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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

Thursday 12 October 2023

Morning (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 Statement of Profit Loss and Other Comprehensive Income (including an appropriation account) for the year ended 30 September 2023.

(17)

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(b) Prepare the ledger accounts for the year ended 30 September 2023.

(i) Capital account of Bipul

(3)

(ii) Current account of Artem

(4)

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(c) Prepare the Statement of Financial Position at 30 September 2023.

(19)

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(d) Evaluate the decision of Artem and Bipul to bring additional capitals into the business rather than increasing the bank loan further.

(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) Calculate for the year ended 30 September 2023 the:

(i) total sales

(6)

(ii) purchases of raw materials.

(4)

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(b) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2023.

(11)

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(c) Calculate the **total cost** of making **one** sandwich ready for sale.

(7)

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(d) Explain the terms:

(i) day work

(2)

(ii) piecework.

(2)

(e) Calculate the **total cost** of making **one** sandwich ready for sale using piecework as the method of remuneration.

(5)

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(f) Calculate the total wage that would be earned by Brett for period three using:

(i) day work

(3)

(ii) piecework.

(3)

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(g) Evaluate the possible change of remuneration from day work to piecework from the viewpoint of Costas.

(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) State **three** ways in which the preparation of control accounts could be useful to Andreas in running his business.

(3)

1 .....

.....

2 .....

.....

3 .....

.....

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(b) Prepare the Trade Receivables Ledger Control Account for the month ended 31 August 2023.

(11)

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(c) Prepare the Journal entries in the books of account to record the £90 receipt on 15 September 2023. Narratives are **not** required.

(6)

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(d) State **four** ways in which Andreas might use credit control to reduce the possibility of incurring irrecoverable debts in the future.

(4)

1 .....

.....

2 .....

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3 .....

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4 .....

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(e) Evaluate Andreas selling goods only for cash.

(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 **one** reason for calculating each of the following:

(i) use of assets ratios

(2)

(ii) profitability ratios.

(2)

(b) Calculate for Sunshine Partners the:

(i) gross profit as a percentage of revenue

(2)

(ii) percentage return on capital employed

(2)

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(iii) non-current assets to revenue ratio

(2)

(iv) inventory turnover (times per year)

(2)

(v) trade receivables collection period (days)

(2)

(vi) trade payables payment period (days).

(2)

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(c) Comment upon the ratios calculated in part (b) **and for the previous two years** under the following headings. Select **two** ratios for each of the following:

(i) control of cash movements

(4)

(ii) profitability.

(4)

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(d) Evaluate the use of social accounting in the decision making of a business.

(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 accounting concepts and conventions:

(i) business entity

(2)

(ii) realisation

(2)

(iii) accruals.

(2)

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(b) Calculate the:

(i) total production cost for the year ended 30 September 2023

(6)

(ii) profit for the year ended 30 September 2023

(5)

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(iii) bank balance at 30 September 2023.

(7)

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Banuja is considering employing a part-time bookkeeper to manage his accounts.

(c) Evaluate Banuja employing a part-time bookkeeper.

(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 page 16 of the Source Booklet.

6 (a) Explain how the following errors occur:

(i) an error of original entry

(2)

(ii) an error of principle.

(2)

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(b) Prepare the journal entries to correct the errors (1) to (5). Narratives are **not** required.

(10)

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(c) Prepare the Suspense Account showing the **original difference** in the trial balance.

(4)

(d) Calculate the revised profit for the year ended 30 September 2023 **after the correction** of all errors.

(6)

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(e) Evaluate whether Casey should calculate a draft profit when it is known that there are errors in the books of account.

(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

Thursday 12 October 2023

Morning (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 Artem and Bipul are in partnership sharing profits and losses in the ratio 3 : 2. Artem is paid a salary of £6 000 per annum but Bipul receives no salary. Interest will be paid on capital and charged on drawings.

The following balances remained in the books of account on 30 September 2023 after preparing the trading account.

	£
Cash and bank	14 000
5 % bank loan	50 000
Bank loan interest paid	1 400
Capital accounts:	
Artem	35 000
Bipul	20 000
Current accounts:	
Artem	600 Dr
Bipul	250 Cr
Commission allowed	4 000
Commission received	8 100
Drawings:	
Artem (excluding salary)	12 000
Bipul	9 000
General expenses	9 700
Gross profit	101 040
Inventory 30 September 2023	38 200
Irrecoverable debts	900
Motor vehicle running expenses	7 100
Non-current assets (at cost):	
Equipment	25 000
Motor vehicles	40 000
Fixtures and fittings	9 000
Non-current assets – (provision for deprecation):	
Equipment	10 000
Motor vehicles	14 000
Fixtures and fittings	6 100
Allowance for irrecoverable debts	3 100
Rent paid	16 500
Salary paid – Artem	6 000
Selling expenses	6 800
Trade payables	22 410
Trade receivables	46 500
Wages	23 300

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Additional information at 30 September 2023

(1) Selling expenses of £1 700 were prepaid.

(2) One month's rent of £1 500 was owing.

(3) Commission allowed of £500 had been posted in error to the debit of the commission received account.

(4) The 5 % bank loan had been increased on 1 April 2023 by £20 000

(5) Equipment costing £6 000 was traded in part exchange at its carrying value of £2 500 on 20 December 2022 for replacement equipment costing £7 500. The balance was settled by cheque. No entries had been made in the books.

(6) Depreciation will be charged on all non-current assets owned on 30 September 2023 at the rate of:

- Equipment 15 % per annum using the reducing balance method.
- Motor vehicles 20 % per annum using the straight line method.
- Fixtures and fittings 10 % per annum using the straight line method.

(7) A further £1 500 is to be written off as irrecoverable debts.

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

(9) On 1 April 2023 Artem had increased her capital by £5 000 by cheque and Bipul had increased his capital by £2 000 in cash.

(10) Interest on drawings and interest on capital for the year was calculated as follows.

	Interest on capital paid	**Interest on drawings charged**
Artem	£1 400	£720
Bipul	£800	£540

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Required

(a) Prepare the Statement of Profit Loss and Other Comprehensive Income (including an appropriation account) for the year ended 30 September 2023.

(17)

(b) Prepare the ledger accounts for the year ended 30 September 2023.

(i) Capital account of Bipul

(3)

(ii) Current account of Artem.

(4)

(c) Prepare the Statement of Financial Position at 30 September 2023.

(19)

(d) Evaluate the decision of Artem and Bipul to bring additional capitals into the business rather than increasing the bank loan further.

(12)

(Total for Question 1 = 55 marks)

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2 Costas is in business making and selling pre-packed sandwiches. He sells his sandwiches to local businesses that have a credit account and direct to other customers who pay in cash.

Costas does not keep full accounting records but has the following information available.

(1) Summarised cash book for the year ended 30 September 2023

	£		£
Balance b/d	2 700	Cash purchases of raw materials	9 800
Cash sales	48 400	Payments to trade payables for raw materials	34 900
Receipts from trade receivables	36 200	General expenses	8 900
8% bank loan	15 000	Rent	19 500
Delivery vehicle sale	2 700	Wages	17 000
Commission received	850	Bank loan interest paid	250
		Delivery vehicle purchased	9 000
		Balance c/d	6 500
	105 850		105 850

Other balances

	1 October 2022	30 September 2023
	£	£
Trade receivables	4 650	3 850
Trade payables	7 300	3 500
Inventory of raw materials	1 100	1 450
Wages owing	350	800
General expenses prepaid	950	–
General expenses owing	–	2 400
8% bank loan	–	15 000
Equipment (at valuation)	11 650	10 100
Delivery vehicle (at valuation)	4 000	8 300
Rent	–	to be calculated

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(2) Costas took £200 per week cash drawings before paying cash sales receipts into the bank.

(3) Irrecoverable debts of £2 100 are to be written off.

(4) One month's rent had been paid in advance.

(5) The 8% bank loan was taken out on 1 January 2023 and is for a period of five years.

(6) Costas always has only one delivery vehicle at a time.

Required

(a) Calculate for the year ended 30 September 2023 the:

(i) total sales

(6)

(ii) purchases of raw materials.

(4)

(b) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2023.

(11)

Costas is reviewing the cost of making each sandwich. The current costs are:

Sandwich	
Raw materials	
Bread	£1.50 for 20 slices (Two slices per sandwich)
Fillings	£6.00 for 1 500 grams (100 grams of filling per sandwich)
Packaging	£5.00 for 100 boxes (One box per sandwich)
Labour	
Make the sandwich	3 minutes per sandwich
Pack the sandwich	2 minutes per sandwich
Wages are at the rate of £9 per hour	
Overheads	
£1.20 per sandwich	

Required

(c) Calculate the **total cost** of making **one** sandwich ready for sale.

(7)

Costas currently remunerates on a day work basis his workers who make the sandwiches.

He is considering changing the workers' remuneration from day work to piecework.

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Required

(d) Explain the terms:

(i) day work

(2)

(ii) piecework.

(2)

If Costas changes his remuneration method from day work to piecework he has estimated that:

- the raw material purchase prices would remain the same but there would be a 10 % wastage of all raw materials.
- Labour
  - workers who make sandwiches would make 30 per hour and would be paid £0.30 per sandwich
  - workers who pack sandwiches would pack 40 per hour and would be paid £0.15 per sandwich.
- Overheads would reduce by 20 %.

Required

(e) Calculate the **total cost** of making **one** sandwich ready for sale using piecework as the method of remuneration.

(5)

Brett is a worker who packs sandwiches. It is projected that for period three Brett will work 45 hours including five hours overtime at time and one third.

During period three he will pack 2 700 sandwiches.

Required

(f) Calculate the total wage that would be earned by Brett for period three using:

(i) day work

(3)

(ii) piecework.

(3)

(g) Evaluate the possible change of remuneration from day work to piecework from the viewpoint of Costas.

(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 Andreas is in business buying and selling goods on credit. The following balances were available for August 2023.

		£
Trade receivables	1 August 2023	4 500
Sales revenue		14 730
Sales returns		1 500
Discount allowed		230
Irrecoverable debt		1 050
Allowance for irrecoverable debts		600

Additional information for August 2023

(1) Sales revenue for the month of August included cash receipts totalling £2 600

(2) Bank receipts from trade receivables totalled £10 900

(3) A cheque for £130 banked on 3 August was dishonoured on 26 August.

(4) A refund of £60 was paid to a trade receivable for an overcharge.

(5) Interest of £25 had been charged to a trade receivable for late payment.

(6) The contra sum of £620 had been set-off with the Trade Payables Ledger Control Account.

(7) Trade receivables on 31 August 2023 included a credit balance of £360

Required

(a) State **three** ways in which the preparation of control accounts could be useful to Andreas in running his business.

(3)

(b) Prepare the Trade Receivables Ledger Control Account for the month ended 31 August 2023.

(11)

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In July 2023 Andreas had recorded a debt owed by Polis as an irrecoverable debt when Polis was declared bankrupt.

On 15 September 2023 a cheque was received for £90 as final settlement of Polis's debt.

Required

(c) Prepare the Journal entries in the books of account to record the £90 receipt on 15 September 2023. Narratives are **not** required.

(6)

(d) State **four** ways in which Andreas might use credit control to reduce the possibility of incurring irrecoverable debts in the future.

(4)

A friend has advised that Andreas should sell all goods for cash only.

(e) Evaluate Andreas selling goods only for cash.

(6)

(Total for Question 3 = 30 marks)

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4 Sunshine Partners has provided the following information from its financial statements for the year ended 30 September 2023.

	£000's
Revenue	600
Cost of sales	360
Expenses	220
Non-current assets	660
Inventory – 30 September 2023	85
Trade receivables	120
Capital	720
5 % bank loan (10 year)	80
Trade payables	50
Bank overdraft	15

Additional information
Inventory – 1 October 2022 £75 000
All revenue sales / purchases are on credit.

Required

(a) State **one** reason for calculating each of the following:

(i) use of assets ratios

(2)

(ii) profitability ratios.

(2)

(b) Calculate for Sunshine Partners the:

(i) gross profit as a percentage of revenue

(2)

(ii) percentage return on capital employed

(2)

(iii) non-current assets to revenue ratio

(2)

(iv) inventory turnover (times per year)

(2)

(v) trade receivables collection period (days)

(2)

(vi) trade payables payment period (days).

(2)

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Sunshine Partners also provided additional information for the previous two years.

	Year ended 30 September 2021	Year ended 30 September 2022
Gross profit as a percentage of revenue	30%	32%
Percentage return on capital employed	10%	6%
Non-current assets to revenue	£0.75 for every £1	£0.83 for every £1
Inventory turnover	4.0 times	4.2 times
Trade receivables collection period	40 days	60 days
Trade payables payment period	60 days	55 days

Required

(c) Comment upon the ratios calculated in part (b) **and for the previous two years** under the following headings. Select **two** ratios for each of the following:

(i) control of cash movements

(4)

(ii) profitability.

(4)

(d) Evaluate the use of social accounting in the decision-making of a business.

(6)

(Total for Question 4 = 30 marks)

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5 Banuja started a business making wooden garden furniture on 1 October 2022. He decided that to start with he would concentrate on making and selling a single product, the garden seat.

Banuja started the business with manufacturing equipment of £2 000 and a bank balance of £4 000

Banuja has no training in accounting, but at the end of the first year of trading on 30 September 2023 he prepared the following profit statement.

	£	£
Sales receipts		16 800
Raw materials purchased and paid	5 000	
Wages paid	9 000	
Production expenses paid	3 800	
Selling expenses paid	2 300	
		(20 100)
Loss		(3 300)

Additional information at 30 September 2023

(1) During the year 100 garden seats were manufactured of which 90 had been sold to retailers at a price of £200 each.

(2) The inventory of unused raw materials was valued at a cost of £500

(3) Wages included £5 000 drawings by Banuja.

(4) Production expenses of £700 were prepaid.

(5) Selling expenses of £450 were owing.

(6) Manufacturing equipment was valued at £1 600

(7) There was no production work in progress.

(8) Trade receivables were £1 200

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Required

(a) Explain the following accounting concepts and conventions:

(i) business entity

(2)

(ii) realisation

(2)

(iii) accruals.

(2)

(b) Calculate the:

(i) total production cost for the year ended 30 September 2023

(6)

(ii) profit for the year ended 30 September 2023

(5)

(iii) bank balance at 30 September 2023.

(7)

Banuja is considering employing a part-time bookkeeper to manage his accounts.

(c) Evaluate Banuja employing a part-time bookkeeper.

(6)

(Total for Question 5 = 30 marks)

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6 Casey prepared a trial balance on 30 September 2023. Although the totals of the trial balance failed to agree he did proceed to calculate a draft profit for the year of £7 900

On further inspection of his books of account he found the following errors had been made.

(1) Elena, a credit customer of Casey, had returned goods costing £520 as damaged. No entries had been made in the books of account.

(2) Drawings of £450 had been posted to the Wages Account.

(3) Commission receivable, £250, had been correctly entered in the Cash Book and had been debited to the Commission Receivable Account.

(4) An insurance premium of £105 had been correctly entered in the account of Pearson Insurance but had been recorded as £150 in the Insurance Account.

(5) An irrecoverable debt of £720 had been correctly recorded in the account of Chalini but no other entry had been made.

Required

(a) Explain how the following errors occur:

(i) an error of original entry

(2)

(ii) an error of principle.

(2)

(b) Prepare the journal entries to correct the errors (1) to (5). Narratives are **not** required.

(10)

(c) Prepare the Suspense Account showing the **original difference** in the trial balance.

(4)

(d) Calculate the revised profit for the year ended 30 September 2023 **after the correction** of all errors.

(6)

(e) Evaluate whether Casey should calculate a draft profit when it is known that there are errors in the books of account.

(6)

(Total for Question 6 = 30 marks)

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