Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
|---|---|
| | |

**Pearson Edexcel International GCSE**

Centre Number | Candidate Number

# Tuesday 12 May 2020

Morning (Time: 1 hour 15 minutes) | Paper Reference **4AC1/02**

# Accounting

## Level 1/2
## Paper 2 : Financial Statements

**You do not need any other materials.**

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 **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Calculators may be used.

## Information

- The total mark for this paper is 50.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

## Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

*Turn over*

**Answer ALL questions. Write your answers in the spaces provided.**

**1** Muneeb and Javeed are in partnership sharing profits and losses in the ratio of 2:1.

The partnership agreement provides for:

- interest on capital at 10% per annum
- an annual salary of $12 000 for Muneeb.

The partners provided the following information for the year ended 31 March 2020.

| **1 April 2019** | **$** |
|---|---|
| Capital account<br>Muneeb<br>Javeed | <br>100 000<br>50 000 |
| Current account<br>Muneeb<br>Javeed | <br>5 750 Dr<br>2 800 |
| **31 March 2020** | |
| Allowance for irrecoverable debts | 3 000 |
| Cash and cash equivalents | 1 145 |
| Inventory | 46 475 |
| Other payables | 600 |
| Other receivables | 1 040 |
| Non-current assets – carrying value | 100 000 |
| Trade payables | 25 850 |
| Trade receivables | 34 590 |
| Drawings for the year<br>Muneeb<br>Javeed | <br>42 500<br>28 750 |

DO NOT WRITE IN THIS AREA

(a) Prepare the appropriation account for the year ended 31 March 2020.

**(5)**

**Muneeb and Javeed**
**Appropriation account for the year ended 31 March 2020**

| | $ | $ |
|---|---|---|
| **Profit for the year** | | **78 000** |

(b) Prepare the current account of Muneeb for the year ended 31 March 2020.
Balance the account on that date and bring the balance down on 1 April 2020.

**(6)**

**Current Account – Muneeb**

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

The balance on Javeed's current account at 31 March 2020 was $3 950 **debit**.

(c) Prepare the statement of financial position at 31 March 2020.

**(14)**

**Muneeb and Javeed**
**Statement of financial position at 31 March 2020**

| | $ | $ | $ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| **Current assets** | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| **Total assets** | | | |
| **Equity and liabilities** | | | |
| **Equity** | Muneeb | Javeed | |
| | | | |
| | | | |
| **Total equity** | | | |
| **Current liabilities** | | | |
| | | | |
| | | | |
| | | | |
| **Total equity and liabilities** | | | |

**(Total for Question 1 = 25 marks)**

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**QUESTION 2 BEGINS ON THE NEXT PAGE.**

**2** Hyat, a manufacturer, provided the following information for the year ended 31 December 2019.

| | **1 January $** | **31 December $** |
|---|---|---|
| Factory machinery | | |
| Cost | 40 000 | 40 000 |
| Accumulated depreciation | 14 400 | **To be calculated** |
| Inventory | | |
| Finished goods | 4 730 | 5 180 |
| Work in progress | 1 370 | 1 450 |
| Administration expenses | | 13 475 |
| Wages and salaries | | |
| Factory indirect | | 15 000 |
| Office | | 5 000 |
| Rent, rates and power | | |
| Factory | | 4 500 |
| Office | | 1 500 |
| Revenue | | 68 000 |

- Factory indirect wages of $250 were owing.
- Administration expenses of $1 750 were paid in advance.
- Depreciation is charged on factory machinery at 20% per annum using the reducing balance method.

Hyat has already calculated the prime cost as shown.

(a) Complete the manufacturing account for the year ended 31 December 2019.

**(6)**

**Hyat**
**Manufacturing account for the year ended 31 December 2019**

| | $ |
|---|---|
| **Prime cost** | **18 750** |

(b) Prepare the income statement for the year ended 31 December 2019.

**(9)**

**Hyat**
**Income statement for the year ended 31 December 2019**

(c) Explain, by referring to an appropriate accounting concept, why it is necessary to adjust for a payment in advance.

**(2)**

Hyat provided the following ratios.

| **Ratio** | **2018** | **2019** |
|---|---|---|
| Current (working capital) | 1.50:1 | 1.50:1 |
| Liquid (acid test) | 1.02:1 | 0.85:1 |

(d) (i) Evaluate the change in liquidity.

**(4)**

Hyat believes that the liquidity of the business has improved.

(ii) State whether he is correct.

**(1)**

(iii) Explain **one** way Hyat could improve his liquidity.

**(3)**

**(Total for Question 2 = 25 marks)**

**TOTAL FOR PAPER = 50 MARKS**

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