

**Paper Reference WAC11/01**  
**Pearson Edexcel**  
**International Advanced Level**

# **Accounting**

**International Advanced Subsidiary**

**PAPER 1: The Accounting System and Costing**

**Friday 10 May 2024 – Afternoon**

**Time: 3 hours**

## **Source Booklet**

**Do NOT return this Source Booklet with the  
Question Paper.**

## SECTION A

**Answer BOTH questions in this section.**

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

**The following balances on pages 3–5 were recorded in the books of account on 30 April 2024.**

|  | £                |
|--|------------------|
| <b>Allowance for irrecoverable debts</b> | <b>300</b>       |
| <b>5% bank loan (repayable 2026)</b>     | <b>20 000</b>    |
| <b>Bank loan interest paid</b>           | <b>500</b>       |
| <b>Capital</b>                           | <b>100 000</b>   |
| <b>Cash and bank</b>                     | <b>10 120 Dr</b> |
| <b>Commission received</b>               | <b>8 000</b>     |
| <b>Delivery vehicle expenses</b>         | <b>6 250</b>     |
| <b>Discount allowed</b>                  | <b>1 350</b>     |
| <b>Discount received</b>                 | <b>950</b>       |
| <b>Drawings</b>                          | <b>28 000</b>    |
| <b>General expenses</b>                  | <b>7 450</b>     |

**(continued on the next page)**

**Turn over**

1. continued.

|  | £             |
|--|---------------|
| <b>Insurance</b>   | <b>2 100</b>  |
| <b>Inventory – 1 May 2023</b>                              | <b>9 800</b>  |
| <b>Irrecoverable debts</b>                                 | <b>850</b>    |
| <b>Marketing costs</b>                                     | <b>11 250</b> |
| <b>Non–current assets (at cost)</b>                        |               |
| <b>Premises</b>  | <b>90 000</b> |
| <b>Delivery vehicles</b>                                   | <b>54 000</b> |
| <b>Office equipment</b>                                    | <b>30 000</b> |
| <b>Non–current assets<br/>(provision for depreciation)</b> |               |
| <b>Premises</b>  | <b>9 000</b>  |
| <b>Delivery vehicles</b>                                   | <b>31 500</b> |
| <b>Office equipment</b>                                    | <b>13 400</b> |

(continued on the next page)

Turn over

## 1. continued.

|                    | £       |
|--------------------|---------|
| 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  |

(continued on the next page)

1. continued.

## **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.**

**(continued on the next page)**

**Turn over**

**1. continued.**

**(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.**

**(continued on the next page)**

1. continued.

## **Required**

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

**(21 marks)**

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

**(18 marks)**

**(c) Explain the terms:**

**(i) day work**

**(2 marks)**

**(ii) piecework.**

**(2 marks)**

**(continued on the next page)**



**1. continued.**

**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 marks)**

**(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 on pages 10 and 11 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           |

(continued on the next page)

2. continued.

|                          | Alpha<br>Stores           | Beta<br>Bargains |
|--------------------------|---------------------------|------------------|
|                          | 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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**2. continued.**

## **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.**

**(continued on the next page)**

2. continued.

(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.

(continued on the next page)

**2. continued.**

**Required**

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

**(i) gross profit as a percentage of revenue  
(4 marks)**

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

**(iii) inventory turnover (times)  
(4 marks)**

**(iv) current ratio  
(4 marks)**

**(v) liquid (acid test) ratio  
(4 marks)**

**(vi) trade payables payment period (days)  
(4 marks)**

**(continued on the next page)**

**Turn over**

**2. (a) continued.**

**(vii) trade receivables collection period (days).  
(4 marks)**

**(b) Comment upon the following:**

**(i) Profitability of Alpha Stores  
(3 marks)**

**(ii) Liquidity of Beta Bargains.  
(3 marks)**

**(c) Explain the term 'goodwill'.  
(2 marks)**

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

**(continued on the next page)**

**2. continued.**

**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 marks)**

**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 marks)**

**(Total for Question 2 = 55 marks)**

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**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.**

**(continued on the next page)**

**3. continued.**

- (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.**

**(continued on the next page)**

**Turn over**

3. continued.

(5) Other expenses

| Receipts and Payment Account<br>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.                          |

(continued on the next page)

Turn over

3. continued.

## **Required**

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

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

**(4 marks)**

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

**(i) Subscriptions Account**

**(5 marks)**

**(ii) Refreshments Trading Account**

**(4 marks)**

**(iii) Income and Expenditure Account.**

**(11 marks)**

**(continued on the next page)**

**3. continued.**

**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 marks)**

**(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**

(continued on the next page)

**4. continued.**

- (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.**

**(continued on the next page)**



**4. continued.**

## **Required**

**(a) Explain the terms:**

**(i) error of principle  
(2 marks)**

**(ii) suspense account.  
(2 marks)**

**(b) Prepare the journal entries to correct the errors.  
(10 marks)**

**(c) Refer to the table for Question 4(c) in the  
Data Booklet.**

**Complete the table in the Data Booklet showing the  
corrected profit AFTER the correction of all errors.  
(10 marks)**

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

**(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 information on page 27 is available for both cars.**

**(continued on the next page)**

5. continued.

|                                   | <b>Classic petrol</b>  | <b>Super electric</b>  |
|-----------------------------------|--|--|
| <b>Cost</b>                       | <b>£35 000</b>   | <b>£52 500</b>   |
| <b>Resale value after 5 years</b> | <b>£15 000</b>   | <b>£20 000</b>   |
| <b>Annual usage</b>               | <b>20 000 kilometres (km) per annum</b>                        | <b>20 000 kilometres (km) per annum</b>                      |
| <b>Fuel usage</b>                 | <b>8 km per litre of fuel</b>                                  | <b>One electrical charge per 200 km</b>                      |
| <b>Fuel cost</b>                  | <b>£1 · 50 per litre</b>                                       | <b>One electric charge costs £2 per hour for three hours</b> |
| <b>Service maintenance</b>        | <b>£150 every 3 months</b>                                     | <b>£175 every 10 000 km</b>                                  |
| <b>Repairs</b>                    | <b>£200 per year</b>   | <b>£150 per year</b>   |
| <b>Road tax</b>                   | <b>£150 per year</b>   | <b>£0 per year</b>   |
| <b>Insurance</b>                  | <b>£200 plus £50 per year for each 5 000 km over 10 000 km</b> | <b>£100 per 3 months</b>                                     |

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Turn over

5. continued.

## Required

- (a) Explain TWO causes of depreciation.  
(4 marks)
- (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 marks)
- (c) Refer to the table for Question 5(c) in the Data Booklet.

Calculate the **total cost per year**, by completing the table in the Data Booklet, of operating the:

(i) Classic petrol car  
(6 marks)

(ii) Super electric car.  
(6 marks)

(continued on the next page)

**5. continued.**

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

**(i) Classic petrol car  
(2 marks)**

**(ii) Super electric car.  
(2 marks)**

**(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 marks)**

**(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      | —      | —              |

(continued on the next page)

6. continued.

The usages of the service departments were as follows.

|                | Machining | Assembly | Design | Administration |
|----------------|-----------|----------|--------|----------------|
| Design         | 40%       | 40%      | —      | 20%            |
| Administration | 50%       | 40%      | 10%    | —              |

(continued on the next page)

6. continued.

## Required

(a) Explain the terms:

(i) Allocation of overheads  
(2 marks)

(ii) Apportionment of overheads.  
(2 marks)

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

(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 marks)

(continued on the next page)



6. continued.

During the year ended 30 April 2024 the actual expenditure on overheads was £184 000 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 marks)
- (e) Evaluate the use of overhead recovery rates by Abeer.  
(6 marks)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

END OF PAPER