

Please check the examination details below before entering your candidate information

Candidates surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel International GCSE

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.*

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.*
- Calculators may be used.

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 ►

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Q:1/1/1/1/1/1/



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

- 1** On 1 May 2021 Sajjan started a business with capital of \$75 000.
She provided the following information on 30 April 2022.

Bank summary

Receipts	\$	Payments	\$
Capital	75 000	Drawings	31 750
Trade receivables	165 200	Motor vehicle	40 000
Balance c/d	3 225	Office expenses	18 975
		Rent and rates	14 600
		Trade payables	104 200
		Wages and salaries	28 900
		Motor expenses	5 000
	<u>243 425</u>		<u>243 425</u>
		Balance b/d	3 225

- Closing inventory was valued at \$36 000
- The carrying value of the motor vehicle was \$38 000
- Trade receivables were \$51 700 and trade payables were \$42 500
- A provision for irrecoverable debts of 5% of trade receivables was created.
- Wages and salaries of \$2 100 were owing and rent and rates of \$1 400 were paid in advance.

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(a) Prepare the income statement for the year ended 30 April 2022.

(10)

Sajjan
Income statement for the year ended 30 April 2022

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Area for writing the income statement, consisting of horizontal dotted lines.



(b) Prepare the statement of financial position at 30 April 2022.

(10)

Sajjan
Statement of financial position at 30 April 2022

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(c) Explain why the following accounting concepts should be applied when maintaining a provision for irrecoverable debts.

(i) Prudence

(3)

(ii) Accruals

(2)

(Total for Question 1 = 25 marks)



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2 Carl and Ming are in partnership sharing profits and losses equally. The partnership agreement also provided for:

- interest on opening capital at 8% per annum
- interest on total drawings at 9% per annum
- a salary for Ming of \$18 000 per annum.

	Balances at 1 April 2021		Year ended 31 March 2022
	Capital Account \$	Current Account \$	Drawings \$
Carl	75 000	3 150	24 000
Ming	50 000	900	26 000

On 1 January 2022 the partnership purchased a machine costing \$10 000. This was fully funded by a 10% bank loan.

This transaction has not yet been entered in the books of account.

Depreciation is charged on machinery at 15% per annum using the straight-line method. A full year's depreciation is charged in the year of acquisition.



- (a) Complete the income statement and appropriation account for the year ended 31 March 2022.

(8)

Carl and Ming

Income statement and appropriation account for the year ended 31 March 2022

	\$	\$
Draft profit for the year		42 140
Bank loan interest		
Depreciation charge		
Updated profit for the year		
Share of profit		
Carl		
Ming		



- (b) (i) Prepare the current account of Ming for the year ended 31 March 2022.
Balance the account on this date and bring the balance down on 1 April 2022. (8)

Current Account – Ming

Date	Details	\$	Date	Details	\$

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(ii) State what a **credit** balance on a partner's current account means. (1)

(iii) State how a **debit** balance on a partner's current account may arise. (1)

The partners believed that the liquidity of the business had improved and provided the following ratios.

Ratio	2021	2022
Current (working capital)	1.89:1	1.56:1
Liquid (acid test)	0.81:1	1.01:1

(c) (i) State the formula for **each** ratio. (2)

Ratio	Formula
Current (working capital)	
Liquid (acid test)	



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(ii) Evaluate whether the partners are correct that liquidity has improved.

(5)

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(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS



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