Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Monday 27 October 2025

Morning (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) Prepare for Sparkle plc, in accordance with International Accounting Standard 1 (Revised), a Statement of Profit or Loss and other Comprehensive Income for the year ended 30 September 2025.

(34)

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(b) Calculate the gearing ratio of Sparkle plc, stating the formula used.

(9)

(c) Evaluate the performance of Sparkle plc for the year ended 30 September 2025 from the point of view of Arkle.
(You may wish to support your answer with relevant calculations.)

(12)

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(Total for Question 1 = 55 marks)

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

2 (a) Calculate the quantity of copper (in kilograms) required to satisfy the demand for all four products in a week.

(5)

(b) Explain the term **limiting factor**.

(2)

(c) Calculate the contribution for **one** item of **each** of the four products.

(12)

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(d) Calculate the order of production of the four products required to maximise profits each week.

(8)

(e) Calculate the quantities of production of **each** product that would maximise profit each week.

(6)

(f) Calculate the profit **per week** for Copper Castings Limited.

(10)

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(g) Evaluate whether Copper Castings Limited should introduce ICT to help with the bookkeeping and finances of the business.
Your answer should include financial, technical and human aspects.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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QUESTION 3 BEGINS ON PAGE 18

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 pages 6 and 7 of the Source Booklet.

3 (a) Explain **two** sources of information that would be used to establish a standard cost for a product.

(4)

1 ....

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....

....

2 ....

....

....

....

(b) Calculate, for the month of September, the:

(i) standard (budgeted) production of railway tracks

(2)

....

....

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....

(ii) actual production of railway tracks.

(2)

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(c) Calculate, for the month of September, the standard (budgeted) quantity of material required to meet the actual production level achieved.

(2)

(d) Calculate, for the month of September, stating the formula used in each case, the:

(i) material usage variance

(5)

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(ii) material price variance

(5)

(iii) total material variance.

(4)

(e) Evaluate the performance of Asiatic Steel plc for the month of September.

(6)

(Total for Question 3 = 30 marks)

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

Source material for Question 4 is on page 8 of the Source Booklet.

4 (a) Calculate, for the year ended 30 September 2025, the:

(i) dividend per ordinary share

(4)

(ii) dividend yield per ordinary share

(3)

(iii) dividend cover per ordinary share

(4)

(iv) earnings per ordinary share

(3)

(v) price/earnings ratio

(3)

(vi) return on capital employed.

(7)

(b) Evaluate how successful Red Sune plc has been in meeting its obligations to shareholders and keeping them satisfied.

(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 pages 10 and 11 of the Source Booklet.

5 (a) Calculate the:

(i) agreed value of assets to be taken over by Solea Construction plc

(6)

(ii) agreed value of liabilities to be taken over by Solea Construction plc

(4)

(iii) purchase price paid by Solea Construction plc

(4)

(iv) goodwill paid by Solea Construction plc when acquiring JKL plc.

(4)

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

- Trade receivables
- Trade payables
- Retained earnings.

(6)

(c) Evaluate the takeover of JKL plc by Solea Construction plc from the point of view of the shareholder, Margarita.

(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 12 of the Source Booklet.

6 (a) Calculate the net cash flow for **each** of the five years of the project.

(17)

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(b) Calculate the payback period of the project in years and months.

(7)

(c) Evaluate the decision of Annashahi Council to use **only** the payback period method to assess the market hall project.

(6)

(Total for Question 6 = 30 marks)

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

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Pearson Edexcel International Advanced Level

Monday 27 October 2025

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Paper reference **WAC12/01**

Accounting

International Advanced Level
UNIT 2: Corporate and Management Accounting

Source Booklet
Do not return this Booklet with the question paper.

Turn over

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SECTION A
Answer BOTH questions in this section.

1 Sparkle plc produces dishwashers at its factory. The dishwashers are then delivered to shops, before sale to customers. At 30 September 2025, the following trial balance was extracted.

	Debit £	**Credit £**
Allowance for irrecoverable debts		1 700
Auditors' fees	8 700	
Bank current account		23 000
Bank current account interest	1 850	
Cash	2 670	
Computer equipment – carrying value	76 000	
9% Debenture 2026		300 000
Debenture interest paid	27 000	
Delivery costs	79 000	
Direct material purchases	670 000	
Discount allowed	47 000	
Discount received		19 000
Factory buildings at cost	3 600 000	
Factory buildings – provision for depreciation		240 000
Foreign exchange reserve		45 000
General reserve		100
Goodwill	32 000	
Inventories at 1 October 2024	321 000	
Irrecoverable debts	7 500	
Marketing	54 000	
Motor lorries at cost	280 000	
Motor lorries – provision for depreciation		56 000
Motor lorries running expenses	19 400	
Office expenses	235 000	
Ordinary shares of £1.00 each		1 900 000
Other payables		12 360
Production machinery – carrying value	240 000	
Rent on warehouse	44 000	
Retained earnings		618 660
Revaluation reserve		360 000
Revenue		3 784 000
Share premium		475 000
Trade payables		174 000
Trade receivables	28 700	
Wages	2 235 000	
	8 008 820	8 008 820

Additional information at 30 September 2025

(1) The computer equipment was revalued to £47 000

(2) There is an outstanding bill for delivery costs for £3 100

(3) The factory buildings are being depreciated over a 50-year life, using the straight line method. Depreciation for the present year needs to be calculated and entered into the books.

(4) In October 2023, a supplier of parts was taken over with goodwill of £40 000 being paid. No entry has been made in the books for the goodwill to be written off this year.

(5) Inventories were £335 000

(6) Office expenses paid in advance were £21 700

(7) The motor lorries are to be depreciated using the reducing balance method at a rate of 20% per annum.

(8) The production machinery is to be depreciated using the units of output method. The production machinery was purchased for £370 000. At the end of its life, it will have a residual value of £10 000

It is estimated that the production machinery will produce 80 000 units over its life. This year, the production machinery produced 13 560 units.

(9) The allowance for irrecoverable debts is to be adjusted to be 5% of trade receivables.

(10) Wages are to be apportioned on the following basis:
Factory 40% Warehouse 25% Transport 15% Office 20%

(11) Corporation tax is charged at 20% on profits and is to be paid by 31 December 2025.

Required

(a) Prepare for Sparkle plc, in accordance with International Accounting Standard 1 (Revised), a Statement of Profit or Loss and other Comprehensive Income for the year ended 30 September 2025.

(34)

(b) Calculate the gearing ratio of Sparkle plc, stating the formula used.

(9)

Arkle is a shareholder in Sparkle plc. He is concerned about some of the profitability ratios and some of the investment ratios.

(c) Evaluate the performance of Sparkle plc for the year ended 30 September 2025 from the point of view of Arkle.
(You may wish to support your answer with relevant calculations.)

(12)

(Total for Question 1 = 55 marks)

2 Copper Castings Limited is a foundry producing and selling items made from copper. The company only has one furnace that can produce the molten copper for the four products that it makes.

The following table shows information for one item of each of the four products.

Product	**Pipe**	**Drinks cooler**	**Coal bucket**	**Tap**
Copper used	1.8 kilograms	2.0 kilograms	2.6 kilograms	3.0 kilograms
Labour time required	10 minutes	20 minutes	15 minutes	30 minutes
Selling price	£14.00	£25.00	£20.00	£36.00
Weekly demand	800	250	350	300

The weekly capacity of the furnace is 3 500 kilograms of copper.
The wholesale cost of copper is £5.40 per kilogram.
Labour is paid at £12.60 per hour.

Required

(a) Calculate the quantity of copper (in kilograms) required to satisfy the demand for all four products in a week.
(5)

(b) Explain the term **limiting factor**.
(2)

(c) Calculate the contribution for **one** item of **each** of the four products.
(12)

(d) Calculate the order of production of the four products required to maximise profits each week.
(8)

(e) Calculate the quantities of production of **each** product that would maximise profit each week.
(6)

Copper Castings Limited has the following fixed costs.

- Rent £2 000 per month.
- Utility bills £1 600 per week.
- Depreciation of a furnace that was bought for £38 000 and will last for five years before being scrapped for £2 000
- Other fixed costs £2 450 per week.

Assume four weeks in a month and 12 months in a year.

Required

(f) Calculate the profit **per week** for Copper Castings Limited.

(10)

Copper Castings Limited is considering introducing ICT to help with the bookkeeping and finances of the business.

Required

(g) Evaluate whether Copper Castings Limited should introduce ICT to help with the bookkeeping and finances of the business.
Your answer should include financial, technical and human aspects.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 (a) Explain **two** sources of information that could be used to establish a standard cost for a product.

(4)

Asiatic Steel plc produces railway tracks from steel in a factory. You are the Cost Accountant at Asiatic Steel plc.

The following information is available for the month of September.

- The factory was open for six days a week.
- There were four weeks in the month.
- Budgeted production was eight railway tracks per day.
- The standard (budgeted) figures for one railway track are:

Length	35 metres
Steel usage per metre	48 kilograms
Price of steel	£0.72 per kilogram

- Failure to obtain steel supplies in the month resulted in stoppages in the production line.
- Actual production was 11 railway tracks less than budgeted production in the month.
- The actual materials used in September were:
  326 420 kilograms at £0.68 per kilogram.

Required

(b) Calculate, for the month of September, the:

(i) standard (budgeted) production of railway tracks

(2)

(ii) actual production of railway tracks.

(2)

(c) Calculate, for the month of September, the standard (budgeted) quantity of material required to meet the actual production level achieved.

(2)

(d) Calculate, for the month of September, stating the formula used in each case, the:

(i) material usage variance

(5)

(ii) material price variance

(5)

(iii) total material variance.

(4)

(e) Evaluate the performance of Asiatic Steel plc for the month of September.

(6)

(Total for Question 3 = 30 marks)

4 You are the accountant for Red Sune plc. You will have to report on the financial statements of the company at the Board of Directors meeting. Information concerning the performance of the company for the financial year ended 30 September 2025 is given below.

Issued ordinary share capital	6 million shares with a nominal value of £0.50 each issued at a premium of £0.30
8% Redeemable £1 preference shares	£3 000 000
Net profit for the year before tax	£486 000
Tax on profit for the year	£96 000
12% Debenture 2028	£1 300 000
14% Bank loan 2027	£1 100 000
Reserves (including Net profit for the year)	£1 600 000
Interim Ordinary dividend paid for the year	£30 000
Final Ordinary dividend paid for the year	2 pence (£0.02) per share
Market price per share	£1.25

Required

(a) Calculate, for the year ended 30 September 2025, the:

(i) dividend per ordinary share

(4)

(ii) dividend yield per ordinary share

(3)

(iii) dividend cover per ordinary share

(4)

(iv) earnings per ordinary share

(3)

(v) price/earnings ratio

(3)

(vi) return on capital employed.

(7)

At a Board meeting, the Chief Executive states, "It is important that we try to meet our obligations to shareholders and keep them satisfied."

(b) Evaluate how successful Red Sune plc has been in meeting its obligations to shareholders and keeping them satisfied.

(6)

(Total for Question 4 = 30 marks)

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5 Solea Construction plc agreed to purchase JKL plc on 30 September 2025.

The directors of Solea Construction plc have agreed to take over all of the assets except goodwill, trade receivables and cash and cash equivalents. They have also agreed to settle all the liabilities except a bank loan and tax payable.

The statement of financial position of JKL plc at 30 September 2025 showed the following.
All assets £44 800 000
All liabilities £32 200 000
Equity and reserves £12 600 000

The following figures and revaluations were agreed by both companies.

- Equipment with a value of £1 550 000 was to be worth only a scrap value of £125 000
- Plant with a carrying (book) value of £227 000 was to be given a value of zero.
- Trade payables were agreed at £1 910 000, up from £1 867 000
- Inventory was increased in value by £207 000 to a net realisable value.
- The value of a property was increased by 15% to a current market value of £1 380 000

Additional information concerning JKL plc at 30 September 2025:

- Goodwill in the books was valued at £185 000
- Trade receivables were £2 430 000
- Cash balance £23 000
- Overdraft £141 000
- Tax payable £1 080 000
- Bank loan £3 000 000
- Retained earnings balance £2 400 000 debit.
- Equity share capital is £15 000 000 consisting of ordinary shares of £0.75 each.
- For every two shares of £0.75 held in JKL plc, each shareholder would receive:
  - one £1 share in Solea Construction plc at a premium of £0.63
  - £0.25 cash.

Required

(a) Calculate the:

(i) agreed value of assets to be taken over by Solea Construction plc

(6)

(ii) agreed value of liabilities to be taken over by Solea Construction plc

(4)

(iii) purchase price paid by Solea Construction plc

(4)

(iv) goodwill paid by Solea Construction plc when acquiring JKL plc.

(4)

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

- Trade receivables
- Trade payables
- Retained earnings.

(6)

Margarita holds 2 500 shares in JKL plc. She bought the shares at nominal (face) value when the company was started.

(c) Evaluate the takeover of JKL plc by Solea Construction plc from the point of view of the shareholder, Margarita.

(6)

(Total for Question 5 = 30 marks)

6 In the town of Annashahi, market traders presently have market stalls in a number of different locations. Annashahi Council has decided to build a market hall, which will be a site for market traders in the centre of town. The market hall will have a capacity of 40 market stalls available for rent.

The following information is available.

- The cost of building the market hall will be £600 000
- Annashahi Council will depreciate the market hall over five years, using straight-line depreciation, with no residual value.
- In Years 1 to 3, the expected running costs (including depreciation) are expected to be £14 000 a month.
- Running costs (including depreciation) are expected to rise by £700 in Year 4
- Running costs (including depreciation) in Year 5 will be the same as Year 4
- The market hall will be open for 12 months of the year.
- The market hall will have 40 market stalls for selling products.
- The expected percentage of stalls to be rented is shown in the table below.

Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
75%	80%	85%	90%	95%

- Market traders will pay £400 per month to rent a stall in Years 1 and 2
- The price to rent a stall will rise by 10% in Year 3
- The price to rent a stall for Years 4 and 5 will be the same as Year 3

Required:

(a) Calculate the net cash flow for **each** of the five years of the project.

(17)

(b) Calculate the payback period of the project in years and months.

(7)

Annashahi Council has decided to use only the payback period method to assess the market hall project.

(c) Evaluate the decision of Annashahi Council to use **only** the payback period method to assess the market hall project.

(6)

(Total for Question 6 = 30 marks)

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