Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Tuesday 03 June 2025

Afternoon (Time: 1 hour 15 minutes) | **Paper reference** **4AC1/02R**

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

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Pearson

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

1 On 31 December 2024, Jay, a sole trader, provided the following information.

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Inventory at 1 January 2024	15 600
Machinery at 1 January 2024 – Cost – Provision for depreciation	 75 500 18 750
Discount allowed	1 328
Discount received	534
General expenses	8 900
Insurance	2 080
Machinery repairs	1 500
Purchases	69 320
Rent and rates	5 600
Returns inwards	3 214
Revenue	143 200
Wages and salaries	24 560

Additional information at 31 December 2024

- Closing inventory was valued at $12 900
- Machinery is depreciated at 20% per annum on a reducing balance basis. There had been no purchases or disposals of machinery during the year.
- Irrecoverable debts of $850 were to be written off.
- Other receivables for insurance were $250
- Other payables for wages and salaries were $440

(a) Prepare the income statement for the year ended 31 December 2024.

(12)

Jay
Income Statement for the year ended 31 December 2024

Following preparation of his income statement, Jay discovered that a payment for machinery repairs, $500, had been entered in the machinery account.

(b) Calculate the adjusted profit for the year ended 31 December 2024 after the correction of this error.

(4)

Jay is considering changing his method of depreciation to the straight-line method as he believes that this will increase his profit for the year.

(c) Explain, referring to a relevant accounting concept, whether he should proceed with this proposal.

(4)

(d) Advise Jay why it is important to differentiate between capital expenditure and revenue expenditure.

(5)

(Total for Question 1 = 25 marks)

2 Victoria and Albert are in partnership, sharing profits and losses equally. Their partnership agreement also provides for interest on capital and interest on drawings at 5% per annum, a salary for Victoria of $1 000 per month and no interest on partnership loans.

On 30 April 2025, they provided the following trial balance after the preparation of the income statement for the year.

Victoria and Albert
Trial Balance at 30 April 2025

	Debit $	Credit $
Allowance for doubtful debts		500
Bank		10 570
Capital accounts at 1 May 2024		
– Victoria		50 000
– Albert		30 000
Closing inventory	14 320	
Current accounts at 1 May 2024		
– Victoria		3 500
– Albert	2 300	
Drawings		
– Victoria	1 800	
– Albert	1 200	
Fixtures and fittings		
– Cost	50 000	
– Provision for depreciation		10 000
Land and buildings (valuation)	100 000	
Motor vehicles		
– Cost	30 000	
– Provision for depreciation		15 000
Other receivables and other payables	350	650
Partnership loan – Albert (repayable December 2025)		8 000
Petty cash	250	
Profit for the year		80 000
Trade receivables and trade payables	20 000	12 000
	220 220	220 220

DO NOT WRITE IN THIS AREA

(a) Prepare the appropriation account for the year ended 30 April 2025.

(5)

Victoria and Albert
Appropriation Account for the year ended 30 April 2025

(b) Prepare the statement of financial position at 30 April 2025.

(15)

Victoria and Albert
Statement of Financial Position at 30 April 2025

Victoria and Albert are considering inviting Anne to join the partnership and changing their business structure to a limited liability partnership (LLP).

(c) (i) Explain **one** advantage to the partnership of forming a limited liability partnership.

(2)

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(ii) Explain **one** reason why the partnership should account for goodwill when a new partner joins an existing partnership.

(3)

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(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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