Centre No.						Paper Reference	Surname	Initial(s)
Candidate No.						W A C 0 1 / 0 1	Signature	

Paper Reference(s)

WAC01/01
Pearson Edexcel
International Advanced Level
Accounting (Modular Syllabus)
Unit 1: The Accounting System and Costing

Wednesday 14 May 2014 – Morning

Time: 3 hours

Examiner's use only

Team Leader's use only

Question Number	Leave Blank
1	
2	
3	
4	
5	
6	
7	
Total	

Materials required for examination	**Items included with question papers**
Nil	Source booklet

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.
Check that you have the correct question paper.
Answer FIVE questions, choosing TWO from Section A and THREE from Section B.
Indicate which question you are answering by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).
All calculations must be shown.
Write your answers in the spaces provided in this question paper.
Do not return the insert with the question paper.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. **(2)**.
There are 7 questions in this question paper. The total mark for this paper is 200.
There are 44 pages in this question paper. Any blank pages are indicated.
Calculators may be used.
The source material for use with questions 1 to 7 is in the enclosed source booklet.

Advice to Candidates

Write your answers neatly and in good English.

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P 4 3 1 7 9 R A 0 1 4 4

Turn over

PEARSON

Leave blank

SECTION A

Answer TWO questions from this section.

If you answer question 1, put a cross in this box ☒ .

Source material for question 1 is on pages 2 and 3 of the source booklet.

1. (a) Prepare the Commission Received on Software Sales Account for the year ended 31 March 2014, showing the transfer to the Statement of Comprehensive Income.

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(6)

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(b) Prepare the Statement of Comprehensive Income for the year ended 31 March 2014.

Leave blank

(16)

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(c) Prepare the Statement of Financial Position at 31 March 2014.

P 4 3 1 7 9 R A 0 5 4 4

Leave blank

(16)

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(d) Explain the treatment in the Statement of Financial Position for the:

(i) existing £50 000 6% bank loan (repayable on 31 March 2020)

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(3)

(ii) proposed new bank loan of £200 000.

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(3)

Leave blank

(e) Evaluate the use of accounting concepts in the preparation of financial statements.

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(8)

(Total 52 marks)

Q1

P 4 3 1 7 9 R A 0 8 4 4

Leave blank

If you answer question 2, put a cross in this box ☒ .

Source material for question 2 is on pages 4 and 5 of the source booklet.

2. (a) Calculate the following ratios for **both** the years ended 30 April 2013 **and** 30 April 2014:

(i) Gross profit as a percentage of revenue
(ii) Percentage return on capital employed
(iii) Trade receivables collection period (in days)
(iv) Current ratio
(v) Liquid (acid test) ratio

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(24)

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(b) Suggest **two** possible reasons for the change in the gross profit as a percentage of revenue in the year ended 30 April 2014.

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(4)

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(c) (i) Explain the term **return on capital employed**.

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(4)

(ii) Comment upon the percentage return on capital employed for Leung's business.

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(2)

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(d) (i) Explain the term **idle funds**.

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(3)

(ii) Comment upon the liquidity ratios calculated for Leung's business.

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(3)

(e) State **four** reasons why Leung's cash and bank balance has increased during the year ended 30 April 2014.

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(4)

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(f) Evaluate the financial position of Leung's business for the year ended 30 April 2014.

(8)

Q2

(Total 52 marks)

P 4 3 1 7 9 R A 0 1 4 4 4

Leave blank

If you answer question 3, put a cross in this box ☒ .

Source material for question 3 is on pages 6 and 7 of the source booklet.

3. (a) (i) Explain the difference between an **error of commission** and an **error of principle**.

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(4)

(ii) Identify **one** error from (1) to (7) which is an example of an:

- Error of commission

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- Error of principle.

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(2)

Leave blank

(b) Prepare the Journal entries to correct the errors (1) to (7). Narratives are **not** required.

Leave blank

(18)

Leave blank

(c) Prepare the corrected Trial Balance at 30 April 2014.

Leave blank

(20)

Leave blank

(d) Evaluate the usefulness to a business of preparing a trial balance.

(8)

Q3

(Total 52 marks)

TOTAL FOR SECTION A: 104 MARKS

Leave blank

SECTION B

Answer THREE questions from this section.

If you answer question 4, put a cross in this box ☒ .

Source material for question 4 is on pages 8 and 9 of the source booklet.

4. (a) Prepare the:

(i) Appropriation Account for the year ended 31 March 2014

(5)

Leave blank

(ii) Current Accounts of Hasibul and Iffath.

(6)

Leave blank

(b) Prepare the Goodwill Account at 1 April 2014.

(5)

Leave blank

(c) Prepare the Statement of Financial Position for the new partnership at 1 April 2014.

Leave blank

(12)

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(d) Evaluate Jila trading in a partnership compared with being a sole trader.

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(4)

Q4

(Total 32 marks)

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If you answer question 5, put a cross in this box ☒ .

Source material for question 5 is on page 10 of the source booklet.

5. (a) Explain the following terms, giving an example of each:

(i) Fixed cost
(ii) Semi-fixed cost
(iii) Variable cost

(i) Fixed cost ....

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(ii) Semi-fixed cost ....

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(iii) Variable cost ....

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(9)

Leave blank

(b) Calculate Aminath's profit/loss for the year ended 31 January 2014.

(9)

P 4 3 1 7 9 R A 0 2 8 4 4

Leave blank

(c) Prepare a job cost quotation for a customer where:

Raw materials cost Aminath	£1 200
Chargeable hours	20

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(d) Identify **three** business duties or tasks undertaken by Aminath that are not directly chargeable to the customer.

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(e) Evaluate the use of separate recovery rates for labour and overhead costs.

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(4)

Q5

(Total 32 marks)

Leave blank

If you answer question 6, put a cross in this box ☒ .

Source material for question 6 is on page 11 of the source booklet.

6. (a) Prepare for Apostolou the:

(i) summarised Bank Account for the year ended 30 April 2014

(9)

Leave blank

(ii) Statement of Comprehensive Income for the year ended 30 April 2014

(8)

P 4 3 1 7 9 R A 0 3 3 4 4

Turn over

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(iii) Statement of Financial Position at 30 April 2014.

Leave blank

(11)

Leave blank

(b) Evaluate the need for Apostolou to include a provision for doubtful debts when preparing his financial statements.

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(4)

Q6

(Total 32 marks)

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If you answer question 7, put a cross in this box ☒ .

Source material for question 7 is on pages 12 and 13 of the source booklet.

7. (a) Complete the table below showing the depreciation charged on delivery vehicles in **each** of the years ending 31 March 2013 and 31 March 2014.

Year ended	Delivery vehicle A £	Delivery vehicle B £	Delivery vehicle C £	Delivery vehicle D £	Total £
31 March 2013					
31 March 2014					

(6)

Leave blank

(b) Prepare for the years ended 31 March 2013 and 31 March 2014 the:

(i) Delivery Vehicles Account

(8)

Leave blank

(ii) Provision for Depreciation of Delivery Vehicles Account.

(8)

Leave blank

(c) Identify whether **each** of the costs is capital expenditure or revenue expenditure. State the reason for your answer.

1 Writing the sign of the business on new delivery vehicles

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2 Replacement tyres

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3 Installing satellite navigation into each delivery vehicle

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(6)

Leave blank

(d) Evaluate the suitability of the straight line method when depreciating delivery vehicles.

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(4)

Q7

(Total 32 marks)

TOTAL FOR SECTION B: 96 MARKS
TOTAL FOR PAPER: 200 MARKS

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Paper Reference(s)
WAC01/01

Pearson Edexcel

International Advanced Level

Accounting (Modular Syllabus)

Unit 1 – The Accounting System and Costing

Wednesday 14 May 2014 – Morning

Source booklet for use with Questions 1 to 7.

Do not return the insert with the question paper.

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SECTION A

SOURCE MATERIAL FOR USE WITH QUESTION 1

1. Marianna owns an information technology consultancy business, advising customers on computer hardware and software. The following balances were extracted from her books on 31 March 2014.

	£
Revenue from consultancy	295 000
Commission received from software sales	45 600
Staff wages and salaries	154 000
Drawings	32 000
Rent and rates	36 000
Heating and electricity	6 300
Trade receivables	34 000
Trade payables	7 700
Internet and communication charges	5 800
Cash and bank	4 450 Dr
Marketing expenses	55 000
Disposal account	6 250 Cr
Non-current assets (at cost):	
Fixtures and fittings	60 000
Computer equipment	76 000
Motor vehicles	90 000
Provisions for depreciation:	
Fixtures and fittings	18 000
Computer equipment	40 000
Motor vehicles	36 000
6% Bank loan (repayable on 31 March 2020)	50 000
Capital	55 000

Additional information at 31 March 2014:

(1) A customer was invoiced £7 500 for consultancy on 28 March 2014. This had not been recorded in the books.

(2) During the year only 9 months' rent and rates had been paid.

(3) Marketing expenses of £2 800 were pre-paid.

(4) The bank loan interest for the year is owing.

(5) Depreciation is to be charged as follows:
Fixtures and fittings at the rate of 15% per annum straight line
Computer equipment at the rate of 25% per annum reducing balance
Motor vehicles at the rate of 20% per annum straight line.

(6) Trade receivables of £1 500 are irrecoverable. A provision for doubtful debts of 5% of remaining debts is to be created.

(7) On 1 April 2013 there was a credit balance on the Commission Received for Software Sales Account of £600. During the year cheques totalling £45 000 were received from the software company. On 31 March 2014 £2 900 commission was owed to Marianna by the software company.

Required:

(a) Prepare the Commission Received on Software Sales Account for the year ended 31 March 2014, showing the transfer to the Statement of Comprehensive Income.

(6)

(b) Prepare the Statement of Comprehensive Income for the year ended 31 March 2014.

(16)

(c) Prepare the Statement of Financial Position at 31 March 2014.

(16)

Marianna is considering a major expansion of her business with the help of a new 10-year bank loan of £200 000. The terms of the new bank loan are that repayment will be by 10 equal annual instalments.

(d) Explain the treatment in the Statement of Financial Position for the:

(i) existing £50 000 6% bank loan (repayable on 31 March 2020)

(3)

(ii) proposed new bank loan of £200 000.

(3)

(e) Evaluate the use of accounting concepts in the preparation of financial statements.

(8)

(Total 52 marks)

Answer space for question 1 is on pages 2 to 8 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 2

2. Leung buys and sells office furniture. The following information relates to his last two financial years ended 30 April 2013 and 30 April 2014.

	Statement of Comprehensive Income for the year ended	
	30 April 2013	30 April 2014
	£	£
Revenue	700 000	750 000
Cost of sales	(420 000)	(500 000)
Gross profit	280 000	250 000
Less		
General expenses	(200 000)	(200 000)
Loan interest	(12 000)	(12 000)
Depreciation	(40 000)	(30 000)
Profit for the year	28 000	8 000

Additional note:
80% of revenues for both years were on credit.

	Statement of Financial Position at	
	30 April 2013	30 April 2014
	£	£
Non-current assets		
Cost	200 000	150 000
Accumulated depreciation	(120 000)	(90 000)
Carry over	80 000	60 000
Current assets		
Inventory	105 000	80 000
Trade receivables	135 000	55 000
Cash and bank	-	65 000
	320 000	260 000
Capital and equity		
Capital 1 May 2013	64 000	50 000
Profit for the year	28 000	8 000
	92 000	58 000
Drawings	(42 000)	(8 000)
Capital 30 April 2014	50 000	50 000
Non-current liabilities		
8% Loan	150 000	150 000
Current liabilities		
Trade payables	60 000	60 000
Bank overdraft	60 000	-
	320 000	260 000

Required:

(a) Calculate the following ratios for **both** the years ended 30 April 2013 **and** 30 April 2014:

(i) Gross profit as a percentage of revenue
(ii) Percentage return on capital employed
(iii) Trade receivables collection period (in days)
(iv) Current ratio
(v) Liquid (acid test) ratio

(24)

(b) Suggest **two** possible reasons for the change in the gross profit as a percentage of revenue in the year ended 30 April 2014.

(4)

(c) (i) Explain the term **return on capital employed**.

(4)

(ii) Comment upon the percentage return on capital employed for Leung's business.

(2)

(d) (i) Explain the term **idle funds**.

(3)

(ii) Comment upon the liquidity ratios calculated for Leung's business.

(3)

(e) State **four** reasons why Leung's cash and bank balance has increased during the year ended 30 April 2014.

(4)

(f) Evaluate the financial position of Leung's business for the year ended 30 April 2014.

(8)

(Total 52 marks)

Answer space for question 2 is on pages 9 to 14 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 3

3. Rakib's bookkeeper prepared the following Trial Balance at 30 April 2014. Rakib identified errors in both the Trial Balance preparation and the information from which it had been prepared.

Trial Balance at 30 April 2014

	Dr	Cr
	£	£
Purchases	70 550	
Revenue		150 000
Trade receivables		9 980
Trade payables	6 750	
Rent	4 500	
Bank overdraft		1 500
Other expenses	8 390	
Wages	50 000	
Discount allowed		900
Discount received		1 570
Non-current assets (at cost):		
Equipment	16 000	
Motor vehicles	26 000	
Provisions for depreciation:		
Equipment	8 000	
Motor vehicles	20 000	
Inventory 1 May 2013	8 610	
Capital		10 000
	218 800	173 950

The following errors were subsequently found:

(1) Purchases of £3 800 from Titan Supplies had been received on 20 April 2014. No entries had been made in the books.
(2) The Sales Day Book had been over-cast by £2 400.
(3) A payment of £900 to Patil, a creditor, had been posted to the account of Batik.
(4) Other Expenses of £300 had been debited to the Equipment Account.
(5) Discount received of £470 had been correctly entered in the Cash Book, but had been debited to the Discount Received Account.
(6) A payment of £850 for rent had been entered on the credit side of the Rent Account as £580 but entered correctly in the Cash Book.
(7) A motor vehicle with a cost of £14 000 and accumulated depreciation of £11 200 was sold with a cheque received for £4 000. No entries had been made in the books.

Required:

(a) (i) Explain the difference between an **error of commission** and an **error of principle**.

(4)

(ii) Identify **one** error from (1) to (7) which is an example of an:

- Error of commission
- Error of principle.

(2)

(b) Prepare the Journal entries to correct the errors (1) to (7). Narratives are **not** required.

(18)

(c) Prepare the corrected Trial Balance at 30 April 2014.

(20)

(d) Evaluate the usefulness to a business of preparing a trial balance.

(8)

(Total 52 marks)

Answer space for question 3 is on pages 15 to 20 of the question paper.

SECTION B

SOURCE MATERIAL FOR USE WITH QUESTION 4

4. Hasibul and Iffath are in partnership. The following balances were extracted from their books at 31 March 2014.

	£
Capital:	
Hasibul	50 000
Iffath	80 000
Current accounts:	
Hasibul	500 Dr
Iffath	6 500 Cr
Drawings:	
Hasibul	25 000
Iffath	16 000
Non-current assets (at cost)	120 000
Provision for depreciation of non-current assets	20 000
Trade payables	19 000
8% Bank loan	15 000
Cash and bank	10 000 Dr
Inventory	31 500
Trade receivables	27 000
Profit for the year	39 500

Additional information:

The Partnership Agreement of Hasibul and Iffath stated that:

1. profits and losses are shared in the ratio 2:1
2. interest is allowed on capital at the rate of 5% per annum
3. salaries are paid as follows: Hasibul £7 000 Iffath £5 000

Required:

(a) Prepare the:

(i) Appropriation Account for the year ended 31 March 2014 **(5)**

(ii) Current Accounts of Hasibul and Iffath. **(6)**

On 1 April 2014 Hasibul and Iffath admitted Jila as a partner. The following was agreed:

1. Profits and losses would be shared in the ratio 2:2:1
2. The goodwill of Hasibul and Iffath was valued at £120 000 on 31 March 2014. It was agreed that goodwill would **NOT** remain in the books of the new partnership
3. Non-current assets costing £30 000 were sold for their carry over (net book) value of £21 000. Payment to the partnership was half by cheque and half on credit
4. Jila would bring capital of £40 000 into the new partnership; £20 000 in cash and £20 000 in inventory
5. The 8% Bank loan was repaid

Required:

(b) Prepare the Goodwill Account at 1 April 2014. **(5)**

(c) Prepare the Statement of Financial Position for the new partnership at 1 April 2014. **(12)**

Jila had been trading as a sole trader before joining the partnership.

(d) Evaluate Jila trading in a partnership compared with being a sole trader. **(4)**

(Total 32 marks)

Answer space for question 4 is on pages 21 to 26 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 5

5. Aminath commenced business as a self-employed electrician on 1 February 2013. The following information is available for the year ended 31 January 2014:

- Raw materials costing £90 000 were used on customers' jobs in the year. Aminath marks-up raw materials by 20% before charging them to customers
- Aminath worked 50 hours per week for 50 weeks of the year
- 60% of the hours worked by Aminath were charged to customers
- Overhead costs were:

Advertising	£8 500
Rent of premises	£10 000
Motor vehicle running costs	£11 300

- Aminath charged customers at the rate of £30 per hour to recover his labour and overheads costs

Required:

(a) Explain the following terms, giving an example of each:

(i) Fixed cost
(ii) Semi-fixed cost
(iii) Variable cost

(9)

(b) Calculate Aminath's profit/loss for the year ended 31 January 2014.

(9)

(c) Prepare a job cost quotation for a customer where:

Raw materials cost Aminath	£1 200
Chargeable hours	20

(4)

(d) Identify **three** business duties or tasks undertaken by Aminath that are not directly chargeable to the customer.

(6)

Aminath is considering charging customers separate recovery rates for labour and overhead costs.

(e) Evaluate the use of separate recovery rates for labour and overhead costs.

(4)

(Total 32 marks)

Answer space for question 5 is on pages 27 to 31 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 6

6. Apostolou started business in 1 May 2013 buying and selling sports shoes. He did not maintain double entry accounts but provides the following information for the year ended 30 April 2014:

1. He started business on 1 May 2013 with inventory £5 000, bank £ 1 000 and trade payables of £4 500.
2. Cash sales were £18 500 and credit sales were £65 000. During the year trade receivables paid £55 600. This included a receipt of £600 as final settlement on a debt of £2 300. The remainder of the debt was irrecoverable.
3. Purchases of £49 000 were made on credit. Goods costing £1 900 were returned to suppliers. During the year trade payables were paid £43 000.
4. Inventory at 30 April 2014 was £15 000.
5. Fixtures and fittings were purchased for £6 000 by cheque. On 30 April 2014 these were valued at £5 200.
6. Expenses for the year:
   Rent £5 000 paid to 31 July 2014
   Wages £17 450
   Sundry expenses £4 600 paid to 31 March 2014
   Sundry expenses owing for April 2014 £650
7. Apostolou had drawn £7 500 during the year for his own use.
8. All receipts were banked and all payments were made through the bank account.

Required:

(a) Prepare for Apostolou the:

(i) summarised Bank Account for the year ended 30 April 2014

(9)

(ii) Statement of Comprehensive Income for the year ended 30 April 2014

(8)

(iii) Statement of Financial Position at 30 April 2014.

(11)

(b) Evaluate the need for Apostolou to include a provision for doubtful debts when preparing his financial statements.

(4)

(Total 32 marks)

Answer space for question 6 is on pages 32 to 36 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 7

7. Varsini Transport delivers goods nationwide. The following information relates to the delivery vehicles owned by Varsini Transport.

1 April 2011	Purchased delivery vehicle A £20 000
1 July 2012	Purchased delivery vehicle B £18 000
1 April 2013	Purchased delivery vehicle C £25 000
30 June 2013	Purchased delivery vehicle D for £28 000 giving delivery vehicle A in part exchange

Varsini Transport has the following depreciation policy:

- Delivery vehicles are depreciated at the rate of 20% per annum using the straight line method
- Depreciation is charged on delivery vehicles purchased and sold during the year on a pro rata basis according to the months of ownership
- All sales of delivery vehicles are recorded through a disposal account
- All payments and receipts for delivery vehicles are by cheque

Required:

(a) Complete the following table in your answer book showing the depreciation charged on delivery vehicles in **each** of the years ending 31 March 2013 and 31 March 2014.

Year ended	Delivery vehicle A £	Delivery vehicle B £	Delivery vehicle C £	Delivery vehicle D £	Total £
31 March 2013					
31 March 2014					

(6)

(b) Prepare for the years ended 31 March 2013 and 31 March 2014 the:

(i) Delivery Vehicles Account

(8)

(ii) Provision for Depreciation of Delivery Vehicles Account.

(8)

Varsini Transport had the following costs in the year ended 31 March 2014:

1. Writing the sign of the business on new delivery vehicles
2. Replacement tyres
3. Installing satellite navigation into each delivery vehicle

(c) Identify whether **each** of the costs above is capital expenditure or revenue expenditure. State the reason for your answer.

(6)

(d) Evaluate the suitability of the straight line method when depreciating delivery vehicles.

(4)

(Total 32 marks)

Answer space for question 7 is on pages 37 to 41 of the question paper.

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