Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Thursday 22 January 2026

Morning (Time: 3 hours)

Paper reference **WAC12/01**

Accounting

International Advanced Level
UNIT 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 for Homecraft plc, in accordance with International Accounting Standard 1 (Revised), a Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.

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The directors of Homecraft plc are required to prepare a Directors' Report at the end of the financial year.

(b) Evaluate the usefulness of the Directors' Report produced at the end of the financial year.

(12)

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(Total for Question 1 = 55 marks)

Source material for Question 2 is on pages 6 and 7 of the Source Booklet.

2 (a) Calculate the cost of wheat that is required for **one** packet of biscuits.

(4)

For part (b), you may use the tables included if you wish.

There may be more rows included than you need.

(b) Prepare for Crumble plc, for the **four month** period February to May 2026, the following budgets for **each** of the four months.

(i) A revenue (sales) budget in packets of biscuits sold.

(4)

Revenue (sales) budget (units)	February	March	April	May

Workings

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(ii) A revenue (sales) budget in pounds (£).

(4)

Revenue (sales) budget (£)	February	March	April	May

Workings

(iii) A production budget in packets of biscuits produced.

(12)

Production budget (units)	February	March	April	May

Workings

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(iv) An extract from the cash budget showing payments received from stores.

(12)

Cash budget extract (£)	February	March	April	May

Workings

(v) Purchases of wheat budget in kilograms (kg).

(7)

Purchases of wheat Budget (kg)	February	March	April	May

Workings

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The management of Crumble plc has decided that the **only** budgets that will be prepared each year will be Revenue (Sales in packets and in pounds (£)), Production, Cash, and Purchases. No other budgets will be prepared.

(c) Evaluate the decision of management to prepare **only** the Revenue (Sales in packets and in pounds (£)), Production, Cash, and Purchases budgets.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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SECTION B BEGINS ON THE NEXT PAGE.

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 following terms:

(i) authorised share capital

(2)

(ii) called-up share capital.

(2)

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(b) Calculate the gearing ratio at 31 December 2025, using the formula involving total capital employed. You should state the formula used.

(8)

(c) Explain **two** reasons why the directors would wish to lower the gearing ratio.

(4)

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2 .....

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(d) Calculate the amount of reduction of fixed cost capital required to reduce the gearing ratio to 50%

(4)

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(e) Calculate the amount of increase in equity capital required to reduce the gearing ratio to 40%

(4)

(f) Evaluate the **two** possible methods available to Gallex plc to reduce the gearing ratio and select **one** method to be used.

(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 page 10 of the Source Booklet.

4 (a) Explain **two** purposes of standard costing.

(4)

1 .....

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2 .....

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(b) Calculate, for Week 14, the:

(i) total budgeted labour hours

(2)

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(ii) total actual labour hours

(2)

(iii) total budgeted labour cost

(1)

(iv) total actual labour cost.

(3)

(c) Calculate, for Week 14, the:

(i) labour efficiency variance

(4)

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(ii) labour rate variance

(5)

(iii) total labour variance.

(3)

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(d) Evaluate the policy of SmoothChange plc, including reference to Week 14.

(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) Prepare, for the year ended 31 December 2025, the:

(i) Property, plant and equipment Account

(4)

Property, plant and equipment Account

Date	Details	£	Date	Details	£

Workings

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(ii) Provision for Depreciation of Property, plant and equipment Account.

(5)

Provision for Depreciation of Property, plant and equipment Account

Date	Details	£	Date	Details	£

Workings

(b) Prepare the Operating Activities section from the Statement of Cash Flows, in accordance with International Accounting Standard (IAS) 7 Statement of Cash Flows.

(15)

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(c) Evaluate the liquidity and cash flow performance of Sparkkle Electronics plc for the year ended 31 December 2025.

(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) Calculate the cost of glass material for **one** bottle.

(4)

(b) Calculate the number of bottles to be produced in January 2026.

(4)

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(c) Calculate the number of bottles to be produced and sold in the month of January 2026 to break-even.

(12)

(d) Calculate the margin of safety, in pounds (£), for Eszuzah Bottling plc for the month of January 2026.

(4)

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(e) Evaluate the decision of Eszuzah Bottling plc to only produce bottles to fulfil orders from customers.

(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 22 January 2026

Morning (Time: 3 hours)

Paper reference **WAC12/01**

Accounting

International Advanced Level

UNIT 2: Corporate and Management Accounting

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 Homecraft plc manufactures furniture at its factory.

After manufacture, the furniture is then delivered to the company's shops, before sale to customers.

At 31 December 2025, the following information was available from the books of account.

	£	£
Allowance for irrecoverable debts		20 000
Audit fees	16 500	
Bank current account		12 500
Bank current account interest	440	
Cash	5 700	
Commission on sales	31 600	
11% Debenture 2029		300 000
Debenture interest paid	16 500	
Delivery costs	121 000	
Direct materials	1 720 000	
Discount allowed	35 700	
Discount received		41 000
Electricity	45 000	
Factory buildings – cost	1 800 000	
Factory buildings – provision for depreciation		504 000
General reserve		10 000
Goodwill	20 000	
Head office expenses	322 300	
Inventory at 1 January 2025	247 000	
Irrecoverable debts	17 000	
Marketing	153 000	
Motor lorries at cost	242 000	
Motor lorries – provision for depreciation		156 000
Motor lorries – running expenses	41 800	

	£	£
Ordinary shares of £1.00 each		661 000
Other payables		14 200
Other receivables	2 900	
Production machinery (carrying value)	140 000	
Rent received		6 000
Rent of warehouse	104 000	
Retained earnings		129 740
Revenue		5 249 000
Share premium		443 000
Trade payables		110 000
Trade receivables	434 000	
Wages	2 140 000	
	7 656 440	7 656 440

Additional information at 31 December 2025

(1) Delivery costs of £3 400 are outstanding.

(2) The debenture is a 10-year debenture.

(3) Electricity is to be apportioned on the following basis:

Factory 75% Warehouse 15% Head office 10%

(4) The factory buildings are being depreciated over a 50-year life, using the straight-line method. Depreciation for the present year needs to be calculated.

(5) Goodwill of £30 000 was paid three years ago when taking over a small delivery company. The goodwill is being written off over six years.

(6) Inventory £193 000

(7) Head office expenses include £7 300 paid in advance.

(8) The motor lorries are to be depreciated using the reducing balance method over an 8-year life using a figure of 20% on net book value. Depreciation for the present year needs to be calculated.

(9) The production machinery is being depreciated using a units of output method.

The machinery cost a total of £200 000 and had produced 24 000 units by 31 December 2024. This year, the machinery produced 7 240 units. Depreciation for the present year needs to be calculated.

(10) A customer, who owed £6 000, unexpectedly went out of business on 31 December 2025. No monies are expected to be received from this customer. No entries have been made in the books of account.

(11) The allowance for irrecoverable debts is to be 5% of remaining trade receivables.

(12) Wages are to be apportioned on the following basis:

Factory 67%	Warehouse 8%	Transport 6%	Sales 10%	Head office 9%

(13) Corporation tax, paid at a rate of 25% on profits over £250 000 per year, has to be calculated.

Required

(a) Prepare for Homecraft plc, in accordance with International Accounting Standard 1 (Revised), a Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.

(43)

The directors of Homecraft plc are required to prepare a Directors' Report at the end of the financial year.

(b) Evaluate the usefulness of the Directors' Report produced at the end of the financial year.

(12)

(Total for Question 1 = 55 marks)

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2 Crumble plc produces packets of biscuits at its factory and sells the packets of biscuits to stores.

The company is preparing the budgets for the next **four month** period, February to May 2026.

The following information is available:

(1) Sales to stores are seasonal, being high in the winter and decreasing in the summer.

(2) Sales to stores are budgeted to be 125 000 packets in January, falling at a constant rate to 95 000 packets in July.

(3) Each packet of biscuits sells to stores for £0.85

- 25% of packets are paid for by stores in the same month as sales to stores
- 75% of packets are paid for by stores one month after sales to stores.

(4) Production is two weeks in advance of sales to stores.

(5) Raw materials for production will be delivered on the day of production. The day of delivery of the raw materials is regarded as the day of purchase.

(6) Each biscuit requires 15 grams of wheat. There are 20 biscuits in a packet.

(7) Wheat is purchased at a price of £200 per tonne. Payment is made one month after purchase.

(8) There are 1 000 kilograms in a tonne. There are 1 000 grams in a kilogram.

(9) Assume 4 weeks in each month.

Required

(a) Calculate the cost of wheat that is required for **one** packet of biscuits.

(4)

(b) Prepare for Crumble plc, for the **four month** period February to May 2026, the following budgets for **each** of the four months.

(i) A revenue (sales) budget in packets of biscuits sold.

(4)

(ii) A revenue (sales) budget in pounds (£).

(4)

(iii) A production budget in packets of biscuits produced.

(12)

(iv) An extract from the cash budget showing payments received from stores.

(12)

(v) Purchases of wheat budget in kilograms (kg).

(7)

The management of Crumble plc has decided that the **only** budgets that will be prepared each year will be Revenue (Sales in packets and in pounds (£)), Production, Cash, and Purchases. No other budgets will be prepared.

(c) Evaluate the decision of management to prepare **only** the Revenue (Sales in packets and in pounds (£)), Production, Cash, and Purchases budgets.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 Gallex plc had the following information and balances at the end of the financial year on 31 December 2025.

	£
Authorised share capital – Ordinary shares of £1 each	1 200 000
Issued share capital – Ordinary shares of £1each	750 000
5% redeemable preference shares	425 000
Retained earnings	95 000 Dr
Foreign exchange reserve	50 000
General reserve	75 000
Revaluation reserve	220 000
9% Debenture	600 000
Long-term bank loan	475 000

Required

(a) Explain the following terms:

(i) authorised share capital

(2)

(ii) called-up share capital.

(2)

(b) Calculate the gearing ratio at 31 December 2025, using the formula involving total capital employed. You should state the formula used.

(8)

The directors of Gallex plc have decided that the gearing ratio of the company is too high.

(c) Explain **two** reasons why the directors would wish to lower the gearing ratio.

(4)

The directors of Gallex plc have decided to reduce the gearing ratio.

There are two options for directors to reduce the gearing ratio.

Option 1

Reduce fixed cost capital.

Gearing ratio to be 50%

(d) Calculate the amount of reduction of fixed cost capital required to reduce the gearing ratio to 50%

(4)

Option 2

Increase equity capital

Gearing ratio to be 40%

(e) Calculate the amount of increase in equity capital required to reduce the gearing ratio to 40%

(4)

(f) Evaluate the **two** possible methods available to Gallex plc to reduce the gearing ratio and select **one** method to be used.

(6)

(Total for Question 3 = 30 marks)

4 SmoothChange plc assembles gearboxes, a part for motor vehicles, at its factory.

The following information is available for Week 14:

- SmoothChange plc uses a standard costing system.
- 46 production workers were employed to assemble gearboxes.
- Each production worker is expected to produce one gearbox in 1 hour 15 minutes.
- Production workers' normal working time is 8 hours and 45 minutes a day, for 5 days a week.
- Production workers are paid £10.80 per hour.
- During Week 38 production was only 1 448 gearboxes during normal working time.
- To make up the shortfall in production and meet the weekly target, an extra 5 hours were worked as overtime by 42 workers.
- The pay rate for the extra hours worked as overtime was the normal rate plus an extra third of the normal hourly pay rate ('time and a third').

Required

(a) Explain **two** purposes of standard costing.

(4)

(b) Calculate, for Week 14, the:

(i) total budgeted labour hours

(2)

(ii) total actual labour hours

(2)

(iii) total budgeted labour cost

(1)

(iv) total actual labour cost.

(3)

(c) Calculate, for Week 14, the:

(i) labour efficiency variance

(4)

(ii) labour rate variance

(5)

(iii) total labour variance.

(3)

SmoothChange plc has a policy of taking action if the total actual labour cost for the week is more than 5% higher or lower than the total budgeted labour cost figure.

(d) Evaluate the policy of SmoothChange plc, including reference to Week 14.

(6)

(Total for Question 4 = 30 marks)

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5 You are the Financial Accountant for Sparkkle Electronics plc.

Extracts from the Statements of Financial Position at the end of two financial years, are shown below.

	31 December 2024	31 December 2025
ASSETS	**£**	**£**
Non-current assets		
Property, plant and equipment	9 658 500	7 552 000
Provision for depreciation	(3 567 200)	(3 246 000)
Property, plant and equipment carryover	6 091 300	4 306 000
Intangible assets	1 200 000	1 360 000
	7 291 300	5 666 000
Current assets		
Inventories	2 178 000	2 984 000
Trade receivables	254 000	235 000
Other receivables	39 000	31 000
Cash and cash equivalents	94 000	----------
	2 565 000	3 250 000
LIABILITIES		
Current liabilities		
Bank overdraft	----------	13 000
Trade payables	2 139 000	1 875 000
Other payables	32 000	24 000
Current tax payable	105 000	134 000
	2 276 000	2 046 000

Additional information

(1) All plant, property and equipment is kept in the Plant, property and equipment Account at cost. All sales of non-current assets are through the Disposals of non-current Assets account.

(2) On 26 May 2025, plant was bought for £326 500

(3) On 22 June 2025, property that cost £1 980 000 with depreciation to date of £225 000 was sold for £1 812 000

(4) On 14 July 2025, equipment that cost £453 000 with a carrying value of £212 000 was sold for £193 000

(5) On 11 March 2025, a patent was purchased for £180 000

(6) The bank overdraft averaged £12 000 for 8 months in the year 2025 at an interest rate of 12.5%

(7) Profit **after** interest for the year ended 31 December 2025 was £248 000

Required

(a) Prepare, for the year ended 31 December 2025, the:

(i) Property, plant and equipment Account

(4)

(ii) Provision for Depreciation of Property, plant and equipment Account.

(5)

(b) Prepare the Operating Activities section from the Statement of Cash Flows, in accordance with International Accounting Standard (IAS) 7 Statement of Cash Flows.

(15)

(c) Evaluate the liquidity and cash flow performance of Sparkkle Electronics plc for the year ended 31 December 2025.

(6)

(Total for Question 5 = 30 marks)

6 Eszuzah Bottling plc produces glass bottles at its factory. The bottles are only made to fulfil orders from customers.

The following information is available for materials for the month of January 2026.

One bottle requires 200 grams of glass material.

Glass is purchased at a price of £45 per tonne.

There are 1 000 grams in a kilogram.

There are 1 000 kilograms in a tonne.

Required

(a) Calculate the cost of glass material for **one** bottle.

(4)

The following information is available for the production line for the month of January 2026.

The production line can produce 1 glass bottle in 12 seconds.

The production line operates without stopping from 8 am to 6 pm, for 6 days a week.

There are 4 weeks and 2 days for production in the month of January.

(b) Calculate the number of bottles to be produced in January 2026.

(4)

The following information is available for the month of January 2026.

- Factory rent is £21 000 per quarter (three-month period).
- Labour to be paid at a rate of £10.80 per 600 bottles produced.
- Insurance per year £3 780
- Factory manager's salary £28 800 per year.
- Electricity has a fixed standing charge of £420 per month.
- Electricity per hour is £51 when the production line is operating.
- Other fixed costs are £365 per month.
- All production is sold, selling at £397 per 1 000 bottles.

Required

(c) Calculate the number of bottles to be produced and sold in the month of January 2026 to break-even.

(12)

(d) Calculate the margin of safety, in pounds (£), for Eszuzah Bottling plc for the month of January 2026.

(4)

Eszuzah Bottling plc only produces bottles to fulfil orders when these are received from customers.

(e) Evaluate the decision of Eszuzah Bottling plc to only produce bottles to fulfill orders from customers.

(6)

(Total for Question 6 = 30 marks)

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

GradeMax

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