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Candidate surname	Other names

Centre Number | Candidate Number

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

Receipts	$	Payments	$
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
	243 425		243 425
		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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(b) Prepare the statement of financial position at 30 April 2022.

(10)

Sajjan
Statement of financial position at 30 April 2022

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

(i) Prudence

(3)

(ii) Accruals

(2)

(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.

	Balances at 1 April 2021		Year ended 31 March 2022
	Capital Account $	**Current Account $**	**Drawings $**
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.

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(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)	

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

(5)

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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