GradeMax

# Pearson Edexcel International Advanced Level

**Time** 3 hours

**Paper reference** **WAC11/01**

# Accounting

## International Advanced Subsidiary
## PAPER 1: The Accounting System and Costing

**Source Booklet**

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

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## SECTION A

### Answer BOTH Questions

**1** George is in business as a retailer of jewellery. The following information was available from his books on 30 April 2021.

| | £ |
|---|---|
| Capital | 100 000 |
| Drawings | 15 000 |
| Non-current assets (cost): | |
| Leasehold premises | 60 000 |
| Security equipment | 29 000 |
| Fixtures and fittings | 45 000 |
| Provisions for depreciation: | |
| Leasehold premises | 42 000 |
| Security equipment | 6 000 |
| Fixtures and fittings | 39 000 |
| Revenue | 250 000 |
| Purchases | 120 000 |
| Purchase returns | 8 500 |
| Inventory – 1 May 2020 | 97 000 |
| Wages | 51 400 |
| Trade receivables | 10 700 |
| Trade payables | 34 600 |
| Cleaning expenses | 7 100 |
| Rates | 15 800 |
| Electricity and water charges | 11 750 |
| Cash and bank | 9 100 Dr |
| Credit card commission paid | 3 500 |
| Security equipment maintenance | 4 750 |

**Additional information at 30 April 2021**

(1) Inventory £87 500

(2) Wages owing £600, electricity owing £550

(3) Rates paid in advance £2 100, water charges paid in advance £900

(4) A full year's depreciation is charged on all non-current assets owned at the end of the year as follows.
- The lease on the premises is for 15 years. An appropriate amount is written off the lease each year.
- Security equipment at the rate of 20% reducing balance.
- Fixtures and fittings at the rate of 10% per annum straight line.

(5) On inspecting his books George found that the following errors had been made and these required correction.

| | |
|---|---|
| 26 January 2021 | A payment by cheque, £3 500, to a trade payable, Robin Gems, had been recorded in the books as £350. |
| 6 March 2021 | Purchases of security equipment, £6 000, on credit from Hove Security had not been recorded in the books. |

**Required**

(a) Prepare the:

(i) Journal entries, including bank entries, correcting the errors of 26 January 2021 and 6 March 2021. Narratives are **not** required

**(5)**

(ii) Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021

**(12)**

(iii) Statement of Financial Position at 30 April 2021.

**(15)**

George has been making projections for the next financial year ended 30 April 2022. He has projected the following for the year.

- Revenue will increase by 20% and gross profit as a percentage of revenue will be 40%.
- Premises costs will be £50 000
- All other costs will be £15 000 plus 10 pence (£0.10) for every £1 of revenue.

**Required**

(b) State whether the following costs are fixed, semi-fixed, semi-variable or variable.
- Premises costs
- All other costs

**(2)**

(c) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2022.

**(5)**

(d) State **two** differences between **ethics in accounting** and **social accounting**.

**(4)**

(e) Evaluate whether a business should make decisions solely on the basis of the profit made or whether it should also consider other factors.

**(12)**

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

**2** Worlebury Stores is a retailer which has two productive departments, Food and Clothing and one service department, Administration.

The following balances were in the books on 30 April 2021.

| | £ |
|---|---|
| Wages: | |
| Food | 91 650 |
| Clothing | 33 550 |
| Administration | 47 800 |
| Advertising | 25 000 |
| Management and supervision | 70 000 |
| Rent of premises | 40 000 |
| Electricity | 12 000 |
| Staff canteen costs | 7 000 |
| Non-current assets (carrying value): | |
| Food freezers | 60 000 |
| Computers | 80 000 |
| Fixtures and fittings | 30 000 |

**Additional information.**

(1) Advertising – 75% is related to the Food Department and the remainder to the Clothing Department.

(2) Other information

| Department | Food | Clothing | Administration |
|---|---|---|---|
| Employees (number) | 8 | 3 | 3 |
| Floor area (sq m) | 1 500 | 700 | 300 |
| Equipment electrical capacity (kwh) | 14 | 2 | 8 |

(3) Depreciation is charged on all non-current assets using the reducing balance method based on the following rates per annum:

| | |
|---|---|
| Food freezers | 20% |
| Computers | 25% |
| Fixtures and fittings | 10% |

(4) Computers are used 80% by Administration, 10% by Food and 10% by Clothing.

(5) Fixtures and fittings are used 20% in Food, 50% in Clothing and 30% in Administration.

**Required**

(a) Calculate the cost of operating **each** of the three departments: Food, Clothing and Administration, using the most appropriate basis to apportion costs. Prepare your answer in a columnar format. A total column is not required.

**(23)**

The following revenue and cost of sales balances were available for the year ended 30 April 2021.

| | £ |
|---|---|
| Revenue: | |
| Food | 900 000 |
| Clothing | 300 000 |
| Cost of sales: | |
| Food | 600 000 |
| Clothing | 150 000 |

After allocation and apportionment of costs, Worlebury Stores re-apportions the cost of Administration to the two productive departments in proportion to revenue.

**Required**

(b) Calculate the cost of operating the Food and Clothing Departments **after** re-apportionment of the Administration cost.

**(2)**

(c) Calculate for Food and for Clothing the:
- profit for the year ended 30 April 2021
- profit for the year as a percentage of revenue.

**(8)**

(d) State, **two** possible reasons why the profit for the year as a percentage of revenue is different for Food and for Clothing.

**(2)**

Worlebury Stores is planning major alterations. The following works will be undertaken.

(1) Building extension for the Administration Department.

(2) The Clothing Department will be redecorated.

(3) New advertising signage will be installed at the entrance to the store.

(4) The Food Department will be fitted with new freezers.

**Required**

(e) State giving **one** reason for **each** answer, whether (1) to (4) is **capital expenditure** or **revenue expenditure**.

**(8)**

(f) Evaluate if there is a benefit in preparing departmental accounts when many of the costs will be apportioned.

**(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.**

**3** Haman maintains full accounting records.

Bodger and Co, a customer of Haman, has asked for the outstanding balance of their account on 15 March 2021. The following information had been posted to the account of Bodger and Co by Haman.

| 2021 March | |
|---|---|
| 1 | Bodger and Co owed Haman £500 |
| 5 | Sales to Bodger and Co of goods with a list price £400<br>Haman allowed Bodger and Co 10% trade discount. |
| 11 | Bodger and Co returned goods sold on 5 March with a list price £50 |
| 14 | Bodger and Co paid the balance outstanding on 1 March by cheque and was allowed 3% cash discount. |

**Required**

(a) Prepare the account of Bodger and Co in the books of Haman showing the balance of the account on the 15 March 2021.

**(5)**

On receiving the balance of their account, Bodger and Co informed Haman that the closing balance was incorrect because it had been agreed that the following terms would apply to all transactions in 2021:

- 20% trade discount would be allowed on purchases
- 5% cash discount would be allowed on payments.

**Required**

(b) Calculate the revised balance owed by Bodger and Co on the 15 March 2021 after the adjustments for trade discount and cash discount.

**(4)**

(c) Explain the difference between the **trade receivables ledger** and the **trade receivables ledger control account**.

**(2)**

Haman prepares a trade receivables control account at the end of each month.
The following information was available from the books for April 2021.

- Balances 1 April 2021 £2 000 Dr
  £45 Cr

- Totals for April 2021

| | £ |
|---|---|
| Credit sales | 3 950 |
| Receipts from customers | 2 700 |
| Goods returned by customers | 220 |
| Discount allowed | 90 |
| Irrecoverable debt | 320 |
| Interest charged on overdue account | 30 |

- On 1 May 2021 there was no credit balance brought down.

**Additional information**

(1) A batch of invoices for credit sales totalling £500 had **not** been recorded in the books.

(2) Receipts from customers included cash sales of £300

(3) £50 of the goods returned by customers was for cash sales.

(4) Credit balances in the trade receivables ledger control account of £45 had been transferred during April into the trade payables ledger control account.

(5) The balance of the Allowance for Irrecoverable Debts Account on 1 April was £110. The allowance at 30 April had been calculated at £140.

**Required**

(d) Prepare for April 2021 the:

(i) Trade Receivables Ledger Control Account

**(9)**

(ii) Allowance for Irrecoverable Debts Account.

**(4)**

(e) Evaluate whether preparing a trade receivables ledger control account ensures that the books are correct.

**(6)**

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

**4** Alesha is in business buying and selling goods on credit. She prepared her draft financial statements on 30 April 2021 which contained the following balances.

| | £ |
|---|---|
| Revenue – (all on credit) | 150 000 |
| Capital | 70 000 |
| Inventory | 65 000 |
| Trade payables | 35 000 |
| Trade receivables | 30 000 |
| 6% bank loan (repayable 2023) | 25 000 |
| Bank | 4 000 Dr |
| Profit for the year | 16 500 |

**Required**

(a) Calculate the:

(i) current ratio

**(2)**

(ii) liquid (acid test) ratio

**(2)**

(iii) trade receivables collection period (in days)

**(2)**

(iv) percentage return on capital employed.

**(2)**

(b) Comment on the **liquidity** of Alesha's business.

**(3)**

Alesha presented the financial statements to her accountant who required the following changes.

**Change 1**

A sale or return of goods, £4 500 (cost £2 500), had been recorded in the accounts as revenue. The customer had **not** informed Alesha of their intention to buy or return the goods.

**Change 2**

A customer, Bangla and Co, which had owed a debt of £11 000 for 150 days is now believed to have ceased trading. The debt is believed to now be irrecoverable.

**Required**

(c) State whether each of change 1 and change 2 would increase, decrease or have no effect on the:
- profit for the year
- liquidity at 30 April 2021.

**(4)**

(d) Calculate, after making **both** changes 1 and 2, the:

(i) revised profit for the year

**(3)**

(ii) total value of the current assets.

**(4)**

(e) State the accounting concept which must be applied when:

(i) goods are supplied on a sale or return basis

**(1)**

(ii) a debt is believed to be irrecoverable.

**(1)**

(f) Evaluate the use of accounting principles and concepts in calculating the profit of a business.

**(6)**

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

**5** John is a sole trader who works as a builder.

All work is priced by John using job costing.

(a) Explain the following costing terms.
- Job costing
- Under absorption of overheads

**(4)**

John prices work as follows.

- Materials – cost price plus a £20 administration fee.
- Labour – £25 per direct labour hour.
- Overheads – recovered at the rate of £15 per direct labour hour.
- Mark-up – 15% is added to the total cost.

A quotation has been requested from a customer for a job which will use materials with a cost price of £380 and take 15 hours of direct labour to complete.

**Required**

(b) Calculate the price to be quoted to the customer for the job.

**(5)**

The following information is available for the trading year ended 30 April 2021.

(1) Revenue receipts from customers were £94 000. Trade receivables outstanding on 30 April 2021 were £12 500, on 1 May 2020 trade receivables outstanding had been £9 800.

(2) Materials with a list price of £22 000 were purchased by John who received a trade discount of 15%.

(3) John worked 1800 hours of direct labour hours that were directly chargeable to the customer in the year.

(4) Actual overheads (excluding depreciation) were £30 000

(5) Non-current assets:

| | Carrying value 1 May 2020 | Purchases during year | Sales during year |
|---|---|---|---|
| | £ | £ | £ |
| Motor vehicles | 14 000 | – | – |
| Loose tools | 9 800 | 1 100 | 250 |

Depreciation is charged on the following basis.

- Motor vehicles at the rate of 20% using the reducing balance method.
- Loose tools on the revaluation method. On 30 April 2021 the loose tools were valued at £9 500.

**Required**

(c) Calculate the profit for the year ended 30 April 2021.

**(7)**

(d) State **four** activities that John might undertake which would **not** be directly chargeable to the customer.

**(4)**

(e) Calculate the amount by which John over absorbed or under absorbed his overheads in the year ended 30 April 2021.

**(4)**

(f) Evaluate working in business as a sole trader compared to working in a partnership.

**(6)**

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

**6** Yusuf started business on 1 April 2020 buying and selling mobile phone accessories. He started the business with a deposit in the bank from his own money and a 8% bank loan repayable in full at the end of 5 years.

Yusuf did not keep full books of account, but does have a bank account and a number of other documents.

He has asked you to assist him to prepare a set of financial statements for the government. The following information is available.

(1) Bank Account summary

| **Receipts** | **£** | **Payments** | **£** |
|---|---|---|---|
| Capital | 5 000 | Rent | 7 500 |
| Bank loan | 5 000 | Wages | 10 000 |
| Cheques from | | Motor vehicle | 5 800 |
| trade receivables | 45 000 | Fixtures and fittings | 2 000 |
| Cash sales banked | 7 000 | Cheques to trade payables | 29 000 |
| | | Motor vehicle expenses | 1 900 |
| | | General expenses | 4 200 |
| | | Bank loan interest | 200 |
| Total receipts | 62 000 | Total payments | 60 600 |

(2) Expenditure paid from cash sales **before** banking.

| | £ |
|---|---|
| Purchases | 3 200 |
| Drawings | 8 750 |
| General expenses | 1 300 |

**Additional information at 31 March 2021.**

(1) Inventory £4 750

(2) Wages £900 were owing.

(3) Rent for the year was at the rate of £500 per month.

(4) Estimated values of the motor vehicle was £4 700 and the fixtures and fittings were £1 500

(5) Trade receivables £5 100

(6) Trade payables £2 800

**Required**

(a) State **three** advantages of keeping a full set of books of account.

**(3)**

(b) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021

**(11)**

(ii) Statement of Financial Position at 31 March 2021.

**(10)**

(c) Evaluate the possible use by Yusuf of information and communication technology (ICT) in maintaining his accounting records.

**(6)**

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

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

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Please check the examination details below before entering your candidate information

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

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**Time** 3 hours

**Paper reference** **WAC11/01**

# Accounting

## International Advanced Subsidiary
## 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.
- 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.
- Good luck with your examination.

*Turn over* ▶

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**SECTION A**

**Answer BOTH questions in this section.**

**Source material for Question 1 is on pages 2 to 3 of the Source Booklet.**

**1** (a) Prepare the:

(i) Journal entries, including bank entries, correcting the errors of 26 January 2021 and 6 March 2021. Narratives are **not** required.

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(ii) Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021

**(12)**

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(iii) Statement of Financial Position at 30 April 2021.

**(15)**

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(b) State whether the following costs are fixed, semi-fixed, semi-variable or variable.

**(2)**

- Premises costs

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- All other costs

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(c) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2022.

**(5)**

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(d) State **two** differences between **ethics in accounting** and **social accounting**.

**(4)**

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(e) Evaluate whether a business should make decisions solely on the basis of the profit made or whether it should also consider other factors.

**(12)**

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

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**Source material for Question 2 is on pages 4, 5 and 6 of the Source Booklet.**

**2** (a) Calculate the cost of operating **each** of the three departments Food, Clothing and Administration, using the most appropriate basis to apportion costs.

Prepare your answer in a columnar format. A total column is not required.

**(23)**

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(b) Calculate the cost of operating the Food and Clothing Departments **after** re-apportionment of the Administration cost.

**(2)**

(c) Calculate for Food and for Clothing the:

- profit for the year ended 30 April 2021
- profit for the year as a percentage of revenue.

**(8)**

(d) State, **two** possible reasons why the profit for the year as a percentage of revenue is different for Food and for Clothing.

**(2)**

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(e) State giving **one** reason for **each** answer, whether (1) to (4) is **capital expenditure** or **revenue expenditure**.

**(8)**

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(f) Evaluate if there is a benefit in preparing departmental accounts when many of the costs will be apportioned.

**(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 8 and 9 of the Source Booklet.**

**3** (a) Prepare the account of Bodger and Co in the books of Haman showing the balance of the account on the 15 March 2021.

**(5)**

(b) Calculate the revised balance owed by Bodger and Co on the 15 March 2021 after the adjustments for trade discount and cash discount.

**(4)**

(c) Explain the difference between the **trade receivables ledger** and the **trade receivables ledger control account**.

**(2)**

(d) Prepare for April 2021 the:

(i) Trade Receivables Ledger Control Account

**(9)**

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(ii) Allowance for Irrecoverable Debts Account.

**(4)**

(e) Evaluate whether preparing a trade receivables ledger control account ensures that the books are correct.

**(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 10 and 11 of the Source Booklet.**

**4** (a) Calculate the:

(i) current ratio

**(2)**

(ii) liquid (acid test) ratio

**(2)**

(iii) trade receivables collection period (in days)

**(2)**

(iv) percentage return on capital employed.

**(2)**

(b) Comment on the **liquidity** of Alesha's business.

**(3)**

(c) State whether each of change 1 and change 2 would increase, decrease or have no effect on the:

- profit for the year
- liquidity at 30 April 2021.

**(4)**

| | Change 1 | Change 2 |
|---|---|---|
| Profit for the year | | |
| Liquidity at 30 April 2021 | | |

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(d) Calculate, after making **both** changes 1 and 2, the:

(i) revised profit for the year

**(3)**

(ii) total value of the current assets.

**(4)**

(e) State the accounting concept which must be applied when:

(i) goods are supplied on a sale or return basis

**(1)**

(ii) a debt is believed to be irrecoverable.

**(1)**

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(f) Evaluate the use of accounting principles and concepts in calculating the profit of a business.

**(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 pages 12 and 13 of the Source Booklet.**

**5** (a) Explain the following costing terms.

**(4)**

- Job costing

- Under absorption of overheads

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(b) Calculate the price to be quoted to the customer for the job.

**(5)**

(c) Calculate the profit for the year ended 30 April 2021.

**(7)**

(d) State **four** activities that John might undertake which would **not** be directly chargeable to the customer.

**(4)**

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(e) Calculate the amount by which John over absorbed or under absorbed his overheads in the year ended 30 April 2021.

**(4)**

(f) Evaluate working in business as a sole trader compared to working in a partnership.

**(6)**

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

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

**Source material for Question 6 is on pages 14 and 15 of the Source Booklet.**

**6** (a) State **three** advantages of keeping a full set of books of account.

**(3)**

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(b) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021

**(11)**

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(ii) Statement of Financial Position at 31 March 2021.

**(10)**

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(c) Evaluate the possible use by Yusuf of information and communication technology (ICT) in maintaining his accounting records.

**(6)**

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

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

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