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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 GCSE

Wednesday 12 June 2024

Afternoon (Time: 1 hour 15 minutes)

Paper reference **4AC1/02R**

Accounting

Level 1/2

PAPER 2: Financial Statements

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Calculators may be used.

Information

- The total mark for this paper is 50.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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

1 Tang, a sole trader, provided the following balances at 31 December 2023.

Account	$
Business rates	1 430
Carriage inwards	800
Carriage outwards	1 300
Fixtures and fittings – cost	10 000
Fixtures and fittings – provision for depreciation	2 000
General expenses	5 800
Insurance	3 600
Irrecoverable debts	650
Motor expenses	22 890
Motor vehicles – cost	35 000
Motor vehicles – provision for depreciation	5 000
Opening inventory	8 700
Premises – cost	85 000
Purchases	89 000
Returns outwards	4 256
Revenue	150 000

Additional information

- Closing inventory was valued at $9 345
- On 31 December 2023 business rates, $570, were owing and insurance, $600, was paid in advance.
- During the year Tang took goods costing $3 290 for his personal use.
- The purchase of a new motor vehicle, $15 000, has been included in the motor expenses account.
- Depreciation on non-current assets is to be provided for as follows:
  - fixtures and fittings, 10% per annum, using the straight line method
  - motor vehicles, 25% per annum, using the reducing balance method.
- A full year's depreciation is charged on assets held at the year end.

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(a) Prepare the income statement for the year ended 31 December 2023.

(20)

Tang

Income statement for the year ended 31 December 2023

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Tang is considering two options to improve his financial record keeping.

Option 1: employ a part-time bookkeeper.

Option 2: purchase an accounting software package.

(b) Discuss **both** options and advise Tang which option he should choose.

(5)

Option 1

Option 2

Advice

(Total for Question 1 = 25 marks)

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2 Bob, a sole trader, provided the following information at 29 February 2024.

	$
Allowance for doubtful debts	346
Bank loan (2028)	10 000
Cash at bank	2 198
Cash in hand	289
Drawings	5 552
Equity – 1 March 2023	30 000
Fixtures and fittings (carrying value)	11 900
Inventory	8 531
Motor vehicles (carrying value)	15 400
Other payables	211
Other receivables	600
Profit for the year	8 083
Trade payables	4 320
Trade receivables	8 490

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(a) Prepare the statement of financial position for Bob at 29 February 2024.

(10)

Bob

Statement of financial position at 29 February 2024

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(b) (i) Calculate Bob's current (working capital) ratio and the liquid (acid test) ratio, stating the formula used. Answers should be given to **two** decimal places.

(4)

Ratio	Formula	Answer
Current (working capital)		
Liquid (acid test)		

(ii) Evaluate **both** ratios and state whether Bob should be satisfied with these figures.

(5)

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(c) State **one** difference between profitability and liquidity.

(2)

(d) Explain, referring to a relevant accounting concept, why it is necessary to adjust for other receivables and other payables at the year-end.

(4)

Concept

Explanation

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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