Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Tuesday 03 June 2025

Afternoon (Time: 1 hour 15 minutes) | Paper reference **4WAC2/01R**

Accounting (Modular)

Level 1/2

UNIT 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 On 31 March 2025, Morris, a sole trader, provided the following information.

	$
Carriage inwards	900
Drawings	4750
Equity – 1 April 2024	50000
Inventory – 1 April 2024	14300
Purchases	72300
Returns outwards	1235
Revenue	143000

Additional information at 31 March 2025

- Revenue included $3000 received from a customer for goods that are going to be delivered on 31 May 2025.
- Closing inventory was valued at $13600
- No entries had been made in the accounting records for:
  - goods taken by Morris for his own use costing $750
  - goods purchased by Morris, $2500, paid using his own money.

Morris achieved a profit for the year as a percentage of revenue of 20%.

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(a) Prepare an extract of the income statement for the year ended 31 March 2025 showing the **trading section** only.

(8)

Morris
Income Statement for the year ended 31 March 2025

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(b) Prepare the following accounts for the year ended 31 March 2025. Balance each account where appropriate and bring the balance down on 1 April 2025.

(8)

Drawings Account

Date	Details	$	Date	Details	$

Equity Account

Date	Details	$	Date	Details	$

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(c) (i) Explain what is measured by the return on capital employed (ROCE) ratio.

(2)

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(ii) Calculate, stating the formula used, the return on capital employed (ROCE) ratio for the year ended 31 March 2025.

(2)

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Morris has been operating as a sole trader for a number of years and during that time has seen his profitability improve each year. He now wishes to expand his business and is considering whether he should invest more of his own monies in the business or invite his friend, Austin, to join the business as a partner.

(d) Advise Morris of the factors he should consider before inviting Austin to invest in the business as a partner and what other options he can explore to expand his business.

(5)

(Total for Question 1 = 25 marks)

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2 Victoria and Albert are in partnership, sharing profits and losses equally. Their partnership agreement also provides for interest on capital and interest on drawings at 5% per annum, a salary for Victoria of $1 000 per month and no interest on partnership loans.

On 30 April 2025, they provided the following trial balance after the preparation of the income statement for the year.

Victoria and Albert
Trial Balance at 30 April 2025

	Debit $	**Credit $**
Allowance for doubtful debts		500
Bank		10 570
Capital accounts at 1 May 2024 – Victoria – Albert	 	 50 000 30 000
Closing inventory	14 320	
Current accounts at 1 May 2024 – Victoria – Albert	 2 300	 3 500
Drawings – Victoria – Albert	 1 800 1 200	
Fixtures and fittings – Cost – Provision for depreciation	 50 000 	 10 000
Land and buildings (valuation)	100 000	
Motor vehicles – Cost – Provision for depreciation	 30 000 	 15 000
Other receivables and other payables	350	650
Partnership loan – Albert (repayable December 2025)		8 000
Petty cash	250	
Profit for the year		80 000
Trade receivables and trade payables	20 000	12 000
	220 220	220 220

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(a) Prepare the appropriation account for the year ended 30 April 2025.

(5)

Victoria and Albert
Appropriation Account for the year ended 30 April 2025

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(b) Prepare the statement of financial position at 30 April 2025.

(15)

Victoria and Albert
Statement of Financial Position at 30 April 2025

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Victoria and Albert are considering inviting Anne to join the partnership and changing their business structure to a limited liability partnership (LLP).

(c) (i) Explain **one** advantage to the partnership of forming a limited liability partnership.

(2)

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(ii) Explain **one** reason why the partnership should account for goodwill when a new partner joins an existing partnership.

(3)

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(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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