

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International GCSE

Tuesday 03 June 2025

Afternoon (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 On 31 December 2024, Jay, a sole trader, provided the following information.

| | \$ |
|------------------------------|---------|
| Inventory at 1 January 2024 | 15 600 |
| Machinery at 1 January 2024 | |
| – Cost | 75 500 |
| – Provision for depreciation | 18 750 |
| Discount allowed | 1 328 |
| Discount received | 534 |
| General expenses | 8 900 |
| Insurance | 2 080 |
| Machinery repairs | 1 500 |
| Purchases | 69 320 |
| Rent and rates | 5 600 |
| Returns inwards | 3 214 |
| Revenue | 143 200 |
| Wages and salaries | 24 560 |

Additional information at 31 December 2024

- Closing inventory was valued at \$12 900
- Machinery is depreciated at 20% per annum on a reducing balance basis. There had been no purchases or disposals of machinery during the year.
- Irrecoverable debts of \$850 were to be written off.
- Other receivables for insurance were \$250
- Other payables for wages and salaries were \$440

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(a) Prepare the income statement for the year ended 31 December 2024.

(12)

Jay
Income Statement for the year ended 31 December 2024

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Following preparation of his income statement, Jay discovered that a payment for machinery repairs, \$500, had been entered in the machinery account.

- (b) Calculate the adjusted profit for the year ended 31 December 2024 after the correction of this error.

(4)

Jay is considering changing his method of depreciation to the straight-line method as he believes that this will increase his profit for the year.

- (c) Explain, referring to a relevant accounting concept, whether he should proceed with this proposal.

(4)



(d) Advise Jay why it is important to differentiate between capital expenditure and revenue expenditure.

(5)

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(Total for Question 1 = 25 marks)



- 2 Victoria and Albert are in partnership, sharing profits and losses equally. Their partnership agreement also provides for interest on capital and interest on drawings at 5% per annum, a salary for Victoria of \$1 000 per month and no interest on partnership loans.

On 30 April 2025, they provided the following trial balance after the preparation of the income statement for the year.

**Victoria and Albert
Trial Balance at 30 April 2025**

| | Debit \$ | Credit \$ |
|---|----------------|------------------|
| Allowance for doubtful debts | | 500 |
| Bank | | 10 570 |
| Capital accounts at 1 May 2024 – Victoria – Albert | | 50 000 30 000 |
| Closing inventory | 14 320 | |
| Current accounts at 1 May 2024 – Victoria – Albert | 2 300 | 3 500 |
| Drawings – Victoria – Albert | 1 800 1 200 | |
| Fixtures and fittings – Cost – Provision for depreciation | 50 000 | 10 000 |
| Land and buildings (valuation) | 100 000 | |
| Motor vehicles – Cost – Provision for depreciation | 30 000 | 15 000 |
| Other receivables and other payables | 350 | 650 |
| Partnership loan – Albert (repayable December 2025) | | 8 000 |
| Petty cash | 250 | |
| Profit for the year | | 80 000 |
| Trade receivables and trade payables | 20 000 | 12 000 |
| | <u>220 220</u> | <u>220 220</u> |



(b) Prepare the statement of financial position at 30 April 2025.

(15)

**Victoria and Albert
Statement of Financial Position at 30 April 2025**

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Victoria and Albert are considering inviting Anne to join the partnership and changing their business structure to a limited liability partnership (LLP).

(c) (i) Explain **one** advantage to the partnership of forming a limited liability partnership.

(2)

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(ii) Explain **one** reason why the partnership should account for goodwill when a new partner joins an existing partnership.

(3)

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(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS



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