

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Friday 25 October 2024

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.

Source material for Question 1 is on pages 2 and 3 of the Source Booklet.

- 1** (a) Complete the table to show the forecast production costs for Kushway plc for the month of November 2024.

(23)

	November 2024
Units produced	25 000
	£
Material	
Direct labour	
Supervisor labour	
Management salaries	
Power	
Factory rent	
Total production costs	

Workings

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(b) Complete the table to show how **each** cost could be classified.

(3)

Cost	Classification
Material	
Direct labour	
Supervisor labour	
Management salaries	
Power	
Factory rent	

(c) Calculate the forecast profit or loss for the month of November 2024.

(2)

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(d) Calculate the forecast break-even point in **units** for the month of November 2024.

(10)

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(e) Calculate the forecast margin of safety for the month of November 2024:

(i) in sales units

(2)

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(ii) as a percentage of sales.

(3)

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(f) Evaluate which type of costs, fixed costs or variable costs, are the easiest to control.

(12)

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(Total for Question 1 = 55 marks)



P 7 8 3 7 7 A 0 9 4 0

Source material for Question 2 is on pages 4 to 6 of the Source Booklet.

2 (a) (i) Calculate the purchase price of Five Counties Insurance plc.

(6)

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(ii) Calculate the total number of shares that the shareholders of Five Counties Insurance plc will receive in Guardstrong plc.

(3)

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(ii) Sundry Shareholders Account (dates are not required).

(8)

Sundry Shareholders Account

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(c) Prepare the Statement of Financial Position of Guardstrong plc at 1 October 2024.

(18)

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Kerena was a shareholder in Five Counties Insurance plc.

(d) Evaluate the merger from the viewpoint of Kerena.

(12)

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



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(iv) earnings per share

(3)

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(v) price/earnings ratio

(3)

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(vi) return on capital employed.

(6)

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(b) Evaluate the performance of Aberdeen Industrials plc for the year ended 30 September 2024.

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(Total for Question 3 = 30 marks)



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(b) Calculate the annual profit of the investment project.

(4)

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(c) Calculate the internal rate of return of the investment project.

(7)

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(d) Evaluate the investment project for Narayanganj Printworks plc.

(6)

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(Total for Question 4 = 30 marks)



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

Source material for Question 5 is on pages 12 and 13 of the Source Booklet.

5 (a) (i) Explain why an overhead may be categorised as a **fixed overhead**. (2)

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(ii) Explain, using **two** examples, why a fixed overhead may fall. (4)

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(c) Calculate for the month of September 2024, showing the formulas used, the:

(i) labour efficiency variance

(5)

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(ii) labour rate variance.

(5)

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(d) Evaluate the performance of labour for TopKrust plc for the month of September 2024.

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(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 page 14 of the Source Booklet.

- 6 (a) Prepare the Statement of Changes in Equity for the year ended 30 September 2024, showing the figures in millions of pounds (£m).

You should complete the table opposite.

(20)

Workings

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Figures are in £ millions	£1 Ordinary share capital £m	Share premium reserve £m	Retained earnings reserve £m	General reserve £m	Foreign exchange reserve £m	£m	Total equity £m
Balance at 1 October 2023	30	6	7.03	2.5	2		
(1) Transfer							
(2) 2023 Final dividend							
(3) Revaluation of property							
(4) Redemption of shares							
(5) Transfer							
(6) Final dividend							
Comprehensive loss for the year							
Balance at 30 September 2024							



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(b) (i) Explain the term **capital reserve**.

(2)

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(ii) State **two** examples of capital reserves.

(2)

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(c) Evaluate the decision of Akamas plc to use all the funds in the Retained earnings reserve to pay the final dividend to shareholders on 29 September 2024.

(6)

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(Total for Question 6 = 30 marks)

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



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Source Booklet

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SECTION A

Answer BOTH questions in this section.

1 Kushway plc produces seats for vehicles.

The following information is available:

	August 2024	September 2024
Units produced	22 000	24 000
	£	£
Material	572 000	624 000
Direct labour	275 000	300 000
Supervisor labour	82 640	82 880
Management salaries	126 000	126 000
Power	9 910	10 470
Factory rent	<u>3 900</u>	<u>3 900</u>
Total production costs	1 069 450	1 147 250

- (1) Kushway plc classifies its costs as fixed, semi-fixed, semi-variable or variable.
- (2) Fixed costs per month and variable costs per unit stay the same for every month in 2024.
- (3) An extra manager is employed at a salary of £23 000 per year every time output increases in stages of 5 000 units.
This will be when output reaches 5 000, 10 000, 15 000, 20 000, 25 000, etc.
All other management salaries are fixed.
- (4) Kushway plc is planning its production for November 2024 which is forecast to be 25 000 units.

Required

- (a) Complete the table in the Question Paper to show the forecast production costs for Kushway plc for the month of November 2024. (23)
- (b) Complete the table in the Question Paper to show how **each** cost could be classified. (3)



All the seats that will be produced in November will be sold in November for £74.99 each.

(c) Calculate the forecast profit or loss for the month of November 2024. (2)

Kushway plc classes all semi-fixed costs as fixed costs when calculating the break-even point.

(d) Calculate the forecast break-even point in **units** for the month of November 2024. (10)

(e) Calculate the forecast margin of safety for the month of November 2024:

(i) in sales units (2)

(ii) as a percentage of sales. (3)

In 2025, Kushway plc is expecting costs of production to rise. Kushway plc will try hard to control all costs in 2025.

(f) Evaluate which type of costs, fixed costs or variable costs, are the easiest to control. (12)

(Total for Question 1 = 55 marks)



2 Five Counties Insurance plc has decided to merge with Safestay plc to form a new insurance company. The new company is to be called Guardstrong plc.

Shares in Guardstrong plc will be issued at £1 each and a premium of £0.20 per share. The new company was formed on 1 October 2024.

The Statements of Financial Position of the two existing companies on 30 September 2024 were as follows.

	Five Counties Insurance plc £m		Safestay plc £m	
ASSETS				
Non-current assets				
Property	35		32	
Plant and equipment	4		3	
Fixtures and fittings	3		4	
Motor vehicles	<u>2</u>		<u>3</u>	
		44		42
Current assets				
Inventory	3		2	
Trade receivables	21		18	
Cash and cash equivalents	<u>3</u>		<u>2</u>	
		<u>27</u>		<u>22</u>
Total assets		71		64
EQUITY AND LIABILITIES				
Ordinary shares of £1 each	30		35	
Share premium	20		10	
Retained earnings	<u>6</u>		<u>(3)</u>	
Total equity		56		42
Non-current liabilities				
Bank loans	10		15	
		10		15
Current liabilities				
Trade payables	3		5	
Other payables	<u>2</u>		<u>2</u>	
		<u>5</u>		<u>7</u>
Total liabilities		15		22
Total equity and liabilities		71		64



Guardstrong plc is to settle the purchase consideration by issuing to the shareholders of Five Counties Insurance plc and Safestay plc, ordinary shares of £1 in Guardstrong plc, valued at £1.20 each, which includes a premium of £0.20 per share.

Guardstrong plc is to take over all of the assets of Five Counties Insurance plc except cash and cash equivalents, and all of the liabilities except the bank loan.

Guardstrong plc is to take over all of the assets of Safestay plc and all of the liabilities.

- The property of Five Counties Insurance plc was valued at £39 m
The property of Safestay plc was valued at £34 m
- The plant and equipment of Five Counties Insurance plc was valued at £3 m
The plant and equipment of Safestay plc was valued at £2 m
- The fixtures and fittings of Five Counties Insurance plc were valued at £2.5 m
The fixtures and fittings of Safestay plc were valued at £3.2 m
- The motor vehicles of Five Counties Insurance plc were valued at £1.7 m
The motor vehicles of Safestay plc were valued at £2.4 m
- £2.4 m of Five Counties Insurance plc trade receivables were written off as irrecoverable debts
£1.8 m of Safestay plc trade receivables were written off as irrecoverable debts.

Additional information

- Goodwill for Five Counties Insurance plc was valued at £6m and for Safestay plc was valued at £1m. The goodwill was to be recorded in the books of Guardstrong plc.
- The purchase price of Safestay plc was £40.8m.

Required

- (a) (i) Calculate the purchase price of Five Counties Insurance plc. (6)
- (ii) Calculate the total number of shares that the shareholders of Five Counties Insurance plc will receive in Guardstrong plc. (3)
- (b) Prepare in the books of Safestay plc the:
- (i) Realisation Account (dates are not required) (8)
- (ii) Sundry Shareholders Account (dates are not required). (8)

The shareholders of Safestay plc received 34 000 000 ordinary shares of £1 in Guardstrong plc, valued at £1.20 each, which included a premium of £0.20 per share.

- (c) Prepare the Statement of Financial Position of Guardstrong plc at 1 October 2024. (18)

Kerena was a shareholder in Five Counties Insurance plc.

(d) Evaluate the merger from the viewpoint of Kerena.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



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SECTION B

Answer THREE questions from this section.

- 3 Aberdeen Industrials plc is calculating accounting ratios for inclusion in the Annual Report.
The following information is available for the year ended 30 September 2024.

Share capital (Ordinary shares of £0.50 each)	£10 000 000
Share premium	£10 000 000
5% Irredeemable Preference shares of £1 each	£20 000 000
6% Redeemable Preference shares of £1 each	£8 000 000
General reserve	£15 000 000
Foreign Exchange reserve	£5 000 000
Retained earnings	£3 200 000
8% Bank loan	£5 000 000
12% Debenture 2029	£10 000 000
Net profit for year after interest before tax	£6 400 000
Tax on profit	£1 200 000
Interim dividend	£240 000
Final dividend paid for the year	1.8 pence (£0.018) per share
Market price of share	£1.20

Required

- (a) Calculate, for the year ended 30 September 2024, the:
- (i) dividend per share (4)
 - (ii) dividend yield (3)
 - (iii) dividend cover (5)
 - (iv) earnings per share (3)
 - (v) price/earnings ratio (3)
 - (vi) return on capital employed. (6)



Figures for the industry average are available and are shown below.

Ratio	Industry average
Dividend per share	4 pence (£0.04)
Dividend yield	3.7%
Dividend cover	4.2 times
Earnings per share	11 pence (£0.11)
Price/earnings ratio	8:1
Return on capital employed	10.01%

(b) Evaluate the performance of Aberdeen Industrials plc for the year ended 30 September 2024.

(6)

(Total for Question 3 = 30 marks)

4 Narayanganj Printworks plc is considering an investment project of purchasing a printing machine. The printing machine will carry out printing jobs for customers.

You are the accountant for Narayanganj Printworks plc and you have been asked to report to management as to whether the new printing machine will be a worthwhile investment.

The following information is available for years one to five of the investment project.

- The printing machine will cost £27 000 and last for five years, after which time it will be sold for £1 050
- The printing machine will complete an average of eight printing jobs a day for 300 days of the year.
- The average price of a job charged to customers will be £98
- The printing machine will require one member of staff, who will be paid £12.40 per hour, working eight and a half hours a day.
- The average electricity cost per job will be £35
- The average cost of paper and ink per job will be £45
- Other costs associated with the machine will be £240 per month.
- The cost of capital will be 8% per year.

The discount rates for a cost of capital of 8% are shown below.

Year	Discount factor
1	0.926
2	0.857
3	0.794
4	0.735
5	0.681

Required

(a) Calculate the net present value of the investment project. (13)

(b) Calculate the annual profit of the investment project. (4)

The net present value of the project with a cost of capital of 20% is **minus** £987

(c) Calculate the internal rate of return of the investment project. (7)



At a Board meeting, a director states, 'This printing machine will bring in over £200 000 a year in revenue. We must invest in this machine.'

(d) Evaluate the investment project for Narayananj Printworks plc.

(6)

(Total for Question 4 = 30 marks)



5 TopKrust plc produces toasters. The company has a standard costing system, and you are the Cost Accountant.

A junior member of the accounting staff said to you, 'I see that the figure for fixed overheads for September 2024 has fallen. I thought the word "fixed" meant the overheads figure does not change.'

Required

(a) (i) Explain why an overhead may be categorised as a **fixed overhead**. (2)

(ii) Explain, using **two** examples, why a fixed overhead may fall. (4)

The following figures are available for the month of September 2024.

	Budget £	Actual £
Revenue	124 500	99 200
Less		
Material costs	51 320	50 478
Labour costs	12 288	11 550
Variable overheads	<u>17 250</u>	<u>17 980</u>
= Cost of sales	80 858	80 008
Gross profit	43 642	19 192
Less fixed overheads	<u>27 750</u>	<u>26 340</u>
Net profit / (loss) for the month	15 892	(7 148)

Required

(b) Complete the column in the Question Paper to show the variances for the month of September 2024. (8)



The following information is also available for September 2024.

- A budgeted production figure of 2 560 toasters was achieved.
- Budgeted labour costs were eight workers, each working 40 hours a week, for four weeks in a month, at £9.60 per hour.
- Pay and conditions in the factory were not very good. One worker decided to leave on 31 August and was not replaced. This left seven workers for the month of September.
- The trade union called a meeting on 1 September and discussed the possibility of striking (walking out) for higher pay. Management offered a pay rise of 40 pence (£0.40) an hour, starting at 8 am on 1 September. The offer was accepted by the trade union.
- Due to being one member of staff short, to complete the budgeted production, all the workers each had to work five hours overtime one Saturday, at the normal, improved pay rate.

Required

- (c) Calculate for the month of September 2024, showing the formulas used, the:
- (i) labour efficiency variance (5)
 - (ii) labour rate variance. (5)
- (d) Evaluate the performance of labour for TopKrust plc for the month of September 2024. (6)

(Total for Question 5 = 30 marks)



- 6 On 1 October 2023, at the start of the financial year, the following balances were in the books of Akamas plc.

	£
£1 Ordinary share capital	30 000 000
Share premium reserve	6 000 000
Retained earnings reserve	7 030 000
General reserve	2 500 000
Foreign exchange reserve	2 000 000

The following transactions took place in the financial year ending 30 September 2024.

- (1) On 2 October 2023, a transfer of £1 500 000 of the Retained earnings reserve was made to the General reserve.
- (2) On 15 October 2023, a final dividend of 2.1 pence (£0.021) per share for the year ended 30 September 2023 was paid to Ordinary shareholders.
- (3) On 12 December 2023, a property with a book value of £1 650 000 was revalued to a market value of £2 090 000
- (4) On 13 January 2024, 3 000 000 Ordinary shares of £1 each were redeemed, at the present market value of £1.20 per share.
- (5) On 21 January 2024, a transfer of £800 000 was made from the Foreign exchange reserve to the Retained earnings reserve.
- (6) On 29 September 2024, the directors used all the funds in the Retained earnings reserve to pay a final dividend for the year ended 30 September 2024 to ordinary shareholders.

The loss for the year ended 30 September 2024 was £87 000

Required

- (a) Prepare the Statement of Changes in Equity for the year ended 30 September 2024, showing the figures in millions of pounds (£m). You should complete the table in the Question Paper. (20)
- (b) (i) Explain the term **capital reserve**. (2)
(ii) State **two** examples of capital reserves. (2)
- (c) Evaluate the decision of Akamas plc to use all the funds in the Retained earnings reserve to pay the final dividend to shareholders on 29 September 2024. (6)

(Total for Question 6 = 30 marks)

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



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