Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel International GCSE

Tuesday 3 June 2025

Afternoon (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

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Pearson

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

1 Josh, a manufacturer, provided the following information for the year ended 31 March 2025.

Inventory	**1 April 2024 $**	**31 March 2025 $**
Raw materials	12 630	16 350
Work-in-progress	11 850	13 270
Finished goods	20 500	31 110

	$
Non-current assets	
– cost	145 800
– provision for depreciation	53 200
Administrative expenses	19 600
Carriage outwards	3 180
Electricity	12 600
Insurance	12 000
Purchases	
– finished goods	14 000
– raw materials	164 830
Rent	53 500
Revenue	502 500
Royalties	6 000
Wages	
– administrative expenses	29 600
– factory supervisor	22 500
– production	94 100

Additional information at 31 March 2025

- Electricity accrued was $1 400 and rent paid in advance was $8 900
- Non-current assets are depreciated at 15% per annum using the reducing balance method.
- Depreciation, rent, electricity and insurance are apportioned 80% to the factory and 20% to administrative expenses.

(a) Prepare the manufacturing account for the year ended 31 March 2025.

(12)

Josh
Manufacturing Account for the year ended 31 March 2025

(b) Prepare the income statement for the year ended 31 March 2025.

Josh
Income Statement for the year ended 31 March 2025

(13)

(Total for Question 1 = 25 marks)

2 (a) (i) Explain how the creation of a provision for irrecoverable debts is an application of the prudence concept.

(3)

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(ii) Explain how the recording of goods taken by the owner is an application of the business entity concept.

(2)

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Ruhi, a sole trader, provided the following information for the year ended 31 March 2025 after the preparation of the income statement.

	$
Bank loan (2029)	9 500
Bank overdraft	160
Drawings	32 300
Equity at 1 April 2024	23 900
Inventory	14 650
Non-current assets – carrying value	21 820
Other payables	1 380
Other receivables	330
Trade payables	8 660
Trade receivables	12 300

Additional information

Profit for the year, $37 800, was before accounting for:

- rental income received in advance, $650
- goods taken for own use, $280
- an understatement of $400 on the depreciation charge
- the creation of a provision for irrecoverable debts at 2% of the trade receivables.

(b) Calculate the revised profit for the year ended 31 March 2025.

(5)

	$
Draft profit for the year	37 800
Rental income in advance	
Goods for own use	
Depreciation understated	
Provision for irrecoverable debts	
Revised profit for the year	

(c) Prepare the statement of financial position at 31 March 2025.

Ruhi
Statement of Financial Position at 31 March 2025

(10)

A Business provided the following ratios.

	Year ended 31 March		
Ratio	**2023**	**2024**	**2025**
Gross profit percentage	60%	60%	60%
Profit for the year as a percentage of revenue	40%	35%	30%
Return on capital employed	10%	12%	15%

(d) Assess the change in profitability over the three-year period.

(5)

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS