

Please check the examination details below before entering your candidate information

Candidate surname		Other names	
Pearson Edexcel International GCSE		Centre Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Candidate Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Tuesday 12 May 2020			
Morning (Time: 1 hour 15 minutes)		Paper Reference 4AC1/02R	
Accounting Level 1/2 Paper 2 : Financial Statements			
You do not need any other materials.			Total Marks <input type="text"/>

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 Gurpreet, a sole trader, provided the following trial balance at 31 December 2019.

	Debit \$	Credit \$
Allowance for doubtful debts		750
Bank	3 000	
Drawings	10 000	
Equity		60 000
Inventory	15 000	
Motor vehicles – accumulated depreciation		25 000
Motor vehicles – cost	50 000	
Office expenses	16 780	
Purchases	45 920	
Revenue		81 385
Trade payables		3 515
Trade receivables	5 575	
Wages	24 375	
Total	<u>170 650</u>	<u>170 650</u>

Additional information

- During the year ended 31 December 2019, a motor vehicle that was purchased during 2014 for \$10 000, was sold for \$5 760. This has not yet been recorded in the books. Depreciation is charged on motor vehicles at 10% per annum using the straight line method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- At 31 December 2019:
 - inventory was valued at \$12 000
 - wages owing were \$1 125
 - office expenses paid in advance were \$1 280
- A debt of \$575 should be written off as irrecoverable and the allowance for doubtful debts is maintained at 12% of trade receivables.

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

(20)

Gurpreet
Income statement for the year ended 31 December 2019

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Gurpreet is considering forming a partnership with another sole trader.

(b) Evaluate whether Gurpreet should form a partnership.

(5)

(Total for Question 1 = 25 marks)



Turn over ►

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

(6)

Current Account – Taimur

Date	Details	\$	Date	Details	\$

- (ii) State **one** reason why a debit balance may arise on a partner's current account.

(1)



The partners believe that they had a very successful year as the profit for the year as a percentage of revenue has increased.

	2019	2020
Gross profit percentage	25%	25%
Profit for the year as a percentage of revenue	12%	15%
Return on capital employed	13.5%	10%

- (c) Evaluate the change in profitability of the business over the two years and state whether the partners are correct.

(5)

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(d) State, indicating with a tick, (✓), the effect on working capital of **each** of the following transactions.

(6)

Transaction	Increase	Decrease	No effect
Purchase of a non-current asset by cash			
Sale of a non-current asset on credit			
Non-current asset taken by owner for own use			
Purchase of inventory on credit			
Sale of inventory for cash			
Inventory taken by the owner for own use			

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS