

Pearson Edexcel International Advanced Level

Time 3 hours

Paper
reference

WAC11/01

Accounting

International Advanced Subsidiary

PAPER 1: The Accounting System and Costing

Source Booklet

Do not return this Booklet with the question paper.

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SECTION A

Answer BOTH Questions

- 1 George is in business as a retailer of jewellery. The following information was available from his books on 30 April 2021.

	£
Capital	100 000
Drawings	15 000
Non-current assets (cost):	
Leasehold premises	60 000
Security equipment	29 000
Fixtures and fittings	45 000
Provisions for depreciation:	
Leasehold premises	42 000
Security equipment	6 000
Fixtures and fittings	39 000
Revenue	250 000
Purchases	120 000
Purchase returns	8 500
Inventory – 1 May 2020	97 000
Wages	51 400
Trade receivables	10 700
Trade payables	34 600
Cleaning expenses	7 100
Rates	15 800
Electricity and water charges	11 750
Cash and bank	9 100 Dr
Credit card commission paid	3 500
Security equipment maintenance	4 750

Additional information at 30 April 2021

- (1) Inventory £87 500
- (2) Wages owing £600, electricity owing £550
- (3) Rates paid in advance £2 100, water charges paid in advance £900
- (4) A full year's depreciation is charged on all non-current assets owned at the end of the year as follows.
 - The lease on the premises is for 15 years. An appropriate amount is written off the lease each year.
 - Security equipment at the rate of 20% reducing balance.
 - Fixtures and fittings at the rate of 10% per annum straight line.
- (5) On inspecting his books George found that the following errors had been made and these required correction.

26 January 2021	A payment by cheque, £3 500, to a trade payable, Robin Gems, had been recorded in the books as £350.
6 March 2021	Purchases of security equipment, £6 000, on credit from Hove Security had not been recorded in the books.

Required

(a) Prepare the:

- (i) Journal entries, including bank entries, correcting the errors of 26 January 2021 and 6 March 2021. Narratives are **not** required (5)
- (ii) Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021 (12)
- (iii) Statement of Financial Position at 30 April 2021. (15)

George has been making projections for the next financial year ended 30 April 2022. He has projected the following for the year.

- Revenue will increase by 20% and gross profit as a percentage of revenue will be 40%.
- Premises costs will be £50 000
- All other costs will be £15 000 plus 10 pence (£0.10) for every £1 of revenue.

Required

- (b) State whether the following costs are fixed, semi-fixed, semi-variable or variable.
 - Premises costs
 - All other costs(2)
- (c) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2022. (5)
- (d) State **two** differences between **ethics in accounting** and **social accounting**. (4)
- (e) Evaluate whether a business should make decisions solely on the basis of the profit made or whether it should also consider other factors. (12)

(Total for Question 1 = 55 marks)

- 2 Worlebury Stores is a retailer which has two productive departments, Food and Clothing and one service department, Administration.

The following balances were in the books on 30 April 2021.

	£
Wages:	
Food	91 650
Clothing	33 550
Administration	47 800
Advertising	25 000
Management and supervision	70 000
Rent of premises	40 000
Electricity	12 000
Staff canteen costs	7 000
Non-current assets (carrying value):	
Food freezers	60 000
Computers	80 000
Fixtures and fittings	30 000

Additional information.

- (1) Advertising – 75% is related to the Food Department and the remainder to the Clothing Department.
- (2) Other information

Department	Food	Clothing	Administration
Employees (number)	8	3	3
Floor area (sq m)	1 500	700	300
Equipment electrical capacity (kwh)	14	2	8

- (3) Depreciation is charged on all non-current assets using the reducing balance method based on the following rates per annum:
- | | |
|-----------------------|-----|
| Food freezers | 20% |
| Computers | 25% |
| Fixtures and fittings | 10% |
- (4) Computers are used 80% by Administration, 10% by Food and 10% by Clothing.
- (5) Fixtures and fittings are used 20% in Food, 50% in Clothing and 30% in Administration.

Required

- (a) Calculate the cost of operating **each** of the three departments: Food, Clothing and Administration, using the most appropriate basis to apportion costs. Prepare your answer in a columnar format. A total column is not required.

(23)

The following revenue and cost of sales balances were available for the year ended 30 April 2021.

	£
Revenue:	
Food	900 000
Clothing	300 000
Cost of sales:	
Food	600 000
Clothing	150 000

After allocation and apportionment of costs, Worlebury Stores re-apportions the cost of Administration to the two productive departments in proportion to revenue.

Required

- (b) Calculate the cost of operating the Food and Clothing Departments **after** re-apportionment of the Administration cost.

(2)

- (c) Calculate for Food and for Clothing the:
- profit for the year ended 30 April 2021
 - profit for the year as a percentage of revenue.

(8)

- (d) State, **two** possible reasons why the profit for the year as a percentage of revenue is different for Food and for Clothing.

(2)

Worlebury Stores is planning major alterations. The following works will be undertaken.

- (1) Building extension for the Administration Department.
- (2) The Clothing Department will be redecorated.
- (3) New advertising signage will be installed at the entrance to the store.
- (4) The Food Department will be fitted with new freezers.

Required

- (e) State giving **one** reason for **each** answer, whether (1) to (4) is **capital expenditure** or **revenue expenditure**. (8)
- (f) Evaluate if there is a benefit in preparing departmental accounts when many of the costs will be apportioned. (12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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SECTION B

Answer **THREE** questions from this section.

3 Haman maintains full accounting records.

Bodger and Co, a customer of Haman, has asked for the outstanding balance of their account on 15 March 2021. The following information had been posted to the account of Bodger and Co by Haman.

2021

March

- | | |
|----|---|
| 1 | Bodger and Co owed Haman £500 |
| 5 | Sales to Bodger and Co of goods with a list price £400
Haman allowed Bodger and Co 10% trade discount. |
| 11 | Bodger and Co returned goods sold on 5 March with a list price £50 |
| 14 | Bodger and Co paid the balance outstanding on 1 March by cheque and was allowed 3% cash discount. |

Required

- (a) Prepare the account of Bodger and Co in the books of Haman showing the balance of the account on the 15 March 2021.

(5)

On receiving the balance of their account, Bodger and Co informed Haman that the closing balance was incorrect because it had been agreed that the following terms would apply to all transactions in 2021:

- 20% trade discount would be allowed on purchases
- 5% cash discount would be allowed on payments.

Required

- (b) Calculate the revised balance owed by Bodger and Co on the 15 March 2021 after the adjustments for trade discount and cash discount.

(4)

- (c) Explain the difference between the **trade receivables ledger** and the **trade receivables ledger control account**.

(2)

- 4 Alesha is in business buying and selling goods on credit. She prepared her draft financial statements on 30 April 2021 which contained the following balances.

	£
Revenue – (all on credit)	150 000
Capital	70 000
Inventory	65 000
Trade payables	35 000
Trade receivables	30 000
6% bank loan (repayable 2023)	25 000
Bank	4 000 Dr
Profit for the year	16 500

Required

(a) Calculate the:

(i) current ratio (2)

(ii) liquid (acid test) ratio (2)

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

(iv) percentage return on capital employed. (2)

(b) Comment on the **liquidity** of Alesha's business. (3)

Alesha presented the financial statements to her accountant who required the following changes.

Change 1

A sale or return of goods, £4 500 (cost £2 500), had been recorded in the accounts as revenue. The customer had **not** informed Alesha of their intention to buy or return the goods.

Change 2

A customer, Bangla and Co, which had owed a debt of £11 000 for 150 days is now believed to have ceased trading. The debt is believed to now be irrecoverable.

Required

- (c) State whether each of change 1 and change 2 would increase, decrease or have no effect on the:
- profit for the year
 - liquidity at 30 April 2021.
- (4)
- (d) Calculate, after making **both** changes 1 and 2, the:
- (i) revised profit for the year
- (3)
- (ii) total value of the current assets.
- (4)
- (e) State the accounting concept which must be applied when:
- (i) goods are supplied on a sale or return basis
- (1)
- (ii) a debt is believed to be irrecoverable.
- (1)
- (f) Evaluate the use of accounting principles and concepts in calculating the profit of a business.
- (6)

(Total for Question 4 = 30 marks)

5 John is a sole trader who works as a builder.

All work is priced by John using job costing.

- (a) Explain the following costing terms.
- Job costing
 - Under absorption of overheads

(4)

John prices work as follows.

- Materials – cost price plus a £20 administration fee.
- Labour – £25 per direct labour hour.
- Overheads – recovered at the rate of £15 per direct labour hour.
- Mark-up – 15% is added to the total cost.

A quotation has been requested from a customer for a job which will use materials with a cost price of £380 and take 15 hours of direct labour to complete.

Required

- (b) Calculate the price to be quoted to the customer for the job.

(5)

The following information is available for the trading year ended 30 April 2021.

- (1) Revenue receipts from customers were £94 000. Trade receivables outstanding on 30 April 2021 were £12 500, on 1 May 2020 trade receivables outstanding had been £9 800.
- (2) Materials with a list price of £22 000 were purchased by John who received a trade discount of 15%.
- (3) John worked 1800 hours of direct labour hours that were directly chargeable to the customer in the year.
- (4) Actual overheads (excluding depreciation) were £30 000
- (5) Non-current assets:

	Carrying value 1 May 2020 £	Purchases during year £	Sales during year £
Motor vehicles	14 000	–	–
Loose tools	9 800	1 100	250

Depreciation is charged on the following basis.

- Motor vehicles at the rate of 20% using the reducing balance method.
- Loose tools on the revaluation method. On 30 April 2021 the loose tools were valued at £9 500.

Required

- (c) Calculate the profit for the year ended 30 April 2021. (7)
- (d) State **four** activities that John might undertake which would **not** be directly chargeable to the customer. (4)
- (e) Calculate the amount by which John over absorbed or under absorbed his overheads in the year ended 30 April 2021. (4)
- (f) Evaluate working in business as a sole trader compared to working in a partnership. (6)

(Total for Question 5 = 30 marks)

- 6 Yusuf started business on 1 April 2020 buying and selling mobile phone accessories. He started the business with a deposit in the bank from his own money and a 8% bank loan repayable in full at the end of 5 years.

Yusuf did not keep full books of account, but does have a bank account and a number of other documents.

He has asked you to assist him to prepare a set of financial statements for the government. The following information is available.

(1) Bank Account summary

Receipts	£	Payments	£
Capital	5 000	Rent	7 500
Bank loan	5 000	Wages	10 000
Cheques from		Motor vehicle	5 800
trade receivables	45 000	Fixtures and fittings	2 000
Cash sales banked	7 000	Cheques to trade payables	29 000
		Motor vehicle expenses	1 900
		General expenses	4 200
		Bank loan interest	<u>200</u>
Total receipts	<u>62 000</u>	Total payments	<u>60 600</u>

(2) Expenditure paid from cash sales **before** banking.

	£
Purchases	3 200
Drawings	8 750
General expenses	1 300

Additional information at 31 March 2021.

- (1) Inventory £4 750
- (2) Wages £900 were owing.
- (3) Rent for the year was at the rate of £500 per month.
- (4) Estimated values of the motor vehicle was £4 700 and the fixtures and fittings were £1 500
- (5) Trade receivables £5 100
- (6) Trade payables £2 800

Required

- (a) State **three** advantages of keeping a full set of books of account. (3)
- (b) Prepare the:
- (i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021 (11)
 - (ii) Statement of Financial Position at 31 March 2021. (10)
- (c) Evaluate the possible use by Yusuf of information and communication technology (ICT) in maintaining his accounting records. (6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

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Please check the examination details below before entering your candidate information

Candidate surname

Other names

Pearson Edexcel
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Centre Number

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Time 3 hours

Paper
reference

WAC11/01

Accounting

International Advanced Subsidiary

PAPER 1: The Accounting System and Costing

You must have:

Source Booklet (enclosed)

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 **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 Source Booklet 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.
- Good luck with your examination.

Turn over ►

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(ii) Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021

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(iii) Statement of Financial Position at 30 April 2021.

(15)

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(b) State whether the following costs are fixed, semi-fixed, semi-variable or variable.

(2)

- Premises costs

- All other costs

(c) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2022.

(5)



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(d) State **two** differences between **ethics in accounting** and **social accounting**.

(4)

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(e) Evaluate whether a business should make decisions solely on the basis of the profit made or whether it should also consider other factors.

(12)

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(Total for Question 1 = 55 marks)



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(b) Calculate the cost of operating the Food and Clothing Departments **after** re-apportionment of the Administration cost.

(2)

(c) Calculate for Food and for Clothing the:

- profit for the year ended 30 April 2021
- profit for the year as a percentage of revenue.

(8)

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(d) State, **two** possible reasons why the profit for the year as a percentage of revenue is different for Food and for Clothing.

(2)

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(e) State giving **one** reason for **each** answer, whether (1) to (4) is **capital expenditure** or **revenue expenditure**.

(8)

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(f) Evaluate if there is a benefit in preparing departmental accounts when many of the costs will be apportioned.

(12)

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



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SECTION B

Answer THREE questions from 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 .

Source material for Question 3 is on pages 8 and 9 of the Source Booklet.

- 3** (a) Prepare the account of Bodger and Co in the books of Haman showing the balance of the account on the 15 March 2021.

(5)

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- (b) Calculate the revised balance owed by Bodger and Co on the 15 March 2021 after the adjustments for trade discount and cash discount.

(4)

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(ii) Allowance for Irrecoverable Debts Account.

(4)

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(e) Evaluate whether preparing a trade receivables ledger control account ensures that the books are correct.

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(Total for Question 3 = 30 marks)



If you answer Question 4 put a cross in the box .

Source material for Question 4 is on pages 10 and 11 of the Source Booklet.

4 (a) Calculate the:

(i) current ratio

(2)

(ii) liquid (acid test) ratio

(2)

(iii) trade receivables collection period (in days)

(2)

(iv) percentage return on capital employed.

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(b) Comment on the **liquidity** of Alesha's business.

(3)

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(c) State whether each of change 1 and change 2 would increase, decrease or have no effect on the:

- profit for the year
- liquidity at 30 April 2021.

(4)

	Change 1	Change 2
Profit for the year		
Liquidity at 30 April 2021		

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(d) Calculate, after making **both** changes 1 and 2, the:

(i) revised profit for the year

(3)

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(ii) total value of the current assets.

(4)

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(e) State the accounting concept which must be applied when:

(i) goods are supplied on a sale or return basis

(1)

(ii) a debt is believed to be irrecoverable.

(1)



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

Source material for Question 5 is on pages 12 and 13 of the Source Booklet.

5 (a) Explain the following costing terms.

(4)

- Job costing

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- Under absorption of overheads

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(b) Calculate the price to be quoted to the customer for the job.

(5)

(c) Calculate the profit for the year ended 30 April 2021.

(7)

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(d) State **four** activities that John might undertake which would **not** be directly chargeable to the customer.

(4)

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(e) Calculate the amount by which John over absorbed or under absorbed his overheads in the year ended 30 April 2021.

(4)

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(f) Evaluate working in business as a sole trader compared to working in a partnership.

(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 14 and 15 of the Source Booklet.

6 (a) State **three** advantages of keeping a full set of books of account.

(3)

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(b) Prepare the:

- (i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021

(11)

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(ii) Statement of Financial Position at 31 March 2021.

(10)

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(c) Evaluate the possible use by Yusuf of information and communication technology (ICT) in maintaining his accounting records.

(6)

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(Total for Question 6 = 30 marks)

**TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS**

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