GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Thursday 7 January 2021

Afternoon (Time: 3 hours) | Paper Reference **WAC11/01**

Accounting

International Advanced Level

Paper 1: The Accounting System and Costing

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.
- All calculations must be shown.
- Answer **both** questions in Section A and **three** questions from Section B.
- 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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P 6 6 1 5 1 A 0 1 3 6

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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 the Statement of Profit or Loss and Other Comprehensive Income (including the appropriation of profit or loss) for the year ended 31 December 2020.

(19)

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(b) Calculate the current account balances of Borin and Priti at 31 December 2020.

(5)

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(c) Prepare the Statement of Financial Position at 31 December 2020.

(14)

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During the year ended 31 December 2020 the partners had agreed the following changes to their capital accounts.

On 1 March 2020 Priti introduced new capital of £20 000 in cash.

On 1 April 2020 Borin withdrew £25 000 of his capital by cheque.

(d) Prepare the Capital Accounts of Borin and Priti as they would appear in the books for the year ended 31 December 2020.

(5)

Javid is a manager in the partnership. He now wishes to join the partnership as a partner of Borin and Priti. He can introduce £5 000 cash as capital.

(e) Evaluate whether Borin and Priti should admit Javid to the partnership.

(12)

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(Total for Question 1 = 55 marks)

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

2 (a) Prepare Teemu's Trial Balance at 31 December 2020 including the balancing figure required in the Suspense Account.

(10)

Teemu

Trial Balance at 31 December 2020

	Dr	Cr
	£	£
Equipment (cost)		
Equipment – Provision for depreciation		
Sundry expenses		
Wages		
Inventory		
Purchases		
Revenue		
Equipment repairs		
Discount allowed		
Discount received		
Bank (overdraft)		
Electricity and water		
Trade receivables		
Trade payables		
Capital		
Drawings		
Suspense		

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(b) Identify the type of error in each of (1) to (5).

(5)

1 .....

2 .....

3 .....

4 .....

5 .....

(c) Prepare the journal entries to correct the errors in (1) to (8).

Narratives are **not** required.

(18)

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(d) Prepare the Suspense Account after the correction of all errors.

(5)

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(e) Calculate the balance of the Bank Account after the correction of all errors.

(5)

A friend of Teemu has advised him that if he completes his books of account using Information Communication Technology (ICT) this will ensure that there are no errors in the books of account.

(f) Evaluate the friend's advice that the use of Information Communication Technology (ICT) will ensure that there are no errors in the books of account.

(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 6 and 7 of the Source Booklet.

3 (a) Explain the accounting concepts.

(i) Going concern

(2)

(ii) Business entity

(2)

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(b) Prepare the Departmental Trading Account, in columnar format, showing the gross profit or loss made on food and on magazines. A total column is **not** required.

(6)

(c) Calculate the value of goods stolen from the shop in the year ended 31 December 2020.

- Food
- Magazines
- In total

(10)

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(d) Calculate the **total annual** cost of the security system.

(4)

(e) Evaluate whether Eva should purchase the security system.

(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 pages 8 and 9 of the Source Booklet.

4 (a) Explain the term **capital expenditure**.

(2)

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(b) Indicate whether each of the following are examples of **capital expenditure** or **revenue expenditure** for a motor vehicle.

Place a tick (✓) in the appropriate box.

(4)

	Capital expenditure	**Revenue expenditure**
Delivery cost of a new motor vehicle		
10 000 kilometre service		
New tyres		
Signwriting the business name on the motor vehicle		

(c) Prepare the following accounts for the year ending 31 December 2020, including appropriate year end transfers to the financial statements.

(i) Motor Vehicle Account

(4)

(ii) Motor Vehicle – Provision for Depreciation Account

(4)

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(iii) Motor Vehicles Disposal Account

(6)

(iv) Motor Vehicles Maintenance Account

(4)

(d) Evaluate the policy of depreciating motor vehicles at the rate of 10% using the straight line method.

(6)

(Total for Question 4 = 30 marks)

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

Source material for Question 5 is on pages 10 and 11 of the Source Booklet.

5 (a) Explain **two** reasons why a business would use apportionment for some of its overheads.

(4)

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(b) Calculate the **total hours** that Deli can directly charge to customer's jobs in 2020.

(3)

.....

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.....

(c) Identify **two** activities undertaken by the electricians that would **not** be **directly chargeable** to customer's jobs.

(2)

1 .....

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(d) Calculate the total cost for Job 73, which requires materials costing £80 and 12 hours of labour to complete.

(4)

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(e) Calculate for the year ended 31 December 2020 the:

(i) profit made on materials

(2)

(ii) profit or loss made on labour

(4)

(iii) over absorption or under absorption of overheads

(3)

(iv) total profit made by Deli's business.

(2)

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(f) Evaluate whether Deli should change his method of remuneration for electricians to a piecework basis.

(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 12 and 13 of the Source Booklet.

6 (a) Explain the following accounting terms:

(i) liquidity

(2)

(ii) capital employed.

(2)

(b) Calculate for **each** business the:

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

(4)

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(ii) revenue to non-current assets

(4)

(iii) percentage return on capital employed

(4)

(iv) current ratio

(4)

(v) liquid (acid test) ratio.

(4)

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(c) Evaluate which business, if either of them, Mila should purchase.

(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

Thursday 7 January 2021

Afternoon (Time: 3 hours) | Paper Reference **WAC11/01**

Accounting

International Advanced Level

Paper 1: The Accounting System and Costing

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

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SECTION A

Answer BOTH questions in this section.

1 Borin and Priti are in partnership. The partnership agreement states that:

- interest is paid on capital at the rate of 5% per annum
- interest is charged on drawings at the rate of 10% per annum on balances at 31 December 2020
- partnership salaries are paid per year: Borin £9 000, Priti £6 000
- the profit sharing ratio: Borin three fifths, Priti two fifths.

Balances in the books at 31 December 2020 were

		£
Capital accounts:		
	Borin	40 000
	Priti	50 000
Current accounts – 1 January 2020		
	Borin	200 Dr
	Priti	2 500 Cr
Drawings:	Borin	4 000
	Priti	5 000
Revenue		370 000
Purchases		180 000
Non-current assets:		
Motor vehicles (Cost)		55 000
Office fixtures (Cost)		20 000
Provisions for depreciation:		
Motor vehicles		30 000
Office fixtures		8 000
Wages and salaries		97 000
General expenses		27 100
Allowance for irrecoverable debts		2 700
Inventory at 1 January 2020		38 000
Carriage inwards		4 200
Carriage outwards		19 000
Bank		17 500 Dr
8% bank loan		30 000
Bank loan interest paid		1 200
Insurance		6 000
Rent payable		21 000
Rent receivable		4 000
Motor vehicles running expenses		11 000
Trade receivables		50 000
Trade payables		19 000

Additional information at 31 December 2020.

(1) Inventory £41 000
(2) Insurance includes the annual insurance renewal of £2 000 paid on 1 April 2020.
(3) Rent payable of £3 000 was prepaid.
(4) Rent receivable of £2 000 was owed.
(5) The 8% bank loan was taken out on 1 January 2020 and the capital is repayable by five equal instalments on 1 January each year, starting in 2021.
(6) Wages and salaries included partnership salaries paid during the year to Borin £9 000 and to Priti £6 000
(7) No entries had been made in the books for a cheque, £3 800 paid to Moween, for goods purchased on credit.
(8) Depreciation is charged at the rate of:
   – 20% on motor vehicles using the reducing balance method
   – 15% on office fixtures using the straight line method.
(9) The allowance for irrecoverable debts is to be maintained at 4%.

Required

(a) Prepare the Statement of Profit or Loss and Other Comprehensive Income (including the appropriation of profit or loss) for the year ended 31 December 2020.

(19)

(b) Calculate the current account balances of Borin and Priti at 31 December 2020.

(5)

(c) Prepare the Statement of Financial Position at 31 December 2020.

(14)

During the year ended 31 December 2020 the partners had agreed the following changes to their capital accounts.

On 1 March 2020 Priti had introduced new capital of £20 000 in cash.

On 1 April 2020 Borin had withdrawn £25 000 of his capital by cheque.

(d) Prepare the Capital Accounts of Borin and Priti as they would appear in the books for the year ended 31 December 2020.

(5)

Javid is a manager in the partnership. He now wishes to join the partnership as a partner of Borin and Priti. He can introduce £5 000 cash as capital.

(e) Evaluate whether Borin and Priti should admit Javid to the partnership.

(12)

(Total for Question 1 = 55 marks)

2 Teemu extracted the following balances from his books of account on 31 December 2020. He was aware that there were errors in the books of account, some of which would affect the balancing of the trial balance.

	£
Equipment (cost)	4 000
Equipment – provision for depreciation	1 600
Sundry expenses	1 900
Wages	26 330
Inventory	6 750
Purchases	52 000
Revenue	89 000
Equipment repairs	1 120
Discount allowed	300
Discount received	730
Bank (overdraft)	700
Electricity and water	2 800
Trade receivables	7 800
Trade payables	4 700
Capital	8 000
Drawings	900

Required

(a) Prepare Teemu's Trial Balance at 31 December 2020 including the balancing figure required in the Suspense Account.

(10)

On inspection of the books of account Teemu discovered the following errors.

(1) Equipment repairs, £470, had been posted to the Equipment Account.
(2) Discount of £60 given to Dominic, a credit customer, had been debited in Dominic's account and credited to the Discount Allowed Account.
(3) A cheque received from Robin, £290, had been recorded in the account of Riaz.
(4) No entry had been made in the books of account for a £800 sale of goods on credit to Tower Industries.
(5) A purchase of goods on credit from Collinge was correctly recorded in the Purchases Day Book as £580. This had been posted to the accounts in the ledger as £850.
(6) The Sundry Expenses Account had been debited with the correct figure of £600 and the Bank Account credited with £650.
In another transaction the Wages Account had been debited with £900 and the Bank Account credited with the correct figure of £850.
(7) A cheque received from Richard, £950, had been correctly recorded in the Richard Account, but no entry had been made in the Bank Account.
(8) Drawings by cheque of £120 had been recorded in the Drawings Account but no entry had been made in the Bank Account.

Required

(b) Identify the type of error in each of (1) to (5).

(5)

(c) Prepare the journal entries to correct the errors in (1) to (8). Narratives are **not** required.

(18)

(d) Prepare the Suspense Account after the correction of all errors.

(5)

(e) Calculate the balance of the Bank Account after the correction of all errors.

(5)

A friend of Teemu has advised him that if he completes his books of account using Information Communication Technology (ICT) this will ensure that there are no errors in the books of account.

(f) Evaluate the friend's advice that the use of Information Communication Technology (ICT) will ensure that there are no errors in the books of account.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 (a) Explain the accounting concepts.

(i) Going concern

(2)

(ii) Business entity

(2)

Eva is in business selling food and magazines from her shop. The following information is available for the year ended 31 December 2020.

	Food	Magazines
	£	£
Purchases	46 500	44 000
Revenue	65 000	50 000
Inventory 1 January 2020	3 500	5 000
Inventory 31 December 2020	3 000	5 500
Purchase returns	–	1 000

Required

(b) Prepare the Departmental Trading Account, in columnar format, showing the gross profit or loss made on food and on magazines. A total column is **not** required.

(6)

During the year ended 31 December 2020, there has been a rise in theft from the shop by customers who leave without paying for the food or magazines.

Eva operates on the following terms:
- a 30% gross profit margin on food
- a 20% gross profit margin on magazines.

Required

(c) Calculate the value of goods stolen from the shop in the year ended 31 December 2020.
- Food
- Magazines
- In total

(10)

Eva is considering the installation of a security system. The details are:

Purchase price £9 000. Estimated life of 5 years. No residual value.
Installation £2 000
Annual maintenance £1 500

Required

(d) Calculate the **total annual** cost of the security system.

(4)

(e) Evaluate whether Eva should purchase the security system.

(6)

(Total for Question 3 = 30 marks)

4 (a) Explain the term **capital expenditure**.

(2)

(b) Indicate whether each of the following are examples of **capital expenditure** or **revenue expenditure** for a motor vehicle.

- Delivery cost of a new motor vehicle.
- 10 000 kilometre service.
- New tyres.
- Signwriting the business name on the motor vehicle.

(4)

Lanzo Services is in business delivering goods to customers. On 1 January 2020 the following balances were in their books of account.

Motor vehicles (at cost)	£80 000
Motor vehicles provision for depreciation	£18 000
Motor vehicles maintenance	£2 400 accrued

During the year ended 31 December 2020 the following transactions occurred.

1 April	A motor vehicle which had cost £10 000 and with accumulated depreciation of £2 000 was sold for £4 500. Payment was received by cheque.
1 May	Motor vehicles costing £52 000 were purchased. Payment was made by cheque.
	Motor vehicles which had cost £30 000 and with a carrying value of £21 000 were given in part exchange for an agreed value of £12 500. The balance was paid by cheque.
1 January – 31 December	Motor vehicle maintenance payments totalling £16 300 had been paid to suppliers during the year.

- Lanzo Services depreciates all motor vehicles held at the end of the year at the rate of 10% using the straight line method.
- Motor vehicle maintenance of £1 500 was prepaid.

Required

(c) Prepare the following accounts for the year ending 31 December 2020, including appropriate year end transfers to the financial statements.

(i) Motor Vehicle Account

(4)

(ii) Motor Vehicle – Provision for Depreciation Account

(4)

(iii) Motor Vehicles Disposal Account

(6)

(iv) Motor Vehicles Maintenance Account

(4)

(d) Evaluate the policy of depreciating motor vehicles at the rate of 10% using the straight line method.

(6)

(Total for Question 4 = 30 marks)

5 (a) Explain **two** reasons why a business would use apportionment for some of its overheads.

(4)

Deli is the owner of an electrical installation business. He employs five electricians who complete jobs for customers. Each electrician works 40 hours per week for 50 weeks of the year. Deli estimates that 65% of each electrician's working hours is directly chargeable to customer's jobs.

Required

(b) Calculate the **total hours** that Deli can directly charge to customer's jobs in 2020.

(3)

(c) Identify **two** activities undertaken by the electricians that would **not** be **directly chargeable** to customer's jobs.

(2)

Deli costs jobs on the following basis.

- Materials are charged at cost plus a mark-up of 15%.
- Labour at £10 per hour
- Overheads at £15 per labour hour worked.

Required

(d) Calculate the total cost for Job 73, which requires materials costing £80 and 12 hours of labour to complete.

(4)

For the year ended 31 December 2020 the following information is available.

- Total materials charged to customers' jobs £9 200
- Total labour hours charged to customers' jobs 6 700
- Total actual wages paid to the five electricians £58 000
- Actual overheads paid £104 000

Required

(e) Calculate for the year ended 31 December 2020 the:

(i) profit made on materials

(2)

(ii) profit or loss made on labour

(4)

(iii) over absorption or under absorption of overheads

(3)

(iv) total profit made by Deli's business.

(2)

Deli remunerates (pays) his electricians on a day work basis for hours worked. He is considering changing his remuneration to a piecework basis.

(f) Evaluate whether Deli should change his method of remuneration for electricians to a piecework basis.

(6)

(Total for Question 5 = 30 marks)

6 (a) Explain the following accounting terms:

(i) liquidity

(2)

(ii) capital employed.

(2)

Mila wishes to purchase a retail business. She is considering two businesses with potential for the future. These businesses are Alfah Retail and Zulu Shopping. The following information is available for the year ended 31 December 2020.

	Alfah Retail	Zulu Shopping
	£000	£000
Revenue	500	500
Cost of sales	300	300
Rent	–	50
Other running expenses	140	140
Bank loan interest	5	–
Balances at 31 December 2020		
Non-current assets	120	30
Inventory	40	35
Trade receivables	30	35
Bank	10 Cr	5 Dr
Trade payables	30	25
Capital	50	80
5% Bank loan (repayable 2023)	100	–

Note

Alfah Retail owns the premises from which it trades.

Zulu Shopping rents the premises from which it trades.

Required

(b) Calculate for **each** business the:

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

(4)

(ii) revenue to non-current assets

(4)

(iii) percentage return on capital employed

(4)

(iv) current ratio

(4)

(v) liquid (acid test) ratio.

(4)

(c) Evaluate which business, if either of them, Mila should purchase.

(6)

(Total for Question 6 = 30 marks)

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

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