

Please check the examination details below before entering your candidate information

Candidate surname					Other names														
Pearson Edexcel										Centre Number					Candidate Number				
International										<input type="text"/>					<input type="text"/>				
Advanced Level										<input type="text"/>					<input type="text"/>				
Monday 14 January 2019																			
Morning (Time: 3 hours)										Paper Reference WAC12/01									
Accounting																			
International Advanced Level																			
Paper 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 insert 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 ►

P54958A

©2019 Pearson Education Ltd.

1/1/1/1/1/1/1/1



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) Calculate the number of direct labour hours:

(i) required to fulfil the contract with the major retailer

(3)

.....

.....

.....

.....

.....

.....

.....

(ii) available for other output for Week 6

(2)

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(iii) required to fulfil the total demand for Week 6.

(5)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) (i) Define the term **limiting factor**.

(2)

(ii) State **one** example, for Handsome Ltd, of

(2)

a limiting factor

a factor that is not limiting.



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Calculate the contribution per unit for **each** of the four products.

(8)

Dotted lines for writing answers to question (c).

(d) Calculate the **order of production** of the four products required to maximise profit for Week 6.

(6)

Dotted lines for writing answers to question (d).



(e) Calculate the possible **quantities of production** of the four products that would fulfil the contract and maximise profit for Week 6. You must show the hours that would be spent on painting each product.

(8)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(f) Calculate the profit for Week 6 from the quantities of production in (e), that would fulfil the contract and maximise profit.

(7)

Area with horizontal dotted lines for writing the answer.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

The contract with the major retailer will be ending soon. The retailer wishes to agree a new contract that will have the same quantities of the four products as the present contract supplied each week. In addition, the retailer wishes 100 units of another product, a model Tower of London, to be supplied.

- (g) Evaluate whether Handsome Ltd should agree a new contract with the major retailer. Your evaluation should include all relevant factors that should be considered by Handsome Ltd.

(12)

A series of horizontal dotted lines for writing the answer to question (g).



P 5 4 9 5 8 A 0 7 4 0

Area with horizontal dotted lines for writing.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 1 = 55 marks)



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

QUESTION 2 BEGINS ON THE NEXT PAGE.



Source material for Question 2 is on pages 4 and 5 of the source booklet.

2 (a) Prepare the following ledger accounts to record the transactions for the year ended 31 December 2018:

(21)

- Ordinary share capital
- Share premium
- Application and allotment
- First call
- Second and final call.

You should also show the following where relevant:

- dates
- opening balances at the start of 2018
- closure of any relevant accounts during the year
- closing balances at the end of 2018
- opening balances at the start of 2019.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Large area with horizontal dotted lines for writing.



P 5 4 9 5 8 A 0 1 1 4 0

Area with horizontal dotted lines for writing.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Explain the following terms:

(i) rights issue

(3)

.....

.....

.....

.....

.....

.....

(ii) bonus issue.

(3)

.....

.....

.....

.....

.....

.....

(c) Prepare journal entries to record the two transactions. Narratives are not required.

(6)

.....

.....

.....

.....

.....

.....



For the year ended 31 December 2018, net profit after tax was £23 530 and dividends of £11 500 were paid.

(d) Calculate the gearing ratio at 31 December 2018.

(10)

Area with horizontal dotted lines for writing the answer.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



The directors of Alsos Engineering Ltd are also considering the possibility of raising further finance, by use of either a bank loan or additional share capital, to expand the business in 2019.

- (e) Evaluate whether it is better to use a bank loan or ordinary shares as a method of raising finance for Alsos Engineering Ltd.

(12)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Area with horizontal dotted lines for writing.



P 5 4 9 5 8 A 0 1 5 4 0

Area with horizontal dotted lines for writing answers.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

SECTION B BEGINS ON THE NEXT PAGE.



P 5 4 9 5 8 A 0 1 7 4 0

SECTION B

Answer THREE questions from this section.

Indicate which question you are answering by marking a cross . 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 6 and 7 of the source booklet.

3 (a) Calculate the net present value of the theatre contract for Two Masks plc.

(18)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Large area with horizontal dotted lines for writing.



P 5 4 9 5 8 A 0 1 9 4 0

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

The company uses the internal rate of return as a method of project evaluation.

The net present value of the contract using a cost of capital of 12% is £135 670

(b) Calculate the internal rate of return of the theatre contract for Two Masks plc.

(6)

Area with horizontal dotted lines for writing the answer.



P 5 4 9 5 8 A 0 2 1 4 0

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Two Masks plc will only invest in projects that give a return of 8% or above.

(c) Evaluate whether Two Masks plc should undertake the contract to run the theatre.

(6)

Area with horizontal dotted lines for writing the answer to question (c).

(Total for Question 3 = 30 marks)



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

QUESTION 4 BEGINS ON THE NEXT PAGE.



P 5 4 9 5 8 A 0 2 3 4 0

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

Source material for Question 4 is on pages 8 to 10 of the source booklet.

4 (a) Prepare a detailed schedule for each of the following, ready for inclusion in the year-end financial statements, using the appropriate information.

(i) Cost of sales section

(9)

Dotted lines for writing the answer to question 4(i).

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Large area with horizontal dotted lines for writing.



P 5 4 9 5 8 A 0 2 5 4 0

(ii) Distribution costs section

(11)

Area with horizontal dotted lines for writing.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Large area with horizontal dotted lines for writing.



P 5 4 9 5 8 A 0 2 7 4 0

(b) Prepare the Statement of Profit or Loss and Comprehensive Income for the year ending 31 December 2018 for Saidpur Fashions plc, up to and including the Gross Profit. The statement should be set out in accordance with International Accounting Standard (IAS) 1.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(c) Evaluate the importance of the Directors' Report in the Annual Report

(6)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 4 = 30 marks)



P 5 4 9 5 8 A 0 2 9 4 0

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) Calculate the:

(i) variable cost per unit

(3)

Dotted lines for writing the answer to question 5(a)(i).

(ii) fixed costs per month.

(3)

Dotted lines for writing the answer to question 5(a)(ii).

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Calculate the profit or loss for the month of December 2018.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(c) Calculate, for the month of January 2019, the:

(i) break-even point in sales units

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



(ii) margin of safety in sales revenue.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) Prepare a break-even chart for January 2019 using the graph. You should label the following:

- fixed costs
- total costs
- sales revenue
- break-even point
- margin of safety, measured in sales revenue
- profit or loss for the month.

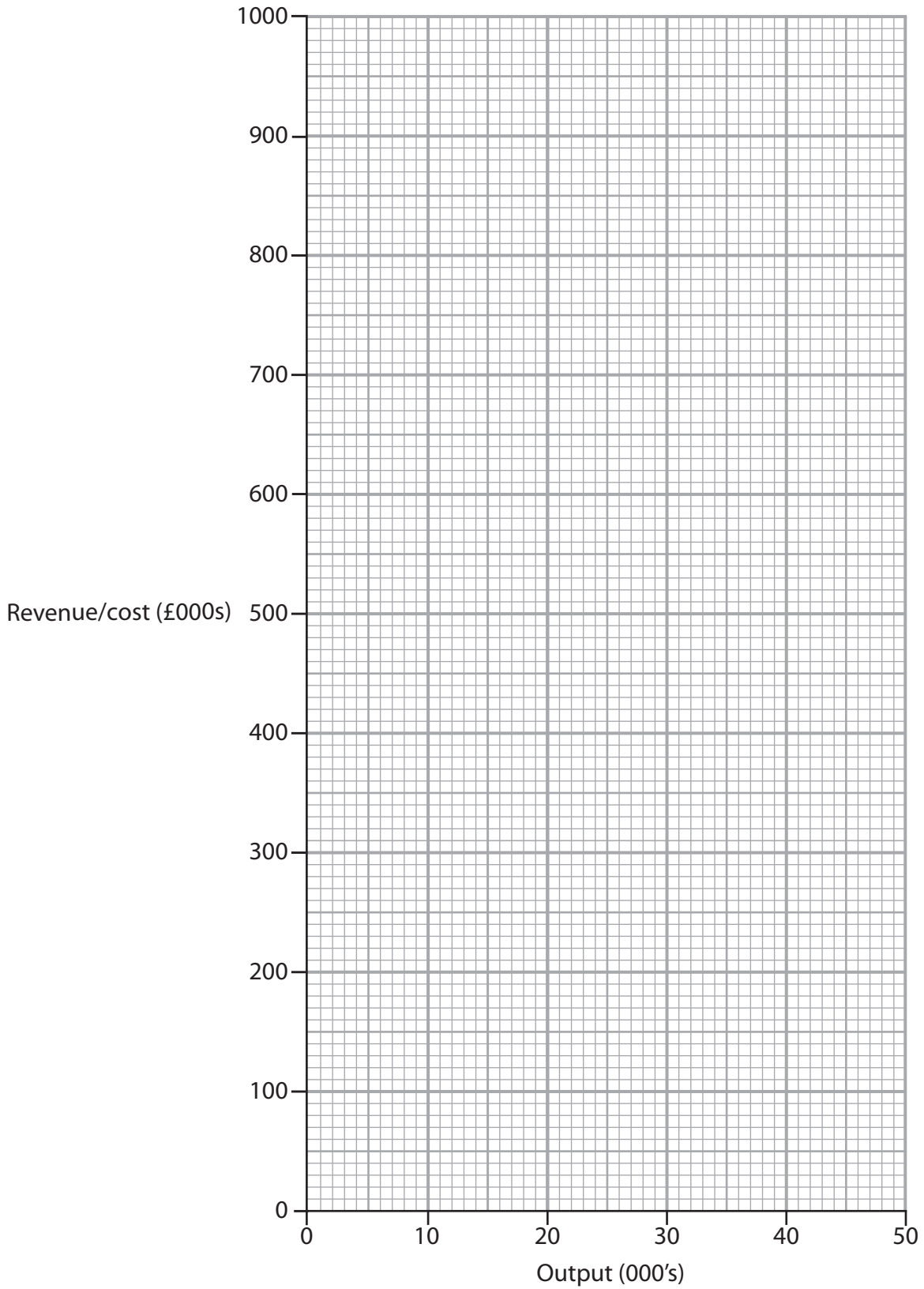
(6)



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



P 5 4 9 5 8 A 0 3 3 4 0

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

At a board meeting in January, Robert Loxton stated "I am worried about the December figures. Should the company continue trading in the future?"

(e) Evaluate the statement made by Robert Loxton and recommend if Loxton Pumps Ltd should continue trading in the future.

(6)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for Question 5 = 30 marks)



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

QUESTION 6 BEGINS ON THE NEXT PAGE.



P 5 4 9 5 8 A 0 3 5 4 0

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

Source material for Question 6 is on pages 14 to 16 of the source booklet.

6 (a) A copyright was sold in March 2018.

(i) Calculate the book 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)

Advantage

.....
.....

Disadvantage

.....
.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(iv) Calculate the interim dividend **per share** paid in September 2018.

(4)

The interest paid was both on the bank account and the 8% debenture.
The debenture was repaid on 31 May 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)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



At 31 December 2017, Mombassa Music plc had £239 000 cash.

(vi) Calculate the bank balance at 31 December 2017.

(2)

.....

.....

.....

.....

At 31 December 2018, Mombassa Music plc had £257 000 cash.

(vii) Calculate the movement on the bank balance in the year ended 31 December 2018.

(4)

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

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

(4)

1

.....

.....

.....

2

.....

.....

.....



P 5 4 9 5 8 A 0 3 9 4 0

(c) Evaluate the performance relating to liquidity in 2018 and the liquidity position at the year-end of Mombassa Music plc.

(6)

Area with horizontal dotted lines for writing the answer.

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



Pearson Edexcel International Advanced Level

Monday 14 January 2019

Morning

Paper Reference **WAC12/01**

Accounting

International Advanced Level

Paper 2: Corporate and Management Accounting

Source Booklet

Do not return this Source Booklet with the question paper.

Turn over ►

P54958A

©2019 Pearson Education Ltd.

1/1/1/1/1/1/1/1



SECTION A

Answer BOTH questions in this section.

- 1 Handsome Ltd supplies hand-painted model souvenirs to retailers in London. The models are produced using a plastic mould, and are then hand-painted.

The following information is available.

The direct costs **per unit** of the four products produced are:

Product	London Bus	Policeman	Telephone Box	Mail Box
Plastic mould	10 pence (£0.10)	8 pence (£0.08)	9 pence (£0.09)	6 pence (£0.06)
Labour time taken to paint	30 minutes	15 minutes	20 minutes	10 minutes

The plastic material is bought from a local supplier who holds a very large inventory of plastic.

Hand-painting labour is a direct cost and **each** worker is paid at a rate of £10.80 per hour.

The painting area has room for 10 hand-painters who each work for 40 hours per week. It is not company policy to work overtime.

Total demand for each product, in units, for Week 6 is:

London Bus	Policeman	Telephone Box	Mail Box
240	500	360	600

The total demand above includes a contract with a major retailer, which **must** be fulfilled, to supply the following units each week:

London Bus	Policeman	Telephone Box	Mail Box
120	200	150	270

The selling price charged by Handsome Ltd for each product is:

London Bus	Policeman	Telephone Box	Mail Box
£10.00	£6.00	£7.00	£4.00

The fixed costs for Week 6 are £1 880

Required

- (a) Calculate the number of direct labour hours:
- (i) required to fulfil the contract with the major retailer (3)
 - (ii) available for other output for Week 6 (2)
 - (iii) required to fulfil the total demand for Week 6. (5)
- (b) (i) Define the term **limiting factor**. (2)
- (ii) State **one** example, for Handsome Ltd, of
- a limiting factor
 - a factor that is not limiting. (2)
- (c) Calculate the contribution per unit for **each** of the four products. (8)
- (d) Calculate the **order of production** of the four products required to maximise profit for Week 6. (6)
- (e) Calculate the possible **quantities of production** of the four products that would fulfil the contract and maximise profit for Week 6. You must show the hours that would be spent on painting each product. (8)
- (f) Calculate the profit for Week 6 from the quantities of production in (e), that would fulfil the contract and maximise profit. (7)
- The contract with the major retailer will be ending soon. The retailer wishes to agree a new contract that will have the same quantities of the four products as the present contract supplied each week. In addition, the retailer wishes 100 units of another product, a model Tower of London, to be supplied.
- (g) Evaluate whether Handsome Ltd should agree a new contract with the major retailer. Your evaluation should include all relevant factors that should be considered by Handsome Ltd. (12)

(Total for Question 1 = 55 marks)

- 2 Alsos Engineering Ltd had the following balances at the start of the financial year on 1 January 2018.

	£
Ordinary shares of £1	56 000
Share premium	14 000
Retained earnings	8 640
General reserve	5 730
Foreign exchange reserve	8 000
Long-term bank loan	50 000

The directors decided to issue additional ordinary shares in order to expand the business.

During the year ended 31 December 2018, the following took place:

- On 1 April, the company offered 12 000 ordinary shares at a price of £1.30 each on the following terms:
 - 15 pence (£0.15) on application
 - 40 pence (£0.40) on allotment (including the 30 pence (£0.30) premium)
 - 50 pence (£0.50) first call
 - 25 pence (£0.25) second and final call.
- On 15 May, 14 000 applications had been received. The directors rejected applications totalling 2 000 shares and allotted the shares to the successful applicants.
- On 22 May, monies were returned to the unsuccessful applicants.
- On 31 July, the balances due on allotment were fully received.
- On 10 September, the first call was made and the amounts were fully received.
- On 31 October, the second and final call was made and the amounts were fully received.

Required

(a) Prepare the following ledger accounts to record the transactions for the year ended 31 December 2018:

- Ordinary share capital
- Share premium
- Application and allotment
- First call
- Second and final call.

You should also show the following where relevant:

- dates
- opening balances at the start of 2018
- closure of any relevant accounts during the year
- closing balances at the end of 2018
- opening balances at the start of 2019.

(21)

(b) Explain the following terms:

(i) rights issue

(3)

(ii) bonus issue.

(3)

The following events also took place during the year.

- On 1 August, a transfer was made to Retained earnings from the General reserve. The directors decided they wanted only £1 000 to remain in the General reserve.
- On 11 November, a property in the books at a value of £220 000 was revalued to £300 000

Required

(c) Prepare journal entries to record the two transactions. Narratives are not required.

(6)

For the year ended 31 December 2018, net profit after tax was £23 530 and dividends of £11 500 were paid.

(d) Calculate the gearing ratio at 31 December 2018.

(10)

The directors of Alsos Engineering Ltd are also considering the possibility of raising further finance, by use of either a bank loan or additional share capital, to expand the business in 2019.

(e) Evaluate whether it is better to use a bank loan or ordinary shares as a method of raising finance for Alsos Engineering Ltd.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

Answer THREE questions from this section.

- 3 Two Masks plc is considering the possibility of taking over a theatre presently run by a local government. The local government wishes to promote arts in the town, but is unable to run the theatre at a profit. If Two Masks plc takes on the contract, it will have to refurbish the theatre before staging any productions.

The following information is available for the five years of the contract.

The cost of the contract to Two Masks plc will be £240 000, which is for the restoration and refurbishment of the theatre.

The length of the contract will be five years.

The cost of the restoration and refurbishment is to be depreciated over the five years of the contract.

The theatre expects to stage 72 performances in each year.

There will be three price levels for tickets:

- Stalls £15 per ticket
- Balcony £20 per ticket
- Upper Circle £12 per ticket.

The stalls have 300 seats.

The balcony has 100 seats.

The upper circle has 150 seats.

The stalls are expected to sell 80% of the tickets available.

The balcony is expected to sell 55% of the tickets available.

The upper circle is expected to sell 30% of the tickets available

It is expected that 30% of customers will buy a theatre programme for £2

It is expected that 75% of customers will spend an average of £4 per person on refreshments.

The cost of staging one performance is £1 750

There are 12 staff, **each** on an average salary of £16 000 per year.

Other overheads, including the restoration and refurbishment depreciation, are £7 600 per month.

Revenues and costs are assumed to be the same for each year of the contract.

The company will use a cost of capital of 8% in its calculations.

The discount factors for a cost of capital of 8% are given below.

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

- (a) Calculate the net present value of the theatre contract for Two Masks plc. (18)

The company uses the internal rate of return as a method of project evaluation.

The net present value of the contract using a cost of capital of 12% is £135 670

- (b) Calculate the internal rate of return of the theatre contract for Two Masks plc. (6)

Two Masks plc will only invest in projects that give a return of 8% or above.

- (c) Evaluate whether Two Masks plc should undertake the contract to run the theatre. (6)

(Total for Question 3 = 30 marks)

- 4 Saidpur Fashions plc produces a range of clothing at its factory. The clothing is then delivered to Saidpur Fashions plc's shops for sale to customers.

At 31 December 2018, the following balances were in the books.

	Debit £	Credit £
5.75% Bank Loan, repayable 2022		400 000
Cash and cash equivalents	16 783	
Direct materials	421 108	
Discount allowed	8 274	
Discount received on materials		20 766
Factory buildings (at cost)	1 250 000	
Factory machinery (carry over value)	158 000	
Fuel	87 584	
Hire of delivery vans	3 190	
Interest on bank current account	2 843	
Interest received		3 241
Inventory of finished goods at 1 January 2018	127 952	
Irrecoverable debts written off	6 151	
Maintenance	28 539	
Marketing events	71 382	
Motor lorries (carry over value)	196 000	
Office computers	78 000	
Ordinary shares of £1		1 400 000
Power	82 460	
Provision for irrecoverable debts		4 800
8% Redeemable Preference shares of £1		600 000
Rent on shop premises	24 565	
Retained earnings		1 257 993
Revenue		2 277 920
Shop buildings (at cost)	2 385 000	
Trade payables		35 560
Trade receivables	132 000	
Vehicle running costs	44 098	
Wages	876 351	
	<u>6 000 280</u>	<u>6 000 280</u>

Adjustments and additional information at 31 December 2018

- Inventory of finished goods £131 875
- Hire of delivery vans, £6 848, owing.
- Rent on shop premises includes £1 764 prepaid.
- Maintenance is divided between the factory, distribution and the office in the ratio 6:2:1
- Power is divided between the factory, distribution and the office in the ratio 4:1:2
- Fuel is divided between the factory and distribution in the ratio 1: 7
- Shop staff receive a commission of 1.25% as a year-end bonus on all sales made. This has yet to be entered in the books.
- Wages include

	£
Delivery staff	143 521
Factory cleaners	35 879
Office staff	101 065
Production staff	378 496
Shop staff	217 390

- Assuming a nil residual value in each case and using the straight line method:
 - the factory buildings are to be depreciated over a 50-year life
 - the shop buildings are to be depreciated over a 45-year life
 - the office computers are to be depreciated over a 4-year life.
- The following are to be depreciated using the reducing balance method:
 - motor lorries at 35%
 - factory machinery at 30%.
- A corporation tax provision for £27 000 is to be made.

You are a member of the Accounts Department. The Senior Accountant has asked you to carry out the following tasks.

- (a) Prepare a detailed schedule for each of the following, ready for inclusion in the year-end financial statements, using the appropriate information.
- (i) Cost of sales section (9)
 - (ii) Distribution costs section (11)
- (b) Prepare the Statement of Profit or Loss and Comprehensive Income for the year ending 31 December 2018 for Saidpur Fashions plc, up to and including the Gross Profit. The statement should be set out in accordance with International Accounting Standard (IAS) 1. (4)
- (c) Evaluate the importance of the Directors' Report in the Annual Report. (6)

(Total for Question 4 = 30 marks)

BLANK PAGE

QUESTION 5 BEGINS ON NEXT PAGE.

- 5 Loxton Pumps Ltd produces water pumps for vehicles. The company is owned by the Loxton family and has been trading for nearly 80 years.

The following information is available:

	November 2018	December 2018	January 2019
Units produced	48 000	39 000	50 000 (planned)
Total production costs	£785 830	£661 900	

Fixed costs per month and variable costs per unit stay the same for each month.

All production is sold.

The selling price of each water pump is £16.80

Required

- (a) Calculate the:
- variable cost per unit (3)
 - fixed costs per month. (3)
- (b) Calculate the profit or loss for the month of December 2018. (4)
- (c) Calculate, for the month of January 2019, the:
- break-even point in sales units (4)
 - margin of safety in sales revenue. (4)
- (d) Prepare a break-even chart for January 2019 using the graph. You should label the following: (6)
- fixed costs
 - total costs
 - sales revenue
 - break-even point
 - margin of safety, measured in sales revenue
 - profit or loss for the month.

At a board meeting in January, Robert Loxton stated "I am worried about the December figures. Should the company continue trading in the future?"

- (e) Evaluate the statement made by Robert Loxton and recommend if Loxton Pumps Ltd should continue trading in the future.

(6)

(Total for Question 5 = 30 marks)

- 6 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 2018

Cash Flows from Operating Activities	£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	(145)	
Operating cash flow before working capital changes	3 086	
Increase in inventories	(52)	
Decrease in trade receivables	43	
Increase in trade payables	17	
Cash generated from operations	3 094	
Add Interest received	12	
Less Interest paid	(38)	
Less Tax paid	(352)	
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	32	
Net Cash Used in Investing Activities		(163)
Cash Flows from Financing Activities		
Issue of ordinary shares	96	
Repayment of debenture	(400)	
Dividends paid	(36)	
Net Cash Used in Financing Activities		(340)
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)

Required

(a) A copyright was sold in March 2018.

- (i) Calculate the book 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 2018, the share capital was 336 000 ordinary shares of £1 each.

The £1 shares issued in October 2018 were not eligible for the 2018 interim dividend.

Details of the ordinary share dividends are:

Final dividend for 2017 of £21 600 – paid February 2018

Interim dividend for 2018 – paid September 2018

Final proposed dividend for 2018 is £24 000

- (iv) Calculate the interim dividend **per share** paid in September 2018. (4)

The interest paid was both on the bank account and the 8% debenture. The debenture was repaid on 31 May 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 2017, Mombassa Music plc had £239 000 cash.

- (vi) Calculate the bank balance at 31 December 2017. (2)

At 31 December 2018, Mombassa Music plc had £257 000 cash.

- (vii) Calculate the movement on the bank balance in the year ended 31 December 2018. (4)

- (b) Explain **two** differences between a Statement of Cash Flows and a Cash Budget. (4)
- (c) Evaluate the performance relating to liquidity in 2018 and the liquidity position at the year-end of Mombassa Music plc. (6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS