

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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**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

### 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.

	<b>Debit \$</b>	<b>Credit \$</b>
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	
<b>Total</b>	<u>170 650</u>	<u>170 650</u>

**Additional information**

1. 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.
2. At 31 December 2019:
  - inventory was valued at \$12 000
  - wages owing were \$1 125
  - office expenses paid in advance were \$1 280
3. 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)**



2 Taimur and Soha are in partnership. The partnership agreement provided for:

- interest on capital at 10% per annum
- interest on drawings at 5% per annum
- an annual salary of \$15 000 for Taimur
- profits and losses to be shared in the ratio of 3 : 2.

The following information was available at 31 March 2020.

	<b>Taimur \$</b>	<b>Soha \$</b>
Capital account at 1 April 2019	75 000	50 000
Current account at 1 April 2019	4 750 Dr	3 500
Drawings for the year	20 000	16 000

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

(7)

**Taimur and Soha  
Appropriation account for the year ended 31 March 2020**

	<b>\$</b>
Profit for the year	65 000

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- (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)

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

	<b>2019</b>	<b>2020</b>
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**

