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Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
|---|---|
| | |

**Pearson Edexcel International GCSE**

Centre Number | Candidate Number

**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.
- Good luck with your examination.

*Turn over* ▶

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

**1** Leo, a manufacturer, provided the following information for the year ended 31 March 2021.

| | 1 April 2020 $ | 31 March 2021 $ |
|---|---|---|
| Premises | | |
| Cost | 500 000 | 500 000 |
| Accumulated depreciation | 100 000 | **To be calculated** |
| Plant and machinery | | |
| Cost | 250 000 | 250 000 |
| Accumulated depreciation | 90 000 | **To be calculated** |
| Inventory | | |
| Raw materials | 56 000 | 44 000 |
| Work in progress | 64 000 | 68 400 |
| Finished goods | 108 000 | 112 000 |
| Carriage inwards on raw materials | | 1 300 |
| Carriage outwards | | 2 100 |
| Direct wages | | 82 400 |
| Electricity | | 18 000 |
| Factory insurance paid | | 9 000 |
| Indirect factory expenses | | 79 500 |
| Indirect wages paid | | 83 650 |
| Other payables – indirect wages | | 1 350 |
| Other receivables – factory insurance | | 500 |
| Purchases of raw materials | | 167 500 |
| Returns inwards | | 12 000 |
| Returns outwards | | 17 500 |
| Revenue | | 630 000 |
| Royalties | | 15 000 |

Plant and machinery is depreciated at 20% per annum using the reducing balance method.

Premises are depreciated at 10% per annum using the straight line method.

Both electricity and depreciation on premises are apportioned 75% to the factory.

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(a) Prepare the manufacturing account for the year ended 31 March 2021.

**(15)**

**Leo**
**Manufacturing account for the year ended 31 March 2021**

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(b) Prepare an extract of the income statement for the year ended 31 March 2021 showing the **trading section** only.

**(5)**

**Leo**
**Income statement for the year ended 31 March 2021**

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Leo believes that an increase in revenue for this year has led to an improvement in profitability, even though both his gross profit percentage and return on capital employed percentage have decreased.

(c) Evaluate whether Leo is correct.

**(5)**

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

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**2** Amira, a sole trader, does not keep full accounting records. She has provided the following information.

| | 1 April 2020<br>$ | 31 March 2021<br>$ |
|---|---|---|
| Motor vehicle<br>Cost<br>Accumulated depreciation | <br>40 000<br>19 520 | <br>50 000<br>**To be calculated** |
| Land | 31 670 | 31 670 |
| Cash at bank | 1 350 | 1 650 Cr |
| Inventory | 21 500 | 24 000 |
| Other receivables - insurance | 1 500 | – |
| Trade payables | 32 000 | 31 000 |
| Trade receivables | 34 500 | 37 500 |

During the year ended 31 March 2021 Amira sold her motor vehicle for $22 940.

In addition, she purchased a new motor vehicle costing $50 000. Motor vehicles are depreciated at 20% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase and none in the year of disposal.

Amira borrowed $50 000 as an interest free loan repayable in five equal annual instalments. The first instalment was paid on 31 March 2021.

Her cash drawings during the year amounted to $25 000 and she also took goods costing $5 000 for her personal use.

At 31 March 2021 irrecoverable debts of $2 500 were to be written off. A provision for irrecoverable debts of 5% was to be created.

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(a) Prepare the statement of affairs (statement of financial position) at 1 April 2020.

**(4)**

**Amira**
**Statement of affairs at 1 April 2020**

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(b) Prepare the statement of affairs (statement of financial position) at 31 March 2021.

**(11)**

**Amira**
**Statement of affairs at 31 March 2021**

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(c) Prepare the equity account for the year ended 31 March 2021 to show the profit or loss for the year.

**(5)**

**Equity Account**

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

(d) Explain, referring to a relevant accounting concept, why Amira:

(i) introduced a provision for irrecoverable debts

**(2)**

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(ii) used the reducing balance method rather than the straight line method of depreciating her motor vehicle.

**(3)**

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

**TOTAL FOR PAPER = 50 MARKS**

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