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Please check the examination details below before entering your candidate information

| Candidate surname | Other names |
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Centre Number | Candidate Number

# Pearson Edexcel International Advanced Level

**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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Q:1/1/1/1/1/1/1/1/1/1

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## SECTION A

**Answer BOTH questions in this section.**

**Source material for Question 1 is on pages 2 to 4 of the Source Booklet.**

**1** (a) Explain **two** differences between **revenue expenditure** and **capital expenditure**.

**(4)**

1 .....

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(b) State whether **each** of the following costs is **revenue expenditure** or **capital expenditure.**

**(3)**

- Redecoration.

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- Additional computer equipment.

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- Advertising newly refurbished premises.

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(c) Prepare the journal entries, including bank entries, to record the premises refurbishment costs in the books. Narratives are **not** required.

**(4)**

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(d) Prepare for the year ended 30 April 2022 the:

(i) Statement of Profit or Loss and Other Comprehensive Income (including an appropriation section)

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(ii) current accounts of the partners.

**(4)**

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(e) Prepare the Statement of Financial Position at 30 April 2022.

**(12)**

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Linda and Rishi sell many of their goods on credit. They are considering changing the method of sale to cash sales **only**.

(f) Evaluate the possible change of the method of sale to cash sales **only**.

**(12)**

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**Source material for Question 2 is on pages 6 to 8 of the Source Booklet.**

**2** (a) Calculate the following ratios. Express your answers to two decimal places.

(i) Inventory turnover (in times per year).

**(2)**

(ii) Gross profit as a percentage of revenue.

**(2)**

(iii) Profit for the year as a percentage of revenue.

**(2)**

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(iv) Percentage return on capital employed.

**(2)**

(v) Trade payables payment period (in days).

**(2)**

(vi) Trade receivables collection period (in days).

**(2)**

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(b) Explain a possible reason for the changes in any **two** ratios for **each** of the following for the year ended 30 April 2022.

(i) Profitability of the business.

**(4)**

(ii) Liquidity of the business.

**(4)**

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(c) Explain the difference between:

(i) **fixed** costs and **variable** costs

**(4)**

(ii) **semi-fixed** costs and **semi-variable** costs.

**(4)**

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(d) State **one** example from Syed's costs of the following.

**(4)**

- Fixed cost

- Variable cost

- Semi-fixed cost

- Semi-variable cost.

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(e) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2023.

**(5)**

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A friend of Syed's has suggested that when planning the expansion of his business he should also consider social accounting aspects in addition to profit when operating his business.

(f) Explain **three** ways in which Syed could consider **social accounting** in operating his business.

**(6)**

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(g) Evaluate the use of profitability ratios as the **only** way of judging the success of a business.

**(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 pages 10 and 11 of the Source Booklet.**

**3** (a) Prepare the trial balance for the Hillside Sports Club at 30 April 2022 including the balance of the accumulated fund at that date.

**(9)**

**Hillside Sports Club**
**Trial Balance at 30 April 2022**

| | Dr | Cr |
|---|---|---|
| | £ | £ |
| Subscriptions received | | |
| Trade payables | | |
| Rent payable | | |
| Telephone charges | | |
| Equipment (cost) | | |
| Equipment – provision for depreciation | | |
| Bank overdraft | | |
| Equipment repairs | | |
| Disposal account (profit on sale) | | |
| Sale of dance tickets | | |
| Catering cost for dance | | |
| Hire of band for dance | | |
| Donations received | | |
| Sundry expenses | | |
| Accumulated fund | | |
| | | |
| | | |

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(b) Calculate the profit or loss of the dance.

**(5)**

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(c) Prepare the Income and Expenditure Account for the year ended 30 April 2022.

**(10)**

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(d) Evaluate the financial position of the Hillside Sports Club.

**(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 12 and 13 of the Source Booklet.**

**4** (a) State **four** reasons why Marvin might prepare control accounts.

**(4)**

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(b) Prepare the Trade Receivables Ledger Control Account for the month of April 2022.

**(10)**

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(c) Prepare the extract from the Statement of Financial Position showing the trade receivables balance at 30 April 2022.

**(3)**

(d) Prepare the B Luck Account in the books of Marvin.

**(7)**

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(e) Evaluate whether it is ever possible for Marvin to avoid **all** irrecoverable debts.

**(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 14 and 15 of the Source Booklet.**

**5** (a) Explain the following terms:

**(4)**

- overhead allocation

- overhead apportionment.

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(b) Prepare for the year ended 30 April 2022, the:

(i) Manufacturing Account

**(16)**

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(ii) Provision for Unrealised Profit Account.

**(4)**

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The Management of Harptree Manufacturing is considering changing the method of remuneration for production workers to a group bonus scheme basis.

(c) Evaluate the proposed change in the remuneration method.

**(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 16 and 17 of the Source Booklet.**

**6** (a) Explain how the following accounting concepts and conventions would be applied in the recording of non-current assets and charging depreciation.

(i) Historic cost

**(2)**

(ii) Consistency

**(2)**

(iii) Going concern

**(2)**

(b) Calculate the total depreciation charge on equipment for the year ended 30 April 2022.

**(4)**

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(c) Prepare for the year ended 30 April 2022, the:

(i) Equipment Account

**(4)**

(ii) Equipment – Provision for Depreciation Account

**(3)**

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(iii) Disposal Account.

**(4)**

(d) State **three disadvantages** of using the revaluation method for charging depreciation.

**(3)**

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(e) Evaluate whether Highgate Construction should continue to use the straight-line method for depreciating the equipment.

**(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

**Time** 3 hours

**Paper reference** **WAC11/01**

# Accounting

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

**Source Booklet**

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

*Turn over* ▶

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## SECTION A

**Answer BOTH questions in this section.**

**1** Linda and Rishi are in partnership as retailers.

Their partnership agreement states that:
- profits and losses will be shared equally
- there will be no partnership salaries paid
- interest on capital is paid at 5% per annum
- interest on drawings is charged at 8% per annum.

The following balances were available on 30 April 2022.

| | £ |
|---|---|
| Revenue | 570 000 |
| Inventory 1 May 2021 | 61 000 |
| Purchases | 390 000 |
| Capital accounts: | |
| Linda | 40 000 |
| Rishi | 60 000 |
| Current accounts: | |
| Linda | 2 000 Cr |
| Rishi | 450 Cr |
| Drawings: | |
| Linda | 15 000 |
| Rishi | 20 000 |
| Commission receivable | 6 750 |
| Trade receivables | 8 000 |
| Allowance for irrecoverable debts | 1 000 |
| Trade payables | 11 150 |
| Cash and bank | 17 350 Dr |
| Carriage inwards | 3 600 |
| Carriage outwards | 8 100 |
| Staff wages | 57 500 |
| General expenses | 9 200 |
| Management salaries | 38 000 |
| Non-current assets (cost): | |
| Computer equipment | 50 000 |
| Fixtures and fittings | 28 000 |
| Provisions for depreciation: | |
| Computer equipment | 21 000 |
| Fixtures and fittings | 9 000 |
| Rent and insurance | 4 800 |
| Irrecoverable debts | 2 850 |
| Advertising | 7 950 |

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**Additional information at 30 April 2022**

(1) Inventory £72 000

(2) Rent £450 is owing and insurance £800 was paid in advance.

(3) Depreciation is to be charged on all non-current assets owned at the end of the year.
- Computer equipment at the rate of 20% per annum reducing balance.
- Fixtures and fittings at the rate of 15% per annum straight line.

(4) The allowance for irrecoverable debts is to be maintained at 5% of trade receivables.

(5) A premises refurbishment had been completed on 20 April 2022 and **no entries** had been recorded in the books of account at 30 April 2022. The premises refurbishment consisted of the following.
- Redecoration at a cost of £12 600. This had been paid by cheque on 28 April 2022.
- Additional computer equipment was purchased on credit from JK Computers for £6 000
- Advertising newly refurbished premises £2 400. A cheque for £1 800 was issued on 28 April 2022. The balance is owing to Northtown Newspapers.

**Required**

(a) Explain **two** differences between **revenue expenditure** and **capital expenditure**.

**(4)**

(b) State whether **each** of the following costs is **revenue expenditure** or **capital expenditure**.
- Redecoration.
- Additional computer equipment.
- Advertising newly refurbished premises.

**(3)**

(c) Prepare the journal entries, including bank entries, to record the premises refurbishment costs in the books. Narratives are **not** required.

**(4)**

(d) Prepare for the year ended 30 April 2022 the:

(i) Statement of Profit or Loss and Other Comprehensive Income (including an appropriation section)

**(16)**

(ii) current accounts of the partners.

**(4)**

(e) Prepare the Statement of Financial Position at 30 April 2022.

**(12)**

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Linda and Rishi sell many of their goods on credit. They are considering changing the method of sale to cash sales **only**.

(f) Evaluate the possible change of the method of sale to cash sales **only**.

**(12)**

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

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**QUESTION 2 BEGINS ON THE NEXT PAGE.**

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**2** Syed is in business selling clothing.

The following were some of the balances available for the year ended 30 April 2022.

| | £ |
|---|---|
| Revenue | 240 000 |
| Inventory 1 May 2021 | 12 000 |
| Purchases | 96 000 |
| Rent | 25 000 |
| General expenses (including bank loan interest) | 71 000 |
| Capital | 120 000 |
| 8% bank loan | 50 000 |
| Trade payables | 15 000 |
| Trade receivables | 18 000 |

**Additional information**

(1) Inventory 30 April 2022 £18 000

(2) All purchases were on credit.

(3) 90% of revenue (sales) were on credit.

(4) The 8% bank loan was taken out on 1 May 2021.

(5) Depreciation for the year £14 000

**Required**

(a) Calculate the following ratios. Express your answers to two decimal places.

(i) Inventory turnover (in times per year).

**(2)**

(ii) Gross profit as a percentage of revenue.

**(2)**

(iii) Profit for the year as a percentage of revenue.

**(2)**

(iv) Percentage return on capital employed.

**(2)**

(v) Trade payables payment period (in days).

**(2)**

(vi) Trade receivables collection period (in days).

**(2)**

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Syed compared his calculations with information available for the previous year ended 30 April 2021. The comparison was as follows.

| | Year ended 30 April 2021 | Year ended 30 April 2022 |
|---|---|---|
| Inventory turnover (in times per year) | 7.20 times | **Calculated in (a)** |
| Gross profit as a percentage of revenue | 52% | **Calculated in (a)** |
| Profit for the year as a percentage of revenue | 13% | **Calculated in (a)** |
| Percentage return on capital employed | 35.20% | **Calculated in (a)** |
| Trade payables payment period (in days) | 39 days | **Calculated in (a)** |
| Trade receivables collection period (in days) | 31 days | **Calculated in (a)** |
| Current ratio | 1.80:1 | 2.40:1 |
| Liquid (acid test) ratio | 0.80:1 | 0.90:1 |

**Required**

(b) Explain a possible reason for the changes in any **two** ratios for **each** of the following for the year ended 30 April 2022.

(i) Profitability of the business.

**(4)**

(ii) Liquidity of the business.

**(4)**

Syed is considering expanding his business and has made projections for the next year ending 30 April 2023. The projections are as follows.

(1) Due to an increase in sales volume, revenue will increase by 25%.

(2) Due to bulk buying, the cost of **all** sales units will be 10% lower than last year.

(3) Annual depreciation will remain at £14 000 until revenue reaches £280 000 when it will increase to £19 000

(4) Rent will remain at the current level.

(5) General expenses (including bank loan interest) will be £30 000 plus 15 pence (£0.15) for every £1 of revenue.

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**Required**

(c) Explain the difference between:

(i) **fixed** costs and **variable** costs

**(4)**

(ii) **semi-fixed** costs and **semi-variable** costs.

**(4)**

(d) State **one** example from Syed's costs of the following.

- Fixed cost
- Variable cost
- Semi-fixed cost
- Semi-variable cost.

**(4)**

(e) Prepare the Forecast Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2023.

**(5)**

A friend of Syed's has suggested that when planning the expansion of his business he should also consider social accounting aspects in addition to profit when operating his business.

(f) Explain **three** ways in which Syed could consider **social accounting** in operating his business.

**(6)**

(g) Evaluate the use of profitability ratios as the **only** way of judging the success of a business.

**(12)**

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

**TOTAL FOR SECTION A = 110 MARKS**

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**QUESTION 3 BEGINS ON THE NEXT PAGE.**

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## SECTION B

**Answer THREE questions from this section.**

**3** The following balances were extracted from the books of the Hillside Sports Club on 30 April 2022.

| | £ |
|---|---|
| Subscriptions received | 2 950 |
| Trade payables | 1 850 |
| Rent payable | 1 500 |
| Telephone charges | 320 |
| Equipment (cost) | 4 510 |
| Equipment – provision for depreciation | 1 100 |
| Bank overdraft | 70 |
| Equipment repairs | 600 |
| Disposal account (profit on sale) | 150 |
| Sale of dance tickets | 2 100 |
| Catering cost for dance | 390 |
| Hire of band for dance | 500 |
| Donations received | 300 |
| Sundry expenses | 1 450 |
| Accumulated fund | **To be calculated** |

**Required**

(a) Prepare the trial balance for the Hillside Sports Club at 30 April 2022 including the balance of the accumulated fund at that date.

**(9)**

**Additional information at 30 April 2022**

(1) Subscriptions paid in advance for year commencing 1 May 2022 £200

(2) Subscriptions still due for year ended 30 April 2022 £860

(3) The dance organised by the club had the following sums outstanding.
Sale of dance tickets to members £580 was still owed.
Catering cost – 70% of the total catering cost was still owed.
Hire of band – 60% of the total band cost was still owed.

(4) Equipment repairs included £250 for the purchase of new equipment.

(5) The equipment was revalued at £3 310

(6) Sundry expenses £420 is owing and £130 was paid in advance.

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**Required**

(b) Calculate the profit or loss of the dance.

**(5)**

(c) Prepare the Income and Expenditure Account for the year ended 30 April 2022.

**(10)**

(d) Evaluate the financial position of the Hillside Sports Club.

**(6)**

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

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**4** Marvin prepares control accounts at the end of each month. On 30 April 2022 the following information was available.

Trade Receivables Ledger Control Account
Balances 1 April 2022 £8 700 Dr
£250 Cr

**Summary of transactions for April 2022**

| Details | £ | Notes |
|---|---|---|
| Sales | 11 500 | £2 600 of sales were for cash, the balance was on credit. |
| Cheques received from trade receivables | 8 350 | Cheques included £420 from B Luck which was 'dishonoured' by the bank on 28 April 2022. |
| Sales returns | 800 | Included £250 of cash sales returns. |
| Discount allowed | 350 | |
| Interest charged for overdue accounts | 80 | |
| Contra | 50 | Balance of £50 owing by G Weeks 'set off' against Trade Payables Ledger Control balance. |
| Irrecoverable debts | 730 | Includes debt of B Luck |

Balances 1 May 2022 **Debit balance to be calculated**
£400 Cr

**Required**

(a) State **four** reasons why Marvin might prepare control accounts.

**(4)**

(b) Prepare the Trade Receivables Ledger Control Account for the month of April 2022.

**(10)**

(c) Prepare the extract from the Statement of Financial Position showing the trade receivables balance at 30 April 2022.

**(3)**

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The following transactions relate to the account of B Luck, one of Marvin's customers.

| | |
|---|---|
| 1 April 2022 | B Luck owed Marvin a balance of £420 |
| 18 April 2022 | B Luck sent a cheque to Marvin for £420 |
| 20 April 2022 | Sold goods to B Luck on credit £120 |
| 28 April 2022 | Cheque sent on 18 April was 'dishonoured' by the bank. |
| 30 April 2022 | Debt of B Luck declared irrecoverable. |
| 25 May 2022 | B Luck offered 25 pence (£0.25) in the pound on his outstanding debt in final settlement. This was accepted by Marvin. |

**Required**

(d) Prepare the B Luck Account in the books of Marvin.

**(7)**

(e) Evaluate whether it is ever possible for Marvin to avoid **all** irrecoverable debts.

**(6)**

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





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**5** The following were some of the balances extracted from the books of Harptree Manufacturing on 30 April 2022.

The business has manufacturing and administrative departments.

| | £ |
|---|---|
| Purchases of raw materials | 134 250 |
| Opening inventory: | |
| Raw materials | 20 500 |
| Work in progress | 42 100 |
| Production wages | 165 750 |
| Rent and rates | 27 000 |
| Electricity and power | 7 200 |
| Production expenses | 9 000 |
| Management salaries | 75 000 |
| Royalty payments | 10 200 |
| Canteen costs | 18 000 |
| Non-current asset depreciation | 33 000 |
| Provision for unrealised profit – 1 May 2021 | 6 700 |

**Additional information at 30 April 2022**

(1) Inventory value:
Raw material £18 900
Work in progress £38 700
Finished goods £48 300

(2) 60% of production expenses are direct and 40% are indirect.

(3) Other information:

| | Manufacturing | Administration |
|---|---|---|
| Floor area occupied (sq m) | 1 400 | 400 |
| Employees (number) | 30 | 20 |
| Non-current asset capacity (kw h) | 600 | 300 |
| Non-current asset book value (£000) | 700 | 400 |

(4) A manufacturing profit of 15% is added to the cost before transfer to the Statement of Profit or Loss and Other Comprehensive Income Account.

**Required**

(a) Explain the following terms:
- overhead allocation
- overhead apportionment.

**(4)**

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(b) Prepare for the year ended 30 April 2022, the:

(i) Manufacturing Account

**(16)**

(ii) Provision for Unrealised Profit Account.

**(4)**

Harptree Manufacturing has a single production line for its products. Production workers are remunerated on a day work basis.

The Management of Harptree Manufacturing is considering changing the method of remuneration for production workers to a group bonus scheme basis.

(c) Evaluate the proposed change in the remuneration method.

**(6)**

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

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**6** The following information is available for the equipment of Highgate Construction.

1 May 2021 Balances brought down
Equipment £240 000
Equipment – provision for depreciation £45 000

**Purchases and sales of equipment during year**

1 August 2021 Sold equipment for £9 000 cash.

The equipment had cost £24 000 and had a £16 900 provision for depreciation when sold.

1 November 2021 Purchased equipment at a cost of £32 000 on credit from CT and Partners.

1 January 2022 Purchased equipment at a cost of £16 000 paying by cheque.

**Additional information**

- Depreciation on equipment is charged at the rate of 15% per annum straight line.
- Charged pro rata to the months of ownership for equipment bought or sold.

**Required**

(a) Explain how the following accounting concepts and conventions would be applied in the recording of non-current assets and charging depreciation.

(i) Historic cost

**(2)**

(ii) Consistency

**(2)**

(iii) Going concern

**(2)**

(b) Calculate the total depreciation charge on equipment for the year ended 30 April 2022.

**(4)**

(c) Prepare, for the year ended 30 April 2022, the:

(i) Equipment Account

**(4)**

(ii) Equipment – Provision for Depreciation Account

**(3)**

(iii) Disposal Account.

**(4)**

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At a monthly Management Meeting the Sales Manager made the following statement.

'I do not think that we are using the right method of depreciation for our equipment. If we look at one piece of equipment, the digging machine that cost £30 000, the carrying value and the market value for the last three years do seem to be quite different. Is it better for us to use a revaluation method for the depreciation of all equipment?'

| Year ended 30 April | Carrying value £ | Market value £ |
|---|---|---|
| 2019 | 25 500 | 20 000 |
| 2020 | 21 000 | 12 000 |
| 2021 | 16 500 | 10 000 |

(d) State **three disadvantages** of using the revaluation method for charging depreciation.

**(3)**

(e) Evaluate whether Highgate Construction should continue to use the straight-line method for depreciating the equipment.

**(6)**

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

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

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