

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Tuesday 6 June 2023

Afternoon (Time: 3 hours)

Paper
reference

WAC12/01

Accounting

International Advanced Level

UNIT 2: Corporate and Management Accounting

You must have:

Source Booklet (enclosed)

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 **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Do not return the Source Booklet with the question paper.

Information

- The total mark for this paper is 200.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.
- The source material for use with Questions 1 to 6 is in the enclosed Source Booklet.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer BOTH questions in this section. Write your answers in the spaces provided.

Source material for Question 1 is on pages 2 to 4 of the Source Booklet.

- 1 (a) Prepare a Statement of Cash Flows for the year ended 31 March 2023 for Buzkars plc in accordance with International Accounting Standard (IAS) 7 Cash Flow Statements.

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(b) Evaluate the liquidity performance of Buzkars plc from 31 March 2022 to 31 March 2023.

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(Total for Question 1 = 55 marks)



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Source material for Question 2 is on pages 6 and 7 of the Source Booklet.

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- 2 (a) Prepare a Revenue budget for Greentyme plc, showing revenue in pounds (£), for **each** of the four months September to December 2023.

(4)

	September	October	November	December
Revenue (£)				

Workings

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- (b) Prepare an Inventory budget for Greentyme plc, for **each** of the four months September to December 2023, showing the:

- (i) inventory, in units, on the first day of the month

(4)

	September	October	November	December
Inventory (units)				

Workings

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(ii) inventory, at cost, on the first day of the month.

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	September	October	November	December
Inventory (at cost)				

Workings

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(c) Prepare a Purchases budget for **one store** of Greentyme plc **in units** for **each** of the four months September to December 2023.

(12)

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	September	October	November	December
Opening inventory (units)				
Purchases (units)				
Sales (units)				
Closing inventory (units)				

Workings

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(d) Prepare a Purchases budget for **all stores** of Greentyme plc in pounds (£) for **each** of the four months September to December 2023.

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(6)

	September	October	November	December
Purchases (units) per store				
Purchases (units) for company				
Purchases (£) for company				

Workings

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(e) Prepare a budgeted Statement of Profit or Loss for garden sheds for **all stores** of Greentyme plc for the four month period ending 31 December 2023.

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(7)

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(f) Prepare an extract from the cash budget of Greentyme plc, for **each** of the four months September to December 2023, to show the amount that would be paid each month to the supplier of garden sheds if the offer of the discount was accepted.

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(g) Calculate the total cash discount that may be obtained by Greentyme plc if the offer of the discount is taken up, during the period September to December 2023.

(2)

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(h) Evaluate the usefulness of information and communication technology (ICT) in the preparation of budgets.

(12)

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



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SECTION B

Answer THREE questions from this section. Write your answers in the spaces provided.

Indicate which question you are answering by marking a cross in the box . If you change your mind, put a line through the box and then indicate your new question with a cross .

If you answer Question 3, put a cross in the box .

Source material for Question 3 is on pages 8 and 9 of the Source Booklet.

3 (a) Prepare the Journal entries to close the following ledger accounts in the books of Blu Gas plc, on 31 March 2023. Narratives are **not** required.

- Property with a book value of £760 000
- Other payables with a book value of £150 000
- Ordinary shares of £0.50
- General reserve
- Retained earnings

(10)

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(b) Prepare the Sundry Shareholders Account in the books of Blu Gas plc at 31 March 2023.

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(8)

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(c) Prepare the Equity section of the Statement of Financial Position of Suburban Supplies plc at 1 April 2023 after the purchase of Blu Gas plc.

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(6)

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(d) Evaluate from the point of view of Maria, the purchase of Blu Gas plc by Suburban Supplies plc.

(6)

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(Total for Question 3 = 30 marks)



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If you answer Question 4, put a cross in the box .

Source material for Question 4 is on pages 10 and 11 of the Source Booklet.

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4 (a) Calculate for the month of April 2023 the:

(i) material usage variance

(6)

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(ii) material price variance

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(iii) total material cost variance.

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(b) Complete the spaces in the table below, inserting a figure into each box labelled A to M. Answers should be shown to the nearest whole number of pounds (£).

(10)

	Budget £	Actual £	Variance £
Sales	75 240	A	1 470 Adverse
Less			
Material costs	B	C	D
Labour costs	9 540	E	1 275 Favourable
Variable production overheads	3 780	F	920 Adverse
Cost of goods sold	G	H	–
Gross profit	I	J	–
Fixed overheads	12 920	K	660 Favourable
Net profit	L	M	–

Workings

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(c) Explain **one** possible reason for the adverse variance for variable production overheads.

(2)

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(d) Evaluate the performance of Baulat Steel plc for the month of April 2023.

(6)

(Total for Question 4 = 30 marks)



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If you answer Question 5, put a cross in the box .

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Source material for Question 5 is on pages 12 to 15 of the Source Booklet.

5 (a) Prepare for Workoute plc, in accordance with International Accounting Standard (IAS) 1, for inclusion in the Statement of Profit or Loss and Other Comprehensive Income, for the year ended 31 March 2023, using the appropriate balances, the:

(i) Cost of sales section

(12)

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(ii) Distribution costs section.

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(b) Evaluate the importance of the Directors' Report in the Annual Report to shareholders.

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(6)

(Total for Question 5 = 30 marks)

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If you answer Question 6, put a cross in the box .

Source material for Question 6 is on pages 16 and 17 of the Source Booklet.

6 (a) Calculate, for management, the value of **one unit** of closing inventory for Year 1 using:

- marginal costing
- absorption costing.

(5)

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(b) Calculate, for management, the value of the **7 500 units** of closing inventory for Year 1 using:

- marginal costing
- absorption costing.

(2)

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(c) Prepare, for management, a profit or loss statement for Year 2 using **each** of:

- marginal costing
- absorption costing.

(17)

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(d) Evaluate the usefulness of drawing up accounts for management using two different methods, marginal costing and absorption costing.

(6)

(Total for Question 6 = 30 marks)

**TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS**



Pearson Edexcel International Advanced Level

Tuesday 6 June 2023

Afternoon (Time: 3 hours)

Paper
reference

WAC12/01

Accounting

International Advanced Level

UNIT 2: Corporate and Management Accounting

Source Booklet

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SECTION A

Answer BOTH questions in this section.

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- 1** The Statements of Financial Position of Buzkars plc at 31 March 2022 and 31 March 2023 were as follows.

	31 March 2022	31 March 2023
ASSETS	£	£
Non-current assets		
Property, plant and equipment at cost	7 615 000	8 285 000
Less provision for depreciation	<u>(2 437 000)</u>	<u>(2 668 000)</u>
Property, plant and equipment carrying value	5 178 000	5 617 000
Investments in shares in other companies	<u>1 539 000</u>	<u>1 891 000</u>
	6 717 000	7 508 000
Current assets		
Inventories	1 057 000	983 000
Trade and other receivables	943 000	743 000
Cash and cash equivalents	<u>517 000</u>	<u>616 000</u>
	2 517 000	2 342 000
Total Assets	<u>9 234 000</u>	<u>9 850 000</u>
EQUITY AND LIABILITIES		
Equity		
Share capital – ordinary shares of £1	5 215 000	4 900 000
6% Irredeemable preference shares of £1	320 000	320 000
Share premium	1 043 000	980 000
Retained earnings	<u>649 000</u>	<u>1 336 000</u>
Total equity and reserves	7 227 000	7 536 000



	31 March 2022	31 March 2023
Non-current liabilities		
7.5% Debenture (2027)	—	1 200 000
8% Bank loan	<u>1 100 000</u>	—
	1 100 000	1 200 000
Current liabilities		
Trade and other payables	592 000	655 000
Current tax payable	<u>315 000</u>	<u>459 000</u>
	907 000	1 114 000
Total liabilities	2 007 000	2 314 000
Total Equity and Liabilities	<u>9 234 000</u>	<u>9 850 000</u>

Additional information

- On 14 April 2022 plant bought for £780 000, with accumulated depreciation to date of £590 000, was sold for £125 000
- On 12 May 2022 property was bought for £1 450 000
- On 18 May 2022 ordinary shareholders received a final dividend for the year ended 31 March 2022 of 2.8 pence (£0.028) per share.
- On 22 August 2022 a redemption of 315 000 £1 ordinary shares was made at a premium of 20 pence (£0.20) per share.
- On 30 September 2022 the 8% bank loan of £1 100 000 was repaid in full.
- On 1 October 2022 a 7.5% debenture of £1 200 000 was taken up.
- On 21 October 2022 ordinary shareholders received an interim dividend of 1.1 pence per share (£0.011) for the year ended 31 March 2023.
- On 11 November 2022 a further purchase of shares in another company took place.
- On 12 December 2022 the tax due for the year ended 31 March 2022 was paid.
- On 30 March 2023 preference shareholders received their dividends in full for the year ended 31 March 2023.
- Profit after interest but before tax for the year ended 31 March 2023 was £1 365 120

Required

(a) Prepare a Statement of Cash Flows for the year ended 31 March 2023 for Buzkars plc in accordance with International Accounting Standard (IAS) 7 Cash Flow Statements.

(43)

(b) Evaluate the liquidity performance of Buzkars plc from 31 March 2022 to 31 March 2023.

(12)

(Total for Question 1 = 55 marks)

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2 Greentyme plc is a business selling a wide range of products for the garden. Greentyme plc has now decided to add garden sheds to its range of products.

The following information has been provided for the period September to December 2023.

- Sales of garden sheds will commence in September.
- The business has 24 stores.
- Each store will sell eight garden sheds a week in September.
- Each store will sell six garden sheds a week in October.
- Each store will sell four garden sheds a week in November.
- Each store will sell two garden sheds a week in December.
- Assume there are four weeks in a month.
- Each garden shed will sell for £450

Required

(a) Prepare a Revenue budget for Greentyme plc, showing revenue in pounds (£), for **each** of the four months September to December 2023. (4)

The following information is supplied for the Inventory budget.

- At the start of the month, each store will hold an inventory of garden sheds equal to sales for two weeks of that month.
- Each garden shed will be purchased for £250

(b) Prepare an Inventory budget for Greentyme plc, for **each** of the four months September to December 2023, showing the:

(i) inventory, in units, on the first day of the month (4)

(ii) inventory, at cost, on the first day of the month. (4)



The following information is supplied for the Purchases budget.

- Delivery of garden sheds for sale in the month, or for inventory, takes place on the second day of the month.
 - Each store will sell two garden sheds a week in January 2024.
- (c) Prepare a Purchases budget for **one store** of Greentyme plc **in units** for **each** of the four months September to December 2023. (12)
- (d) Prepare a Purchases budget for **all stores** of Greentyme plc **in pounds (£)** for **each** of the four months September to December 2023. (6)
- (e) Prepare a budgeted Statement of Profit or Loss for garden sheds for **all stores** of Greentyme plc for the four month period ending 31 December 2023. (7)

The supplier of the garden sheds has offered a discount of 2.5% if payment is made within 30 days of delivery.

Greentyme plc is considering taking advantage of this discount and paying within 30 days of delivery.

- (f) Prepare an extract from the cash budget of Greentyme plc, for **each** of the four months, September to December 2023, to show the amount that would be paid each month to the supplier of garden sheds if the offer of the discount was accepted. (4)
- (g) Calculate the total cash discount that may be obtained by Greentyme plc if the offer of the discount is taken up, during the period September to December 2023. (2)
- (h) Evaluate the usefulness of information and communication technology (ICT) in the preparation of budgets. (12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

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Answer THREE questions from this section.

3 Blu Gas plc supplies gas but has made losses in recent years.

Suburban Supplies plc, another gas supplier, took over Blu Gas plc on 1 April 2023.

Suburban Supplies plc took over all of the assets and paid all of the liabilities of Blu Gas plc.

The Statement of Financial Position of Blu Gas plc at 31 March 2023 showed the following.

All assets £52 800 000

All liabilities £22 600 000

Ordinary shares of £0.50 each £40 000 000

General reserve £2 000 000

Retained earnings £11 800 000 debit balance.

Required

(a) Prepare the Journal entries to close the following ledger accounts in the books of Blu Gas plc, on 31 March 2023. Narratives are **not** required.

- Property with a book value of £760 000
- Other payables with a book value of £150 000
- Ordinary shares of £0.50
- General reserve
- Retained earnings.

(10)

For every four shares in Blu Gas plc, shareholders received the following.

- Three 20 pence (£0.20) shares in Suburban Supplies plc.
- The shares will be issued at a premium of 5 pence (£0.05) per share.
- 13 pence (£0.13) cash.

(b) Prepare the Sundry Shareholders Account in the books of Blu Gas plc at 31 March 2023.

(8)



The Equity section of the Statement of Financial Position of Suburban Supplies plc at 31 March 2023 is shown below.

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Equity	£
Ordinary shares of £0.20 each	36 000 000
Share premium	9 000 000
General reserve	4 800 000
Retained earnings	<u>5 100 000</u>
Total equity and reserves	54 900 000

Required

- (c) Prepare the Equity section of the Statement of Financial Position of Suburban Supplies plc at 1 April 2023 after the purchase of Blu Gas plc. (6)

Maria bought her shares in Blu Gas plc two years ago for 35 pence (£0.35) each.

- (d) Evaluate from the point of view of Maria, the purchase of Blu Gas plc by Suburban Supplies plc. (6)

(Total for Question 3 = 30 marks)



4 You are the Cost Accountant at Baulat Steel plc, a company that produces steel scaffold tubes.

The company uses a standard costing system.

The management accounts for April 2023 have been partly prepared.

The following information is available for April 2023.

- The opening inventory of steel on 1 April 2023 was 27 720 kilograms purchased at a price of £0.78 per kilogram.
- During the month of April, Baulat Steel plc was able to purchase 50 000 kilograms of steel at a price of £0.78 per kilogram.
- A budgeted production figure of 1 980 scaffold tubes for April 2023 was achieved.
- Each scaffold tube was budgeted to use 28 kilograms of steel at a price of £0.80 per kilogram.
- The budgeted sales figure of 1 980 scaffold tubes was achieved.
- At 30 April 2023 the closing inventory of steel was 20 240 kilograms.

Required

(a) Calculate for the month of April 2023 the:

- (i) material usage variance (6)
- (ii) material price variance (4)
- (iii) total material cost variance. (2)



The following figures have been calculated for the month of April 2023.

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	Budget £	Actual £	Variance £
Revenue	75 240	A	1 470 Adverse
Less			
Material costs	B	C	D
Labour costs	9 540	E	1 275 Favourable
Variable production overheads	3 780	F	920 Adverse
Cost of goods sold	G	H	–
Gross profit	I	J	–
Fixed overheads	12 920	K	660 Favourable
Profit for the year	L	M	–

Required

- (b) Complete the spaces in the table in the question paper, inserting a figure into each box labelled A to M. Answers should be shown to the nearest whole number of pounds (£). (10)

- (c) Explain **one** possible reason for the adverse variance for variable production overheads. (2)

- (d) Evaluate the performance of Baulat Steel plc for the month of April 2023. (6)

(Total for Question 4 = 30 marks)



- 5 Workoute plc produces a range of keep fit equipment at its factory. The keep fit equipment is then delivered to Workoute plc shops, for sale to customers.

At 31 March 2023, the following balances were in the books of account.

	Debit £	Credit £
Advertising	144 781	
4.5% Bank loan, repayable 2025		700 000
Bank loan interest	31 500	
Cash and cash equivalents	6 932	
7% Debenture		300 000
Debenture interest	21 000	
Direct materials	845 630	
Discount allowed	17 768	
Discount received on materials		41 851
Electricity	78 650	
Factory buildings (at cost)	2 500 000	
Factory buildings (provision for depreciation)		500 000
Factory machinery (carrying value)	360 000	
Fuel	101 106	
Gas	87 206	
Goodwill	32 000	
Insurance	64 984	
Inventory of finished goods at 1 April 2022	254 380	
Irrecoverable debts written off	11 348	
8% Irredeemable preference shares of £1 each		800 000
Maintenance	55 302	
Motor lorries (carrying value)	380 000	

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	Debit £	Credit £
Office computers (at cost)	144 000	
Office furniture (at cost)	64 000	
Ordinary shares of £1 each		2 000 000
Postage and delivery	44 805	
Rent on shop premises	53 750	
Retained earnings		385 882
Revenue		5 530 560
Shop buildings (at cost)	4 170 000	
Shop buildings (provision for depreciation)		750 600
Trade payables		275 643
Trade receivables	54 768	
Vehicle running costs	81 564	
Wages	<u>1 679 062</u>	_____
	<u>11 284 536</u>	<u>11 284 536</u>

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Adjustments and additional information at 31 March 2023

- Advertising included £7 050 prepaid.
- The table below shows the ratio of how some overhead costs are to be apportioned.

Cost	Production	Distribution	Administration
Electricity	9	1	3
Fuel	1	8	–
Gas	4	1	2
Insurance	2	5	1
Maintenance	3	2	1

- Goodwill was paid when purchasing a company who designed keep fit equipment. It is to be amortised over 20 years. Four years of amortisation had been entered in the books at the start of the year. Amortisation for this year needs to be entered into the books of account.
- Vehicle running costs owing were £7 890
- Wages consist of:

	£
Garage mechanics	94 650
Lorry drivers	308 362
Office staff	315 740
Production staff	524 890
Sales staff	435 420



- Sales staff receive a commission of 0.5% as a year-end bonus on all sales made. This has yet to be entered in the books.
- Inventory of finished goods £233 724
- Assuming a nil residual value in each case and using the straight line method:
 - the factory buildings are to be depreciated over a 40-year life
 - the shop buildings are to be depreciated over a 50-year life.
- The following were bought new at the start of the year. Depreciation is to be calculated using the straight line method and the residual values given.
 - Office computers to be depreciated over four years with a residual value of £4 000
 - Office furniture to be depreciated over 10 years with a residual value of £8 000
- The following are to be depreciated using the reducing balance method:
 - factory machinery at 35%
 - motor lorries at 40%.

Required

- (a) Prepare for Workoute plc, in accordance with International Accounting Standard (IAS) 1, for inclusion in the Statement of Profit or Loss and Other Comprehensive Income, for the year ended 31 March 2023, using the appropriate balances, the:
 - (i) Cost of sales section (12)
 - (ii) Distribution costs section. (12)
- (b) Evaluate the importance of the Director’s Report in the Annual Report to shareholders. (6)

(Total for Question 5 = 30 marks)



- 6 Stitchright plc is a company that has recently completed its second year of trading producing and selling sewing machines. The company prepares accounts using marginal costing and absorption costing.

The following information was available for Year 1.

- Direct labour 1 hour 45 minutes work per unit at a wage rate of £9.60 per hour.
- Direct materials £23.80 per unit.
- Royalties £3.75 per unit of output.
- Semi-variable costs £320 000 fixed element per year plus £4.50 per unit.
- Fixed overheads £80 000 per month.
- Annual production 200 000 units.
- Closing inventory 7 500 units.

Required

- (a) Calculate, for management, the value of **one unit** of closing inventory for Year 1 using:

(5)

- marginal costing
- absorption costing.

- (b) Calculate, for management, the value of the **7 500 units** of closing inventory for Year 1 using:

(2)

- marginal costing
- absorption costing.



The following information is available for Year 2.

- Direct labour £3 515 750
- Direct materials £4 920 000
- Royalties £768 750
- Semi-variable costs £327 000 fixed element per year plus £4.60 per unit.
- Fixed overheads £84 000 per month.
- Annual production 205 000 units.
- Annual sales 207 000 units.
- Selling price £65 per unit.

Required

- (c) Prepare, for management, a profit or loss statement for Year 2 using **each** of: (17)
- marginal costing
 - absorption costing.
- (d) Evaluate the usefulness of drawing up accounts for management using two different methods, marginal costing and absorption costing. (6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

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