Pearson Edexcel International Advanced Level

Wednesday 20 May 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 a Statement of Cash Flows for the year ended 30 April 2026 for Red Lozenge plc in accordance with International Accounting Standard (IAS) 7 Statement of Cash Flows (revised).

Your Statement of Cash Flows should show the following sections.

(i) Operating activities

(23)

(ii) Investing activities

(5)

(iii) Financing activities

(11)

(iv) Increase or decrease in cash and cash equivalents.

(4)

(b) Evaluate the liquidity performance of Red Lozenge plc for the year ended 30 April 2026.

(12)

(Total for Question 1 = 55 marks)

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

2 (a) Calculate the total standard quantity of drinking glasses to be produced in one week.

(4)

(b) Calculate for the production of glasses for May Week 1, the:

(i) budgeted material cost of production

(2)

(ii) actual material cost of production

(5)

(iii) material usage variance, stating the formula used

(5)

(iv) material price variance, stating the formula used

(5)

(v) total material cost variance.

(3)

Each production line has two members of staff.

Staff wage rate is £10.50 per hour.

Overtime is paid at a rate of time and a third.

A technical problem on **one** of the production lines in May Week 1 resulted in four hours of overtime having to be worked by each of two members of staff.

(c) Calculate for May Week 1 the:

(i) budgeted labour cost of production

(2)

(ii) actual labour cost of production

(4)

(iii) labour efficiency variance, stating the formula used

(5)

(iv) labour rate variance, stating the formula used

(5)

(v) total labour cost variance.

(3)

(d) Evaluate the performance of the Production Department of Lychburn Glass plc for May Week 1. Your evaluation should include some recommendations for the future for the company.

(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 for CherriTree Industrials plc, for the year ended 30 April 2026, the following ratios.

(i) Earnings per ordinary share

(5)

(ii) Price/earnings ratio

(3)

(iii) Dividend per share

(4)

(iv) Dividend cover

(3)

(v) Dividend yield

(3)

(vi) Gearing ratio.

(6)

(b) Evaluate the financial performance of CherriTree Industrials plc, for the year ended 30 April 2026.

(6)

(Total for Question 3 = 30 marks)

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

4 You are the Cost Accountant for SmoothPlay Limited, and you have to prepare the budgets in columnar format.

(a) Prepare for **each** of the months from July 2026 to December 2026 for the Summerville store, the following budgets.

(i) Purchases budget, in pounds (£)

(1)

(ii) Trade Payables budget, showing the amount owed to suppliers at the end of **each** month, in pounds (£).

(10)

The following information is available concerning sales at the Summerville store.

- The mark up on all items is 80%.
- All musical instrument are to be sold in the same month as purchased.
- Sales are made on the following terms:
  - 75% are for cash
  - 25% will spread payments equally over a six-month period, with the first payment due one month after the sale.

(b) Prepare for **each** of the six months from July 2026 to December 2026 for the Summerville store, the following budgets.

(i) Cash budget extract, showing revenues received, in pounds (£)

(3)

(ii) Trade Receivables budget showing the amount owed by customers, at the end of **each** of the six months.

(6)

SmoothPlay Limited is considering the possibility of charging interest on payments for sales made on credit.

(c) State

(i) **two** advantages to SmoothPlay Limited of adding interest charges on to payments for sales on credit

(2)

(ii) **two** disadvantages to SmoothPlay Limited of adding interest charges on to payments for sales on credit.

(2)

SmoothPlay Limited is also considering the use of flexible budgets in the future.

(d) Evaluate the possible use of flexible budgets for SmoothPlay Limited.

(6)

(Total for Question 4 = 30 marks)

Source material for Question 5 is on pages 8 and 9 of the Source Booklet.

5 (a) Identify under which line item of the Statement of Financial Position you would class the following:

(i) gas bill paid in advance

(ii) copyright on books

(iii) paper for printing books

(iv) an amount set aside to cover costs and damages in a court case for possible infringing (breaking) of copyright of another company's book at the start of the financial year on 1 October 2025

(v) money borrowed from the bank that needs to be repaid on 2 July 2026.

(5)

(b) Explain the term "Other payables" giving **one** example of an item that could be included under this heading.

(2)

The cash balance is £22 000 at 30 April 2026.

(c) Calculate the bank balance at this date.

(2)

The next payment is due on the debenture.

(d) Calculate the amount that needs to be paid for the next payment on the debenture.

(3)

(e) Give **two** examples of how the Share Premium reserve could be utilised (used).

(2)

The Retained Earnings account had a credit balance of £1 988 000 at the start of the year.

(f) Calculate the profit or loss made for the year.

(2)

The following relates to property, plant and equipment during the year ended 30 April 2026.

- At the start of the year, the company had property, plant and equipment that cost £38 000 000 with a carry-over value of £36 900 000
- On 3 May 2025, the company sold a property that cost £2 100 000 for a price of £2 270 000, earning a profit of £422 000
- Depreciation of property, plant and equipment for the year ended 30 April 2026 was £850 000

(g) Prepare the following accounts for the year ended 30 April 2026.

(i) Disposals of Property, Plant and Equipment Account.

(4)

(ii) Provision for Depreciation of Property, Plant and Equipment account.

(4)

(h) Evaluate the importance of disclosing Continuing Activities and Discontinued Activities.

(6)

(Total for Question 5 = 30 marks)

Source material for Question 6 is on page 10 of the Source Booklet.

6 (a) Calculate the weighted average cost of capital for the project.

(6)

(b) Calculate the average rate of return (accounting rate of return) of the project.

(18)

Suthern Fuels plc has a company policy that requires investments to give an average rate of return (accounting rate of return) per year of 15%.

(c) Evaluate the 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

Answer BOTH questions in this section.

1 The Statements of Financial Position of Red Lozenge plc at 30 April 2025 and 30 April 2026 are shown below.

	30 April 2025	**30 April 2026**
ASSETS	£	£
Non-current assets		
Property, plant and equipment – at cost	9 118 000	9 982 000
Provision for depreciation	(2 560 000)	(2 882 000)
Property, plant and equipment – carrying value	6 558 000	7 100 000
Intangibles	1 285 000	1 180 000
Shares held in other companies – at cost	420 000	0
	8 263 000	8 280 000
Current assets		
Inventories	727 000	698 000
Trade and other receivables	529 000	534 000
Cash and cash equivalents	423 000	267 000
	1 679 000	1 499 000
Total Assets	9 942 000	9 779 000
EQUITY AND LIABILITIES		
Equity		
Share capital – £1 Ordinary shares	4 400 000	4 000 000
Share Premium	880 000	800 000
5% £1 Irredeemable Preference shares	750 000	750 000
Revaluation reserve	0	250 000
Retained earnings	2 154 000	2 457 000
General reserve	300 000	300 000

	30 April 2025	30 April 2026
	£	£
Foreign exchange reserve	125 000	175 000
Total capital and reserves	8 609 000	8 732 000
Non-current Liabilities		
8% Bank loan	700 000	0
7% Debenture 2031	0	500 000
	700 000	500 000
Current liabilities		
Trade and other payables	416 000	401 000
Current taxation payable	217 000	146 000
	633 000	547 000
Total Equity and Liabilities	9 942 000	9 779 000

Additional information

(1) On 3 May 2025, plant bought for £1 250 000, with depreciation to date of £460 000, was sold for £670 000

(2) On 2 June 2025, property was bought for £1 864 000

(3) On 11 June 2025, intangibles were sold at carrying value for £42 000

(4) On 22 June 2025, ordinary shareholders received a final dividend for the year ended 30 April 2025 of 2.3 pence (£0.023) per share.

(5) On 3 July 2025, there was a redemption of 400 000 Ordinary shares of £1 with a premium of 25 pence (£0.25) per share, at a market value of £1.37 per share.

(6) On 16 August 2025, £50 000 was transferred from Retained earnings to the Foreign exchange reserve.

(7) On 2 September 2025, the taxation of £217 000 on the previous year's profit was paid.

(8) On 1 October 2025, an 8% bank loan of £700 000 was repaid. On 1 October 2025, a 7% debenture of £500 000 was taken out. Interest on the bank loan and the debenture had been paid to date.

(9) On 15 October 2025, ordinary shareholders received an interim dividend of 0.6 pence (£0.006) per share for the year ended 30 April 2026.

(10) On 12 November 2025, a property was revalued upwards by £250 000

(11) On 6 March 2026, all of the shares held in another company were sold for a profit of 30% on cost. The shares had been bought for £420 000

(12) Irredeemable Preference shareholders received dividends for the first half of the year but have not yet received dividends for the second half of the year.

(13) Profit after interest but before tax for the year ended 30 April 2026 was £184 900

2 Lychburn Glass plc produces drinking glasses at its factory.

You are the Cost Accountant and have been asked to look at the performance of the Production Department for May Week 1.

Standard production figures for the factory are shown below.

- The production lines work for eight hours a day, five days a week.
- The factory has three production lines.
- One glass is produced every 45 seconds from each production line.
- The company has a contract to supply the standard weekly production quantity of glasses produced, to a major wholesaler customer.

Additional information for May Week 1

The standard material cost of producing one glass is 1.8 pence (£0.018) per glass.

The standard cost of material is £44.00 per tonne.

Company records for the start of May Week 1 show the following.

- In the inventory at the start of the week, 0.61 tonnes of glass material, purchased at £43 per tonne.
- Deliveries received in May Week 1:
  - Monday – 1.8 tonnes purchased at £45 per tonne
  - Tuesday – 1.8 tonnes purchased at £46 per tonne.
- At the end of the week, 0.32 tonnes of glass were in inventory.
- The company uses the FIFO (First In, First Out) method of inventory valuation.

SECTION B

Answer THREE questions from this section.

3 You are an accountant for CherriTree Industrials plc.

The following information applies to the year ended 30 April 2026.

Ordinary shares of £0.75 (75 pence) per share	40 million shares
Share premium of £0.20 (20 pence) per share.	40 million shares
Irredeemable 6% preference shares of £0.80 (80 pence)	15 million shares
Redeemable 8% preference shares of £1.00	25 million shares
General reserve	£3 000 000
12% Debenture 2029	£8 000 000
14% Bank loan repayable 2028	£6 000 000
Retained earnings at 30 September 2026	£13 400 000
Net profit for the year after interest	£6 750 000
Taxation on profit	£630 000
Interim ordinary dividend paid for the year	£0.008 (0.8 pence) per share
Final ordinary dividend paid for the year	£1 760 000
Market share price	£1.05

4 SmoothPlay Limited buys and sells musical instruments.

The company has 10 stores throughout the country and is to open its first store in the city of Summerville on 1 July 2026.

The following information is available concerning purchases for the Summerville store.

- In the period July 2026 to December 2026, monthly purchases are expected to be 180 musical instruments each month.
- The average cost of a purchase is £90 per musical instrument.
- The credit terms given by suppliers are:
  - 20% sell only for cash
  - 55% give one month's credit
  - 15% give two months' credit
  - 10% give three months' credit.
- Full advantage is taken of credit terms offered by suppliers.

5 Knowledge plc produce a range of books. The Statement of Financial Position of Knowledge plc for the year ended 30 April 2026 is shown below.

Statement of Financial Position at 30 April 2026	
ASSETS	£
Non-current assets	
Intangibles	724 000
Property, plant and equipment carrying value	39 560 000
	40 284 000
Current assets	
Inventories	17 398 000
Trade receivables	5 617 000
Other receivables	920 000
Cash and cash equivalents	154 000
	24 089 000
Total Assets	64 373 000
Non-current liabilities	
6.25% Debenture 2029	4 900 000
8.75% Bank loan	3 500 000
	8 400 000
Current liabilities	
9% Bank loan	900 000
Trade payables	4 563 000
Other payables	157 000
Current taxation payable	1 128 000
Provisions	950 000
	7 698 000

Statement of Financial Position at 30 April 2026	
	£
	________
Total Liabilities	16 098 000
	________
Net Assets	**48 275 000**
EQUITY	
Share capital – Ordinary shares of £1	20 000 000
7% Redeemable preference shares of £1	3 000 000
Share Premium	4 000 000
Revaluation reserve	11 800 000
Foreign Exchange reserve	2 960 000
General reserve	3 150 000
Retained earnings	3 365 000
Total Equity and reserves	**48 275 000**

6 Suthern Fuels plc has 40 fuel stations in the country, supplying fuel to motorists.

The company is considering purchasing and installing a car wash machine in each of its fuel stations.

The cost of purchasing and installing **one** machine will be £225 000

The funding of the project is shown below.

	£ million	Interest rate/ Expected return
Ordinary shares	2.5	3%
Preference shares	0.5	4.5%
Debenture	2	9%
Bank loan	3	8.75%
Government grant	1	Nil

Additional information

- In years 1 and 2, the average charge per customer will be £10.00 per car wash.
- In years 3 and 4, the average charge per customer will be £11.00 per car wash.
- In year 5, the average charge per customer will be £12.00 per car wash.
- The average number of customers per hour using the car wash for all years is expected to be two.
- The car wash will be open for 52 weeks in the year, 7 days a week, 18 hours a day.

The **weekly** operating costs excluding depreciation and interest are expected to be:

Year	Weekly operating costs (excluding interest and depreciation)
1	£4 000
2	£4 000
3	£4 200
4	£4 200
5	£4 400

- The car washes are to be depreciated at 20% per annum using the straight-line method.

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

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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)

(23)

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(ii)

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(4)

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(b)

(12)

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(Total for Question 1 = 55 marks)

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

2 (a)

(4)

(b) (i)

(2)

(ii)

(5)

(iii)

(5)

(iv)

(5)

(v)

(3)

(c) (i)

(2)

(ii)

(4)

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(iii)

(5)

(iv)

(5)

(v)

(3)

(d)

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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SECTION B BEGINS ON THE NEXT PAGE.

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)

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(ii)

(3)

(iii)

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(v)

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(vi)

(6)

(b)

(6)

(Total for Question 3 = 30 marks)

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QUESTION 4 BEGINS ON THE NEXT PAGE.

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) (i)

(1)

	July	August	September	October	November	December
	£	£	£	£	£	£

Workings

....

....

(ii)

(10)

	July	August	September	October	November	December
	£	£	£	£	£	£

Workings

....

....

....

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(b) (i)

(3)

	July	August	September	October	November	December
	£	£	£	£	£	£

Workings

(ii)

(6)

	July	August	September	October	November	December
	£	£	£	£	£	£

Workings

(c) (i)

(2)

1

2

(ii)

(2)

1

2

(d)

(6)

(Total for Question 4 = 30 marks)

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QUESTION 5 BEGINS ON THE NEXT PAGE.

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

Source material for Question 5 is on pages 8 and 9 of the Source Booklet.

5 (a)

(5)

(i) ....

(ii) ....

(iii) ....

(iv) ....

(v) ....

(b)

(2)

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(c)

(2)

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(d)

(3)

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(e)

(2)

1 ....

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2 ....

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(f)

(2)

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(g) (i) Disposals of Property, plant and equipment

(4)

Date	Details	Amount	Date	Details	Amount

Workings

(ii) Provision for depreciation property plant and equipment

(4)

Date	Details	Amount	Date	Details	Amount

Workings

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(h)

(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 page 10 of the Source Booklet.

6 (a)

(6)

(b)

(18)

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(c)

(6)

(Total for Question 6 = 30 marks)

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

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