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Surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Accounting (Modular Syllabus)

Unit 1: The Accounting System and Costing

Tuesday 17 May 2016 – Afternoon
Time: 3 hours

Paper Reference
WAC01/01

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 **five** questions, choosing **two** from Section A and **three** 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 7 is in the enclosed source booklet.

Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly and in good English.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer TWO questions from this section.

If you answer Question 1 put a cross in the box ☒ .

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

Source material for Question 1, is on pages 2 and 3 of the source booklet.

1 (a) Prepare the:

(i) Departmental Statement of Comprehensive Income, in **columnar format**, for the year ended 30 April 2016, showing the profit for the year in **each** of the two departments

(29)

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(ii) Statement of Financial Position at 30 April 2016.

(15)

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The owner of Oaktree Garage is considering closing the Car Sales Department and concentrating on motor vehicle repairs. He has received an offer of £30 000 to rent the car sales showroom.

(b) Evaluate whether the owner of Oaktree Garage should accept the offer of £30 000 to rent the car sales showroom.

(8)

(Total for Question 1 = 52 marks)

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If you answer Question 2, put a cross in the box ☒ .

Source material for Question 2 is on pages 4 and 5 of the source booklet.

2 (a) Explain the term **job costing**.

(2)

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(b) (i) Calculate the Assembly Department labour hour rate to be charged to customers' jobs.

(4)

(ii) State **four** duties or activities that might be undertaken by an Assembly Department employee that could **not** be charged directly to the customer.

(4)

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2

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(c) Reapportion the overheads of the service departments to the production departments using the **continuous allotment method**.

(14)

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

(i) Machining Department
(ii) Assembly Department.

(6)

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Speedy Builders has requested a quotation for some building components. Kewstoke Engineering has calculated that the job will require:

Raw materials costing Kewstoke Engineering £1 800
Machining Department, 90 machine hours
Assembly Department, 140 labour hours.

(e) Prepare the quotation to be sent to Speedy Builders.

(14)

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Kewstoke Engineering is considering changing the remuneration method for employees in the Machining Department from day rate to piecework rate.

(f) Evaluate the possible change to payment by piecework rate in the Machining Department.

(8)

(Total for Question 2 = 52 marks)

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

Source material for Question 3 is on page 6 of the source booklet.

3 (a) Briefly explain **two** actions that Waban could take when his trial balance failed to balance.

(4)

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(b) Prepare the Journal entries to correct the errors in (1) to (8) shown in the source booklet. Narratives are **not** required.

(18)

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(c) Prepare the Suspense Account showing the original difference in the trial balance on 31 March 2016.

(4)

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(d) Starting with the draft profit for the year of £43 750, calculate the revised profit for the year showing the effect of **each** error.

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(e) Evaluate preparing draft financial statements from books containing errors.

(8)

(Total for Question 3 = 52 marks)

TOTAL FOR SECTION A = 104 MARKS

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SECTION B

Answer THREE questions from this section.

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

Source material for Question 4 is on page 7 of the source booklet.

4 (a) State **four** non-financial factors that Kyrenia should consider before purchasing a business.

(4)

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(b) Calculate for **each** business the:

(i) Gross profit as a percentage of revenue
(ii) Inventory turnover
(iii) Return on capital employed (based on closing capital)
(iv) Current ratio
(v) Value of goodwill in the purchase price of the business.

(24)

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(c) Evaluate which of the two businesses Kyrenia should purchase.

(4)

(Total for Question 4 = 32 marks)

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

Source material for Question 5, is on page 8 of the source booklet.

5 (a) Prepare, for the year ended 30 April 2016, the:

(i) Receipts and Payments Account

(6)

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(ii) Subscriptions Account

(10)

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(iii) Income and Expenditure Account.

(12)

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Topton Sports Club is proposing to offer a five-year membership at a discounted rate.

(b) Evaluate the proposal to offer a five-year membership at a discounted rate.

(4)

(Total for Question 5 = 32 marks)

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

Source material for Question 6, is on page 9 of the source booklet.

6 (a) Explain why Baba needs to charge depreciation on non-current assets for the year.

(4)

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(b) Calculate, for the year ended 29 February 2016, the depreciation of the:

(i) Delivery vehicles
(ii) Office fixtures.

(7)

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(c) Prepare, for the year ended 29 February 2016, the:

(i) Delivery Vehicles Account
(ii) Delivery Vehicles – Provision for Depreciation Account
(iii) Disposal Account for all non-current assets.

(17)

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Baba records computers in her Office Fixtures Account. She is concerned that each year she scraps computers that still have a significant book value.

(d) Evaluate Baba's current policy of including computers as office fixtures.

(4)

(Total for Question 6 = 32 marks)

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If you answer Question 7, put a cross in the box ☒ .

Source material for Question 7 is on page 10 of the source booklet.

7 (a) State **two** advantages of trading as a partnership.

(2)

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2 .....

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(b) Describe how the interest on the 5% long-term loan would be recorded in the Statement of Comprehensive Income of Molara and Zanita.

(2)

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(c) Prepare, for the year ended 30 April 2016, the:

(i) Appropriation Account

(12)

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(ii) Capital Account of Molara

(3)

(iii) Current Account of Zanita.

(9)

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(d) Evaluate the need for a formal partnership agreement.

(4)

(Total for Question 7 = 32 marks)

TOTAL FOR SECTION B = 96 MARKS
TOTAL FOR PAPER = 200 MARKS

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Pearson Edexcel
International Advanced Level

Accounting (Modular Syllabus)
Unit 1: The Accounting System and Costing

Tuesday 17 May 2016 – Afternoon
Source booklet for use with Questions 1 to 7.

Paper Reference
WAC01/01

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SECTION A

SOURCE MATERIAL FOR USE WITH QUESTION 1

1 Oaktree Garage has two departments: Motor vehicle repairs; Car sales. The following balances were extracted from the books on 30 April 2016:

		£
Revenue: Motor vehicle repairs		266 000
Car sales		520 000
Inventory 1 May 2015:	Motor vehicle parts	14 500
	Cars for sale	135 000
Purchases:	Motor vehicle parts	150 750
	Cars for sale	417 750
Repair mechanic's wages		42 000
Car sales staff salaries		31 000
Administrative salaries		25 000
Non-current assets (at cost):		
Motor vehicle repair equipment		80 000
Car sales showroom fixtures		32 000
Administrative fixtures		20 000
Provisions for depreciation:		
Motor vehicle repair equipment		68 000
Car sales showroom fixtures		18 000
Administrative fixtures		11 000
Rent of premises		40 000
Advertising costs		34 000
General expenses		10 000
Trade receivables		27 800
Trade payables		41 000
Provision for doubtful debts		2 000
Bank		12 200 Dr
5% Bank loan – repayable 31 July 2016		30 000
Capital		150 000
Drawings		34 000

Additional information at 30 April 2016:

(1) Inventory: Motor vehicle parts £21 000
Cars for sale £116 000

(2) Motor vehicle parts purchased for £3 250 were used to repair cars to be sold. All remaining purchases of motor vehicle parts were used in the repair of customers' vehicles.

(3) Repair mechanic's wages of £5 800 were used to repair cars to be sold. All the remaining repair mechanic's wages were used in the repair of customers' vehicles.

(4) Depreciation is charged as follows:

- Repair equipment at the rate of 20% per annum reducing balance
- Car sales showroom fixtures at the rate of 10% per annum straight line
- Administrative fixtures at the rate of 20% per annum straight line.

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(5) Advertising costs include a payment of £6 000 for an advertising campaign from 1 March to 31 August 2016.

(6) The following expenses are to be apportioned:

	Motor vehicle repairs	Car sales
Administrative costs	60%	40%
Rent of premises	30%	70%
Advertising costs	25%	75%
General expenses	55%	45%

(7) No interest on the 5% Bank loan had been paid in the year. The loan was obtained in 2013 to purchase motor vehicle repair equipment.

(8) Trade receivables contains a debt for £1 400 for a motor vehicle repair, which is considered irrecoverable.

Required:

(a) Prepare the:

(i) Departmental Statement of Comprehensive Income, **in columnar format**, for the year ended 30 April 2016, showing the profit for the year in **each** of the two departments

(29)

(ii) Statement of Financial Position at 30 April 2016.

(15)

The owner of Oaktree Garage is considering closing the Car Sales Department and concentrating on motor vehicle repairs. He has received an offer of £30 000 to rent the car sales showroom.

(b) Evaluate whether the owner of Oaktree Garage should accept the offer of £30 000 to rent the car sales showroom.

(8)

(Total for Question 1 = 52 marks)

Answer space for Question 1 is on pages 2 to 6 of the question paper.

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SOURCE MATERIAL FOR USE WITH QUESTION 2

2 Kewstoke Engineering manufactures products for the building industry. It has two production departments: machining and assembly: and two service departments: drawing office and administration. Kewstoke Engineering uses job costing to prepare customers' quotations.

The following information is available for the year ended 30 April 2016:

(1) All raw materials are ordered for each job undertaken. The customer is charged the cost of the raw materials plus 20%.

(2) Labour hour rates are charged on the following basis:

Machining – Machine hours, at the rate of £15 per machine hour

Assembly – Based on each employee being paid £5 per hour plus 40% employer costs. Employees work 70% of their time on jobs that are charged directly to customers.

(3) Total overheads for each department:

	£
Machining	35 000
Assembly	25 000
Drawing office	20 000
Administration	10 000

The use of the two service departments has been estimated as follows:

	Machining	Assembly	Drawing office	Administration
Drawing office	40%	30%	-	30%
Administration	50%	30%	20%	-

Annual hours for each department that can be charged to customers' jobs were:

Machining Department 4 600 machine hours per year
Assembly Department 2 800 labour hours per year

(4) Kewstoke Engineering adds a 25% mark-up to the production cost when providing a quotation to customers.

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Required:

(a) Explain the term **job costing**.

(2)

(b) (i) Calculate the Assembly Department labour hour rate to be charged to customers' jobs.

(4)

(ii) State **four** duties or activities that might be undertaken by an Assembly Department employee that could **not** be charged directly to the customer.

(4)

(c) Reapportion the overheads of the service departments to the production departments using the **continuous allotment method**.

(14)

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

(i) Machining Department
(ii) Assembly Department.

(6)

Speedy Builders has requested a quotation for some building components. Kewstoke Engineering has calculated that the job will require:

Raw materials costing Kewstoke Engineering £1 800
Machining Department, 90 machine hours
Assembly Department, 140 labour hours.

(e) Prepare the quotation to be sent to Speedy Builders.

(14)

Kewstoke Engineering is considering changing the remuneration method for employees in the Machining Department from day rate to piecework rate.

(f) Evaluate the possible change to payment by piecework rate in the Machining Department.

(8)

(Total for Question 2 = 52 marks)

Answer space for Question 2 is on pages 7 to 13 of the question paper.

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SOURCE MATERIAL FOR USE WITH QUESTION 3

3 Waban prepared draft financial statements for the year ended 31 March 2016, which showed a draft profit for the year of £43 750. His draft financial statements were prepared by a Trainee Accountant. The trial balance failed to agree and contained ledger accounts with the following errors:

(1) Cash sales of £850 had not been recorded in the books.

(2) A purchase invoice for £490 had been correctly recorded in the account of Chitta Products, but had been recorded in the Purchases Day Book as £940.

(3) A motor vehicle, purchased during the year for £8 000, had been debited to the Motor Expenses Account. Depreciation on the motor vehicle should have been charged at the rate of 25% using the straight line method.

(4) Interest receivable, £630, was correctly entered in the Cash Book, but had been debited to the Interest Receivable Account.

(5) Electricity supplied by Dalha Electric, £345, had been recorded in the Electricity Account and Dalha Electric Account as £145.

(6) No debit entry had been made for general expenses of £65.

(7) The debt of Habib, £4 100, was now considered irrecoverable. No entries had been made in the books.

(8) Purchases returns to Taj, £85, had been entered in the account of Raj.

Required:

(a) Briefly explain **two** actions that Waban could take when his trial balance failed to balance.

(4)

(b) Prepare the Journal entries to correct the errors in (1) to (8) above. Narratives are **not** required.

(18)

(c) Prepare the Suspense Account showing the original difference in the trial balance on 31 March 2016.

(4)

(d) Starting with the draft profit for the year of £43 750, calculate the revised profit for the year showing the effect of **each** error.

(18)

(e) Evaluate preparing draft financial statements from books containing errors.

(8)

(Total for Question 3 = 52 marks)

Answer space for Question 3 is on pages 14 to 20 of the question paper.

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SECTION B

SOURCE MATERIAL FOR USE WITH QUESTION 4

4 Kyrenia is considering the purchase of a shoe shop. She has found two businesses that are for sale, Amble Footwear and Posh Shoes. The following information is available for the year ended 31 March 2016:

	Amble Footwear	Posh Shoes
	£	£
Revenue	120 000	125 000
Purchases	70 000	74 000
Inventory 1 April 2015	15 000	17 000
Inventory 31 March 2016	25 000	16 000
Profit for the year	10 000	15 000
Trade receivables	8 000	2 000
Trade payables	20 000	6 000
Cash	4 000	1 000
Non-current assets	63 000	88 000
Capital at 31 March 2016	80 000	100 000
Purchase price of business	90 000	115 000

Required:

(a) State **four** non-financial factors that Kyrenia should consider before purchasing a business.

(4)

(b) Calculate for **each** business the:

(i) gross profit as a percentage of revenue
(ii) inventory turnover
(iii) return on capital employed (based on closing capital)
(iv) current ratio
(v) value of goodwill in the purchase price of the business.

(24)

(c) Evaluate which of the two businesses Kyrenia should purchase.

(4)

(Total for Question 4 = 32 marks)

Answer space for Question 4 is on pages 21 to 24 of the question paper.

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SOURCE MATERIAL FOR USE WITH QUESTION 5

5 The following information is available for the Topton Sports Club for the year ended 30 April 2016.

(1) Summary of receipts and payments:

	£
Subscriptions received	24 900
Wages and salaries	8 550
Insurance	1 100
Electricity	690
Bank interest received	70
General expenses	3 400
Sale of sports equipment	1 700
Purchase of sports equipment	8 500

(2) Balances at:

	1 May 2015	30 April 2016
	£	£
Bank	1 600 Dr	?
Subscriptions in advance	2 100	1 450
Subscriptions in arrears	560	300
Wages and salaries accrued	880	-
Wages and salaries prepaid	-	750
Electricity accrued	-	220
Clubhouse (at cost)	40 000	?
Sports equipment (book value)	20 000	?

(3) £320 of the subscriptions in arrears on 1 May 2015 were collected. The remainder of the subscriptions in arrears on 1 May 2015 were written off as irrecoverable.

(4) Depreciation is charged on all non-current assets owned at the end of the year on the following basis:

Clubhouse	2% per annum using straight line
Sports equipment	25% per annum using reducing balance.

Required:

(a) Prepare, for the year ended 30 April 2016, the:

(i) Receipts and Payments Account

(6)

(ii) Subscriptions Account

(10)

(iii) Income and Expenditure Account.

(12)

Topton Sports Club is proposing to offer a five-year membership at a discounted rate.

(b) Evaluate the proposal to offer a five-year membership at a discounted rate.

(4)

(Total for Question 5 = 32 marks)

Answer space for Question 5 is on pages 25 to 29 of the question paper.

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SOURCE MATERIAL FOR USE WITH QUESTION 6

6 Baba is the owner of a delivery business. The following balances were in her books on 1 March 2015:

	£
Non-current assets (at cost)	
Delivery vehicles	98 000
Office fixtures	61 000
Provisions for depreciation:	
Delivery vehicles	33 000
Office fixtures	17 800

Baba's depreciation policy is:

- Delivery vehicles at the rate of 20% per annum reducing balance
- Office fixtures at the rate of 15% per annum straight line
- A full year's depreciation is charged in the year of purchase
- No depreciation is charged in the year of sale
- All disposals are recorded in a single non-current asset disposal account.

Additional information for the year ended 29 February 2016:

(1) Delivery vehicles with a cost of £18 000, and accumulated depreciation of £9 000, were sold by cheque for £8 400 during the year.

(2) Delivery vehicles costing £24 000 were purchased during the year, paying by cheque.

(3) Office fixtures costing £12 000, and with an accumulated depreciation of £5 400, were sold for £400 cash.

(4) Additional office fixtures were purchased at a cost of £21 000, paying by cheque.

Required:

(a) Explain why Baba needs to charge depreciation on non-current assets for the year.

(4)

(b) Calculate, for the year ended 29 February 2016, the depreciation of the:

(i) Delivery vehicles
(ii) Office fixtures.

(7)

(c) Prepare, for the year ended 29 February 2016, the:

(i) Delivery Vehicles Account
(ii) Delivery Vehicles – Provision for Depreciation Account
(iii) Disposal Account for all non-current assets.

(17)

Baba records computers in her office fixtures account. She is concerned that each year she scraps computers that still have a significant book value.

(d) Evaluate Baba's current policy of including computers as office fixtures.

(4)

(Total for Question 6 = 32 marks)

Answer space for Question 6 is on pages 30 to 34 of the question paper.

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SOURCE MATERIAL FOR USE WITH QUESTION 7

7 Molara and Zanita are partners in a clothing retail business. Profits and losses are shared in the ratio 3:2. Interest is allowed on capital at the rate of 5% per annum and charged on drawings at the rate of 8% per annum. Molara and Zanita each receive a salary of £5 000 per annum.

The following information is available for the year ended 30 April 2016:

(1) On 1 November 2015, Molara **reduced** her capital by £20 000, receiving a cheque.

(2) On 1 November 2015, Zanita provided a £40 000 5% long-term loan to the partnership.

(3) Balances at 30 April 2016:

		£
Capital Account –	Molara	30 000
	Zanita	50 000
Current Account –	Molara	500 Dr
	Zanita	3 000 Dr
Drawings –	Molara	9 500
	Zanita	10 500
Partnership salaries paid: –	Molara	5 000
	Zanita	5 000
5% long-term loan –	Zanita	40 000
Profit for the year		25 000

Required:

(a) State **two** advantages of trading as a partnership.

(2)

(b) Describe how the interest on the 5% long-term loan would be recorded in the Statement of Comprehensive Income of Molara and Zanita.

(2)

(c) Prepare, for the year ended 30 April 2016, the:

(i) Appropriation Account

(12)

(ii) Capital Account of Molara

(3)

(iii) Current Account of Zanita.

(9)

(d) Evaluate the need for a formal partnership agreement.

(4)

(Total for Question 7 = 32 marks)

Answer space for Question 7 is on pages 35 to 38 of the question paper.

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