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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 10 May 2024

Afternoon (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. Write your answers in the spaces provided.

Source material for Question 1 is on pages 2 and 3 of the Source Booklet.

1 (a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2024.

(21)

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(b) Prepare the Statement of Financial Position at 30 April 2024.

(18)

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(c) Explain the terms:

(i) day work

(2)

(ii) piecework.

(2)

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(d) Evaluate the proposal to change the delivery drivers' remuneration to a system based on the deliveries made by the drivers.

(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 6 of the Source Booklet.

2 (a) Calculate for **each** of Alpha Stores and Beta Bargains the:

(i) gross profit as a percentage of revenue

(4)

(ii) profit for the year as a percentage of revenue

(4)

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(iii) inventory turnover (times)

(4)

(iv) current ratio

(4)

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(v) liquid (acid test) ratio

(4)

(vi) trade payables payment period (days)

(4)

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(vii) trade receivables collection period (days).

(4)

(b) Comment upon the following:

(i) Profitability of Alpha Stores

(3)

(ii) Liquidity of Beta Bargains.

(3)

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(c) Explain the term 'goodwill'.

(2)

(d) State **three** reasons why Asheni may be willing to pay for the goodwill of a business.

(3)

1

2

3

(e) Calculate the value of the goodwill that Asheni would have to pay if she were to purchase Beta Bargains for £100 000

(4)

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(f) Evaluate the use of information communication technology (ICT) in 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. 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 8 and 9 of the Source Booklet.

3 (a) State **two** differences when preparing accounts for:

- a club, such as the Oldmixon Tennis Club, and
- a sole trader.

(4)

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(b) Prepare for the year ended 30 April 2024 the:

(i) Subscriptions Account

(5)

(ii) Refreshments Trading Account

(4)

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(iii) Income and Expenditure Account.

(11)

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(c) Evaluate whether the Oldmixon Tennis Club should fund the refurbishment by taking out a £20 000 bank loan at 8% per annum or fund the refurbishment from raised subscription fees in one year.

(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 page 10 of the Source Booklet.

4 (a) Explain the terms:

(i) error of principle

(2)

(ii) suspense account.

(2)

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(b) Prepare the journal entries to correct the errors.

(10)

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(c) Complete the table showing the corrected profit **after** the correction of all errors.

(10)

Corrected profit

	£	£	£
Draft profit			19 000
	Increase	**Decrease**	
Error			
(1) Purchases			
(2) Payment to owner			
(3) Commission receivable			
(4) Depreciation			
(5) Allowance for irrecoverable debts			
Revised profit			

Workings

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(d) Evaluate the use of International Accounting Standards (IAS) when preparing financial statements.

(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 **two** causes of depreciation.

(4)

1 .....

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2 .....

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(b) Explain why some non-current assets are depreciated using the reducing balance method and other non-current assets are depreciated using the straight-line method.

(4)

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(c) Calculate the **total cost per year** of operating the:

(i) Classic petrol car

(6)

(ii) Super electric car.

(6)

	(i) Classic petrol	(ii) Super electric
	£	£
Depreciation		
Fuel cost		
Service maintenance		
Repairs		
Road tax		
Insurance		
Total cost per year		

Workings

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(d) Calculate the **total cost per kilometre** of operating the:

(i) Classic petrol car

(2)

(ii) Super electric car.

(2)

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(e) Evaluate whether Astil should purchase the Classic petrol car or the Super electric car. Your answer may consider financial and non-financial factors.

(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) Explain the terms:

(i) Allocation of overheads

(2)

(ii) Apportionment of overheads.

(2)

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(b) Calculate the **total overhead cost** of operating the productive departments by apportioning the service departments' overheads using **continuous allotment**.

(9)

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(c) Calculate the **overhead recovery rate per hour** to be charged by Abeer for **each** of the machining department and the assembly department, rounding to the nearest penny.

(6)

(d) Calculate the total **under absorption** or **over absorption of overheads** for the business of Abeer for the year ended 30 April 2024.

(5)

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(e) Evaluate the use of overhead recovery rates by Abeer.

(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 10 May 2024

Afternoon (Time: 3 hours)

Paper reference **WAC11/01**

Accounting

International Advanced Subsidiary

PAPER 11: The Accounting System and Costing

Source Booklet

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SECTION A

Answer BOTH questions in this section.

1 Rapid Supplies buys and sells goods on credit to local businesses.

The following balances were recorded in the books of account on 30 April 2024.

	£	
Allowance for irrecoverable debts	300	
5% bank loan (repayable 2026)	20 000	
Bank loan interest paid	500	
Capital	100 000	
Cash and bank	10 120	Dr
Commission received	8 000	
Delivery vehicle expenses	6 250	
Discount allowed	1 350	
Discount received	950	
Drawings	28 000	
General expenses	7 450	
Insurance	2 100	
Inventory – 1 May 2023	9 800	
Irrecoverable debts	850	
Marketing costs	11 250	
Non-current assets (at cost)		
Premises	90 000	
Delivery vehicles	54 000	
Office equipment	30 000	
Non-current assets		
(provision for depreciation)		
Premises	9 000	
Delivery vehicles	31 500	
Office equipment	13 400	
Power and water	13 500	
Purchases	187 900	
Rates	11 900	
Returns inwards	11 180	
Returns outwards	5 700	
Revenue	345 000	
Trade payables	15 500	
Trade receivables	12 800	
Wages and salaries	60 400	

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Additional information at 30 April 2024

(1) Inventory £12 000

(2) The 5% bank loan was taken out on 1 August 2023.

(3) Marketing costs included £4 500 paid for a promotion running from 1 January to 30 June 2024.

(4) Power owing was £1 100 and water prepaid was £400

(5) A delivery vehicle costing £14 000 and with an accumulated depreciation of £11 500 was sold for £3 750 cash on 20 April 2024. No entries had been made in the books of account to record the sale or receipt of cash.

(6) A full year's depreciation is charged on all non-current assets owned at the end of the year. Depreciation is charged at the rates of:

Premises – 2% using the straight-line method
Delivery vehicles – 20% using the reducing balance method
Office equipment – 25% using the straight-line method.

(7) Trade receivables of £400 are now irrecoverable and are to be written off.

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

Required

(a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2024.

(21)

(b) Prepare the Statement of Financial Position at 30 April 2024.

(18)

(c) Explain the terms:

(i) day work

(2)

(ii) piecework.

(2)

Rapid Supplies employs delivery drivers. At present, delivery drivers are paid a fixed rate per week. It is proposed to change their method of remuneration to a payment based on the deliveries made by the drivers.

(d) Evaluate the proposal to change the delivery drivers' remuneration to a system based on the deliveries made by the drivers.

(12)

(Total for Question 1 = 55 marks)

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2 Asheni is considering purchasing an electrical retail business.
She has identified two businesses that could be purchased, Alpha Stores and Beta Bargains.

The following summary financial information is available for both businesses.

	Alpha Stores	**Beta Bargains**
	Total for the year ended 30 April 2024	
	£ 000s	**£ 000s**
Revenue	800	800
Cost of sales	480	420
Expenses	300	260
	Balances at 30 April 2024	
	£ 000s	**£ 000s**
Trade receivables	40	50
Trade payables	35	55
Non-current assets	60	80
Cash and bank	10 Dr	24 Cr
Inventory	32	36
Bank loan repayable 2024	–	10

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Additional information

(1) The inventory on 1 May 2023

Alpha Stores £28 000

Beta Bargains £48 000

(2) Alpha Stores had the following profit for the year as a percentage of revenue in the previous two years ended 30 April

2022 10%

2023 8%

(3) The bank loan of Beta Bargains is repayable on 30 September 2024.

(4) Revenue (sales) is made for cash and on credit.

	Alpha Stores	**Beta Bargains**
Cash	20%	50%
Credit	80%	50%

(5) All purchases for Alpha Stores and Beta Bargains are made on credit.

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Required

(a) Calculate for **each** of Alpha Stores and Beta Bargains the:

(i) gross profit as a percentage of revenue

(4)

(ii) profit for the year as a percentage of revenue

(4)

(iii) inventory turnover (times)

(4)

(iv) current ratio

(4)

(v) liquid (acid test) ratio

(4)

(vi) trade payables payment period (days)

(4)

(vii) trade receivables collection period (days).

(4)

(b) Comment upon the following:

(i) Profitability of Alpha Stores

(3)

(ii) Liquidity of Beta Bargains.

(3)

(c) Explain the term 'goodwill'.

(2)

(d) State **three** reasons why Asheni may be willing to pay for the goodwill of a business.

(3)

The owner of Beta Bargains has stated that he would be prepared to sell his business for £100 000

(e) Calculate the value of the goodwill that Asheni would have to pay if she were to purchase Beta Bargains for £100 000

(4)

Alpha Stores and Beta Bargains do **not** use information communication technology (ICT) in the operation of their businesses or the preparation of their books of account.

(f) Evaluate the use of information communication technology (ICT) in a business.

(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 information is available for the Oldmixon Tennis Club for the year ended 30 April 2024.

(1) Subscriptions were £60 per annum for **each** of the 90 members for the year ended 30 April 2024.

On 1 May 2023 seven members had paid their subscriptions in advance and five members were in arrears.

Two of the members in arrears on 1 May 2023 paid in full and the remainder were considered irrecoverable debts.

On 30 April 2024 four members had paid in advance for the year commencing 1 May 2024 and six members' subscriptions were in arrears.

All receipts for subscriptions were paid by cheque.

(2) Refreshments were sold to members. Sales of refreshments during the year were £11 900

On 1 May 2023 the inventory was valued at a cost of £950. Purchases of £4 500 had been paid during the year and invoices for £1 200 had payment still outstanding.

A member had carried out an inventory count on 30 April 2024 and had valued the inventory at the selling price of £1 400. The club marks up refreshment costs by 25%.

(3) A grant was received from the Tennis Association of £5 000

(4) Depreciation is charged on equipment owned at the end of the year at the rate of 20% per annum using the straight-line method.

On 1 May 2023 the club owned equipment with a cost of £30 000 and a carrying value of £19 200

During the year equipment costing £4 000 which had been owned by the club for three years was sold for £2 300. Replacement equipment costing £6 000 was purchased.

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(5) Other expenses

Receipts and Payment Account entries for year ended 30 April 2024		Other information
Expense	**£**	
Rent	1 500	One quarter's (three months') rent is still outstanding at the end of the year.
Electricity and water	890	Electricity of £190 was outstanding and water of £135 was prepaid at the end of the year.
Wages	4 655	A short-term loan of £400 made to an employee was included in the balance.
Equipment repairs	1 500	All equipment repairs were paid in the year.
Sundry expenses	1 200	A refund to the club of £100 on sundry expenses was outstanding.

Required

(a) State **two** differences when preparing accounts for:

- a club, such as the Oldmixon Tennis Club, and
- a sole trader.

(4)

(b) Prepare for the year ended 30 April 2024 the:

(i) Subscriptions Account

(5)

(ii) Refreshments Trading Account

(4)

(iii) Income and Expenditure Account.

(11)

The Oldmixon Tennis Club is considering improvement works to the clubhouse.

Two options have been put forward by members to pay for the refurbishment:

(1) The club takes out a £20 000 bank loan at 8% per annum for ten years
(2) The subscription fee should be raised in one year to fund the refurbishment.

(c) Evaluate whether the Oldmixon Tennis Club should fund the refurbishment by taking out a £20 000 bank loan at 8% per annum or fund the refurbishment from raised subscription fees in one year.

(6)

(Total for Question 3 = 30 marks)

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4 Pire Solutions prepared a draft income statement for the year ended 30 April 2024 which showed a profit for the year of £19 000. The business was aware that there were some errors in the books of account.

On further inspection the following errors were discovered in the books of account.

(1) Credit purchases costing £7 100 had been correctly posted in the Suppliers Account but had been recorded in the Purchases Account as £1 700

(2) The owner of Pire Solutions had been paid £30 per week which had been paid and posted to the General Expenses Account for the 52 weeks of the year.

(3) Commission receivable at the rate of 2.5% of £30 000 sales had been recorded in the Cash Book but no other entry had been made in the books.

(4) Depreciation on office equipment had been charged for the year using the reducing balance method which had been calculated at £350. This should have been charged at 20% using the straight-line method on the office equipment cost of £3 000

(5) The allowance for irrecoverable debts on 1 May 2023 of £3 450 was not adjusted at the year end. The balance of trade receivable at 30 April 2024 was £80 000 and Pire Solutions estimated that 3.5% of debts would become irrecoverable.

Required

(a) Explain the terms:

(i) error of principle

(2)

(ii) suspense account.

(2)

(b) Prepare the journal entries to correct the errors.

(10)

(c) Complete the table in the question paper showing the corrected profit **after** the correction of all errors.

(10)

(d) Evaluate the use of International Accounting Standards (IAS) when preparing financial statements.

(6)

(Total for Question 4 = 30 marks)

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5 Astil is in business as a sole trader. He is considering the purchase of a new car to use in his business.

He is considering two options manufactured by Molvo Cars, the Classic petrol version and the Super electric.

The following information is available for both cars.

	Classic petrol	**Super electric**
Cost	£35 000	£52 500
Resale value after 5 years	£15 000	£20 000
Annual usage	20 000 kilometres (km) per annum	20 000 kilometres (km) per annum
Fuel usage	8 km per litre of fuel	One electrical charge per 200 km
Fuel cost	£1.50 per litre	One electric charge costs £2 per hour for three hours
Service maintenance	£150 every 3 months	£175 every 10 000 km
Repairs	£200 per year	£150 per year
Road tax	£150 per year	£0 per year
Insurance	£200 plus £50 per year for each 5 000 km over 10 000 km	£100 per 3 months

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Required

(a) Explain **two** causes of depreciation.

(4)

(b) Explain why some non-current assets are depreciated using the reducing balance method and other non-current assets are depreciated using the straight-line method.

(4)

(c) Calculate the **total cost per year**, by completing the table in the question paper, of operating the:

(i) Classic petrol car

(6)

(ii) Super electric car.

(6)

(d) Calculate the **total cost per kilometre** of operating the:

(i) Classic petrol car

(2)

(ii) Super electric car.

(2)

(e) Evaluate whether Astil should purchase the Classic petrol car or the Super electric car. Your answer may consider financial and non-financial factors.

(6)

(Total for Question 5 = 30 marks)

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6 Abeer owns a business with two productive departments: machining and assembly, and two service departments: design and administration.

The projections of overhead costs for the next period were as follows.

	Machining	**Assembly**	**Design**	**Administration**
Overhead cost (£)	100 000	70 000	30 000	30 000
Expected labour hours worked	1 500	5 900	–	–
Expected machine hours worked	4 250	900	–	–

The usages of the service departments were as follows.

	Machining	**Assembly**	**Design**	**Administration**
Design	40%	40%	–	20%
Administration	50%	40%	10%	–

Required

(a) Explain the terms:

(i) Allocation of overheads

(2)

(ii) Apportionment of overheads.

(2)

(b) Calculate the **total overhead cost** of operating the productive departments by apportioning the service departments' overheads using **continuous allotment**.

(9)

(c) Calculate the **overhead recovery rate per hour** to be charged by Abeer for **each** of the machining department and the assembly department, rounding to the nearest penny.

(6)

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During the year ended 30 April 2024 the actual expenditure on overheads was £184000 and the actual hours worked were:

	Machining	Assembly
Actual hours worked		
Labour	1 550	5 500
Machine	4 400	650

(d) Calculate the total **under absorption** or **over absorption of overheads** for the business of Abeer for the year ended 30 April 2024.

(5)

(e) Evaluate the use of overhead recovery rates by Abeer.

(6)

(Total for Question 6 = 30 marks)

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

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