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Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Accounting

International Advanced Subsidiary

Paper 1: The Accounting System and Costing

Monday 8 January 2018 – Morning

Time: 3 hours

Paper Reference

WAC11/01

You must have:

Source Booklet (enclosed)

Total Marks

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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 **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Do not return the insert with the question paper.

Information

- The total mark for this paper is 200.
- 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.
- The source material for use with Questions 1 to 6 is in the enclosed source booklet.

Advice

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

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(ii) Provision for Unrealised Profit Account

(4)



(iii) Statement of Profit or Loss and Other Comprehensive Income.

(14)

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(b) Prepare the Statement of Financial Position at 31 December 2017.

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The owner of Wooden Gifts is planning his business strategy for the next year. He is considering closing the manufacturing plant and purchasing all finished goods from an outside supplier.

(c) Evaluate the effects of a possible closure of the manufacturing plant.

(12)

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(Total for Question 1 = 55 marks)



(b) State **two** possible reasons why Alung had a credit balance on his Trade Receivables Ledger Control Account on 1 October 2017.

(2)

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On 31 October 2017 Alung compared his Trade Receivables Ledger Control Account balance with the total balances in his Trade Receivables Ledger and found the following errors:

- (1) a sale of goods to Raj, £1 530, had been recorded in the books as £1 350
- (2) discount allowed, £23, was entered in the discount column on the credit side of the Cash Book and debited to the account of Copra
- (3) a sale to Ng, £850, had been debited in the account of Nah
- (4) an invoice recording the sale of goods to Shen, £650, had not been recorded in the books
- (5) a sale of office fixtures, £2 400, had been recorded in the Sales Account.

(c) (i) Identify **each** type of error in (1) to (5).

(5)

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(ii) Prepare the Journal entries to correct all the errors. Narratives are **not** required.

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(d) Explain why a compensating error would **not** be revealed by the trial balance.

(2)

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(e) (i) Calculate the allowance for doubtful debts at 31 October 2017.

(3)

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(ii) Prepare the Allowance for Doubtful Debts Account for the year ended 31 October 2017.

(3)

(iii) Prepare the Statement of Financial Position (Extract) showing the trade receivables at 31 October 2017.

(3)

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(f) Prepare the ledger account of Weston Supplies for November 2017 in the books of Alung.

(5)

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(g) Evaluate the use of accounting concepts and conventions in the preparation of financial statements.

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



SECTION B

Answer THREE questions in this section.

Indicate which question you are answering by marking a cross . If you change your mind, put a line through the box and then indicate your new question with a cross .

If you answer Question 3 put a cross in the box .

Source material for Question 3 is on pages 6 and 7 of the source booklet.

3 (a) Calculate the:

(i) trade payables payment period (in days) (2)

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(ii) trade receivables collection period (in days) (2)

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(iii) current ratio (2)

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(iv) liquid ratio (acid test).

(2)

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(b) State **four** possible reasons why Mathy has an overdraft.

(4)

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(c) Complete the Forecast Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2018.

(5)

**Forecast Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2018**

	£	£
Revenue		
Opening inventory		
Purchases		
Closing inventory		
Cost of sales		
Gross profit		
Expenses		
Profit for the three months		

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(d) Calculate, at 31 March 2018, the forecast:

(i) trade payables (2)

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(ii) trade receivables (2)

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(iii) bank. (3)

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(e) Evaluate the liquidity of Mathy's business at 31 March 2018.
Calculations of the current ratio and liquid ratio (acid test) are **not** required.

(6)

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(Total for Question 3 = 30 marks)



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(c) Calculate the hourly overhead recovery rate, to the nearest pence, for the:

(i) body repair shop (2)

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(ii) paint shop. (2)

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In the previous year, ended 31 December 2017, the overhead recovery for the paint shop was under absorbed by £3 800

(d) (i) Explain the meaning of the term **under absorbed** (2)

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(ii) Identify **two** possible reasons for the paint shop's overhead recovery being under absorbed. (2)

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(e) Evaluate the use of apportionment in determining the cost of operating a department.

(6)

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(Total for Question 4 = 30 marks)



If you answer Question 5 put a cross in the box .

Source material for Question 5 is on pages 10 and 11 of the source booklet.

- 5 (a) Complete the table showing the depreciation charged on **each** delivery vehicle for the year ended 31 December 2017. (4)

Year ended	Delivery vehicle A £	Delivery vehicle B £	Delivery vehicle C £	Delivery vehicle D £	Total £
31 December 2017					

- (b) Prepare the Journal entries to record the sale of delivery vehicle A on 1 July 2017. (4)

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(c) Prepare, for the year ending 31 December 2017, the:

(i) Delivery Vehicles Account

(4)

(ii) Delivery Vehicles Disposal Account.

(4)

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(d) Explain the difference between the accounting concepts of **going concern** and **consistency** when applied to the depreciation of non-current assets.

(4)

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(e) Identify whether **each** of the following costs is a **capital expenditure** or a **revenue expenditure** for a new delivery vehicle purchased.

- (1) Delivery cost of vehicle
- (2) Road licence
- (3) Insurance
- (4) Sign writing of business name on delivery vehicle

(4)

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(f) Evaluate the suitability of the straight line method for depreciating delivery vehicles.

(6)

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(Total for Question 5 = 30 marks)



If you answer Question 6 put a cross in the box .

Source material for Question 6 is on pages 12 and 13 of the source booklet.

- 6 (a) Recommend, giving a reason, the basis on which the following expenses should be apportioned between the shop and the workshop.
- Rent and rates
 - Marketing expenses

(4)

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(b) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017, showing the profit (loss) for **each** department. A totals column is **not** required.

(20)

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Pearson Edexcel
International Advanced Level

Accounting

International Advanced Subsidiary
Paper 1: The Accounting System and Costing

Monday 8 January 2018 – Morning
Source Booklet

Paper Reference
WAC11/01

Do not return this Source Booklet with the question paper.

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SECTION A

Answer BOTH questions in this section.

1 Wooden Gifts is a manufacturer and online retailer of wooden products.

The following balances were available at 31 December 2017.

	£
Non-current assets (at cost):	
Leasehold on building – 10 years	60 000
Manufacturing equipment	90 000
Computing equipment	75 000
Fixtures and fittings	15 000
Provisions for depreciation:	
Leasehold on building – 10 years	48 000
Manufacturing equipment	45 000
Computing equipment	35 000
Fixtures and fittings	6 000
Provision for unrealised profit	8 000
Inventory – 1 January 2017	
Raw materials	20 000
Work in progress	32 300
Finished goods	88 000
Purchases – Raw materials	85 000
Direct packaging costs	23 300
Trade payables	41 100
Trade receivables	8 600
Factory wages	72 000
Distribution wages	59 000
Management salaries	68 000
Power and heating	14 000
Capital	200 000
Drawings	30 000
Cash and bank	37 900
Website consultancy expenses	16 200
Advertising expenses	43 000
Postage on sales	37 000
Revenue	510 000
General expenses	18 800

Additional information at 31 December 2017

(1) Inventory – Raw materials	£21 500
Work in progress	£26 000
Finished goods	£110 000

(2) Factory wages accrued were £4 000

75% of factory wages are direct and 25% are indirect.

(3) Advertising expenses of £5 500 were prepaid.

(4) Depreciation is charged as follows:

- leasehold on building at an appropriate rate
- manufacturing equipment at the rate of 20% per annum using the reducing balance method
- computing equipment at the rate of 25% per annum using the reducing balance method
- fixtures and fittings at the rate of 10% on cost.

(5) The following costs and expenses are to be apportioned to manufacturing.

Cost	Manufacturing
Leasehold on building – depreciation	60%
Manufacturing equipment – depreciation	100%
Management salaries	35%
Power and heating	70%
General expenses	25%

(6) Manufactured goods are transferred to the warehouse at cost plus 10% profit.

Required

(a) Prepare, for the year ended 31 December 2017, the:

- (i) Manufacturing Account (13)
- (ii) Provision for Unrealised Profit Account (4)
- (iii) Statement of Profit or Loss and Other Comprehensive Income. (14)

(b) Prepare the Statement of Financial Position at 31 December 2017. (12)

The owner of Wooden Gifts is planning his business strategy for the next year. He is considering closing the manufacturing plant and purchasing all finished goods from an outside supplier.

(c) Evaluate the effects of a possible closure of the manufacturing plant. (12)

(Total for Question 1 = 55 marks)

- 2 Alung is in business buying and selling goods on credit. The following were recorded in the books for October 2017.

Trade Receivables Ledger Control Account		£
Balances 1 October 2017:	Debit	40 500
	Credit	1 500

Totals for October 2017:

	£
Credit sales	56 000
Receipts from credit customers	50 220
Interest charged on overdue account	320
Refund to credit customer	900
Bad debts	1 650
Discount allowed	2 050
Returns inwards	4 300

Trade Receivables Ledger Control Account		£
Balances 31 October 2017:	Debit	To be calculated
	Credit	Nil

Required

- (a) Prepare the Trade Receivables Ledger Control Account for October 2017. (10)
- (b) State **two** possible reasons why Alung had a credit balance on his Trade Receivables Ledger Control Account on 1 October 2017. (2)

On 31 October 2017 Alung compared his Trade Receivables Ledger Control Account balance with the total balances in his Trade Receivables Ledger and found the following errors:

- (1) a sale of goods to Raj, £1 530, had been recorded in the books as £1 350
- (2) discount allowed, £23, was entered in the discount column on the credit side of the Cash Book and debited to the account of Copra
- (3) a sale to Ng, £850, had been debited in the account of Nah
- (4) an invoice recording the sale of goods to Shen, £650, had not been recorded in the books
- (5) a sale of office fixtures, £2 400, had been recorded in the Sales Account.

Required

- (c) (i) Identify **each** type of error in (1) to (5). (5)
- (ii) Prepare the Journal entries to correct all the errors. Narratives are **not** required. (10)

(d) Explain why a compensating error would **not** be revealed by the trial balance. (2)

On 1 November 2016 the balance of the Allowance for Doubtful Debts Account was £2 300

At 31 October 2017, Alung had the following schedule of trade receivables.

Age of debt	Trade receivables	Percentage irrecoverable
0 – 1 month	£20 000	2%
1 – 3 months	£12 000	5%
3 months plus	£6 000	10%

Required

(e) (i) Calculate the allowance for doubtful debts at 31 October 2017. (3)

(ii) Prepare the Allowance for Doubtful Debts Account for the year ended 31 October 2017. (3)

(iii) Prepare the Statement of Financial Position (Extract) showing the trade receivables at 31 October 2017. (3)

The following information relates to a customer, Weston Supplies, in November 2017.

- November 1 Weston Supplies owed Alung £800
- 5 Alung sold goods, list price £400, to Weston Supplies less 25% trade discount.
- 6 Weston Supplies returned goods purchased on 5 November with a list price of £80
- 20 Weston Supplies informed Alung that it had ceased trading. Weston Supplies paid £0.50 in the £1 on all outstanding debts. Alung considers the remainder of the balance as irrecoverable.

Required

(f) Prepare the ledger account of Weston Supplies for November 2017 in the books of Alung. (5)

(g) Evaluate the use of accounting concepts and conventions in the preparation of financial statements. (12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions in this section.

- 3 Mathy prepared the following summarised financial statements for the three months ended 31 December 2017.

Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 December 2017

	£
Revenue	66 000
Cost of sales	(28 000)
Expenses	<u>(16 500)</u>
Profit for the three months	<u>21 500</u>

Statement of Financial Position at 31 December 2017

	£
Non-current assets (at carrying value)	2 500
Inventory	6 000
Trade receivables	12 000
Bank	-
Total assets	<u>20 500</u>
Capital	6 000
Plus profit	<u>21 500</u>
	27 500
Less drawings	<u>(15 000)</u>
	12 500
Trade payables	2 400
Bank overdraft	<u>5 600</u>
Total capital and liabilities	<u>20 500</u>

Additional information for the three months ended 31 December 2017

- (1) All sales and purchases were on credit.
- (2) Purchases were £30 000
- (3) All expenses and drawings were paid by cheque.

Required

- (a) Calculate the:
- (i) trade payables payment period (in days) (2)
 - (ii) trade receivables collection period (in days) (2)
 - (iii) current ratio (2)
 - (iv) liquid ratio (acid test). (2)

(b) State **four** possible reasons why Mathy has an overdraft.

(4)

The following forecasts have been made for the next three months ended 31 March 2018.

- (1) Sales revenue on credit will be £7 000 higher.
- (2) Purchases on credit will be 5% higher.
- (3) Inventory at 31 March 2018 will be £4 400
- (4) Expenses will be reduced by 20%
- (5) Drawings will be halved.
- (6) Non-current assets will not be depreciated.
- (7) Trade payables of £27 600 will be paid by cheque.
- (8) Trade receivables collection period will be 60 days.

Required

(c) Complete, in your Question Paper, the Forecast Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2018.

(5)

(d) Calculate, at 31 March 2018, the forecast:

(i) trade payables

(2)

(ii) trade receivables

(2)

(iii) bank.

(3)

(e) Evaluate the liquidity of Mathy's business at 31 March 2018.

Calculations of the current ratio and liquid ratio (acid test) are **not** required.

(6)

(Total for Question 3 = 30 marks)

4 Highclass Garages repairs accident damaged cars. It has two production departments: body repair shop and paint shop, and two service departments: stores and administration.

The following information is available for the year ended 31 December 2018.

(1) Total overheads for each department will be:

	£
Body repair shop	62 000
Paint shop	43 000
Stores	16 000
Administration	12 000

(2) The use of the two service departments has been estimated to be:

	Body repair shop	Paint shop	Stores	Administration
Stores	50%	25%	-	25%
Administration	60%	30%	10%	-

(3) Annual hours for each department that can be charged to customers' jobs will be:

Body repair shop	6 400	labour hours per year
Paint shop	3 400	labour hours per year.

Required

- (a) (i) Define the term **allocation** of overheads. (2)
- (ii) Explain why some overheads cannot be allocated. (2)
- (b) Reapportion the total overheads of the service departments to the production departments using the **continuous allotment method**. (12)
- (c) Calculate the hourly overhead recovery rate, to the nearest pence, for the:
 - (i) body repair shop (2)
 - (ii) paint shop. (2)

In the previous year, ended 31 December 2017, the overhead recovery for the paint shop was under absorbed by £3 800

- (d) (i) Explain the meaning of the term **under absorbed** (2)
- (ii) Identify **two** possible reasons for the paint shop's overhead recovery being under absorbed. (2)
- (e) Evaluate the use of apportionment in determining the cost of operating a department. (6)

(Total for Question 4 = 30 marks)

5 Fast Response is a business delivering goods to customers. The following information is available:

(1) Extract from the Statement of Financial Position at 31 December 2016.

Non-current assets

	Cost	Accumulated depreciation	Carrying value
	£	£	£
Delivery vehicles	31 000	4 600	26 400

(2) History of delivery vehicle purchases and sales.

1 January 2016	Purchased vehicle A	£15 000
1 July 2016	Purchased vehicle B	£16 000
1 April 2017	Purchased vehicle C	£18 000
1 July 2017	Purchased vehicle D	£20 000
1 July 2017	Sold vehicle A	£11 000

(3) Fast Response has the following depreciation policy:

- delivery vehicles are depreciated at the rate of 20% per annum using the straight line method
- depreciation is charged on delivery vehicle purchases and sales on a pro rata basis to the months of ownership
- all sales of delivery vehicles are recorded through a disposal account.

(4) All purchases and sales of delivery vehicles were by cheque.

Required

- (a) Complete the table in your Question Paper showing the depreciation charged on **each** delivery vehicle for the year ended 31 December 2017. (4)
- (b) Prepare the Journal entries to record the sale of delivery vehicle A on 1 July 2017. (4)
- (c) Prepare, for the year ending 31 December 2017, the:
- (i) Delivery Vehicles Account (4)
- (ii) Delivery Vehicles Disposal Account. (4)
- (d) Explain the difference between the accounting concepts of **going concern** and **consistency** when applied to the depreciation of non-current assets. (4)

(e) Identify whether **each** of the following costs is a **capital expenditure** or a **revenue expenditure** for a new delivery vehicle purchased.

(1) Delivery cost of vehicle

(2) Road licence

(3) Insurance

(4) Sign writing of business name on delivery vehicle

(4)

(f) Evaluate the suitability of the straight line method for depreciating delivery vehicles.

(6)

(Total for Question 5 = 30 marks)

- 6 PC Support has two departments, a shop selling computer accessories and a workshop used for repairing computers.

The following information relates to the year ended 31 December 2017:

	£
Revenue:	
Shop accessories sales	75 000
Workshop repairs	45 000
Purchases:	
Shop accessories	28 000
Parts for workshop repairs	6 400
Inventory at 1 January 2017:	
Shop accessories	25 500
Parts for workshop repairs	1 800
Wages	65 000
Rent and rates	12 000
General expenses	5 100
Marketing expenses	600
Bad debts to be written off – workshop repairs	500
Allowance for doubtful debts at 1 January 2017:	
Shop accessories sales	50
Workshop repairs	90
Fixtures and equipment (cost)	7 000
Trade receivables:	
Shop accessories sales	6 000
Workshop repairs	4 000

Additional information at 31 December 2017

- (1) Inventory – shop accessories £29 000. Parts for workshop repairs £2 000
- (2) During the year computer accessories valued at £3 400 were taken from the shop and used in workshop repairs.
- (3) Wages of £2 500 were accrued.
- (4) Five staff were employed, three in the shop and two in the workshop.
- (5) The floor area occupied is: shop 150 sqm: workshop 90 sqm.
- (6) General expenses are allocated, £3 150 shop: £1 950 workshop.
- (7) The allowance for doubtful debts is to be maintained at: 2% shop and 4% workshop.
- (8) Depreciation on fixtures and equipment is to be charged at 10% per annum on cost and apportioned to the shop and workshop in the ratio 4:3

Required

(a) Recommend, giving a reason, the basis on which the following expenses should be apportioned between the shop and the workshop.

- Rent and rates
- Marketing expenses

(4)

(b) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017, showing the profit (loss) for **each** department. A totals column is **not** required.

(20)

The owner of PC Support has been advised by his accountant that he should specialise by expanding **one** of the two departments.

(c) Evaluate whether the owner should expand **one** of the departments.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

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