Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Monday 8 June 2026

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

1 Abigail and Kai are in partnership sharing profits and losses 60% and 40% respectively.

The partnership agreement also provides for:

- a salary to Abigail of $1 200 per month
- interest on capital of 5% per annum
- interest on drawings of 4% per annum.

The partners provided the following information for the year ended 31 March 2026.

At 1 April 2025	**$**
Capital account – Abigail – Kai	60 000 40 000
Current account – Abigail – Kai	6 780 1 360 Dr
Provision for irrecoverable debts	580
At 31 March 2026	
Bank overdraft	14 320
Closing inventory	20 200
Drawings – Abigail – Kai	18 250 11 500
Fixtures and fittings – cost – provision for depreciation	 73 000 29 000
Land and buildings at valuation	68 000
Other payables	630
Other receivables	2 510
Bank loan (repayable 2028)	5 000
Trade payables	8 320
Trade receivables	12 600

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After preparing the income statement, the partners agreed to make two adjustments.

- An irrecoverable debt, $400, is to be written off.
- The provision for irrecoverable debts is to be adjusted to 5% of trade receivables at 31 March 2026.

(a) (i) Calculate the updated profit for the year ended 31 March 2026.

(3)

	$
Draft profit for the year	42 790
Irrecoverable debt	
Provision for irrecoverable debts	
Updated profit for the year	

(ii) Prepare the appropriation account for the year ended 31 March 2026.

(5)

Abigail and Kai
Appropriation Account for the year ended 31 March 2026

(iii) Calculate the balance of each partner's current account at 31 March 2026.

(6)

	Abigail $	**Kai $**
Balance at 1 April 2025	6 780	(1 360)
Balance at 31 March 2026		

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(iv) Prepare an extract of the statement of financial position at 31 March 2026 showing the **equity and liabilities section only**.

(6)

Abigail and Kai

Statement of Financial Position at 31 March 2026

The gross profit for the year ended 31 March 2026 was 5% lower than the previous year.

Abigail and Kai are concerned that their profitability is declining and they provide the following additional information.

Ratio	Year ended 31 March	
	2025	2026
Profit for the year as a percentage of revenue	9.10%	10.23%
Return on capital employed	28.50%	34.53%

(b) Discuss whether the partners are correct in their view that their profitability is declining.

(5)

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(Total for Question 1 = 25 marks)

2 Pia started a business manufacturing suitcases on 1 April 2025.

She provided the following information.

	$
Factory machinery – cost at 1 April 2025	84 000
Office equipment – cost at 1 April 2025	12 200
Loose tools – cost at 1 April 2025	1 350
Inventory at 31 March 2026 – raw materials – work in progress – finished goods	 15 300 2 860 16 850
Carriage of raw materials	1 940
Direct factory expenses	32 130
Indirect factory expenses	25 480
Insurance	4 650
Lighting and heating	27 200
Purchase of additional loose tools	200
Purchase of finished goods	12 810
Purchase of raw materials	141 620
Rent payable	42 600
Returns outwards (finished goods)	1 030
Returns outwards (raw materials)	3 140
Revenue	468 143
Wages and salaries – factory workers – factory supervisor – administrative staff	 88 250 28 000 22 600

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Additional information at 31 March 2026

- Factory machinery and office equipment are to be depreciated at 20% per annum on a straight line basis. There had been no purchases or disposals of factory machinery or office equipment during the year.
- At 31 March 2026:
  - loose tools were valued at $1 170
  - lighting and heating, $1 340, was owing
  - rent of $3 040 per month, had been paid up to 31 May 2026
  - insurance included a payment, $600, for the 12 months ending 30 June 2026.
- Lighting and heating, rent and insurance are to be apportioned 75% to manufacturing and 25% to administrative expenses.
- During the year, Pia has withdrawn finished goods, $290, for her own use.

(a) Prepare for the year ended 31 March 2026:

(i) the manufacturing account

(14)

Pia
Manufacturing Account for the year ended 31 March 2026

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(ii) an extract of the income statement for the year ended 31 March 2026 showing **the trading section only**.

(6)

Pia
Income Statement for the year ended 31 March 2026

Pia has been experiencing an increase in demand for her suitcases recently. She is considering two options to deal with this increase in demand.

Option 1: Increase production by 20%

Option 2: Purchase additional finished goods from another manufacturer.

(b) Advise Pia which option she should choose, discussing both options.

(5)

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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