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Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Time 1 hour 15 minutes

Paper reference **4AC1/02R**

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/

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

1 Dina, a manufacturer, prepared the following **incorrect** manufacturing account for the year ended 31 March 2022 from the **correct** balances in her trial balance.

Dina
Manufacturing account for the year ended 31 March 2022

	$	$
Revenue	385 000	
Depreciation charge – plant and machinery	11 200	
		373 800
Cost of sales		
Inventory of raw materials 31 March 2022	10 400	
Carriage outwards	360	
	10 040	
Purchases of raw materials	98 400	
Inventory of raw materials 1 April 2021	(9 640)	
		(98 800)
Prime cost		275 000
Factory overheads		
Royalties	1 780	
Insurance	4 000	
Electricity	9 750	
Factory rent	14 000	
Direct wages	38 400	
Indirect wages	(25 700)	
		(42 230)
Work in progress at 31 March 2022	4 430	
Work in progress at 1 April 2021	(4 200)	
Inventory of finished goods at 31 March 2022	5 850	
Inventory of finished goods at 1 April 2021	(6 750)	(670)
Production cost		232 100

Additional information

- No adjustment had been made for indirect wages owing of $1 300 and factory rent paid in advance of $2 000
- The depreciation charge did not include a full year's depreciation charge on a new machine costing $30 000. Machinery is depreciated at the rate of 20% per annum using the straight line method.
- Insurance and electricity should have been apportioned 80% to the factory and 20% to administration.

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(a) (i) Prepare the **corrected** manufacturing account for the year ended 31 March 2022.

(13)

Dina
Manufacturing account for the year ended 31 March 2022

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(ii) Prepare the income statement for the year ended 31 March 2022 showing the **trading section** only.

(4)

Dina
Income statement for the year ended 31 March 2022

Dina stated that she did not have a successful year as her gross profit percentage decreased by 5%.

The following ratios were also available.

Ratio	31 March	
	2021	2022
Profit for the year as a percentage of revenue	7.56%	8.93%
Return on capital employed	14.85%	16.67%

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

(3)

Ratio	Formula
Gross profit percentage	
Profit for the year as a percentage of revenue	
Return on capital employed	

(ii) Evaluate whether Dina is correct in her view that she did not have a successful year.

(5)

(Total for Question 1 = 25 marks)

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2 Ali provides consultancy services to local businesses.
He provided the following information.

	At 1 May 2021 $	At 30 April 2022 $
Motor vehicle – Cost	34 000	To be calculated
Motor vehicle – Provision for depreciation	12 000	
Provision for irrecoverable debts	140	
Equity	17 100	
Bank loan	2 500	1 800
Bank overdraft	5 140	2 060
Other payables – wages	210	–
Other payables – fuel	310	480
Trade receivables – income owing	2 800	3 270
Other receivables – office rent and rates	600	1 200
Other receivables – insurance	–	110

During the year ended 30 April 2022

- Total income received was $71 690
- Ali took total drawings of $35 350
- The following payments were made:
  - wages $15 920
  - fuel $8 140
  - insurance $660
  - office rent and rates $7 800
  - bank loan and interest repayments $740

Additional information

- The motor vehicle is depreciated using the straight line method over five years. The estimated residual value of the motor vehicle at the end of year five is $4 000
- At 30 April 2022, income owing to Ali of $3 270 included an irrecoverable debt of $70
- Ali wishes to maintain a provision for irrecoverable debts of 5% of trade receivables.
- The balance on the bank loan is repayable in 2024.

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

(12)

Ali
Income statement for the year ended 30 April 2022

	$	$
Income		
Wages		
Fuel		
Insurance		
Depreciation		
Office rent and rates		
Irrecoverable debts		
Provision for irrecoverable debts		
Bank interest		
Profit for the year		

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(b) Prepare the statement of financial position at 30 April 2022.

(8)

Ali
Statement of financial position at 30 April 2022

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(c) (i) Explain why the **prudence** concept should be applied when writing off an irrecoverable debt.

(3)

(ii) Explain why the **accruals** concept should be applied when providing for depreciation of a motor vehicle.

(2)

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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