

Please check the examination details below before entering your candidate information

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Pearson Edexcel International Advanced Level

Time 3 hours

Paper reference **WAC11/01**

Accounting
International Advanced Subsidiary
UNIT 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.

Turn over ►

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SECTION A

Answer BOTH questions in this section.

Source material for Question 1 is on pages 2 to 4 of the Source Booklet.

1 (a) Prepare for the year ended 31 December 2022, the:

(i) Manufacturing Account

(17)

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P 7 2 4 4 9 A 0 3 3 2

(ii) Statement of Profit or Loss and Other Comprehensive Income

(18)

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(iii) Provision for Unrealised Profit Account.

(4)

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(b) Explain why Wincombe Manufacturing needs to maintain a provision for unrealised profit.

(4)

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(c) Evaluate whether Wincombe Manufacturing should continue with its own production or purchase the manufactured product from the other manufacturer.

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(Total for Question 1 = 55 marks)



(ii) Current Account for each partner.

(9)

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(b) Calculate, for the year ended 31 December 2022, the:

(i) percentage interest paid on a partner’s capital

(2)

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(ii) percentage interest charged on a partner’s drawings

(2)

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(iii) profit sharing ratio of the partners.

(1)

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(c) Prepare the 6% 10-year Bank Loan Account for the year ended 31 December 2022.

(5)

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(d) Prepare the Trade Payables Ledger Control Account for the year ended 31 December 2022.

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(e) Prepare an extract of the Statement of Financial Position at 31 December 2022 showing the capital and liabilities section only.

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(f) Explain how the following concepts and conventions would be applied when preparing the Statement of Financial Position of Javid and Kirstie.

(4)

- Business entity

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- Money measurement.

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(g) Evaluate whether the partners were correct in applying International Accounting Standards (IAS) when preparing their financial statements.

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



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 in the box ☒ .

Source material for Question 3 is on pages 10 and 11 of the Source Booklet.

3 (a) Explain, giving your reason, whether the following costs for the delivery vehicles are **revenue expenditure or **capital expenditure**.**

(4)

- Conversion and sign writing

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- Maintenance.

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(b) Identify whether the following costs for each delivery vehicle are fixed, semi-fixed, variable or semi-variable.

(2)

- Road tax

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- Insurance

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(c) Calculate the **total cost** of operating **one** delivery vehicle for one year.

(9)

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(d) Calculate the cost of making **one** delivery to a customer.

(2)

(e) Calculate the profit or loss per year of Star Stores offering the home delivery service using **five delivery vehicles**.

(7)

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(f) Evaluate whether Star Stores should offer the home delivery service.

(6)

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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 12 and 13 of the Source Booklet.

4 (a) Prepare the Subscriptions Account for the year ended 31 December 2022.

(6)

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(b) Calculate at 31 December 2022 the:

(i) bank balance

(5)

(ii) trade payables.

(4)

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(c) Prepare the art materials Trading Account for the year ended 31 December 2022.

(4)

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(d) Prepare the Income and Expenditure Account for the year ended 31 December 2022.

(5)

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(e) Evaluate the financial position of the Quarry Art Club at 31 December 2022.

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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 14 and 15 of the Source Booklet.

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5 (a) Explain the terms:

(i) inventory rotation

(2)

(ii) **perpetual** inventory valuation.

(2)

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(b) Calculate the value of the closing inventory at 31 December 2022.

(6)



(c) Prepare the Trading Account for the year ended 31 December 2022.

(6)

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(d) Calculate to **two** decimal places, the:

(i) gross profit as a percentage of turnover

(2)

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(ii) rate of inventory turnover

(2)

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(iii) trade payables payment period (in days)

(2)

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(iv) liquid ratio (acid test).

(2)

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(e) Evaluate the business performance and liquidity of Cutprice Drinks using the ratios calculated in (d) and other information provided.

(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 16 to 18 of the Source Booklet.

6 (a) Explain why the following concepts are applied in the preparation of the statement of profit or loss and other comprehensive income. (4)

- Prudence

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- Consistency.

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(b) State the accounting concept or convention that should be applied in the following. (5)

- Recording the goods supplied on a sale or return basis in November.
- Wages owed to staff.
- Rent paid on Amin’s home.
- Charging small office equipment purchases to the general expenses.
- Depreciating the total cost of a new non-current asset in its first year.

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(c) Prepare the corrected Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022.

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Amin makes all of his purchases of goods in cash.

(d) Evaluate this approach of paying cash for all purchases.

(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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Pearson Edexcel International Advanced Level

Time 3 hours

Paper
reference

WAC11/01

Accounting

International Advanced Subsidiary

UNIT 1: The Accounting System and Costing

Source Booklet

Do not return this Source Booklet with the question paper.

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SECTION A**Answer BOTH questions in this section.**

- 1 Wincombe Manufacturing produces a single product. The following were some of the balances in the books of account on 31 December 2022.

| | £ |
|-----------------------------------|-----------|
| Revenue | 811 000 |
| Wages | |
| Manufacturing | 197 000 |
| Administrative | 78 000 |
| Non-current assets (cost) | |
| Manufacturing machinery | 120 000 |
| Computer equipment | 60 000 |
| Office fixtures | 45 000 |
| Provisions for depreciation | |
| Manufacturing machinery | 40 000 |
| Computer equipment | 12 000 |
| Office fixtures | 25 000 |
| Management salaries | 125 000 |
| Purchases of raw materials | 204 000 |
| Purchase returns of raw materials | 6 800 |
| Advertising expenses | 20 850 |
| Rent and rates payable | 18 000 |
| Rent receivable | 7 500 |
| Manufacturing expenses | |
| Direct | 11 800 |
| Indirect | 29 200 |
| Insurance | 10 000 |
| Royalties paid | 12 500 |
| Power and water | 29 300 |
| Trade receivables | 96 000 |
| Irrecoverable debts | 3 650 |
| Trade payables | 71 400 |
| Bank | 25 600 Cr |
| Provision for unrealised profit | 2 000 |
| Allowance for irrecoverable debts | 2 900 |
| Inventory at 1 January 2022 | |
| Raw materials | 36 900 |
| Work in progress | 46 700 |
| Finished goods | 64 000 |

Additional information at 31 December 2022

(1) Inventory

| | |
|------------------|---------|
| Raw materials | £27 900 |
| Work in progress | £45 600 |
| Finished goods | £58 500 |

- (2) Royalties had been paid on 25 000 units. They were outstanding on a further 5 000 units.
- (3) Power was £1 100 accrued and water was £400 prepaid.
- (4) Depreciation is charged on all non-current assets owned at the end of the year as follows.
- Manufacturing machinery at the rate of 15% per annum using the straight-line method.
 - Computer equipment at the rate of 25% per annum using the reducing balance method.
 - Office fixtures at the rate of 10% per annum using the straight-line method.
- (5) Expenses are to be apportioned between manufacturing and administration as follows.

| Expense | Basis of apportionment | Manufacturing | Administration |
|---------------------------------|------------------------|---------------|----------------|
| Management salaries | Number of staff | 21 | 4 |
| Rent and rates payable | Floor area (sq m) | 11 000 | 4 000 |
| Insurance | Agreed estimate | 60% | 40% |
| Power and water | Usage | 70% | 30% |
| Computer equipment depreciation | Hours usage per annum | 4 000 | 8 000 |

- (6) The provisions are to be adjusted as follows.
- Unrealised profit is to be reduced by £500
 - Irrecoverable debts are to be maintained at 5% of trade receivables.
 - A new provision is to be created equal to 10% of administrative wages to provide for a legal claim currently going through the law courts.
- (7) Finished goods are transferred from manufacturing to the warehouse at a transfer price of £21.50 per unit. During the year 30 000 units were transferred.

Required

- (a) Prepare for the year ended 31 December 2022, the:
- (i) Manufacturing Account (17)
 - (ii) Statement of Profit or Loss and Other Comprehensive Income (18)
 - (iii) Provision for Unrealised Profit Account. (4)

- (b) Explain why Wincombe Manufacturing needs to maintain a provision for unrealised profit.

(4)

Another manufacturer has approached Wincombe Manufacturing and offered to supply 30 000 units per year for a price of £21.50 per unit.

- (c) Evaluate whether Wincombe Manufacturing should continue with its own production or purchase the manufactured product from the other manufacturer.

(12)

(Total for Question 1 = 55 marks)

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2 Javid and Kirstie are in partnership buying and selling goods.

They are preparing their financial statements at 31 December 2022. The following information relates to the capital and liabilities section of the statement of financial position.

(1) Capital Accounts

| | | £ |
|-------------------------|---------|--------|
| Balances 1 January 2022 | Javid | 50 000 |
| | Kirstie | 50 000 |

Changes during the year

1 July Javid introduced new capital of £30 000 by cheque.
Kirstie converted £20 000 of her capital into a 5% five-year loan to the partnership.

(2) Current Accounts

| | | £ |
|-------------------------|---------|--------|
| Balances 1 January 2022 | Javid | 800 Cr |
| | Kirstie | 250 Dr |

For the year ended 31 December 2022

| | Javid | Kirstie |
|------------------------------|-------|---------|
| | £ | £ |
| Interest paid on capital | 2 600 | 1 600 |
| Interest paid on loan | – | 1 250 |
| Interest charged on drawings | 420 | 280 |
| Drawings | 6 000 | 4 000 |
| Salary appropriated | 8 500 | 6 800 |
| Salary paid to date | 7 800 | 5 900 |
| Share of profit | 4 500 | 3 000 |

Additional information

- Interest is paid on the average capital account balance for each partner for the year.
- Interest is charged on the balance of drawings at the end of the year.

Required

- (a) Prepare for the year ended 31 December 2022, the:
- (i) Capital Account for each partner (4)
 - (ii) Current Account for each partner. (9)
- (b) Calculate, for the year ended 31 December 2022, the:
- (i) percentage interest paid on a partner's capital (2)
 - (ii) percentage interest charged on a partner's drawings (2)
 - (iii) profit sharing ratio of the partners. (1)

(3) Non-current liabilities

- The 5% five-year loan from Kirstie on 1 July 2022.
- 6% 10-year bank loan.

On 1 January 2021 the partnership had taken out a £40 000 6% 10-year bank loan with the capital repayable by equal instalments in each year on 1 March and 1 September.

On 1 October 2022 the 6% 10-year bank loan was extended by borrowing a further £20 000 with the capital repayable by equal instalments in each year on 1 March and 1 September.

Note: All bank loan interest is charged to a separate bank loan interest account.

Required

- (c) Prepare the 6% 10-year Bank Loan Account for the year ended 31 December 2022. (5)

(4) Current liabilities

The partnership buys most of its goods for resale on credit. The following information was available.

1 January 2022 – Trade Payables Ledger Control Account balance £8 540

| Totals at 31 December 2022 | £ |
|-------------------------------------|--------|
| Purchases on credit | 64 800 |
| Purchases for cash | 6 350 |
| Purchase returns | 4 400 |
| Cheques paid to trade payables | 59 750 |
| Discount received | 1 650 |
| Cheque refunds from trade payables | 800 |
| Interest charged on overdue account | 170 |
| Contra entry | 160 |

Required

- (d) Prepare the Trade Payables Ledger Control Account for the year ended 31 December 2022. (9)

There were some other payable balances remaining in the books.

| | |
|----------------------|------|
| Rent payable | £150 |
| Wages payable | £650 |
| Bank Current Account | £750 |

Required

- (e) Prepare the extract of the Statement of Financial Position at 31 December 2022 showing the capital and liabilities section only. (7)
- (f) Explain how the following concepts and conventions would be applied when preparing the Statement of Financial Position of Javid and Kirstie.
- Business entity
 - Money measurement.
- (4)

Javid and Kirstie have prepared their financial statements complying with International Accounting Standards (IAS).

Required

- (g) Evaluate whether the partners were correct in applying International Accounting Standards (IAS) in their financial statements. (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** Star Stores is a food retailer. The business is considering offering a new service of delivering customers' shopping orders to their homes.

Customers will place their orders by using the internet. Customer orders will then be prepared by Star Stores' staff and delivered to customers' homes at an agreed time.

The following information is available.

- (1) Star Stores will purchase delivery vehicles. Each delivery vehicle will cost £30 000 and will require some conversion and sign writing which will cost an additional £6 000 per delivery vehicle.
- (2) Delivery vehicles will be depreciated using the straight-line method and sold after four years for £7 600 each.
- (3) Road tax will be £600 per year for **each** delivery vehicle.
- (4) Annual insurance will be £1 200 per delivery vehicle plus a further £200 for **each** delivery vehicle travelling over 15 000 kilometres per year.
- (5) Maintenance will cost an average of £3 860 per year for **each** delivery vehicle.
- (6) **Each** delivery vehicle will average 20 000 km per year. Fuel will cost £1.30 per litre and the delivery vehicle will travel 25 km per litre of fuel.
- (7) Drivers will be paid £5 per hour.
- (8) **Each** delivery vehicle will operate for 80 hours per week for 50 weeks of the year.
- (9) **Each** delivery vehicle will deliver to 200 customers per week.

Required

- (a) Explain, giving your reason, whether the following costs for the delivery vehicles are **revenue expenditure** or **capital expenditure**.
 - Conversion and sign writing
 - Maintenance.

(4)
- (b) Identify whether the following costs for each delivery vehicle are fixed, semi-fixed, variable or semi-variable.
 - Road tax
 - Insurance.

(2)
- (c) Calculate the **total cost** of operating **one** delivery vehicle for one year.

(9)
- (d) Calculate the cost of making **one** delivery to a customer.

(2)

Star Stores' research has shown that more customers are demanding a home delivery service. Star Stores proposes to operate **five delivery vehicles in total**.

Additional information

- (1) Each of the five delivery vehicles will deliver to 200 customers per week.
- (2) Each customer using the home deliveries service will spend an average of £5 200 per year.
- (3) Star Stores' gross profit as a percentage of revenue is 40%.
- (4) An additional management cost of £25 000 per annum will be incurred to operate home deliveries.

Required

- (e) Calculate the profit or loss per year of Star Stores offering the home delivery service using **five delivery vehicles**. (7)
- (f) Evaluate whether Star Stores should offer the home delivery service. (6)

(Total for Question 3 = 30 marks)

4 The Quarry Art Club provided the following information at 31 December 2021.

Quarry Art Club
Statement of Financial Position at 31 December 2021

| | £ | £ |
|--|----------------|---------------|
| Non-current assets at valuation | 20 000 | |
| Current assets | | |
| Inventory of art materials | 6 450 | |
| Subscriptions in arrears | <u>2 600</u> | |
| | | <u>29 050</u> |
| Accumulated fund | | |
| Opening balance | 26 500 | |
| Deficit for the year | <u>(2 100)</u> | |
| | | 24 400 |
| Current liabilities | | |
| Trade payables | 3 750 | |
| Bank overdraft | <u>900</u> | |
| | | <u>4 650</u> |
| | | <u>29 050</u> |

The Quarry Art Club has experienced difficulty in paying its expenses and trade payables in 2021.

The Treasurer of the Quarry Art Club prepared a plan to improve the bank balance and restore the club to a surplus for the year ended 31 December 2022. The plan was to:

- Increase the subscription from the £200 per annum paid by each member in the year ended 31 December 2021 to £250 per annum in the year ended 31 December 2022 and future years.
- Rent out part of the premises at a rent of £500 per month.
- The club will continue to purchase and sell art materials to members at a mark-up.

Information for the year ended 31 December 2022.

- (1) Four members with subscriptions that were in arrears on 31 December 2021 paid their subscriptions for 2021 in full. The remainder was written off as an irrecoverable debt.
- (2) There were 68 members for the year ended 31 December 2022. At the end of the year, three members were in arrears for 2022 and five members had paid in advance for 2023.
- (3) 13 monthly payments were received for rent in the year.
- (4) Operating expenses of £18 000 were paid by cheque. This did not include £900 operating expenses accrued.
- (5) The credit purchases were £13 500 and trade payables of £15 000 were paid by cheque during the year.
- (6) Sales receipts were £16 000 all paid by cheque.
- (7) There was a gross profit as a percentage of revenue of 10% on the sale of art material.
- (8) Non-current assets were valued at £15 900

Required

- (a) Prepare the Subscriptions Account for the year ended 31 December 2022. (6)
- (b) Calculate at 31 December 2022 the:
 - (i) bank balance (5)
 - (ii) trade payables. (4)
- (c) Prepare the art materials Trading Account for the year ended 31 December 2022. (4)
- (d) Prepare the Income and Expenditure Account for the year ended 31 December 2022. (5)
- (e) Evaluate the financial position of the Quarry Art Club at 31 December 2022. (6)

(Total for Question 4 = 30 marks)

5 Cutprice Drinks are in business buying and selling canned drinks.

Cutprice Drinks use the first in first out (FIFO) method of inventory rotation and **perpetual** inventory valuation.

The following information is available for the year ended 31 December 2022.

- (1) On 1 January 2022 there were 500 cases of canned drinks costing £10 per case.
- (2) The purchases and sales of canned drinks for the year ended 31 December 2022 were.

| Dates | Purchases | Sales |
|--------------------|----------------------|----------------------|
| 2022 | | |
| January – March | 1 000 @ £11 per case | 1 200 @ £15 per case |
| April – June | 1 500 @ £12 per case | 1 200 @ £16 per case |
| July – September | 2 000 @ £13 per case | 1 500 @ £18 per case |
| October – December | 1 000 @ £12 per case | 900 @ £20 per case |

- (3) All purchases and sales are on credit.

Required

- (a) Explain the terms:
 - (i) inventory rotation (2)
 - (ii) **perpetual** inventory valuation. (2)
- (b) Calculate the value of the closing inventory at 31 December 2022. (6)
- (c) Prepare the Trading Account for the year ended 31 December 2022. (6)

Additional information at 31 December 2022

| | |
|-------------------|---------|
| Trade receivables | £9 000 |
| Trade payables | £11 500 |
| Bank overdraft | £3 500 |

Required

(d) Calculate to **two** decimal places, the:

- (i) gross profit as a percentage of turnover (2)
- (ii) rate of inventory turnover (2)
- (iii) trade payables payment period (in days) (2)
- (iv) liquid ratio (acid test). (2)

In the previous year ended 31 December 2021, the following ratios had been calculated for Cutprice Drinks.

| | |
|--|------------|
| Gross profit as a percentage of turnover | 19.58% |
| Rate of inventory turnover | 9.21 times |
| Trade payables payment period (in days) | 29 days |
| Liquid ratio (acid test) | 0.80:1 |

Required

- (e) Evaluate the business performance and liquidity of Cutprice Drinks using the ratios calculated in (d) and other information provided. (6)

(Total for Question 5 = 30 marks)

- 6 Amin prepared the following draft Statement of Profit or Loss and Other Comprehensive Income which contains some errors.

The entries were made from his bank receipts, bank payments and the inventory counts.

Draft Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

| | £ | £ |
|-------------------------------------|---------------|-----------------------|
| Revenue receipts | | 124 000 |
| Less purchases payments | | <u>(60 630)</u> |
| | | 63 370 |
| Inventory at 31 December 2022 | | 7 900 |
| Inventory at 1 January 2022 | | <u>(6 720)</u> |
| Trading profit | | 64 550 |
| Add | | |
| Commission receivable receipts | | <u>3 700</u> |
| | | 68 250 |
| Less expenses | | |
| Wages paid to staff | 20 500 | |
| Rent paid for business premises | 9 000 | |
| Rent paid for Amin's home | 6 100 | |
| General expenses paid | 11 000 | |
| New non-current assets paid at cost | <u>30 000</u> | |
| | | <u>(76 600)</u> |
| Total loss | | <u><u>(8 350)</u></u> |

Additional information

- (1) All sales were either on credit or sale or return basis and all purchases of goods were made by cash.
- (2) Trade receivables on 1 January 2022 were £9 200 and on 31 December 2022 were £8 250. No adjustments to revenue receipts had been made in the draft statement.
- (3) Goods £4 200 (cost £2 600) had also been supplied on a sale or return basis in November 2022 to a trade receivable customer. The customer had not stated her intention to purchase the goods.

The sale or return goods had **not** been included in the inventory count.

- (4) Goods with a value of £1 400 had been returned by Amin but no refund had been received.
- (5) Commission receivable of £230 has still to be received.
- (6) Wages were prepaid by £285 at the end of the year.
- (7) General expenses included some small office equipment purchases, the largest of which was a £10 purchase of a new office calculator. It was decided not to depreciate these items.
- (8) Non-current assets on 1 January 2022 had a cost of £85 000 which had been depreciated by £45 000 in previous years. It was estimated that the carrying value of **all** non-current assets owned at the end of the year would have depreciated in value by 15%.

Required

- (a) Explain why the following concepts are applied in the preparation of the statement of profit or loss and other comprehensive income.
 - Prudence
 - Consistency.

(4)
- (b) State the accounting concept or convention that should be applied in the following.
 - Recording the goods supplied on a sale or return basis in November.
 - Wages owed to staff.
 - Rent paid on Amin's home.
 - Charging small office equipment purchases to the general expenses.
 - Depreciating the total cost of a new non-current asset in its first year.

(5)
- (c) Prepare the corrected Statement of Profit or Loss and Other Comprehensive Income in the correct format for the year ended 31 December 2022.

(15)

Amin makes all of his purchases of goods in cash.

(d) Evaluate this approach of paying cash for all purchases.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

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