

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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## Pearson Edexcel International GCSE

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.*

### 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.*
- Calculators may be used.

### 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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Q:1/1/1/1/1/1/



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

- 1** On 1 May 2021 Sajjan started a business with capital of \$75 000.  
She provided the following information on 30 April 2022.

**Bank summary**

<b>Receipts</b>	<b>\$</b>	<b>Payments</b>	<b>\$</b>
Capital	75 000	Drawings	31 750
Trade receivables	165 200	Motor vehicle	40 000
Balance c/d	3 225	Office expenses	18 975
		Rent and rates	14 600
		Trade payables	104 200
		Wages and salaries	28 900
		Motor expenses	5 000
	<u>243 425</u>		<u>243 425</u>
		Balance b/d	3 225

- Closing inventory was valued at \$36 000
- The carrying value of the motor vehicle was \$38 000
- Trade receivables were \$51 700 and trade payables were \$42 500
- A provision for irrecoverable debts of 5% of trade receivables was created.
- Wages and salaries of \$2 100 were owing and rent and rates of \$1 400 were paid in advance.

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(a) Prepare the income statement for the year ended 30 April 2022.

(10)

**Sajjan**  
**Income statement for the year ended 30 April 2022**

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Area with horizontal dotted lines for writing the income statement.





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(c) Explain why the following accounting concepts should be applied when maintaining a provision for irrecoverable debts.

(i) Prudence

(3)

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(ii) Accruals

(2)

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**(Total for Question 1 = 25 marks)**

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2 Carl and Ming are in partnership sharing profits and losses equally. The partnership agreement also provided for:

- interest on opening capital at 8% per annum
- interest on total drawings at 9% per annum
- a salary for Ming of \$18 000 per annum.

	<b>Balances at 1 April 2021</b>		<b>Year ended 31 March 2022</b>
	<b>Capital Account \$</b>	<b>Current Account \$</b>	<b>Drawings \$</b>
Carl	75 000	3 150	24 000
Ming	50 000	900	26 000

On 1 January 2022 the partnership purchased a machine costing \$10 000. This was fully funded by a 10% bank loan.

This transaction has not yet been entered in the books of account.

Depreciation is charged on machinery at 15% per annum using the straight-line method. A full year's depreciation is charged in the year of acquisition.



(a) Complete the income statement and appropriation account for the year ended 31 March 2022.

(8)

**Carl and Ming**  
**Income statement and appropriation account for the year ended 31 March 2022**

	\$	\$
Draft profit for the year		42 140
Bank loan interest		
Depreciation charge		
Updated profit for the year		
Share of profit		
Carl		
Ming		

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(b) (i) Prepare the current account of Ming for the year ended 31 March 2022.  
Balance the account on this date and bring the balance down on 1 April 2022.

(8)

**Current Account – Ming**

Date	Details	\$	Date	Details	\$

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(ii) State what a **credit** balance on a partner's current account means.

(1)

(iii) State how a **debit** balance on a partner's current account may arise.

(1)

The partners believed that the liquidity of the business had improved and provided the following ratios.

Ratio	2021	2022
Current (working capital)	1.89:1	1.56:1
Liquid (acid test)	0.81:1	1.01:1

(c) (i) State the formula for **each** ratio.

(2)

Ratio	Formula
Current (working capital)	
Liquid (acid test)	



(ii) Evaluate whether the partners are correct that liquidity has improved.

(5)

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**(Total for Question 2 = 25 marks)**

**TOTAL FOR PAPER = 50 MARKS**



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