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.
- 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 the:

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

(15)

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

(14)

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

(10)

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(c) (i) Explain the difference between **fixed costs** and **variable costs**.

(2)

(ii) State **one** example of a fixed cost and **one** example of a variable cost that would be incurred by the **shop** at Fred's Bakery.

(2)

Fixed cost

Variable cost

(d) Evaluate whether Fred's Bakery should offer a home delivery service.
Your evaluation should consider **both** financial and non-financial factors.

(12)

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(Total for Question 1 = 55 marks)

Source material for Question 2 is on pages 5 to 7 of the Source Booklet.

2 (a) Calculate the depreciation of **each** category of non-current assets for the year ended 30 September 2021.

(6)

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(b) Prepare the extract of the Statement of Financial Position at 30 September 2021 showing the non-current assets section.

(9)

(c) Calculate the **total** inventory value at 30 September 2021.

(5)

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(d) Prepare the Trade Receivables Ledger Control Account showing the value of the trade receivables at 30 September 2021.

(9)

(e) Calculate the total balance of other receivables at 30 September 2021.

(4)

(f) Calculate at 30 September 2021 the:

- cash balance
- bank balance.

(4)

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(g) Prepare the extract from the Statement of Financial Position at 30 September 2021 showing the current assets section.

(6)

(h) Evaluate whether Fortnam Production's use of the straight-line method as the single method of depreciation for **all** non-current assets is appropriate.

(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 8 and 9 of the Source Booklet.

3 (a) Explain the importance of liquidity to a business.

(4)

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(b) Calculate the following for **each** of the years ended 30 September 2020 and 30 September 2021.

(i) Inventory turnover

(4)

(ii) Percentage return on capital employed

(4)

(iii) Liquid (acid test) ratio

(4)

(iv) Trade receivables collection period (in days).

(4)

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(c) Comment on the liquidity of the business at 30 September 2021.

(4)

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The value of some inventory in the business has fallen during the year ended 30 September 2021 to a point where its value may be lower than the purchase price.

(d) Evaluate, **using accounting concepts and conventions**, whether Moira should re-value her inventory.

(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) Explain **two** differences between maintaining **fixed capital accounts** and maintaining **floating capital accounts** in a partnership.

(4)

1 .....

.....

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(b) Prepare the journal entries, including bank entries, to record the changes for the new partnership. Narratives are **not** required.

(9)

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(c) Calculate the capital for **each** of Amman, Belinda and Cara **after** all the changes were made at 1 October 2020.

(6)

(d) Prepare the appropriation section of the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2021.

(5)

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(e) Evaluate the decision of Amman and Belinda to admit Cara as a partner.

(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) Calculate for Week 23 the:

(i) **total** raw material cost of production

(7)

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(ii) raw material cost of producing

- **one** unit of Small
- **one** unit of Whoppa.

(2)

(b) Calculate for Week 23 the:

(i) **total** direct labour cost of production

(5)

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(ii) direct labour cost of producing

- **one** unit of Small
- **one** unit of Whoppa.

(2)

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(c) Calculate the **total** overhead cost of operating **each** of the Small and the Whoppa production lines.

(5)

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(d) Calculate for Week 23 the **total production cost** of manufacturing **each** of:

(i) **one** unit of Small

(1)

(ii) **one** unit of Whoppa.

(2)

(e) Evaluate Alpha's use of apportioning overheads to departments.

(6)

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(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) Explain the following accounting terms.

(i) Business entity concept

(2)

(ii) Realisation concept.

(2)

(b) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2021.

(10)

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(c) Prepare the summarised Bank Account for the year ended 30 September 2021.

(10)

(d) Evaluate the decision of Shakti **not** to maintain full accounting records.

(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 **WAC11/01**

Accounting

International Advanced Subsidiary
PAPER 1: The Accounting System and Costing

Source Booklet

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SECTION A

Answer BOTH questions in this section.

1 Fred's Bakery rents a shop in Extown from which it sells bakery products.
The following balances were in its books of account at 30 September 2021.

	£
Revenue	150 000
Purchases	92 000
Purchase returns	1 500
Trade receivables	2 600
Allowance for irrecoverable debts	250
Wages	4 850
Rent and rates	14 500
Electricity and water	6 750
Advertising	3 800
Inventory – 1 October 2020	7 500
Insurance	4 100
Non-current assets (cost):	
Equipment	70 000
Computers	8 000
Fixtures and fittings	3 000
Provisions for depreciation:	
Equipment	17 500
Computers	4 000
Fixtures and fittings	1 400
Trade payables	11 100
General repairs	8 900
Capital	30 000
Drawings	7 500
Bank overdraft	3 650
5% bank loan	20 000
Bank charges and loan interest	1 100
Sundry expenses	5 600
Commission receivable	800

Additional information at 30 September 2021

(1) Inventory £8 000

(2) Wages £550 were owing.

(3) Rent £2 500 was prepaid and rates £500 were owing.

(4) General repairs included £6 000 for the purchase of a new computer.

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

- Equipment at the rate of 25% per annum using the reducing balance method.
- Computers by revaluation. Computers were valued at £7 500 on 30 September 2021.
- Fixtures and fittings at the rate of 15% using the straight-line method.

(6) The 5% bank loan commenced on 1 April 2021 and is considered long term.

(7) Bank charges and loan interest included £200 interest charged on the 5% bank loan.

(8) The allowance for irrecoverable debts is to be £150

Required

(a) Prepare the:

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

(15)

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

(14)

For the following year, commencing 1 October 2021, Fred's Bakery was considering providing a home delivery service in addition to the shop sales.

Fred made the following projections.

(1) Home deliveries would provide a revenue of £5 000 per month. Shop revenue would reduce by 10% because some customers would choose to have home deliveries.

(2) The gross profit as a percentage of revenue on **all** sales would be 40%

(3) The costs of operating the shop would be:

- Fixed costs of £28 000
- Variable costs of 10 pence (£0.10) for every £1 of shop revenue.

(4) The costs of operating the home delivery service would be:

- One delivery vehicle at a purchase cost of £18 000. The delivery vehicle would last for four years and have a residual value of £6 600

  Equal depreciation would be charged each year.
- Delivery vehicle running costs of £600 per month.
- Wages for the delivery vehicle driver of £90 per week for 50 weeks of the year.

Required

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

(10)

(c) (i) Explain the difference between **fixed costs** and **variable costs**.

(2)

(ii) State **one** example of a fixed cost and **one** example of a variable cost that would be incurred by the **shop** at Fred's Bakery.

(2)

(d) Evaluate whether Fred's Bakery should offer a home delivery service.
Your evaluation should consider **both** financial and non-financial factors.

(12)

(Total for Question 1 = 55 marks)

2 Fortnam Production is preparing the assets section of the Statement of Financial Position at 30 September 2021. The following information is available.

(1) Non-current assets

Balances 1 October 2020

	Cost	**Accumulated depreciation**
	£	**£**
Premises	100 000	26 000
Motor vehicles	50 000	30 000
Fixtures and fittings	9 000	2 000

Non-current asset movements in the year ending 30 September 2021

Premises

An extension to the premises costing £30 000 was completed and occupied on 1 July 2021.

Motor vehicles

A motor vehicle which had cost £10 000 with an accumulated depreciation of £4 500 was sold on 1 October 2020 for £5 500. A new motor vehicle costing £15 000 was purchased on 15 April 2021.

Fixtures and fittings

Fixtures costing £1 000 were sold for £500 on 1 June 2021 at their carrying value.

Depreciation policy

Fortnam Production has the following depreciation policy. All non-current assets are:

- depreciated using the straight-line method at the rate of

  Premises 2%
  Motor vehicles 20%
  Fixtures and fittings 10%

- charged depreciation on **all** non-current assets owned at the **end of the year**.

Required

(a) Calculate the depreciation of **each** category of non-current assets for the year ended 30 September 2021.

(6)

(b) Prepare the extract of the Statement of Financial Position at 30 September 2021 showing the non-current assets section.

(9)

(2) Inventory

The business uses the First In First Out (FIFO) method for valuing inventory on a **periodic** basis. The following information is available for the year ended 30 September 2021.

Product	Inventory 1 October 2020	Purchases during year	Issues during year	Net realisable value
Standard	200 @ £10	700 @ £10 on 1 January 300 @ £11 on 1 May	950	£12 each
Deluxe	100 @ £12	400 @ £12 on 1 March 100 @ £13 on 1 June	400	£14 each
Super	50 @ £20	200 @ £20 on 1 February	150	£15 each

Required

(c) Calculate the **total** inventory value at 30 September 2021.

(5)

(3) Trade receivables

The following balances and other information were available.

1 October 2020

Trade receivables	£8 200
Allowance for irrecoverable debts	£300

1 October 2020 – 30 September 2021

	£
Sales revenue	40 000
Sales returns	750
Cheques from customers received and banked	28 600
Irrecoverable debts written off	450
Discount allowed	900
Interest charged on overdue accounts	150

Additional information at 30 September 2021

- 80% of sales and 80% of sales returns were credit transactions.
- A cheque for £300 received and banked was later dishonoured.
- Allowance for irrecoverable debts to be increased by £250

Required

(d) Prepare the Trade Receivables Ledger Control Account showing the value of the trade receivables at 30 September 2021.

(9)

(4) Other receivables

There were two items of other receivables.

- The rates were £10 000 per annum. On 1 October 2020 there was a credit balance of £2 500 on the account. Rates of £14 000 were paid in the year ending 30 September 2021.
- Advertising of £4 800 was paid during the year. This included £2 200 for a campaign to run from 1 July to 31 December 2021.

Required

(e) Calculate the total balance of other receivables at 30 September 2021.

(4)

(5) Cash and bank

Balances in the books 1 October 2020

Cash £230
Bank £960 Dr

Annual summary 1 October 2020 to 30 September 2021

	Receipts	**Payments**
	£	**£**
Cash	4 200	2 530
Cheques	35 750	36 600

- In addition to cash receipts £1 750 in cash was banked during the year.
- A cheque for £300 received and banked was later dishonoured.

Required

(f) Calculate at 30 September 2021 the:

- cash balance
- bank balance.

(4)

(g) Prepare the extract from the Statement of Financial Position at 30 September 2021 showing the current assets section.

(6)

(h) Evaluate whether Fortnam Production's use of the straight-line method as the single method of depreciation for **all** non-current assets is appropriate.

(12)

(Total for Question 2 = 55 marks)

SECTION B

Answer THREE questions from this section.

3 Moira recorded the following information in her books for the years ending 30 September 2020 and 30 September 2021.

For the year ended:	**30 September 2020**	**30 September 2021**
	£	**£**
Revenue	250 000	150 000
Gross profit	150 000	80 000
Profit for the year	20 000	5 000
Balances at:	**30 September 2020**	**30 September 2021**
	£	**£**
Capital	30 000	20 000
Inventory	15 000	13 000
Bank	5 000 Cr	11 000 Dr
5% bank loans (repayable 2024)	20 000	40 000
Trade payables	18 000	25 000
Trade receivables	25 000	12 000

Additional information

(1) Inventory at 1 October 2019 was £10 000

(2) All purchases and sales were on credit.

(3) A full year's interest is chargeable on the 5% bank loans.

Required

(a) Explain the importance of liquidity to a business.

(4)

(b) Calculate the following for **each** of the years ended 30 September 2020 and 30 September 2021.

(i) Inventory turnover

(4)

(ii) Percentage return on capital employed

(4)

(iii) Liquid (acid test) ratio

(4)

(iv) Trade receivables collection period (in days).

(4)

(c) Comment on the liquidity of the business at 30 September 2021.

(4)

The value of some inventory in the business has fallen during the year ended 30 September 2021 to a point where its value may be lower than the purchase price.

(d) Evaluate, **using accounting concepts and conventions**, whether Moira should re-value her inventory.

(6)

(Total for Question 3 = 30 marks)

4 (a) Explain **two** differences between maintaining **fixed capital accounts** and maintaining **floating capital accounts** in a partnership.

(4)

Amman and Belinda are trading in partnership. They have worked for many years sharing profits and losses equally.

The following balances were in the books at 30 September 2020.

	£
Capital – Amman	50 000
Belinda	40 000
Goodwill	25 000

Amman and Belinda agreed to admit Cara as a partner on 1 October 2020. The new profit sharing ratio would be two-fifths Amman, two-fifths Belinda, one-fifth Cara.

To commence the new partnership on 1 October 2020, it was also agreed that:

(1) Cara would introduce capital of £25 000. This would be a motor vehicle £15 000 and £10 000 by cheque

(2) Goodwill would be removed from the books of the new partnership

(3) Belinda would reduce her capital by £20 000, but this would be retained in the partnership as a 6% loan for a period of five years.

Required

(b) Prepare the journal entries, including bank entries, to record the changes for the new partnership. Narratives are **not** required.

(9)

(c) Calculate the capital for **each** of Amman, Belinda and Cara **after** all the changes were made at 1 October 2020.

(6)

The new partnership of Amman, Belinda and Cara prepared a written agreement to be effective from 1 October 2020. The agreement stated that:

- interest is allowed on the capital balance at year end at the rate of 4% per annum
- interest is charged on drawings at year end at the rate of 5% per annum
- salaries are to be paid to Belinda £6 000 per annum and Cara £4 000 per annum
- the profit-sharing ratio is two-fifths Amman, two-fifths Belinda, one-fifth Cara.

For the year ended 30 September 2021 the following information is available.

Profit for the year **before** interest on loan was £30 700

Drawings:

Amman	£8 000
Belinda	£4 000 (excluding salary paid)
Cara	£4 000 (excluding salary paid)

Required

(d) Prepare the appropriation section of the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2021.

(5)

(e) Evaluate the decision of Amman and Belinda to admit Cara as a partner.

(6)

(Total for Question 4 = 30 marks)

5 Alpha manufactures two products in its factory. Each product is manufactured in batches on separate production lines. The two products are the Small and the Whoppa.

The following information is available.

	Small	**Whoppa**
Week 23 production	750 units	300 units
Raw material		
Material in finished product	2 kg	5 kg
Cost per kg	£3	£3
Material wastage in production	25% of total	20% of total
Direct labour		
Labour in finished product	20 minutes	30 minutes
Cost per hour	£9	£10

Required

(a) Calculate for Week 23 the:

(i) **total** raw material cost of production

(7)

(ii) raw material cost of producing

- **one** unit of Small
- **one** unit of Whoppa.

(2)

(b) Calculate for Week 23 the:

(i) **total** direct labour cost of production

(5)

(ii) direct labour cost of producing

- **one** unit of Small
- **one** unit of Whoppa.

(2)

The factory had the following production overhead costs for Week 23.

	£
Rent	500
Management salaries	1 250
Equipment depreciation	400
Electricity	250

Additional information

	Small production line	Whoppa production line
Floor area occupied (sqm)	900	600
Cost of equipment (£000)	30	10
Machine power usage (kwh)	60	40
Staff (numbers)	6	4

Required

(c) Calculate the **total** overhead cost of operating **each** of the Small and the Whoppa production lines.

(5)

(d) Calculate for Week 23 the **total production cost** of manufacturing **each** of:

(i) **one** unit of Small

(1)

(ii) **one** unit of Whoppa.

(2)

(e) Evaluate Alpha's use of apportioning overheads to departments.

(6)

(Total for Question 5 = 30 marks)

6 Shakti started an online business on 1 October 2020 selling the Style hairdryer on the internet.

She had capital of £2 000 in the bank.

All receipts and payments of cash go through the bank.

She did **not** maintain full accounting records but the following information is available.

(1) Purchases of Style hairdryers cost £20 each and were made on credit.

(2) Sales of Style hairdryers were £35 each including delivery. Payment was received by cheque with the customer's order.

(3) Inventory movements of Style hairdryers 1 October 2020 to 30 September 2021 were:

Style hairdryer	**Number of hairdryers**
Opening inventory	Nil
Sales	2 700
Purchases	2 900
Returns from customers	30
Returns to suppliers	50
Closing inventory	**To be calculated**

(4) All customers returning goods were given a full refund of the £35 by cheque.

(5) Delivery costs of £13 500 were paid and a sum of £150 was owing at the end of the year.

(6) Premises were rented for £500 per month. On 30 September 2021 rent of £1 500 was prepaid.

(7) General expenses paid were £5 800. On 30 September 2021 £720 was still owing for general expenses incurred.

(8) Bank interest of £105 was received and bank charges of £230 were paid in the year.

(9) A computer was purchased for £1 200 and fixtures and fittings were purchased for £1 700 on 1 October 2020. Payments were made by cheque.

(10) On 30 September 2021 £4 650 was owed to the supplier of the Style hairdryers.

(11) Shakti took £250 per month drawings to 31 December 2020. She increased this to £400 per month from 1 January 2021. Drawings were taken by cheque.

Additional information at 30 September 2021

(1) The computer was valued at £800 and the fixtures and fittings were valued at £1 500

Required

(a) Explain the following accounting terms.

(i) Business entity concept

(2)

(ii) Realisation concept.

(2)

(b) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2021.

(10)

(c) Prepare the summarised Bank Account for the year ended 30 September 2021.

(10)

(d) Evaluate the decision of Shakti **not** to maintain full accounting records.

(6)

(Total for Question 6 = 30 marks)

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

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