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Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
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**Pearson Edexcel**
**International Advanced Level**

Centre Number | | | | | |

Candidate Number | | | | |

# Monday 7 January 2019

Morning (Time: 3 hours) | Paper Reference **WAC11/01**

# Accounting

## International Advanced Subsidiary
## Paper 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 and 3 of the source booklet.**

**1** (a) Prepare, for the year ended 31 December 2018, the:

(i) capital accounts of the partners

**(4)**

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(ii) Statement of Profit or Loss and Other Comprehensive Income (including the appropriation section)

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(iii) current accounts of the partners.

**(4)**

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(b) Prepare the Statement of Financial Position at 31 December 2018.

**(16)**

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(c) Evaluate the use of accounting concepts and conventions in the preparation of the financial statements of a business.

**(12)**

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**(Total for Question 1 = 55 marks)**

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**Source material for Question 2 is on pages 4 to 7 of the source booklet.**

**2** (a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018. **Show all workings.**

**(16)**

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Abhra does not maintain full accounting records, but is considering preparing full accounting records in the future. To assist Abhra to make a decision he wishes to see an example of double entry accounting.

(b) Prepare the Quality Catering Account for the year ended 31 December 2018 as it would have appeared if Abhra had maintained full accounting records.

**(5)**

(c) State **four** advantages for Abhra of preparing full accounting records.

**(4)**

1

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(d) Complete the table to show the **total weekly** cost of producing **each** type of sandwich.

**(12)**

| **Sandwich type** | **Basic** | **Superior** |
|---|---|---|
| **Production required per week** | 800 | 300 |
| | £ | £ |
| **Raw materials** | | |
| Bread – two slices per sandwich | | |
| Fillings | | |
| | | |
| **Labour** | | |
| Production time @ £7.20 per hour | | |
| | | |
| **Direct expenses** | | |
| Packaging | | |
| | | |
| **Overheads** | | |
| Total **additional** production overheads | | |
| | | |
| Total **weekly** production cost (£) | | |

Workings

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(e) Calculate the production cost of:

- one basic sandwich
- one superior sandwich.

**(2)**

Abhra intends to sell the sandwiches at a profit margin of 40%.

(f) Calculate the price that Abhra would need to charge for:

- one basic sandwich
- one superior sandwich.

**(4)**

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(g) Evaluate whether Abhra should continue to purchase the sandwiches from Quality Catering or set up his own sandwich production facility.

**(12)**

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**(Total for Question 2 = 55 marks)**

**TOTAL FOR SECTION A = 110 MARKS**

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**SECTION B**

**Answer THREE questions from this section.**

**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 ☒.**

**If you answer Question 3 put a cross in the box ☐ .**

**Source material for Question 3 is on page 8 of the source booklet.**

**3** (a) Explain the difference between an **error of compensation** and an **error of reversal**.

**(4)**

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(b) Prepare the journal entries to record the correction of errors (1) to (5) in the books. Narratives are **not** required.

**(12)**

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(c) Complete the table showing the revised profit for the year ended 31 December 2018 after the correction of all errors. **You should show all workings.**

**(8)**

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018**

| | Draft | Workings | Revised |
|---|---|---|---|
| | £ | £ | £ |
| Revenue | 84 000 | | |
| Cost of sales | (47 000) | | |
| Gross profit | 37 000 | | |
| General expenses | (8 000) | | |
| Motor vehicle expenses (including depreciation) | (18 000) | | |
| Advertising | (12 000) | | |
| Profit/(Loss) for the year | (1 000) | | |

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Cassia has been advised that the use of information communication technology (ICT) would remove all chance of errors occurring in her books.

(d) Evaluate this advice.

**(6)**

**(Total for Question 3 = 30 marks)**

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

**Source material for Question 4 is on pages 10 and 11 of the source booklet.**

**4** (a) State **two** differences between a receipts and payments account and an income and expenditure account.

**(4)**

1 .....

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.....

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2 .....

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(b) Calculate the:

(i) accumulated fund at 1 January 2018

**(2)**

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(ii) annual subscriptions in arrears at 31 December 2018

**(3)**

(iii) profit or loss on competitions for the year ended 31 December 2018

**(3)**

(iv) profit or loss on the sale of refreshments for the year ended 31 December 2018.

**(3)**

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(c) Prepare, for the year ended 31 December 2018, the:

(i) Life Subscriptions Account

**(4)**

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(ii) Income and Expenditure Account.

**(5)**

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(d) Evaluate the use of life membership subscriptions by clubs.

**(6)**

**(Total for Question 4 = 30 marks)**

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

**Source material for Question 5 is on pages 12 and 13 of the source booklet.**

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

**(2)**

(b) Calculate the:

(i) number of labour hours for **each** technician chargeable to the customer **per year**

**(2)**

(ii) labour rate **per hour** that customers must be charged to recover the total labour cost

**(3)**

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(iii) overhead recovery rate to be charged **per direct labour hour**.

**(2)**

(c) Prepare a quotation for a customer where it is estimated that the materials and parts will cost £103 and the job will take 7 direct labour hours to complete.

**(5)**

(d) State **two** reasons why overheads might be **over-absorbed** in a year.

**(2)**

1

2

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(e) (i) Explain the difference between **allocation of overheads** and **apportionment of overheads**

**(2)**

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(ii) Calculate, by completing the table the total budgeted overheads for **each** department for the year ended 31 December 2019.

**(6)**

| | **Administration** | **Stores** | **Repairs** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Allocated | | | |
| Motor vehicle expenses | | | |
| Rent and rates | | | |
| Management salaries | | | |
| Premises insurance | | | |
| Total | | | |

Workings

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(f) Evaluate the use of overhead apportionment.

**(6)**

**(Total for Question 5 = 30 marks)**

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

**Source material for Question 6 is on pages 14 and 15 of the source booklet.**

**6** (a) Calculate the liquid (acid test) ratio for Maban at 30 November 2018.

**(2)**

Maban started his business with £5 000 in the bank and is concerned that after only one month's trading he has a £12 000 bank overdraft.

(b) State **four** possible reasons why Maban's bank balance has fallen from £5 000 to a £12 000 overdraft.

**(4)**

1

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(c) Calculate, at 31 December 2018, by completing the table, the value of the:

- trade receivables
- trade payables
- inventory
- bank (overdraft)
- accrued expenses.

**(14)**

| **Balances 30 November 2018** | **Workings** | **Balances 31 December 2018** |
|---|---|---|
| trade receivables £9 000 | | |
| trade payables £4 000 | | |
| inventory £15 000 | | |
| bank overdraft £12 000 | | |
| accrued expenses £2 000 | | |

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(d) (i) Calculate the liquid (acid test) ratio for Maban at 31 December 2018

**(2)**

(ii) Comment on the movement in liquidity during December 2018.

**(2)**

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(e) Evaluate the use of credit control in reducing irrecoverable debts.

**(6)**

**(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

# Monday 7 January 2019

Morning | Paper Reference **WAC11/01**

# Accounting

## International Advanced Subsidiary
## Paper 1: The Accounting System and Costing

**Source Booklet**
**Do not return this Source Booklet with the question paper.**

*Turn over* ▶

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## SECTION A

**Answer BOTH questions in this section.**

**1** Rach and Saada are in partnership as accountants sharing profits and losses equally.

On 1 January 2018 the following were the partners' balances:

| | | £ |
|---|---|---|
| Capital accounts | Rach | 25 000 |
| | Saada | 30 000 |
| Current accounts | Rach | 2 600 Cr |
| | Saada | 4 100 Cr |

On 1 January 2018 Rach and Saada admitted Galenia as a partner. Galenia introduced capital of £15 000 by cheque into the partnership.

The new partnership agreement stated:

- goodwill was valued on 1 January 2018 at £50 000. This would **not** be retained in the books
- interest would be paid on the capital balances at the end of each year at the rate of 10%
- interest would be charged on the total drawings made during the year at the rate of 4%
- no salaries would be paid to the partners
- profits and losses would be shared by Rach, Saada and Galenia in the ratio 2:2:1

On 31 December 2018, after the first year of trading of the new partnership, the following balances, **excluding capital and current accounts**, were in the books.

| | £ |
|---|---|
| Accountancy fees received | 246 400 |
| Non-current assets (at cost) | |
| Leasehold premises | 160 000 |
| Motor vehicles | 62 000 |
| Fixtures and computers | 48 000 |
| Provisions for depreciation | |
| Leasehold premises | 86 900 |
| Motor vehicles | 32 000 |
| Fixtures and computers | 14 000 |
| Motor vehicles running expenses | 24 350 |
| Telephone and broadband expenses | 6 200 |
| Trade receivables | 38 000 |
| Trade payables | 17 000 |
| Computer maintenance | 17 950 |
| Insurance | 30 000 |
| Electricity and water | 8 550 |
| Marketing | 15 000 |
| Wages and salaries | 75 500 |
| 6% bank loan (repayable 2022) | 40 000 |
| Drawings – Rach | 10 000 |
| Saada | 7 500 |
| Galenia | 7 500 |
| Cash and bank | 2 450 Dr |

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**Additional information at 31 December 2018**

(1) Accountancy fee income of £7 000 in November 2018 had not been invoiced, and no entries had been recorded in the books.

(2) Prepaid marketing £2 100

(3) Accrued expenses: telephone and broadband expenses £300, wages and salaries £4 600

(4) The 6% bank loan was taken out on 1 April 2018. No interest had been paid on the loan.

(5) A computer costing £4 000, and with a carrying value of £1 400, was sold for £250 cash on 15 December 2018. No record of the transaction had been recorded in the books.

(6) Depreciation is charged on all non-current assets owned at the end of the year as follows:

- the leasehold on the premises is for 20 years. The appropriate amount is to be written off the leasehold
- motor vehicles at the rate of 20% per annum using the reducing balance method
- fixtures and computers at the rate of 25% per annum using the straight line method.

(7) Trade receivables of £3 000 are considered irrecoverable.

(8) An allowance for doubtful debts of 5% is to be created.

**Required**

(a) Prepare, for the year ended 31 December 2018, the:

(i) capital accounts of the partners

**(4)**

(ii) Statement of Profit or Loss and Other Comprehensive Income (including the appropriation section)

**(19)**

(iii) current accounts of the partners.

**(4)**

(b) Prepare the Statement of Financial Position at 31 December 2018.

**(16)**

(c) Evaluate the use of accounting concepts and conventions in the preparation of the financial statements of a business.

**(12)**

**(Total for Question 1 = 55 marks)**

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**2** Abhra sells sandwiches to local businesses, which he purchases ready-made from Quality Catering.

Abhra does not maintain full accounting records but the following information is available for the year ended 31 December 2018.

(1) **Bank Summary**

| | £ | | £ |
|---|---|---|---|
| Balance b/d | 18 000 | Paid to Quality Catering | 115 000 |
| Cash sales banked | 180 000 | Wages | 23 450 |
| Sale of fixtures | 2 400 | Motor vehicle expenses | 14 100 |
| Commission received | 9 100 | Purchase of motor vehicle | 11 500 |
| Rent received | 5 900 | Premises rent | 10 000 |
| | | Bank loan repaid and interest | 7 300 |
| | | General expenses | 15 800 |
| | | Balance c/d | 18 250 |
| | 215 400 | | 215 400 |
| Balance b/d | 18 250 | | |

(2) Abhra banked all cash from sales **after** paying the following:

| | £ |
|---|---|
| Wages | 3 250 per month |
| Drawings | 1 500 per month |
| Motor vehicle expenses | 1 700 |

(3) Balances at:

| | 1 January 2018 | 31 December 2018 |
|---|---|---|
| | £ | £ |
| Motor vehicles (carrying value) | 30 000 | 35 000 |
| Fixtures and fittings (carrying value) | 12 000 | 8 800 |
| Trade receivables | 4 900 | 5 700 |
| Trade payable (Quality Catering) | 12 350 | 17 800 |
| 5% bank loan | 30 000 | 24 000 |
| Motor vehicle expenses | 600 Cr | 350 Dr |
| General expenses | 750 Cr | 1 300 Cr |

(4) There was no inventory of sandwiches at the beginning or end of the year.

(5) There was no interest outstanding on the bank loan.

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**Required**

(a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018. **Show all workings.**

**(16)**

Abhra does not maintain full accounting records, but is considering preparing full accounting records in the future. To assist Abhra to make a decision he wishes to see an example of double entry accounting.

(b) Prepare the Quality Catering Account for the year ended 31 December 2018 as it would have appeared if Abhra had maintained full accounting records.

**(5)**

(c) State **four** advantages for Abhra of preparing full accounting records.

**(4)**

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Abhra sells two types of sandwich, the basic and the superior, which he purchases from Quality Catering. The following information is available.

| | **Basic** | **Superior** |
|---|---|---|
| Purchase price from Quality Catering | £2.50 per sandwich | £3.25 per sandwich |
| Abhra selling price | £3.50 per sandwich | £5.00 per sandwich |

Abhra is considering setting up his own sandwich production facility rather than purchasing sandwiches from Quality Catering. He has prepared the following annual cost estimates of producing his own sandwiches.

| **Sandwich type** | **Basic** | **Superior** |
|---|---|---|
| | | |
| **Production required per week** | 800 | 300 |
| | | |
| **Raw materials** | | |
| Bread – two slices per sandwich | £1.50 for 24 slice loaf | £2.40 for 24 slice loaf |
| Fillings | £5.00 for 10 sandwiches | £4.00 for 5 sandwiches |
| | | |
| **Labour** | | |
| Production time @ £7.20 per hour | 10 sandwiches per hour | 6 sandwiches per hour |
| | | |
| **Direct expenses** | | |
| Packaging | £15.50 for 100 boxes | £30 for 100 boxes |
| | | |
| **Overheads** | | |
| Total **additional** production overheads | £27 500 **per annum** | |
| | | |

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**Additional information**

- Each sandwich is packaged in one box for sale.
- Abhra would absorb the total additional production overheads on the basis of the number of sandwiches produced.
- Production will be for 50 weeks of the year.

**Required**

(d) Complete the table in your Question Paper to show the **total weekly** cost of producing **each** type of sandwich.

**(12)**

(e) Calculate the production cost of:

- one basic sandwich
- one superior sandwich.

**(2)**

Abhra intends to sell the sandwiches at a profit margin of 40%.

(f) Calculate the price that Abhra would need to charge for:

- one basic sandwich
- one superior sandwich.

**(4)**

(g) Evaluate whether Abhra should continue to purchase the sandwiches from Quality Catering or set up his own sandwich production facility.

**(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** The following draft Statement of Profit or Loss and Other Comprehensive Income was prepared from the books of Cassia for the year ended 31 December 2018.

| | £ |
|---|---|
| Revenue | 84 000 |
| Cost of sales | (47 000) |
| Gross profit | 37 000 |
| General expenses | (8 000) |
| Motor vehicle expenses (including depreciation) | (18 000) |
| Advertising | (12 000) |
| Loss for the year | (1 000) |

After completion of the statement above, Cassia found that the following errors had been made.

(1) A sale of goods had been made to Johns for £2 800. Johns had returned £600 of the goods as defective. No entries have been recorded in the books for the sale or the return.

(2) The closing inventory had been overvalued by £1 300

(3) General expenses included £800 for insurance on the motor vehicles.

(4) A full year's depreciation, £3 000, had been charged on a new motor vehicle purchased on 1 August 2018. Cassia has the policy that depreciation is charged on non-current assets in proportion to the months of ownership in a year.

(5) The advertising figure of £12 000 in the Statement of Profit or Loss and Other Comprehensive Income included £4 500 for a campaign from 1 September 2018 to 31 May 2019.

**Required**

(a) Explain the difference between an **error of compensation** and an **error of reversal**.

**(4)**

(b) Prepare the journal entries to record the correction of errors (1) to (5) in the books. Narratives are **not** required.

**(12)**

(c) Complete the table in the question paper showing the revised profit for the year ended 31 December 2018 after the correction of all errors. **You should show all workings.**

**(8)**

Cassia has been advised that the use of information communication technology (ICT) would remove all chance of errors occurring in her books.

(d) Evaluate this advice.

**(6)**

**(Total for Question 3 = 30 marks)**

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**QUESTION 4 BEGINS ON NEXT PAGE.**

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**4** The following information was available for the Winston Tennis Club for the year ended 31 December 2018.

(1) Summary of receipts and payments

| **Receipts** | **£** | **Payments** | **£** |
|---|---|---|---|
| Annual subscriptions | 18 900 | General expenses | 9 000 |
| Life subscriptions | 6 000 | Payment to refreshments supplier | 1 875 |
| Competition fees | 1 475 | Competition expenses | 430 |
| Sale of fixtures | 450 | Purchase of equipment | 3 850 |
| Donations | 700 | Competition prizes | 910 |
| Sales of refreshments | 2 050 | Ground staff wages | 10 930 |

(2) Balances

| | **1 January 2018** | **31 December 2018** |
|---|---|---|
| | **£** | **£** |
| Receipts and payments account | 800 Dr | 3 380 Dr |
| Equipment and fixtures (carrying value) | 12 400 | 13 300 |
| Trade payables (refreshment supplier) | 110 | 125 |
| Annual subscriptions in- | | |
| advance | 1 250 | 250 |
| arrears | 500 | To be calculated |
| Life subscriptions account | 11 500 | To be calculated |
| Competition expenses accrued | - | 75 |
| Inventory of refreshments | 85 | 160 |

(3) Competition fees of £30 had **not** been recorded in the books.

(4) There were 80 annual subscription members in 2018 **each** paying £250 per annum. There were no bad debts in the year.

(5) There were an additional four life subscription members in the year, **each** having paid £1 500

(6) 10% of the Life Subscriptions Account balance at the end of the year is recorded as income for the year.

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**Required**

(a) State **two** differences between a receipts and payments account and an income and expenditure account.

**(4)**

(b) Calculate the:

(i) accumulated fund at 1 January 2018

**(2)**

(ii) annual subscriptions in arrears at 31 December 2018

**(3)**

(iii) profit or loss on competitions for the year ended 31 December 2018

**(3)**

(iv) profit or loss on the sale of refreshments for the year ended 31 December 2018.

**(3)**

(c) Prepare, for the year ended 31 December 2018, the:

(i) Life Subscriptions Account

**(4)**

(ii) Income and Expenditure Account.

**(5)**

(d) Evaluate the use of life membership subscriptions by clubs.

**(6)**

**(Total for Question 4 = 30 marks)**

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**5** Fix-it is a business that repairs double glazing in customers' homes.

The business employs **five** technicians who carry out the repairs in customers' homes.

Fix-it is preparing estimates for the next financial year ended 31 December 2019. The following information is available.

(1) Materials and parts

All materials and parts used will be charged to customer jobs at cost plus £15 per job.

(2) Labour

- Each technician works 50 hours per week for 48 weeks per year.
- Each technician spends 75% of their time on jobs chargeable to the customer, the remainder of their time is travelling and administration.
- Technicians are paid £7 per hour for the first 40 hours per week and time and a half for the remaining hours.
- A bonus of £32 per working week is also paid to **each** technician.

(3) Overheads

- Total budgeted overhead cost £135 000
- Overheads are recovered on the basis of **total direct labour hours** for all technicians hours chargeable to customers.

(4) The mark-up on all jobs will be 25%.

**Required**

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

**(2)**

(b) Calculate the:

(i) number of labour hours for **each** technician chargeable to the customer **per year**

**(2)**

(ii) labour rate **per hour** that customers must be charged to recover the total labour cost

**(3)**

(iii) overhead recovery rate to be charged **per direct labour hour**.

**(2)**

(c) Prepare a quotation for a customer where it is estimated that the materials and parts will cost £103 and the job will take 7 direct labour hours to complete.

**(5)**

(d) State **two** reasons why overheads might be **over-absorbed** in a year.

**(2)**

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Fix-it has a total budgeted overhead cost of £135 000 for the year ended 31 December 2019.

Fix-it has three departments: administration, stores and repairs.

The owner has provided the following information.

(1) Budgeted overheads

| | £ |
|---|---|
| Allocated- | |
| administration | 9 800 |
| stores | 2 700 |
| repairs | 4 500 |
| Motor vehicle expenses | 35 000 |
| Rent and rates | 25 000 |
| Management salaries | 48 000 |
| Premises insurance | 10 000 |

(2) Other information

| | Administration | Stores | Repairs |
|---|---|---|---|
| Motor vehicle (number) | 1 | 1 | 5 |
| Floor area (Sq m) | 4 000 | 1 000 | - |
| Employees (number) | 4 | 1 | 5 |

**Required**

(e) (i) Explain the difference between **allocation of overheads** and **apportionment of overheads**

**(2)**

(ii) Calculate, by completing the table in the Question Paper, the total budgeted overheads for **each** department for the year ended 31 December 2019.

**(6)**

(f) Evaluate the use of overhead apportionment.

**(6)**

**(Total for Question 5 = 30 marks)**

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**6** Maban started business on 1 November 2018 buying and selling goods on credit.

The following balances were available after the first month of trading on 30 November 2018.

| | £ |
|---|---|
| Trade receivables | 9 000 |
| Trade payables | 4 000 |
| Inventory | 15 000 |
| Bank overdraft | 12 000 |
| Accrued expenses | 2 000 |

**Required**

(a) Calculate the liquid (acid test) ratio for Maban at 30 November 2018.

**(2)**

Maban started his business with £5 000 in the bank and is concerned that after only one month's trading he has a £12 000 bank overdraft.

(b) State **four** possible reasons why Maban's bank balance has fallen from £5 000 to a £12 000 overdraft.

**(4)**

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During December 2018 the following was a summary of transactions.

(1) On 5 December, Fowler, a trade receivable was declared bankrupt paying £500 of his debt of £2 000. The balance was irrecoverable.

(2) The remaining trade receivables paid £7 000 by cheque.

(3) Trade payables were paid £3 500 by cheque.

(4) Sales were £15 000 and purchases £6 000. All sales and purchases were on credit.

(5) Maban marks up purchases by 50%.

(6) Expenses were £2 500 on credit of which £2 000 was paid by cheque.

(7) Maban introduced additional capital of £3 000 into the bank.

**Required**

(c) Calculate, at 31 December 2018, by completing the table, the value of the:

- trade receivables
- trade payables
- inventory
- bank (overdraft)
- accrued expenses.

**(14)**

(d) (i) Calculate the liquid (acid test) ratio for Maban at 31 December 2018

**(2)**

(ii) Comment on the movement in liquidity during December 2018.

**(2)**

(e) Evaluate the use of credit control in reducing irrecoverable debts.

**(6)**

**(Total for Question 6 = 30 marks)**

**TOTAL FOR SECTION B = 90 MARKS**
**TOTAL FOR PAPER = 200 MARKS**

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