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 **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 4 of the Source Booklet.

1 (a) Prepare a Statement of Cash Flows for the year ended 31 March 2021 for Nairobi Plastics plc in accordance with International Accounting Standard (IAS) 7 Cash Flow Statements (revised).

(43)

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(b) Evaluate the liquidity performance of Nairobi Plastics plc for the year ended 31 March 2021.

(12)

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(Total for Question 1 = 55 marks)

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Source material for Question 2 is on page 5 of the Source Booklet.

2 (a) Prepare for Jolly Pyeman plc, for the **4-month** period July to October 2021, the following budgets. (For part (i), you **may** wish to show weekly figures as part of your workings before arriving at monthly totals. For parts (ii) to (vii) the budget should show total figures for **each** month, **not** weekly figures.)

(i) Revenue (sales) budget in units of pies sold.

(4)

(ii) Revenue (sales) budget in pounds (£s).

(4)

(iii) An extract from the cash budget showing payments received from supermarkets.

(11)

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(iv) Production budget in units of pies produced.

(12)

(v) Inventory budget, showing the number of units of pies in the inventory at the end of **each** month.

(4)

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(vi) Purchases of raw materials budget in kilograms.

(4)

(vii) An extract from the cash budget showing monthly payments to raw material suppliers in pounds (£s).

(4)

(b) Evaluate budgets as a tool for forecasting, planning and control for companies such as Jolly Pyeman plc.

(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) The Sales Manager asks why some figures have changed during the financial year.

(i) State **two** reasons that may explain the difference between the value of opening inventory and the value of closing inventory.

(2)

1 .....

.....

2 .....

.....

(ii) State **two** reasons that may explain the change in the amount of the allowance for irrecoverable debts.

(2)

1 .....

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Revenue for the year is £2 367 800

(iii) Calculate the percentage of commission on sales.

(2)

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(iv) Explain **one** reason why discount allowed may be given.

(2)

(b) Calculate the interest in pounds (£s) to be charged on the overdraft.

(4)

(c) Calculate the corporation tax that would have to be paid on the estimated profit for the year before tax.

(3)

(d) Prepare, for the year ended 31 March 2021, the:

(i) Disposals of Machinery Account

(4)

(ii) Machinery Provision for Depreciation Account.

(4)

(e) Identify where the profit or loss on the sale of the machinery will be shown in the Statement of Profit or Loss and Other Comprehensive Income.

(1)

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(f) Akrotiri Household Goods plc will stop selling floor coverings. Evaluate the importance of disclosing continuing and discontinued activities in the financial statements.

(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 page 8 of the Source Booklet.

4 (a) Calculate, for the month of April, the:

(i) budgeted production of metal cans

(2)

(ii) actual production of metal cans.

(1)

(b) Calculate, for the month of April, the budgeted quantity of material required to meet the production level achieved.

(3)

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(c) Calculate, for the month of April, **stating the formula used** in each case, the:

(i) material usage variance

(5)

(ii) material price variance

(6)

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(iii) total material variance.

(3)

(d) Explain the stages in establishing a standard costing system.

(4)

(e) Evaluate the performance of Docklands Canning plc for April.

(6)

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(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 10 and 11 of the Source Booklet.

5 (a) Complete the Journal entries to close the following ledger accounts in the books of Asiatic Electronics plc, on 31 March 2021. Narratives are **not** required.

- Property, plant and equipment with a value of £58 000 000
- Trade payables with a value of £17 000 000
- Ordinary shares of £1
- Share premium
- Retained earnings

(10)

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(b) Prepare the Sundry Shareholders Account in the books of Asiatic Electronics plc at 31 March 2021.

(6)

(c) Calculate the:

(i) number of shares in Beam plc Mingxia will receive

(2)

(ii) amount of cash that she will receive.

(2)

(d) Prepare the Equity section in the opening Statement of Financial Position for Beam plc at 1 April 2021.

(4)

Migxia bought her shares for £1.40 per share when Asiatic Electronics plc was formed 25 years ago.

(e) Evaluate the merger from the point of view of Mingxia.

(6)

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(Total for Question 5 = 30 marks)

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

Source material for Question 6 is on page 12 of the Source Booklet.

6 (a) Calculate the net present value of the investment project.

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(b) Calculate the **annual** profit or loss for the investment project in years 1 to 4.

(4)

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The net present value of the project with a cost of capital of 16% is £145 **negative**.

(c) Calculate the internal rate of return of the investment project.

(7)

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(d) Evaluate the investment project on behalf of Gulshan Car Hire Ltd.

(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

Time 3 hours

Paper reference **WAC12/01**

Accounting

International Advanced Level

PAPER 2: Corporate and Management Accounting

Source Booklet

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SECTION A

Answer BOTH questions in this section.

1 The Statements of Financial Position of Nairobi Plastics plc at 31 March 2020 and 31 March 2021 were as follows:

	31 March 2020	31 March 2021
ASSETS	**£**	**£**
Non-current assets		
Intangibles	1 750 000	1 800 000
Investments - Shares in other companies	650 000	865 000
Property, plant and equipment at cost	7 699 000	8 369 000
Provision for depreciation	(2 410 000)	(2 732 000)
Property, plant and equipment carrying value	5 289 000	5 637 000
	7 689 000	8 302 000
Current assets		
Inventories	998 000	912 000
Trade and other receivables	747 000	789 000
Cash and cash equivalents	384 000	171 000
	2 129 000	1 872 000
Total assets	9 818 000	10 174 000

	31 March 2020	31 March 2021
EQUITY AND LIABILITIES		
Equity		
Ordinary shares of £1	4 800 000	5 600 000
4% Irredeemable preference shares of £1	500 000	500 000
Share premium	1 200 000	1 400 000
Retained earnings	212 000	677 000
General reserve	200 000	450 000
Total equity and reserves	6 912 000	8 627 000
Non-current liabilities		
7% Bank loan	2 200 000	0
8% Debenture 2025	0	1 000 000
	2 200 000	1 000 000
Current liabilities		
Trade and other payables	393 000	401 000
Tax payable	313 000	146 000
	706 000	547 000
Total equity and liabilities	9 818 000	10 174 000

Additional information

(1) On 4 April 2020, plant bought for £800 000, with depreciation to date of £390 000, was sold for £320 000

(2) On 1 May 2020, additional property was bought for £1 470 000

(3) On 12 May 2020, intangibles were purchased for £200 000

(4) On 25 May 2020, ordinary shareholders received a final dividend for the year ended 31 March 2020 of 1.8 pence (£0.018) per share.

(5) On 30 August 2020, an issue of 800 000 £1 Ordinary shares at a premium of 25 pence (£0.25) per share was made.

(6) On 1 October 2020, the
- 7% bank loan of £2 200 000 was paid off
- 8% debenture of £1 000 000 was issued.

(7) On 22 October 2020, ordinary shareholders received an interim dividend of 0.8 pence (£0.008) per share for the year ended 31 March 2021.

(8) On 1 November 2020, a transfer of £250 000 was made to the General Reserve.

(9) On 6 December 2020, shares in another company were bought for £215 000 as an investment.

(10) On 28 March 2021, irredeemable preference shareholders received their dividends **in full** for the year.

(11) For the year ended 31 March 2021, profit after interest but before tax was £1 012 200

Required

(a) Prepare a Statement of Cash Flows for the year ended 31 March 2021 for Nairobi Plastics plc in accordance with International Accounting Standard (IAS) 7 Cash Flow Statements (revised).

(43)

(b) Evaluate the liquidity performance of Nairobi Plastics plc for the year ended 31 March 2021.

(12)

(Total for Question 1 = 55 marks)

2 Jolly Pyeman plc produces pies at its factory and sells the pies to supermarkets. The company is preparing the budgets for the next **4-month** period, July to October 2021.

The following information is available:

- Sales are seasonal and increase in the winter months.
- Sales are budgeted to be 150 000 pies a **week** in June and 150 000 pies a **week** in July, rising at a constant rate to 250 000 pies a **week** in December and 250 000 pies a **week** in January.
- Each pie sells to the supermarkets for £1.20
  - 50% are paid for in the same month as sales
  - 50% are paid for one month after sales.
- Production is one week in advance of sales.
- Raw materials for production will be delivered on the day of production.
- Each pie requires 0.3 kilograms of raw materials.
- Raw materials are purchased at a price of £1.40 per kilogram.
  - Payment is made one month after purchase.
- Assume 4 weeks in each month.

Required

(a) Prepare for Jolly Pyeman plc, for the **4-month** period July to October 2021, the following budgets. (For part (i), you **may** wish to show weekly figures as part of your workings before arriving at monthly totals. For parts (ii) to (vii) the budget should show total figures for **each** month, **not** weekly figures.)

(i) Revenue (sales) budget in units of pies sold.

(4)

(ii) Revenue (sales) budget in pounds (£s).

(4)

(iii) An extract from the cash budget showing payments received from supermarkets.

(11)

(iv) Production budget in units of pies produced.

(12)

(v) Inventory budget, showing the number of units of pies in the inventory at the end of **each** month.

(4)

(vi) Purchases of raw materials budget in kilograms.

(4)

(vii) An extract from the cash budget showing monthly payments to raw material suppliers in pounds (£s).

(4)

(b) Evaluate budgets as a tool for forecasting, planning and control for companies such as Jolly Pyeman plc.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 You are the Accounts Manager for Akrotiri Household Goods plc and you are attending a meeting with other senior staff. You have brought some draft notes to the Statement of Profit or Loss and Other Comprehensive Income to the meeting. The Statement of Profit or Loss and Other Comprehensive Income will be drawn up in accordance with International Accounting Standard (IAS) 1.

Extract of the draft notes to the Statement of Profit or Loss and Other Comprehensive Income of Akrotiri Household Goods plc for the year ended 31 March 2021

Cost of sales	£
Opening inventory	15 546
Machinery depreciation	to be calculated
Closing inventory	(6 210)
Distribution costs	
Commission on sales	189 424
Administrative expenses	
Increase in allowance for irrecoverable debts	3 500
Discount allowed	47 790
Financial cost	
Interest on overdraft	to be calculated

Required

The Sales Manager asks why some figures have changed during the financial year.

(a) (i) State **two** reasons that may explain the difference between the value of opening inventory and the value of closing inventory.

(2)

(ii) State **two** reasons that may explain the change in the amount of the allowance for irrecoverable debts.

(2)

The Production Manager wants to know the percentage given to staff as commission on sales.

Revenue for the year is £2 367 800

(iii) Calculate the percentage of commission on sales.

(2)

The Production Manager also asks about discount allowed.

(iv) Explain **one** reason why discount allowed may be given.

(2)

After the meeting, you continue preparing the ledger accounts for completing the Statement of Profit or Loss and Other Comprehensive Income.

The company was **not** overdrawn for the first 10 months of the financial year but became overdrawn on 1 February 2021. From that date the overdraft rose steadily to £9 000 on 31 March 2021.

The interest rate is 14% per year and is calculated on the average overdrawn balance for each month.

(b) Calculate the interest in pounds (£s) to be charged on the overdraft.

(4)

No corporation tax is paid on the first £28 000 of profit for the year.

Corporation tax is payable at a rate of 18% on profits above £28 000

The profit for the year before tax is estimated to be £525 000

(c) Calculate the corporation tax that would have to be paid on the estimated profit for the year before tax.

(3)

The company keeps a separate Machinery Account in the books.

The following details apply to the Machinery Account and the Machinery Provision for Depreciation Account:

- The company has five machines that it purchased on 1 April 2018, **each** machine costing £40 000 with a life of 5 years.
- The machines will be depreciated over their useful life, after which they will have **no** scrap value.
- On 31 March 2021, machinery that cost £40 000 with a net book value of £16 000 was sold for £18 000

(d) Prepare, for the year ended 31 March 2021, the:

(i) Disposals of Machinery Account

(4)

(ii) Machinery Provision for Depreciation Account.

(4)

(e) Identify where the profit or loss on the sale of the machinery will be shown in the Statement of Profit or Loss and Other Comprehensive Income.

(1)

During the next financial year, Akrotiri Household Goods plc will close its retail stores and sell only online or by telephone.

(f) Akrotiri Household Goods plc will stop selling floor coverings. Evaluate the importance of disclosing continuing and discontinued activities in the financial statements.

(6)

(Total for Question 3 = 30 marks)

4 You are the Cost Accountant for Docklands Canning plc, a company that produces metal cans in a factory.

The following information is available for April.

- The factory was open for 5 days a week.
- There were 4 weeks in the month.
- Budgeted production was 750 000 metal cans per day.
- Technical problems with machinery resulted in a stoppage in the production line for part of one day. This resulted in production on one day being only 250 000 metal cans.
- Budget and actual figures for materials are shown below.

	Budget		**Actual**	
Direct materials	600 000 kg	£255 000	594 500 kg	£247 950

Required

(a) Calculate, for the month of April, the:

(i) budgeted production of metal cans

(2)

(ii) actual production of metal cans.

(1)

(b) Calculate, for the month of April, the budgeted quantity of material required to meet the production level achieved.

(3)

(c) Calculate, for the month of April, **stating the formula used** in each case, the:

(i) material usage variance

(5)

(ii) material price variance

(6)

(iii) total material variance.

(3)

(d) Explain the stages in establishing a standard costing system.

(4)

(e) Evaluate the performance of Docklands Canning plc for April.

(6)

(Total for Question 4 = 30 marks)

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QUESTION 5 BEGINS ON PAGE 10.

5 Asiatic Electronics plc produces electronic goods in a very competitive market. The company has made losses in recent years. On 1 April 2021 the directors decided to merge with Sunrise plc to form Beam plc.

Beam plc will take over all of the assets and settle all the liabilities of Asiatic Electronics plc.

The Statement of Financial Position of Asiatic Electronics plc at 31 March 2021 showed:

All assets £65 700 000
All liabilities £33 900 000
Ordinary shares of £1 each £50 000 000
Share premium of £20 000 000
Retained earnings £38 200 000 debit balance.

Required

(a) Complete the Journal entries to close the following ledger accounts in the books of Asiatic Electronics plc, on 31 March 2021. Narratives are **not** required.

- Property, plant and equipment with a value of £58 000 000
- Trade payables with a value of £17 000 000
- Ordinary shares of £1
- Share premium
- Retained earnings

(10)

The shares in Asiatic Electronics plc were trading at 26 pence (£0.26) per share.
The shares in Sunrise plc were trading at 66 pence (£0.66) per share.
The equity of Sunrise plc was 38 million ordinary shares of £1 each.

Ordinary shares of £1 in Beam plc were issued at a premium of 20 pence (£0.20) per share.
For every 5 shares in Asiatic Electronics plc, shareholders received one share in Beam plc plus 10 pence (£0.10) cash.

For every 2 shares in Sunrise plc, shareholders received one share in Beam plc plus 12 pence (£0.12) cash.

(b) Prepare the Sundry Shareholders Account in the books of Asiatic Electronics plc at 31 March 2021.

(6)

Mingxia holds 8 000 shares in Asiatic Electronics plc.

Required

(c) Calculate the:

(i) number of shares in Beam plc Mingxia will receive

(2)

(ii) amount of cash that she will receive.

(2)

(d) Prepare the Equity section in the opening Statement of Financial Position for Beam plc at 1 April 2021.

(4)

Mingxia bought her shares for £1.40 per share when Asiatic Electronics plc was formed 25 years ago.

(e) Evaluate the merger from the point of view of Mingxia.

(6)

(Total for Question 5 = 30 marks)

6 Gulshan Car Hire Ltd is considering an investment project of purchasing another taxi. You are the accountant for Gulshan Car Hire Ltd and you have been asked to report to management if the additional taxi will be a worthwhile investment.

The following information is available for years 1 to 5 of the investment project.

- The taxi will cost £33 000 and last for 5 years, after which time it will be sold for £1 250
- The taxi will operate for 18 hours a day for 350 days of the year.
- The average number of customers per hour will be 1.5 and the average fare will be £10.80 per customer.
- Drivers will be paid £9 per hour.
- The average fuel cost per customer will be £2.50
- Other running costs will be £975 per month.
- The cost of capital is 9% per year.
- The discount rates for a cost of capital of 9% are shown below.

Year	Discount factor
1	0.917
2	0.842
3	0.772
4	0.708
5	0.650

Required

(a) Calculate the net present value of the investment project.

(13)

(b) Calculate the **annual** profit or loss for the investment project in years 1 to 4.

(4)

The net present value of the project with a cost of capital of 16% is £145 **negative**.

(c) Calculate the internal rate of return of the investment project.

(7)

(d) Evaluate the investment project on behalf of Gulshan Car Hire Ltd.

(6)

(Total for Question 6 = 30 marks)

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