Pearson Edexcel International Advanced Level

Thursday 22 January 2026

Morning (Time: 3 hours)

Paper reference **WAC12/01A**

Accounting

International Advanced Level

UNIT 2: Corporate and Management Accounting

Question Paper

You must have:
Source Booklet and Answer Book (sent separately).

Turn over

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SECTION A

Answer BOTH questions in this section. Write your answers in the Answer Book.

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

1 (a) Prepare, in accordance with International Accounting Standard (IAS) 1, a:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.

(27)

(ii) Statement of Financial Position at 31 December 2025.

(16)

(b) Evaluate the importance of the role of the auditor in limited companies.

(12)

(Total for Question 1 = 55 marks)

Source material for Question 2 is on page 5 of the Source Booklet.

2 (a) Calculate, for the month of December 2025, the:

(i) standard cost of **one pair** of trousers

(4)

(ii) actual cost of **20 000 pairs** of trousers

(10)

(iii) actual cost of **one pair** of trousers.

(3)

(b) Calculate, for the month of December 2025, the:

(i) labour rate variance

(5)

(ii) labour efficiency variance

(4)

(iii) total labour variance

(3)

(iv) material price variance.

(5)

(c) Complete, for the month of December 2025, the table in the Answer Book, the reconciliation statement of the total budgeted cost of output to the total actual cost of output.

You must show clearly whether the variance is favourable or adverse.

(6)

(d) State **three** possible reasons why the fixed overheads for December were lower than budgeted.

(3)

The company operates a system of a 50% mark-up on cost to determine the selling price. The cost of producing each item has risen in December.

(e) Evaluate whether the company should continue with a mark-up on cost of 50%.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions in this section. Write your answers in the Answer Book.

Source material for Question 3 is on page 6 of the Source Booklet.

3 (a) Calculate the:

(i) agreed value of assets to be taken over by Wan Chai plc

(5)

(ii) agreed value of liabilities to be taken over by Wan Chai plc

(3)

(iii) purchase price paid by Wan Chai plc

(4)

(iv) value of goodwill paid by Wan Chai plc when acquiring North Point plc.

(4)

(b) Show the Journal entries to close the following accounts in the books of North Point plc, **before** any revaluations have taken place. Narratives are not required.

(8)

- Property
- Trade payables
- Share Capital – 25 pence (£0.25) Ordinary Shares
- Retained earnings

Shareholders in North Point plc received shares in Wan Chai plc and cash in exchange for their shares.

(c) Evaluate whether it is preferable for shareholders to receive shares or cash during a takeover.

(6)

(Total for Question 3 = 30 marks)

Source material for Question 4 is on page 7 of the Source Booklet.

4 (a) Calculate the value of the closing inventory at 31 December 2024 using absorption costing.

(8)

(b) Calculate the increase or decrease in profit for the year ended 31 December 2024 using absorption costing instead of marginal costing for inventory valuation.

(4)

(c) Calculate the units in inventory at 31 December 2025.

(4)

For the year ended 31 December 2025, all costs and revenues per unit remain the same as those in the year ended 31 December 2024.

(d) Calculate, using absorption costing, the profit or loss for the year ended 31 December 2025.

(8)

A director commented, "I think absorption costing is better than marginal costing, as it will **always** give a higher profit".

(e) Evaluate the comment made by the director.

(6)

(Total for Question 4 = 30 marks)

Source material for Question 5 is on page 8 of the Source Booklet.

5 (a) A copyright was sold in March 2025.

(i) Calculate the carrying value of the copyright when sold.

(2)

There was only one item of property, plant and equipment sold during the year.

The property sold had been depreciated by £20 000

(ii) Calculate the cost price of the property.

(3)

(iii) State:

- **one** advantage of an increase in trade payables
- **one** disadvantage of an increase in trade payables.

(2)

At 31 December 2024 the share capital was 336 000 ordinary shares of £1 each.

The £1 shares issued in October 2025 were not eligible for the 2025 interim dividend.

Details of the ordinary share dividends are:

- Final dividend for 2024 of £21 600 – paid February 2025
- Interim dividend for 2025 is £24 000 – paid September 2025
- Final proposed dividend for 2025 is £24 000

(iv) Calculate the interim dividend **per share** paid in September 2025.

(4)

The interest paid was both on the bank account and the 8% debenture.

The debenture was repaid on 31 May 2025 and one payment, for 6 months' interest, was made in the year.

(v) Calculate the interest paid on the bank account during the year.

(3)

At 31 December 2024, Mombassa Music plc had £239 000 cash.

(vi) Calculate the bank balance at 31 December 2024.

(2)

At 31 December 2025, Mombassa Music plc had £257 000 cash.

(vii) Calculate the movement on the bank balance in the year ended 31 December 2025.

(4)

(b) Explain **two** differences between a Statement of Cash Flows and a Cash Budget.

(4)

(c) Evaluate the performance relating to liquidity in 2025 and the liquidity position at the year-end of Mombassa Music plc.

(6)

(Total for Question 5 = 30 marks)

Source material for Question 6 is on pages 9 and 10 of the Source Booklet.

6 (a) Calculate the weighted average cost of capital for **Option B**.

(6)

(b) Identify which of the two options, A or B, would be better to finance the project, giving a reason for your answer.

(2)

(c) Explain **two** reasons why the interest rate on a bank loan may be higher than the expected return of an ordinary shareholder.

(4)

(d) Calculate the net present value of the project at the end of Year 5.

(12)

(e) Evaluate the robot project for the company using the calculations made and considering any other relevant factors.

(6)

(Total for Question 6 = 30 marks)

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

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Accounting

International Advanced Level

UNIT 2: Corporate and Management Accounting

Source Booklet

Do not return this Booklet with the Answer Book.

Turn over

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SECTION A

1 Brama Sun plc manufactures solar panels at its factory. The solar panels are then delivered to the company's shops, before sale to customers. At 31 December 2025, the following balances were in the books.

	Debit	Credit
	£	**£**
7.5% debenture March 2030		1 200 000
8% bank loan – repayable August 2026		150 000
Allowance for doubtful debts		15 000
Auditor's fees	18 500	
Bank current account	117 000	
Bank current account interest		1 000
Cash	58 000	
Commission on sales	94 530	
Delivery costs	178 000	
Direct materials	2 150 000	
Discount allowed	87 000	
Discount received		43 000
Factory buildings (carrying value)	3 680 000	
General reserve		56 000
Goodwill	90 000	
Head office expenses	510 000	
Interest on bank loan	11 000	
Interest on debenture	45 000	
Inventory at 1 January 2025	772 000	
Irrecoverable debts	26 000	
Marketing	324 000	
Motor vans (cost)	384 000	
Motor vans (provision for depreciation)		176 000
Motor vans running expenses	43 000	
Ordinary shares of £0.50 each		3 700 000
Other payables		17 500
Power	656 000	

	Debit	Credit
	£	£
Production machinery (carrying value)	439 000	
Rent on warehouse	280 000	
Retained earnings	624 470	
Revenue		9 864 000
Trade fairs and exhibitions expenses	110 000	
Trade payables		175 000
Trade receivables	821 000	
Wages	3 879 000	
	15 397 500	15 397 500

Additional information at 31 December 2025

- Inventory £779 000
- Rent on warehouse paid in advance is £23 000
- Wages consist of:

	£
Delivery staff	476 000
Direct factory labour	1 890 000
Head office staff	881 000
Shop staff	632 000

- The factory buildings are being depreciated over a 50-year life, using the straight line method. Ten years' depreciation has been calculated to date. Depreciation for the present year needs to be calculated and entered into the books. There have been no additions or disposals since the purchase of the factory buildings.
- The motor vans are to be depreciated over a five-year life assuming a nil residual value, using the straight line method.
- The production machinery is to be depreciated at 10% per year, using the reducing balance method.
- There is a power bill for £24 000 outstanding.

- Power is to be apportioned on the following basis:
  - Factory 70%
  - Warehouse 10%
  - Shops 15%
  - Head office 5%
- Corporation tax of £218 000 has been calculated, which is to be paid by 30 September 2026 and a provision needs to be made.
- The allowance for doubtful debts is to be 2% of trade receivables.
- There is one month's interest owing on the bank loan.
- The interest payments on the debenture are made in two equal instalments at the end of June and the end of December. The payment for December is outstanding.

2 Bengal Star Trousers Limited manufactures trousers at its factory.

The following **budgeted** information was available for December 2025.

Budgeted output 20 000 pairs of trousers.

Standard cost for **one pair** of trousers:

- 15 minutes cutting department labour and 30 minutes sewing department labour
- All labour is paid at a rate of £7.20 per hour
- 2.5 square metres of material at £3.46 per square metre.

Fixed overheads £17 000

The **actual** figures for the four weeks of December 2025 were:

Actual output 20 000 pairs of trousers, produced at a rate of 5 000 pairs per week.

The cutting department labour hours were as budgeted.

Due to problems with the electricity supply, the sewing department labour required an extra 850 hours to complete the output.

Halfway through the month, cutting department labour was awarded a 5% pay rise.

The last week's production of 5 000 pairs of trousers used material costing £3.56 per square metre.

Quantity of material used was as budgeted.

Fixed overheads £15 730

SECTION B

3 Wan Chai plc agreed to purchase North Point plc on 1 January 2026. The directors of Wan Chai plc have agreed to take over all the assets except cash and cash equivalents and trade receivables. Wan Chai plc have agreed to settle all liabilities **except** tax payable.

The Statement of Financial Position of North Point plc at 31 December 2025 showed:

All assets £140 500 000

All liabilities £105 700 000

Equity and reserves £34 800 000

The following figures and revaluations were agreed by both companies.

- Plant with a value of £2 600 000 was to be worth only a scrap value of £300 000
- Equipment with a carrying value of £400 000 was to be given a value of zero.
- An exact figure for trade payables was agreed at £11 900 000, down from £12 100 000
- Inventory was reduced in value by £600 000 to its net realisable value.
- The total property value was increased by 20% to a current market value of £19 200 000

Additional information concerning North Point plc

- Trade receivables were £15 700 000
- Cash and cash equivalents balance – £1 100 000 debit.
- Tax payable £2 400 000
- Retained earnings balance is £9 800 000 credit.
- Equity share capital is £25 000 000, consisting of Ordinary shares of 25 pence (£0.25) per share.

For every five shares of 25 pence (£0.25) held in North Point plc, each shareholder would receive:

- one 50 pence (£0.50) share in Wan Chai plc at a premium of 42 pence (£0.42) per share
- 48 pence (£0.48) cash.

4 You have recently been appointed as the accountant for Ickarus Limited. The company started trading on 1 January 2024, producing batteries for mobile phones. You notice that the financial statements for the year ended 31 December 2024 have been prepared using marginal costing for inventory valuation. After discussion with the Board, it is agreed that the financial statements for 31 December 2024 are to be drawn up using absorption costing.

The following information is available for the year ended 31 December 2024.

	£
Direct labour	2 693 600
Direct materials	1 202 500
Semi-variable costs	1 106 300
Fixed overheads	1 827 800
Revenue	8 826 300

The semi-variable costs include a fixed element of £288 600

Production 962 000 units

Sales 934 000 units

Closing inventory £137 200

Ickarus Limited recorded actual **monthly** production and sales on a **quarterly (three monthly)** basis for 2025.

2025	**Production per month (units)**	**Sales per month (units)**
Quarter 1 : Jan, Feb, March	90 000	85 000
Quarter 2 : April, May, June	95 000	92 000
Quarter 3 : July, Aug, Sept	88 000	91 000
Quarter 4 : Oct, Nov, Dec	86 000	90 000

5 The directors of Mombassa Music plc have drawn up a Statement of Cash Flows in accordance with International Accounting Standard (IAS) 7, as shown below.

Statement of Cash Flows for Mombassa Music plc for the year ended 31 December 2025

Cash Flows from Operating Activities	**£000**	**£000**
Profit after tax	2 570	
Taxation charge for year on profit	384	
Add Depreciation of non-current assets	246	
Add Loss on sale of intangible asset	31	
Less Profit on sale of property, plant and equipment	<u>(145)</u>	
Operating cash flow before working capital changes	**3 086**	
Increase in inventories	(52)	
Decrease in trade receivables	43	
Increase in trade payables	<u>17</u>	
Cash generated from operations	**3 094**	
Add Interest received	12	
Less Interest paid	(38)	
Less Tax paid	<u>(352)</u>	
Net Cash from Operating Activities		**2 716**
Cash Flows from Investing Activities		
Proceeds from sale of intangible non-current asset	280	
Payments to acquire tangible non-current assets	(695)	
Proceeds from sale of tangible non-current asset	220	
Dividends received	<u>32</u>	
Net Cash Used in Investing Activities		**(163)**
Cash Flows from Financing Activities		
Issue of ordinary shares	96	
Repayment of debenture	(400)	
Dividends paid	<u>(36)</u>	
Net Cash Used in Financing Activities		<u>**(340)**</u>
Net increase in cash and cash equivalents		**2 213**
Cash and cash equivalents at the beginning of the year		(2 486)
Cash and cash equivalents at the end of the year		(273)

6 MegaMedia plc is a company that produces CDs and DVDs. The company is considering the possibility of introducing robots in the packing department.

The total cost of purchasing and installing six robots will be £320 000

The finance director suggested two possible methods to finance the robot project:

Option A – a bank loan for the full £320 000, at an interest rate of 11% per year.

Option B – a funding package from a range of sources. The details are shown below.

Option B	**£**	**Interest rate/ Expected return**
Debenture	150 000	15%
Bank loan	100 000	12%
Redeemable preference shares	20 000	7%
Ordinary shares	50 000	5%
Total	320 000	

The following information applies to the proposed introduction of the robots.

- Each of the six robots will replace two members of staff.
- At present, members of staff each earn £8 per hour and work a 40-hour week, for 50 weeks in a year.
- In Year 1 and Year 2, each robot will require maintenance costing £800 per year.
- In Year 1 and Year 2, each robot will use electricity costing £2 750 per year.
- In Year 3 and Year 4, the maintenance and electricity costs will be 10% higher than in Year 1 and Year 2.
- In Year 5, the maintenance and electricity costs will be 10% higher than in Year 3 and Year 4.
- The expected life of a robot will be five years, after which the robot will be scrapped with no residual value.

A table showing the discount factors is given.

Year	8%	9%	10%	11%	12%	13%
1	0.926	0.917	0.909	0.901	0.893	0.885
2	0.857	0.842	0.826	0.812	0.797	0.783
3	0.794	0.772	0.751	0.731	0.712	0.693
4	0.735	0.708	0.683	0.659	0.636	0.613
5	0.681	0.650	0.621	0.593	0.567	0.543

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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

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Paper reference **WAC12/01A**

Accounting

International Advanced Level
UNIT 2: Corporate and Management Accounting
Answer Book

You must have:
Source Booklet and Question paper (sent separately).

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 or the Question paper with the Answer Book.

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 to 4 of the Source Booklet.

1 (a) (i)

(27)

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(ii)

(16)

(b)

(12)

(Total for Question 1 = 55 marks)

Source material for Question 2 is on page 5 of the Source Booklet.

2 (a) (i)

(4)

(ii)

(10)

(iii)

(3)

(b) (i)

(5)

(ii)

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(iii)

(3)

(iv)

(5)

(c)

(6)

	£
Budgeted cost of output	
Labour variance	
Material variance	
Overhead variance	
Variances total	
Actual cost of output	

Workings

(d)

(3)

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(e)

(12)

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

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 page 6 of the Source Booklet.

3 (a) (i)

(5)

(ii)

(3)

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(iii)

(4)

(iv)

(4)

(b)

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(c)

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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 page 7 of the Source Booklet.

4 (a)

(8)

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(b)

(4)

(c)

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(d)

(8)

(e)

(6)

(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 page 8 of the Source Booklet.

5 (a) (i)

(2)

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(ii)

(3)

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(iv)

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(vi)

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(c)

(6)

(Total for Question 5 = 30 marks)

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

Source material for Question 6 is on pages 9 and 10 of the Source Booklet.

6 (a)

(6)

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(b)

(2)

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(c)

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(d)

(12)

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(e)

(6)

(Total for Question 6 = 30 marks)

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

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