GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

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.
- 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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SECTION A

Answer BOTH questions in this section.

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

1 (a) Prepare the:

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

(14)

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

(17)

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(b) Calculate the following ratios. Express your answers to two decimal places.

(i) Gross profit as a percentage of revenue.

(2)

(ii) Percentage return on capital employed.

(2)

(iii) Inventory turnover (times per year).

(2)

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(iv) Current ratio.

(3)

(v) Liquid (acid test) ratio.

(3)

(c) Evaluate the financial position of the business from the financial statements prepared and ratios calculated in parts (a) and (b).

Your answer should include consideration of the use of assets, profitability, and liquidity.

(12)

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(Total for Question 1 = 55 marks)

Source material for Question 2 is on pages 4 to 6 of the Source Booklet.

2 (a) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021 showing the departmental profit for **each** of the auto repairs department and the tyre replacement department.

Your answer should be in columnar format. You are advised to prepare columns for auto repairs and tyre replacement. A total column is **not** required.

(27)

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(b) Explain the difference between **perpetual valuation** and **periodic valuation** of inventory.

(4)

(c) Calculate the value of the inventory of tyres at the 30 April 2021 using the Last In First Out (LIFO) method on a **perpetual** basis of inventory valuation.

(8)

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(d) State **two disadvantages** of using the Last In First Out (LIFO) method of inventory valuation.

(2)

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(e) Calculate the profit or loss of the tyre replacement department if Kristos Auto Services had used the Last In First Out (LIFO) method of inventory valuation for the year ended 30 April 2021.

(2)

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The manager of Kristos Auto Services is considering the use of an individual bonus scheme as part of the wage payment to workers.

(f) Evaluate the use of an individual bonus scheme as part of the wage payment to workers.

(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 page 7 of the Source Booklet.

3 (a) Prepare the summarised Bank Account for the year ended 30 April 2021.

(8)

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(b) Prepare the:

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

(8)

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

(8)

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(c) Evaluate the decision of Hugsy **not** to maintain formal books of account.

(6)

(Total for Question 3 = 30 marks)

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) State **one** difference between a Receipts and Payments Account and an Income and Expenditure Account.

(2)

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(b) Prepare the Trial Balance at 30 April 2021 including the calculation of the accumulated fund.

(8)

Trial Balance at 30 April 2021

	Dr	Cr
	£	£
Subscriptions		
Equipment (carrying value)		
Inventory – club shop		
Rent payable		
Electricity		
Cash		
Bank overdraft		
Bank charges		
Competition entry fees received		
Competition prizes paid		
Club shop sales		
Club shop purchases		
Trade payables		
General expenses		
Accumulated fund		

(c) Prepare for the year ended 30 April 2021, the:

(i) Subscriptions Account

(4)

(ii) Club Shop Trading Account

(3)

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(iii) Income and Expenditure Account.

(7)

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The Greenfield Bowls Club is considering the introduction of a 10-year membership subscription at a discounted rate.

(d) Evaluate the Greenfield Bowls Club offering a 10-year membership.

(6)

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(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) Prepare the Manufacturing Account for April 2021.

(16)

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(b) Explain which entries are required for **unrealised profit** for April 2021 in the:

(i) Provision for Unrealised Profit Account

(4)

(ii) Statement of Profit or Loss and Other Comprehensive Income

(2)

(iii) Statement of Financial Position.

(2)

Bisdee Products is considering changing the basis of the transfer value of production to finished goods from **manufacturing cost plus 20%** to one of a **fixed price for each unit** produced.

(c) Evaluate the proposed change to a **fixed price for each unit** produced.

(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 12 and 13 of the Source Booklet.

6 (a) Explain **two** reasons why a business would prepare control accounts.

(4)

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(b) Prepare the:

(i) Trade Receivables Ledger Control Account

(7)

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(ii) Trade Payables Ledger Control Account.

(8)

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(c) State **two** possible reasons for the credit balance on trade receivables on 1 April 2021.

(2)

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(d) Explain why Jenny would transfer a balance from the trade receivables ledger to the trade payables ledger.

(3)

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Jenny stated that 'You should **only consider profit** when making business decisions'.

(e) Evaluate the statement of Jenny.

(6)

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(Total for Question 6 = 30 marks)

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

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 in this section.

1 Ajaz is in business as a retailer of furniture. The following balances were in his books of account at 30 April 2021.

	£
Revenue	860 000
Purchases	710 000
Commission receivable	8 500
Capital	50 000
Drawings	5 800
Inventory 1 May 2020	65 000
Disposal of non-current assets	5 700 Cr
Allowance for irrecoverable debts	2 000
7% bank loan	50 000
Bank loan interest paid	2 000
Bank overdraft	19 000
Rent payable	20 000
Wages and salaries	53 500
Trade receivables	38 000
Trade payables	74 000
Advertising expenses	11 900
Electricity and water	7 650
General expenses	34 350
Shop redecoration costs	8 000
Non-current assets	
Delivery vehicles	72 000
Computer equipment	42 000
Fixtures and fittings	18 000
Provisions for depreciation	
Delivery vehicles	7 000
Computer equipment	8 000
Fixtures and fittings	4 000

Additional information at 30 April 2021

(1) Inventory £95 000

(2) Commission receivable of £3 000 was owing to Ajaz.

(3) Electricity was £600 prepaid, and water was £250 accrued.

(4) Wages and salaries includes £6 000 paid to Ajaz.

(5) Advertising expenses includes £3 600 for an advertising campaign from 1 January to 30 June 2021.

(6) Depreciation is charged on all non-current assets owned at the end of the year as follows.

(i) Delivery vehicles at the rate of 20% per annum by the reducing balance method.

(ii) Computer equipment by the revaluation method.

(iii) Fixtures and fittings at the rate of 15% per annum by the straight-line method.

(7) Computer equipment was valued at £30 000

(8) The 7% bank loan was taken out on 1 January 2020 and is repayable on 31 December 2024.

(9) The allowance for irrecoverable debts remained unchanged at £2 000

Required

(a) Prepare the:

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

(14)

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

(17)

(b) Calculate the following ratios. Express your answers to two decimal places.

(i) Gross profit as a percentage of revenue.

(2)

(ii) Percentage return on capital employed.

(2)

(iii) Inventory turnover (times per year).

(2)

(iv) Current ratio.

(3)

(v) Liquid (acid test) ratio.

(3)

(c) Evaluate the financial position of the business from the financial statements prepared and ratios calculated in parts (a) and (b).

Your answer should include consideration of the use of assets, profitability, and liquidity.

(12)

(Total for Question 1 = 55 marks)

2 Kristos Auto Services has two departments: auto repairs and tyre replacement.

The following were some of the balances in the books at 30 April 2021.

		£
Revenue:	Auto repairs	132 000
	Tyre replacement	95 000
Purchases:	Auto repair parts	19 300
	Tyres	44 750
Purchase returns	Auto repair parts	1 300
Inventory 1 May 2020:	Auto repair parts	640
	Tyres	2 000
Wages:	Auto repairs	37 500
	Tyre replacement	20 400
Premises rent		24 000
Light and heat		6 300
Cleaning of premises		2 700
Management salary		16 800
Insurance of premises		2 100
Insurance of equipment		1 600
General expenses		9 400
Advertising		4 100

Additional information at 30 April 2021

(1) Inventory:

Auto repair parts	£730
Tyres	£5 400

(2) Wages includes a short-term loan of £1 500 paid to a worker in the tyre replacement department.

(3) Depreciation is charged on all non-current assets owned at the end of the year.

- Equipment at the rate of 20% per annum by the reducing balance method.
- Loose tools by the revaluation method. On 30 April 2021 loose tools were valued at £5 000

(4) General expenses includes £700 prepaid and £300 accrued.

(5) Advertising of £3 000 related to the tyre replacement department.

(6) General information.

	Auto repairs	Tyre replacement
Floor area (sq m)	200	100
Number of workers	5	2
Equipment carrying value 1 May 2020 (£000)	60	20
Loose tools value 1 May 2020 (£000)	7	–
General expenses	60%	40%

Required

(a) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021 showing the departmental profit for **each** of the auto repairs department and the tyre replacement department.

Your answer should be in columnar format. You are advised to prepare columns for auto repairs and tyre replacement. A total column is **not** required.

(27)

Kristos Auto Services uses the First In First Out (FIFO) method on a **perpetual** basis to value the inventory of tyres.

On 1 May 2020 the inventory of tyres was 50 tyres costing £40 each.

The receipts and issue (sales) of tyres for the year were:

Date	Receipts	Issues (sales)
May–July 2020	200 @ £45 each	180
August–October 2020	200 @ £50 each	240
November–January 2021	250 @ £55 each	210
February–April 2021	200 @ £60 each	180

It has been suggested that Kristos Auto Services should change the method of valuing inventory to the Last In First Out (LIFO) method on a perpetual valuation basis.

Required

(b) Explain the difference between **perpetual valuation** and **periodic valuation** of inventory.

(4)

(c) Calculate the value of the inventory of tyres at the 30 April 2021 using the Last In First Out (LIFO) method on a **perpetual** basis of inventory valuation.

(8)

(d) State **two disadvantages** of using the Last In First Out (LIFO) method of inventory valuation.

(2)

(e) Calculate the profit or loss of the tyre replacement department if Kristos Auto Services had used the Last In First Out (LIFO) method of inventory valuation for the year ended 30 April 2021.

(2)

The manager of Kristos Auto Services is considering the use of an individual bonus scheme as part of the wage payment to workers.

(f) Evaluate the use of an individual bonus scheme as part of the wage payment to workers.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 Hugsy started business on 1 May 2020 with £4 000 cash which she paid into a Bank Account.

She did not maintain a set of formal books of account, but the following information is available.

(1) All sales and purchases of goods were on credit.

(2) Purchases of goods totalled £78 350. Of this sum Hugsy owed £6 240 to trade payables on 30 April 2021, the remainder had been paid by cheque.

(3) Sales of goods totalled £126 400. Of this sum Hugsy was owed £14 800 by trade receivables on 30 April 2021, the remainder had been received by cheque.

(4) Inventory on 30 April 2021 was £7 900

(5) Non-current assets were purchased during the year for £27 000, payment was made by cheque. Non-current assets were valued on 30 April 2021 at £20 500

(6) Rent of premises is £10 000 per annum. On 30 April 2021 Hugsy still owed the last quarter's (three months') rent.

(7) Wages paid to staff were £1 100 per month. Payment for April 2021 is still owing.

(8) Hugsy withdrew drawings of £400 per month from the bank.

(9) General expenses **incurred** for the year were £15 500. On 30 April 2021, general expenses of £720 were prepaid and £1 400 were accrued. General expenses were paid by cheque.

(10) Hugsy took out a 6% bank loan on 1 August 2020 for £30 000. No interest had been paid on the loan at 30 April 2021.

Required

(a) Prepare the summarised Bank Account for the year ended 30 April 2021.

(8)

(b) Prepare the:

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

(8)

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

(8)

(c) Evaluate the decision of Hugsy **not** to maintain formal books of account.

(6)

(Total for Question 3 = 30 marks)

4 The Greenfield Bowls Club maintains full accounting records.

The following information was available at 30 April 2021.

	£
Subscriptions received	2 750
Equipment (carrying value) 1 May 2020	5 700
Inventory – club shop – 1 May 2020	800
Rent payable	500
Electricity	525
Cash	75
Bank overdraft	1 180
Bank charges	60
Competition entry fees received	720
Competition prizes paid	680
Club shop sales	4 350
Club shop purchases	3 600
Trade payables	1 500
General expenses	2 160
Accumulated fund	**To be calculated**

Required

(a) State **one** difference between a Receipts and Payments Account and an Income and Expenditure Account.

(2)

(b) Prepare the Trial Balance at 30 April 2021 including the calculation of the accumulated fund.

(8)

After the preparation of the Trial Balance, the following additional information was available at 30 April 2021

(1) Subscriptions in advance £150

(2) Subscriptions in arrears £350 of which £250 are to be written off as irrecoverable debts.

(3) Equipment was valued at £4 900

(4) Inventory – club shop £930

(5) Club shop purchases of £200 had been returned. No entries had been made in the books.

Required

(c) Prepare for the year ended 30 April 2021, the:

(i) Subscriptions Account

(4)

(ii) Club Shop Trading Account

(3)

(iii) Income and Expenditure Account.

(7)

The Greenfield Bowls Club is considering the introduction of a 10-year membership subscription at a discounted rate.

(d) Evaluate the Greenfield Bowls Club offering a 10-year membership.

(6)

(Total for Question 4 = 30 marks)

5 Bisdee Products manufactures parts for the motor industry.

The following information relates to manufacturing parts for April 2021.

(1) Raw materials

Bisdee Products uses the First In First Out (FIFO) **periodic** method of inventory calculation.

Balance	1 April	250 units @ £10 per unit
Receipts	9 April	600 units @ £11 per unit
	17 April	300 units @ £12 per unit
Balance	30 April	400 units

(2) Direct labour

Six workers are **each** paid at the rate of £5 per hour for 40 hours per week.

Overtime is paid at time and a half.

There were four weeks in April and **each worker** worked a **total** of 200 hours in April.

(3) Other costs

	£	Period
Sundry expenses	6 120	For month of April 2021
Supervision	2 500	For month of April 2021
Rent and rates	6 000	Per quarter
Equipment depreciation	15 000	Per annum

Note: 25% of sundry expenses are direct expenses.

(4) Work in progress

1 April	£1 970
30 April	£1 800

(5) Transfer value

Completed production is transferred to finished goods at cost plus 20%.

Required

(a) Prepare the Manufacturing Account for April 2021.

(16)

The value of finished goods for April 2021 was:

1 April	£90 000
30 April	£60 000

(b) Explain which entries are required for **unrealised profit** for April 2021 in the:

(i) Provision for Unrealised Profit Account

(4)

(ii) Statement of Profit or Loss and Other Comprehensive Income

(2)

(iii) Statement of Financial Position.

(2)

Bisdee Products is considering changing the basis of the transfer value of production to finished goods from **manufacturing cost plus 20%** to one of a **fixed price for each unit** produced.

(c) Evaluate the proposed change to a **fixed price for each unit** produced.

(6)

(Total for Question 5 = 30 marks)

6 (a) Explain **two** reasons why a business would prepare control accounts.

(4)

Jenny maintains full accounting records. At the end of each month she prepares control accounts for her trade receivables ledger and trade payables ledger.

The following information is available.

	Trade receivables		**Trade payables**	
	£		**£**	
	Debit	**Credit**	**Debit**	**Credit**
Balances 1 April 2021	2750	175	265	1 900
Balances 1 May 2021	**To be calculated**	25	105	**To be calculated**

Transactions summary for April 2021

	£
Total sales	4 250
Total purchases	2 500
Receipts from credit customers (including dishonoured cheque)	3 050
Dishonoured cheque	180
Payments to credit suppliers	1 950
Discount allowed	150
Discount received	90
Interest charged by supplier	25
Purchase returns	450
Irrecoverable debts written off	650
Cash refund from supplier	410
Contra credit balance transferred to the trade payables ledger	140

Additional information

(1) 80% of sales were on credit.

(2) 10% of purchases were for cash.

(3) There were no returns for cash sales or cash purchases.

Required

(b) Prepare the:

(i) Trade Receivables Ledger Control Account

(7)

(ii) Trade Payables Ledger Control Account.

(8)

(c) State **two** possible reasons for the credit balance on trade receivables on 1 April 2021.

(2)

(d) Explain why Jenny would transfer a balance from the trade receivables ledger to the trade payables ledger.

(3)

Jenny stated that 'You should **only consider profit** when making business decisions.'

(e) Evaluate the statement of Jenny.

(6)

(Total for Question 6 = 30 marks)

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

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