

Paper Reference WAC11/01
Pearson Edexcel
International Advanced Level

Accounting

International Advanced Subsidiary

UNIT 1: The Accounting System and Costing

Tuesday 21 January 2025 – Afternoon

Time: 3 hours

Source Booklet

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SECTION A

Answer BOTH questions in this section.

1. **Aaira and Benul are in partnership buying and selling goods on credit.**

The partnership agreement states the following.

- **Salaries will be paid: Aaira £5 000 per annum and Benul £12 000 per annum.**
- **Interest on capital will be allowed at the rate of 6% per annum on closing balances.**
- **There will be no interest charged on drawings.**
- **Profits and losses will be shared: Aaira three fifths and Benul two fifths.**

The following balances on pages 5–6 were available from the books of account on 31 December 2024

(continued on the next page)

1. continued.

	£
5% bank loan	60 000
Allowance for irrecoverable debts	1 400
Bank loan interest paid	1 800
Capital accounts	
Aaira	50 000
Benul	25 000
Carriage inwards	5 500
Cash and bank	8 400 Dr
Computer training expenses	8 900
Current accounts	
Aaira	3 250 Dr
Benul	650 Cr
Delivery vehicle expenses	18 700
Discount allowed	4 100
Drawings – excluding salaries	
Aaira	7 500
Benul	8 000
Electricity and water	6 200
General expenses	7 300

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Turn over

1. continued.

	£
Inventory – 1 January 2024	52 000
Irrecoverable debts	1 500
Non–current assets – at cost	
Delivery vehicles	72 000
Computer equipment	40 000
Fixtures and fittings	20 000
Non–current assets – provisions for depreciation	
Delivery vehicles	20 000
Computer equipment	12 000
Fixtures and fittings	13 200
Purchases	200 000
Rent and rates	14 500
Revenue	425 000
Salaries	75 000
Trade payables	28 000
Trade receivables	41 000
Wages	39 600

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Turn over

1. continued.

Additional information at 31 December 2024

- (1) Inventory, **£62 500**
- (2) Electricity, **£900**, was owing and water, **£600**, was prepaid.
- (3) General expenses of **£400** were prepaid.
- (4) Salaries included the salaries paid to Aaira and Benul in full.
- (5) The **5%** bank loan was taken out on **1 January 2024** and will be repaid in five equal instalments on **1 January** each year, starting on **1 January 2025**
- (6) Fixtures and fittings costing **£3 000** purchased by cheque on **20 December 2024** had not been recorded in the books.
- (7) Depreciation is charged on all non-current assets owned at the end of the year as follows:
 - delivery vehicles at **25%** per annum using the straight-line method
 - computer equipment at **25%** per annum using the reducing balance method
 - fixtures and fittings at **10%** per annum using the straight-line method.
- (8) **£3 000** worth of trade receivables are considered irrecoverable and are to be written off.
- (9) The allowance for irrecoverable debts is to be maintained at **5%** of remaining trade receivables.

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1. continued.
Required

- (a) Prepare, for Aaira and Benul, the Statement of Profit or Loss and Other Comprehensive Income for the year ended **31 December 2024**, including an appropriation section.
(20 marks)
- (b) Prepare the:
- (i) current accounts of Aaira and Benul for the year ended **31 December 2024**
(5 marks)
- (ii) Statement of Financial Position at **31 December 2024**
(18 marks)

Aaira and Benul have had the opportunity to purchase their business premises. They need to select one of two methods to fund the purchase. The funding methods are to:

- borrow an **8%** bank loan for **10** years

OR

- admit a new partner sharing profits and losses equally. The new partner would bring in all the funds to finance the purchase.

- (c) Evaluate whether the **8%** bank loan OR the admission of a new partner would be the best method of funding the purchase of the business premises.
(12 marks)

(Total for Question 1 = 55 marks)

2. Casey prepared a trial balance the totals of which agreed. He then proceeded to prepare his annual financial statements on **31 December 2024** which showed a profit for the year of **£4 630**

On inspection of the books of account Casey found that the following errors existed.

- (1) Purchase returns of **10** items at **£35** each had not been recorded.
- (2) The closing inventory count on **31 December 2024** included **15** items at **£36** each. This had been totalled to **£54**
- (3) Commission receivable on **500** items at the rate of **£3** per item had been recorded in the accounts as a total of **£3 000**
- (4) Rent payable, **£250**, was prepaid and general expenses of **£425** were accrued on **31 December 2024**. No adjustments had been made in the financial statements for the prepayment and accrual.
- (5) A cheque received for **£300** from Idah, a trade receivable, had been posted to the account of Isaacs.
- (6) An irrecoverable debt of **£600** was written off in **2023**. A receipt of **£0·40** in the **£1** was received as a final settlement on that debt in **December 2024**. No entries had been made in the books to record the receipt.
- (7) The allowance for irrecoverable debts balance of **£1 000** on **1 January 2024** had not been adjusted. It was required to be **4%** of the **£35 000** trade receivables.

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2. continued.
Required

(a) State FOUR types of errors which would NOT be revealed by the trial balance.

(4 marks)

(b) Refer to the table for Question 2(b) in the Data Booklet. Calculate the corrected profit for the year ended 31 December 2024 by completing the table in the Data Booklet. If there is no effect on profit as a result of an error, state 'NO EFFECT'.

(14 marks)

(continued on the next page)

2. continued.

The following balances related to the non-current assets recorded in the books of account of Casey on 1 January 2024

(1) Balances 1 January 2024

	Motor vehicles	Fixtures and fittings
	£	£
Cost	40 000	13 000
Provision for depreciation	24 000	7 800

(2) On 30 June 2024, a motor vehicle, which had cost £16 000 and with a carrying value of £4 000, was sold for £5 500. Payment was made by cheque.

(3) On 1 July 2024, a new motor vehicle was purchased at a cost of £26 000. Payment was made by cheque.

(4) On 30 September 2024, additional fixtures and fittings costing £3 000 were purchased.

(5) Casey uses only the straight-line method and a single percentage rate of 15% for all non-current assets.

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2. continued.
Required

(c) Explain the meaning of the term DEPRECIATION.

(2 marks)

(d) Explain how the following concepts and conventions would be applied in the calculation of depreciation on non-current assets.

(i) going concern

(2 marks)

(ii) consistency.

(2 marks)

(e) Prepare for the year ended 31 December 2024 the:

(i) Motor Vehicles Account

(4 marks)

(ii) Motor Vehicles – Provision for Depreciation Account

(4 marks)

(iii) Non-current Assets Disposal Account.

(4 marks)

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2. continued.

- (f) Refer to the table for Question 2(f) in the Data Booklet. Complete the Schedule of Non-current Assets by filling in the table in the Data Booklet.
(7 marks)

Casey uses a single method and a single percentage rate of 15% for depreciating all non-current assets.

- (g) Evaluate the use of a single method and a single percentage rate of 15% for the depreciation of ALL non-current assets.
(12 marks)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3. Aadya is in business buying and selling goods.

On 31 December 2024, she prepared control accounts for trade receivables and trade payables. The information for the month of December 2024 is as follows.

(1) Balances 1 December 2024

	Dr	Cr
	£	£
Trade receivables ledger control account	5 550	200
Trade payables ledger control account	–	3 800

(2) Account balances from the ledger of Aadya for December 2024

	£
Sales	8 700
Purchases	4 650
Returns inwards	450
Returns outward	270
Discount allowed	180
Discount received	70
Interest charged on overdue accounts	40
Irrecoverable debts	350

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Turn over

3. continued.

(3) Sales of **£8 000** were on credit and sales of **£700** were in cash.

All purchases were made on credit.

(4) All returns inwards were credit transactions.

(5) Receipts from trade receivables and payments to trade payables were all by cheque.

Receipts from trade receivables: **£6 500**

Payments to trade payables: **£4 900**

(6) A cheque for **£1 200** received from Baadal and Co which had been previously banked was 'dishonoured' by the bank on **28 December 2024**

(7) There was a contra entry on **20 December 2024** for **£600** of goods sold on credit to Benay.

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3. continued.

(8) Balances of ledger accounts on **31 December 2024**

	Account balances	
	Trade receivables	Trade payables
	£	£
Anvi	1 230	–
Baadal and Co	2 000	–
Olive Tree Partners	3 410	–
Dulal	130 Cr	–
Benay	–	2 000
Chanuk	–	250
Danuja	–	360

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3. continued.

Required

(a) State TWO reasons for maintaining control accounts.

(2 marks)

(b) Prepare, for the month of December **2024**, the:

(i) Trade Receivables Ledger Control Account

(11 marks)

(ii) Trade Payables Ledger Control Account.

(7 marks)

(c) State TWO possible reasons why:

(i) there was a credit balance on her Trade Receivables Ledger Control Account on **1 December 2024**

(2 marks)

(ii) the cheque from Baadal and Co was dishonoured on **28 December 2024**

(2 marks)

(d) Evaluate the role of International Accounting Standards (IAS) in the preparation of financial statements.

(6 marks)

(Total for Question 3 = 30 marks)

4. Bitani buys and sells goods on credit.

The following information is available for the year 2024

(1) Balances for the year ended 31 December 2024

	£
Revenue	350 000
Cost of sales	190 000
Expenses – including bank loan interest	155 000

(2) Balances at 31 December 2024

	£
Non-current assets – carrying value	62 000
Inventory	16 000
Trade receivables	39 000
Trade payables	20 000
10% bank loan – repayable 2027	40 000
Bank	18 000 Dr
Capital	75 000

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4. continued.

Additional information

(1) Inventory on 1 January 2024 was £22 000

(2) All purchases were from a single supplier.

(3) The 10% bank loan was taken out in 2022 and is repayable in full in 2027

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4. continued.

Required

(a) State FOUR possible aspects of social accounting to be considered when making business decisions.

(4 marks)

(b) Calculate, to two decimal places, the:

(i) gross profit as a percentage of revenue

(2 marks)

(ii) percentage return on capital employed

(2 marks)

(iii) current ratio

(2 marks)

(iv) liquid (acid test) ratio

(2 marks)

(v) trade payables payment period (in days).

(2 marks)

(c) State, from the ratios calculated:

(i) TWO POSITIVE points about Bitani's business

(2 marks)

(ii) TWO NEGATIVE points about Bitani's business.

(2 marks)

(continued on the next page)

4. continued.

Bitani has been advised that she needs to act upon the following at once.

- **All purchases are made from a single supplier who has informed Bitani that only 30 days' credit will now be available to her, with immediate effect. Existing trade payables above that limit must be paid for immediately.**
- **There is a need to purchase new non-current assets at a cost of £15 000. Some existing non-current assets costing £10 000 will be traded in part exchange at their carrying value of £6 000**

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4. continued.
Required

(d) Calculate the:

(i) value of trade payables that must be paid immediately

(3 marks)

(ii) bank balance that Bitani will have remaining in her account after reducing the trade payables balance and buying the new non-current assets.

(3 marks)

A friend of Bitani told her that only the calculation of profitability matters when judging the future of a business.

(e) Evaluate the advice given by the friend to Bitani.

(6 marks)

(Total for Question 4 = 30 marks)

5. The Treasurer of the Ashmore Bowls Club prepared a summarised Receipts and Payments Account for the year ended 31 December 2024 which is shown below.

Receipts and Payments Account (Summarised)

Date	Details	£	Date	Details	£
2024			2024		
1 Jan	Balance b/d	2 600	31 Dec	Wages	3 450
31 Dec	Annual subscriptions	4 100		Rent	1 000
	10-year subscriptions	1 400		Purchase – new grass cutter	2 000
	Donations	3 150		Electricity and water	1 050
	Sale – grass cutter	650		Repairs	755
	Prize giving evening – Ticket sales receipts	1 800		Prize giving evening – Catering cost	500
				Balance c/d	4 945
		<u><u>13 700</u></u>			<u><u>13 700</u></u>
2025			2025		
1 Jan	Balance b/d	4 945			

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5. continued.

Additional information

(1) The Ashmore Bowls Club has two categories of membership subscriptions.

- Annual – where members pay £50 each year.
No annual subscriptions were written off as bad debts.**
- 10–year – where members pay at a reduced rate of £350, in advance,
for a 10–year period.**

**(2) 10% of the 10–year Membership Subscription Account is transferred to
the Income and Expenditure Account.**

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5. continued.

(3) Balances at

	1 January 2024 £	31 December 2024 £
Annual membership subscriptions		
– in arrears	300	150
– in advance	450	400
10–year membership subscriptions	2 800	3 500
Non–current assets (carrying value)	12 000	10 500
Electricity in arrears	–	80
Water in advance	120	160
Prize giving evening		
– ticket sales owing by members	–	850
– catering owing	–	925

(4) The grass cutter, a non–current asset, which was sold had cost £1 500 with an accumulated depreciation on 1 January 2024 of £700

(5) One third of the wages are for the prize giving evening.

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Turn over

5. continued.

Required

(a) Explain the terms:

(i) accumulated fund

(2 marks)

(ii) profit on sale of non-current asset.

(2 marks)

(b) Calculate, for the year ended **31 December 2024**, the:

(i) annual subscriptions

(4 marks)

(ii) profit or loss made on the prize giving evening.

(5 marks)

(c) Prepare the Income and Expenditure Account for the year ended
31 December 2024

(11 marks)

(d) Evaluate the Ashmore Bowls Club offering members a **10-year** membership at a reduced rate of subscription.

(6 marks)

(Total for Question 5 = 30 marks)

6. Caca owns a garage selling fuel for use in customers' cars.

The following information is available for the six months ended
31 December 2024

Date	Purchases of fuel for resale	Sales of fuel
2024		
July	4 000 litres @ £1·10 per litre	5 000 litres @ £1·40 per litre
August	10 000 litres @ £1·30 per litre	8 000 litres @ £1·50 per litre
September	7 000 litres @ £1·50 per litre	6 000 litres @ £1·80 per litre
October	5 000 litres @ £1·60 per litre	6 000 litres @ £2 per litre
November	4 000 litres @ £1·80 per litre	3 000 litres @ £2·20 per litre
December	3 000 litres @ £2 per litre	2 000 litres @ £2·40 per litre

Additional information

(1) The inventory of fuel on 1 July 2024 was 5 000 litres purchased at £1 per litre.

(2) Inventory is valued using the Last In First Out (LIFO)
PERPETUAL VALUATION method.

(continued on the next page)

6. continued.
Required

(a) Calculate the:

(i) value of the closing inventory of fuel, at **31 December 2024**, using the Last In First Out (LIFO) perpetual valuation method
(7 marks)

(ii) total purchases (in £) of fuel for the six months ended **31 December 2024**
(3 marks)

(iii) total sales (in £) of fuel for the six months ended **31 December 2024**
(3 marks)

(b) Prepare the Trading Account of Caca for the six months ended **31 December 2024**
(5 marks)

(c) Explain the terms:

(i) net realisable value (NRV)
(2 marks)

(ii) periodic valuation
(2 marks)

(iii) inventory rotation.
(2 marks)

(continued on the next page)

6. continued.

It has been suggested that Caca should change her inventory valuation to the First In First Out (FIFO) method.

(d) Evaluate the suggestion of changing the method of inventory valuation to First In First Out (FIFO).

(6 marks)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

END OF PAPER