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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Friday 19 May 2023

Afternoon (Time: 3 hours)

Paper reference **WAC11/01**

Accounting

International Advanced Subsidiary
UNIT 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. Write your answers in the spaces provided.

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

1 (a) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2023 showing the profit or loss made by **each** department. A total column is **not** required.

(26)

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(b) Prepare the Statement of Financial Position at 30 April 2023.

(17)

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(c) Evaluate whether Bernie should expand the use of information and communication technology (ICT) in his business.

(12)

(Total for Question 1 = 55 marks)

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

2 (a) State **two** roles of accounting in a business.

(2)

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(b) Prepare for the year ended 30 April 2023, including the year end transfers, the:

(i) Rent and Rates Account

(6)

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(ii) Commission Receivable Account.

(4)

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(c) Prepare the Journal entries correcting the errors 1 to 6. Narratives are **not** required.

(12)

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(d) Explain for **each** of the errors 1 to 3 the accounting concept or convention that had been broken.

(6)

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(e) Prepare the Suspense Account showing the original difference in the trial balance totals.

(4)

(f) Explain the term **net realisable value**.

(2)

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(g) Calculate the value of the inventory at 30 April 2023 using the First In First Out (FIFO) **periodic valuation** method.

(7)

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(h) Evaluate the statement that Simple Really should value its inventory on a Last In First Out (LIFO) basis.

(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. Write your answers in the spaces provided.

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) Calculate the:

(i) gross profit as a percentage of revenue

(2)

(ii) inventory turnover

(2)

(iii) percentage return on capital employed

(2)

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(iv) liquid (acid test) ratio

(2)

(v) trade receivables collection period (days)

(2)

(vi) trade payables payment period (days).

(2)

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(b) Comment on Magna Bold's:

(i) inventory turnover

(2)

(ii) liquidity

(2)

(iii) credit control.

(2)

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(c) Explain **three non-financial factors** that Vulture Capital should consider before making the purchase of Magna Bold.

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The owner of Vulture Capital stated that 'The decision whether to purchase the business should solely be made upon the ratios of profitability and liquidity'.

(d) Evaluate this statement.

(6)

(Total for Question 3 = 30 marks)

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QUESTION 4 BEGINS ON THE NEXT PAGE.

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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) Explain the difference between **trade discount** and **cash discount**.

(4)

(b) Calculate Anaya's bank balance at 30 April 2023.

(3)

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(c) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2023

(9)

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(ii) Statement of Financial Position at 30 April 2023.

(8)

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(d) Evaluate Anaya's decision to **not** maintain a full set of books of account.

(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) Calculate the **total wage** to be paid to **each** of the employees for Week 23.

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(b) Calculate the output per hour of **each** employee in Week 23.

(3)

(c) State which employee was the most productive in Week 23.

(1)

(d) Calculate the forecast for Week 24 of the:

(i) **total labour cost** of the group of Aadva, Brandon and Chanaka if the group selected and packed a total of 2 100 orders

(4)

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(ii) cost of selecting and packing **one order**.

(3)

(e) Explain **two** disadvantages of a group bonus scheme.

(4)

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(f) Evaluate from Aadva's perspective the proposed introduction of the group bonus scheme.

(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) Complete the schedule of non-current assets below. Insert your answers in **each** of the shaded boxes.

(8)

Schedule of Non-current Assets at 30 April 2023

	Motor vehicles	**Equipment**	**Fixtures and fittings**
	£	£	£
Cost at 1 May 2022	185 000	90 000	
Additions for year		15 000	5 000
Disposals for year	(25 000)		–
Non-current assets (at cost)		**100 000**	**20 000**
Less depreciation			
Provision at 1 May 2022	(50 000)	(35 000)	
Accumulated depreciation on disposals	10 000		–
Depreciation for the year ended 30 April 2023		(10 000)	(3 000)
Accumulated depreciation	**(80 000)**	**(41 000)**	**(12 000)**
Carrying value at 30 April 2023	120 000	59 000	

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(b) Calculate the annual percentage depreciation being charged on:

(i) motor vehicles

(3)

(ii) fixtures and fittings.

(3)

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(c) Explain **two** reasons for charging depreciation on non-current assets.

(4)

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(d) Prepare the Non-current Asset Disposal Account for the year ended 30 April 2023.

(6)

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The Sales Manager said that.

'We depreciate some non-current assets using the straight line method and some using the reducing balance method. Why do we not just use the same method for **all** non-current assets?'

(e) Evaluate the Sales Manager's statement.

(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

Friday 19 May 2023

Afternoon (Time: 3 hours)

Paper reference **WAC11/01**

Accounting

International Advanced Subsidiary

UNIT 1: The Accounting System and Costing

Source Booklet

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SECTION A

Answer BOTH questions in this section.

1 Bernie's Food Store retails a range of foods.

It has two departments:

- Fresh foods – selling fruit and vegetables
- Packaged foods – selling tins and packets.

The following information is available for the year ended 30 April 2023.

		£
Revenue –	Fresh foods	160 000
	Packaged foods	640 000
Wages –	Fresh foods	21 000
	Packaged foods	32 000
Management salaries		42 000
Purchases –	Fresh foods	97 500
	Packaged foods	549 700
Purchase returns –		
	Packaged foods	4 200
Premises running costs		9 600
Advertising		10 900
Cash and bank		19 400 Dr
Non-current assets (cost)		
Leasehold premises		60 000
Fridges and equipment		28 000
Fixtures and fittings		22 500
Non-current assets (provisions for depreciation)		
Leasehold premises		12 000
Fridges and equipment		26 200
Fixtures and fittings		7 500
Allowance for irrecoverable debts		5 000
Electricity and water		8 400
Insurance		1 800
Inventory 1 May 2022 –		
	Fresh foods	2 000
	Packaged foods	28 000
Credit card expenses paid		5 500
Capital		70 000
10% bank loan		40 000
Bank loan interest paid		2 200
Drawings		10 500
Trade payables		41 700
Trade receivables		55 600

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Additional information at 30 April 2023

- Inventory – Fresh foods £1 500
  Packaged foods £29 500
- Electricity was £130 prepaid and water, £280, was owing.
- The 10% bank loan was taken out on 1 August 2022 and is repayable in full on 30 June 2025.
- Advertising of £2 100 was owing.
- Fridges and equipment with a cost of £6 500 and accumulated depreciation of £5 200 were sold on 26 April 2023 for their carrying value. They were replaced on that date by fridges and equipment costing £12 000. All receipts and payments were made by cheque. No entries for the sale or purchase had been recorded in the books of account.
- Depreciation is charged on all non-current assets owned at the end of the year.
  - Leasehold premises have a lease for 20 years.
  - Fridges and equipment at the rate of 20% per year using the reducing balance method.
  - Fixtures and fittings at the rate of 10% per year using the straight line method.
- Expenses are to be apportioned to departments as follows.

Expense	**Basis**	**Fresh foods**	**Packaged foods**
Management salaries	Employee numbers	7	13
Premises running costs Insurance	Floor area	90 sq m	270 sq m
Depreciation on non-current assets	Estimated usage	40%	60%
Electricity and water	Estimated usage	40%	60%
Advertising Credit card expenses Bank loan interest	Revenue	£160 000	£640 000

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Required

(a) Prepare the Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2023 showing the profit or loss made by **each** department.

A total column is **not** required.

(26)

(b) Prepare the Statement of Financial Position at 30 April 2023.

(17)

Bernie has been advised that he could improve his business by using information and communication technology (ICT) to prepare his accounts, control his inventory and plan for future years.

(c) Evaluate whether Bernie should expand the use of information and communication technology (ICT) in his business.

(12)

(Total for Question 1 = 55 marks)

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2 Barsha is the new bookkeeper for a business called Simple Really. On starting her new job she finds that the books of account are incomplete and contain errors.

She needs to complete the books of account and correct the errors to prepare the financial statements for the year ended 30 April 2023.

Barsha finds that two accounts have not been completed, the Rent and Rates Account and the Commission Receivable Account.

The following information is available.

Balances 1 May 2022

Rent payable owing	£400
Rates payable prepaid	£150
Commission receivable owing	£75

Payments and receipts

1 August 2022	Six months' rent paid by cheque	£1 200
1 June 2022	One year's rates paid by cheque	£900
1 February 2023	Six months' rent paid by cheque	£1 200
16 January 2023	Commission received by cheque	£850

On 30 April 2023

Two months' rent was outstanding
Three months' rates had been paid in advance.
Commission receivable of £50 was owed to Simple Really

Required

(a) State **two** roles of accounting in a business.

(2)

(b) Prepare for the year ended 30 April 2023, including the year end transfers, the:

(i) Rent and Rates Account

(6)

(ii) Commission Receivable Account.

(4)

Barsha then prepared a trial balance which failed to balance. On inspection of the books of account it was found that a number of errors had been made.

1 Payments of £900 made to the owner of the business had been recorded in the Wages Account.

2 Notification had been received that a trade receivable, P Grimes, was bankrupt owing Simple Really £3 150. No entries had been made in the books.

3 Small office equipment items costing less than £10 each are to be recorded as sundry expenses. Items over £10 each are recorded in the Office Equipment Account. Two items, one costing £6 and the other costing £8 were recorded in the Office Equipment Account.

4 Discount allowed had been correctly recorded in the personal accounts but the total of £120 had been credited to the Discount Allowed Account.

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5 Sales on credit to Jerin, £230, had been correctly recorded in the Sales Account but had been recorded as £320 in the account of Jerin.

6 Office expenses, £45, had been recorded correctly in the Cash Book but no other entry had been made in the books.

Required

(c) Prepare the Journal entries correcting the errors 1 to 6. Narratives are **not** required.

(12)

(d) Explain in **each** of the errors 1 to 3 the accounting concept or convention that had been broken.

(6)

(e) Prepare the Suspense Account showing the original difference in the trial balance totals.

(4)

On inspecting the inventory records Barsha finds that the inventory has not been valued at 30 April 2023.

The following information is available.

The business has two products that it sells, the Standard and the Extra.

- Inventory at 1 May 2022

  Standard 200 units at £10 each
  Extra 100 units at £15 each

- Movements of inventory during the year were:

Year ended 30 April 2023	Standard		Extra	
	Receipts	Sales	Receipts	Sales
Quarter 1	200 @ £10	190 @ £20	50 @ £15	80 @ £25
Quarter 2	200 @ £10	260 @ £20	150 @ £15	120 @ £25
Quarter 3	200 @ £10	150 @ £20	150 @ £15	90 @ £25
Quarter 4	150 @ £10	100 @ £20	100 @ £18	110 @ £28

- When carrying out the inventory count it was discovered that 50 Standard units which were purchased in Quarter 4 were damaged and would **each** require £2 material and £3 in labour to repair them. Those 50 Standard units could then be sold for £12 each.

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Required

(f) Explain the term **net realisable value**.

(2)

(g) Calculate the value of the inventory at 30 April 2023 using the First In First Out (FIFO) **periodic valuation** method.

(7)

The owner of Simple Really has stated that the business should value its inventory on a Last In First Out (LIFO) basis.

(h) Evaluate the statement that Simple Really should value its inventory on a Last In First Out (LIFO) basis.

(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 Vulture Capital is considering the purchase of Magna Bold.

The following balances were available from the financial statements of Magna Bold on 30 April 2023.

	£'000
Sales (80% on credit)	500
Purchases (90% on credit)	300
Cost of sales	350
Expenses (including bank loan interest)	115
Capital	250
Trade receivables	80
Trade payables	20
Five-year bank loan	200
Bank overdraft	50
Inventory 30 April 2023	40
Bank loan interest	10

Required

(a) Calculate the:

(i) gross profit as a percentage of revenue

(2)

(ii) inventory turnover

(2)

(iii) percentage return on capital employed

(2)

(iv) liquid (acid test) ratio

(2)

(v) trade receivables collection period (days)

(2)

(vi) trade payables payment period (days).

(2)

Additional information

	Sector average
Inventory turnover	7 times
Liquid (acid test) ratio	0.9 : 1
Trade receivables collection period (days)	30 days

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(b) Comment on Magna Bold's:

(i) inventory turnover

(2)

(ii) liquidity

(2)

(iii) credit control.

(2)

(c) Explain **three non-financial factors** that Vulture Capital should consider before making the purchase of Magna Bold.

(6)

The owner of Vulture Capital stated that 'The decision whether to purchase the business should solely be made upon the ratios of profitability and liquidity'.

(d) Evaluate this statement.

(6)

(Total for Question 3 = 30 marks)

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4 Anaya started her business on 1 May 2022 selling water coolers. She opened a business bank account with £2 000 capital and commenced trading.

She did not keep a set of books of account but the following summary of information is available for the year ended 30 April 2023.

- All sales and purchases of water coolers were on credit.
- 450 water coolers were sold in the year. Of these, 300 were sold at the full retail price of £300 each. 100 were sold with a trade discount of 15% and 50 were sold with a trade discount of 25%.
- Cheques for £105 000 had been received from customers **after** they had taken £4 000 in cash discount.
- 500 water coolers were purchased in the year for £150 each. Of these, 10 were returned to the manufacturer as faulty.
- Cheques for £60 000 had been paid to the supplier and after the deduction of cash discount the balance of £12 800 was owing at the end of the year.
- On 1 May 2022 Anaya purchased fixtures and fittings at a cost of £6 300 and a delivery vehicle at a cost of £7 500. Payment was by cheque.
- Premises were rented at a cost of £3 000 per quarter (3 months). £11 000 had been paid by cheque for rent during the year.
- General expenses of £18 000 were paid by cheque during the year. On 30 April 2023 £900 was prepaid and £630 was still owing.
- Wages paid to staff by bank transfer were £16 500
- Anaya took drawings of £400 per month until December 2022 and then increased the drawings to £500 per month for the remainder of the financial year. Payment was by bank transfer.

Additional information at 30 April 2023

Fixtures and fittings were revalued at £5 000 and the delivery vehicle was revalued at £5 800

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Required

(a) Explain the difference between **trade discount** and **cash discount**.

(4)

(b) Calculate Anaya's bank balance at 30 April 2023.

(3)

(c) Prepare the:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2023

(9)

(ii) Statement of Financial Position at 30 April 2023.

(8)

(d) Evaluate Anaya's decision **not** to maintain a full set of books of account.

(6)

(Total for Question 4 = 30 marks)

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5 Three employees work in the warehouse of a business called Thames selecting and packing customer orders ready for delivery.

The following information is available for Week 23.

Name	Basic hours	Overtime hours	Orders selected and packed
Aadya	40	16	840
Brandon	24	0	480
Chanaka	40	5	540

Remuneration for the three employees is calculated on the following basis.

- All basic hours are paid at the rate of £6 per hour.
- Overtime is paid at time and one third per hour.
- An individual bonus of £0.50 per order is paid when an employee exceeds 500 orders selected and packed per week.

Required

(a) Calculate the **total wage** to be paid to **each** of the employees for Week 23.

(9)

(b) Calculate the output per hour of **each** employee in Week 23.

(3)

(c) State which employee was the most productive in Week 23.

(1)

Thames is considering replacing the existing remuneration system with a group bonus scheme in Week 24. The terms of the group bonus scheme are.

- The group will have three employees: Aadva, Brandon and Chanaka.
- Each member of the group will work 50 hours per week. 40 hours will be paid at £7 per hour and 10 hours will be paid at time and a half.
- The group will be required to select and pack a **total** of 2 000 orders per week.
- If the group selects and packs **above** a total of 2 000 orders per week, they will be paid a bonus of £35 for **each** employee for the week.

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Required

(d) Calculate the forecast for Week 24 of the:

(i) **total labour cost** of the group of Aadva, Brandon and Chanaka if the group selected and packed a total of 2 100 orders.

(4)

(ii) cost of selecting and packing **one order.**

(3)

(e) Explain **two** disadvantages of a group bonus scheme.

(4)

(f) Evaluate from Aadva's perspective the proposed introduction of the group bonus scheme.

(6)

(Total for Question 5 = 30 marks)

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6 Timmis Enterprises requires completion of the following schedule to prepare its financial statement.

Schedule of Non-current Assets at 30 April 2023

	Motor vehicles	**Equipment**	**Fixtures and fittings**
	£	**£**	**£**
Cost at 1 May 2022	185 000	90 000	**To be calculated**
Additions for year	**To be calculated**	15 000	5 000
Disposals for year	(25 000)	**To be calculated**	–
Non-current assets (at cost)	**To be calculated**	**100 000**	**20 000**
Less depreciation			
Provision at 1 May 2022	(50 000)	(35 000)	**To be calculated**
Accumulated depreciation on disposals	10 000	**To be calculated**	–
Depreciation for the year ended 30 April 2023	**To be calculated**	(10 000)	(3 000)
Accumulated depreciation	**(80 000)**	**(41 000)**	**(12 000)**
Carrying value at 30 April 2023	120 000	59 000	**To be calculated**

Additional information

- A full year's depreciation is charged on **all** non-current assets owned on 30 April 2023.
- Motor vehicles are depreciated using the reducing balance method.
- Equipment and fixtures and fittings are depreciated using the straight line method.

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Required

(a) Complete the schedule of non-current assets in your question paper. Insert your answers in **each** of the shaded boxes.

(8)

(b) Calculate the annual percentage depreciation being charged on:

(i) motor vehicles

(3)

(ii) fixtures and fittings.

(3)

(c) Explain **two** reasons for charging depreciation on non-current assets.

(4)

During the year ended 30 April 2023 Timmis Enterprises received payment by cheque for disposals of motor vehicles for £14 000 and equipment for £2 500

(d) Prepare the Non-current Asset Disposal Account for the year ended 30 April 2023.

(6)

The Sales Manager said that

'We depreciate some non-current assets using the straight-line method and some using the reducing balance method. Why do we not just use the same method for **all** non-current assets?'

(e) Evaluate the Sales Manager's statement.

(6)

(Total for Question 6 = 30 marks)

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

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