Candidate surname

Other names

Pearson Edexcel
International GCSE

Centre Number

Candidate Number

Tuesday 12 May 2020

Morning (Time: 1 hour 15 minutes)

Paper Reference **4AC1/02**

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 ▶

Pearson

Answer ALL questions. Write your answers in the spaces provided.

1 Muneeb and Javeed are in partnership sharing profits and losses in the ratio of 2:1.

The partnership agreement provides for:

* interest on capital at 10% per annum
* an annual salary of $12 000 for Muneeb.

The partners provided the following information for the year ended 31 March 2020.

1 April 2019	$

Capital account
        Muneeb
        Javeed
	100 000
	50 000

Current account
        Muneeb
        Javeed
	5 750 Dr
	2 800

31 March 2020	
Allowance for irrecoverable debts	3 000
Cash and cash equivalents	1 145
Inventory	46 475
Other payables	600
Other receivables	1 040
Non-current assets – carrying value	100 000
Trade payables	25 850
Trade receivables	34 590

Drawings for the year
        Muneeb
        Javeed
	42 500
	28 750

(a) Prepare the appropriation account for the year ended 31 March 2020.

(5)

Muneeb and Javeed
Appropriation account for the year ended 31 March 2020

	$	$
Profit for the year		**78 000**

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(b) Prepare the current account of Muneeb for the year ended 31 March 2020.
Balance the account on that date and bring the balance down on 1 April 2020.

(6)

Current Account – Muneeb

Date	Details	$	Date	Details	$

The balance on Javeed's current account at 31 March 2020 was $3 950 **debit**.

(c) Prepare the statement of financial position at 31 March 2020.

(14)

Muneeb and Javeed
Statement of financial position at 31 March 2020

	$	$	$
Assets			
Non-current assets			
Current assets			
Total assets			
Equity and liabilities			
Equity	Muneeb	Javeed	
Total equity			
Current liabilities			
Total equity and liabilities			

(Total for Question 1 = 25 marks)

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QUESTION 2 BEGINS ON THE NEXT PAGE.

2 Hyat, a manufacturer, provided the following information for the year ended 31 December 2019.

	1 January $	31 December $
Factory machinery		
Cost	40 000	40 000
Accumulated depreciation	14 400	**To be calculated**
Inventory		
Finished goods	4 730	5 180
Work in progress	1 370	1 450
Administration expenses		13 475
Wages and salaries		
Factory indirect		15 000
Office		5 000
Rent, rates and power		
Factory		4 500
Office		1 500
Revenue		68 000

- Factory indirect wages of $250 were owing.
- Administration expenses of $1 750 were paid in advance.
- Depreciation is charged on factory machinery at 20% per annum using the reducing balance method.

Hyat has already calculated the prime cost as shown.

(a) Complete the manufacturing account for the year ended 31 December 2019.

(6)

Hyat
Manufacturing account for the year ended 31 December 2019

	$
Prime cost	**18 750**

(b) Prepare the income statement for the year ended 31 December 2019.

(9)

Hyat
Income statement for the year ended 31 December 2019

(c) Explain, by referring to an appropriate accounting concept, why it is necessary to adjust for a payment in advance.

(2)

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Hyat provided the following ratios.

Ratio	2018	2019
Current (working capital)	1.50:1	1.50:1
Liquid (acid test)	1.02:1	0.85:1

(d) (i) Evaluate the change in liquidity.

(4)

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Hyat believes that the liquidity of the business has improved.

(ii) State whether he is correct.

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(iii) Explain **one** way Hyat could improve his liquidity.

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(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS

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