

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
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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.

(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)

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

(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)

(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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