | £52 760 | | £54 820 |
| Total cost | | £275 624 | | £253 956 |

Overheads are regarded as a fixed cost.

**Required**

(a) Calculate, for an output of 1 880 units, the **total** budgeted:

(i) quantity of raw materials, in square metres

**(2)**

(ii) cost of the raw materials

**(2)**

(iii) number of direct labour hours

**(2)**

(iv) cost of direct labour.

**(2)**

(b) Calculate, for the month of October, the **total**:

(i) material usage variance

**(4)**

(ii) material price variance.

**(6)**

The following variances have already been calculated:

| | |
|---|---|
| Direct labour rate | £1 739 Favourable |
| Direct labour efficiency | £1 598 Adverse |

**Required**

(c) Complete the reconciliation statement, in the question paper, for the **total actual** cost of production of 1 880 units, to the **total budgeted** cost of production of 1 880 units.

**(6)**

(d) Evaluate the performance of the production department of Jaffna Doors Ltd for October.

**(6)**

**(Total for Question 5 = 30 marks)**

**6** You are the Finance Director for Emirates Techtronics plc. At the next Board Meeting, you must present some important accounting ratios.

The following information is available after the financial statements have been prepared for the year ended 30 September 2019.

| | |
|---|---|
| Ordinary shares of £1 | £50 000 000 |
| 3% irredeemable preference shares of £1 | £10 000 000 |
| Retained earnings | £7 850 000 |
| 5% bank loan repayable 2021 | £8 000 000 |
| 7% debenture 2022 | £15 000 000 |
| Profit for the year after interest | £2 184 000 |
| Corporation tax on profit | £415 000 |
| Ordinary dividend payable for the year | £600 000 |
| Market price of an ordinary share | £1.19 |

**Required**

(a) Calculate the following for the year ended 30 September 2019.

(i) Dividend per share

**(3)**

(ii) Dividend yield

**(3)**

(iii) Dividend cover

**(4)**

(iv) Earnings per share

**(3)**

(v) Price earnings ratio

**(3)**

(vi) Return on capital employed.

**(8)**

At the Board Meeting, the Chief Executive said, 'The dividend yield is an important ratio and helps judge the success of the company'.

(b) Evaluate the importance of the dividend yield ratio in judging the success of Emirates Techtronics plc.

**(6)**

**(Total for Question 6 = 30 marks)**

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