

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

--	--	--	--	--

--	--	--	--	--

Pearson Edexcel International Advanced Level

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.*

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 ►

P72450A

©2023 Pearson Education Ltd.
1/1/1/1/1



Pearson

SECTION A

Answer BOTH questions in this section. Write your answers in the spaces provided.

Source material for Question 1 is on pages 2 and 3 of the Source Booklet.

- 1** (a) Calculate the quantity of aluminium, in kilograms, produced by **each** of the four mines.

(2)

	Alkaran kgs	Banitas kgs	Cabaid kgs	Dalamora kgs

Workings

.....

.....

- (b) Calculate the total fixed costs for **each** of the four mines.

(9)

Fixed Costs	Alkaran £	Banitas £	Cabaid £	Dalamora £
Salaries				
Head Office Overheads				
Depreciation				
Total Fixed Costs				

Workings

.....

.....

.....

.....

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

(c) Calculate the profit or loss for **each** of the four mines of Middle East Mining plc, for the year ended 31 December 2022.

(16)

	Alkaran £	Banitas £	Cabaid £	Dalamora £

Workings

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



(d) Calculate the expected contribution **per kilogram** of aluminium, made by **each** of the four mines, for the year ended 31 December 2023.

(16)

	Alkaran £	Banitas £	Cabaid £	Dalamora £

Workings

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(e) Evaluate the future of **each** of the four mines in 2023, using the figures calculated, and any other relevant factors.

(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 the answer.

(Total for Question 1 = 55 marks)



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

- 2 (a) Complete the Statement of Changes in Equity opposite, to show the figures for the information in the Source Booklet, for the year ended 31 December 2022.

You should insert a suitable heading for columns A and B as applicable.

Space is available for workings below.

(22)

Workings

Area with horizontal dotted lines for working out the answer.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



Statement of Changes in Equity for Asiatic Investments plc for year ended 31 December 2022

Figures are in £ millions	£1 Ordinary Share Capital £m	Share Premium £m	Retained Earnings £m	General Reserve £m	Foreign Exchange Reserve £m	A £m	B £m	Total Equity £m
(1) Balance at 1 January 2022								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								
(8)								
(9) Balance at 31 December 2022								



(b) Prepare the Journal entries for three of the items that were shown.

- (i) On 12 March 2022, property that had been bought two years ago for £64 million was revalued to its market value. This new value was a 15% increase on the purchase price.

Narratives are not required.

(2)

The Journal			
Date	Details	Debit £m	Credit £m

Workings

- (ii) On 15 May 2022, 50 million £1 ordinary shares were redeemed, at a premium of 30 pence (£0.30) per share.

(5)

The Journal			
Date	Details	Debit £m	Credit £m

Workings



(iii) The profit for the year ended 31 December 2022 was £11 million.

(2)

The Journal			
Date	Details	Debit £	Credit £

(c) State **three** uses (ways it could be utilised) of a Share Premium Account.

(3)

1

2

3

(d) (i) Explain the meaning of the term **provision**.

(3)

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(ii) Complete the entries in the Allowance for Irrecoverable Debts Account for the year ended 31 December 2022.

(4)

Allowance for Irrecoverable Debts Account					
Date	Details	£	Date	Details	£

Workings

.....

.....

.....

.....

(iii) State the name of **two** accounts that are provisions, other than the Allowance for Irrecoverable Debts Account.

(2)

1

.....

2

.....

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

Sohail is an investor who holds 5% of the share capital in Asiatic Investments plc.

(e) Evaluate the performance of Asiatic Investments plc from the point of view of Sohail.

(12)

Area with horizontal dotted lines for writing the answer.

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



SECTION B

Answer THREE questions from this section. Write your answers in the spaces provided.

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 .

Source material for Question 3 is on pages 6 and 7 of the Source Booklet.

3 (a) Calculate the weighted average cost of capital of Option B.

(6)

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) Identify either Option A or Option B as a source of finance for the project, giving a reason for your choice.

(2)

.....

.....

.....

.....

(c) Explain **one** reason why the government may give a grant to Windgreen plc to install the wind turbines.

(2)

.....

.....

.....

.....



P 7 2 4 5 0 A 0 1 3 3 2

(d) Calculate the Net Present Value at the end of year 5 of:

(i) **one** wind turbine

(13)

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



(ii) the 40 wind turbines.

(1)

.....
.....

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

(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 pages 8 to 10 of the Source Booklet.

- (a) State **one** factor that would be considered when deciding upon the value to be agreed for **each** of the following assets. You must use a different factor for each asset.

(5)

Property

.....

.....

Motor vehicles

.....

.....

Inventory

.....

.....

Trade receivables

.....

.....

Patent

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(b) Calculate the value of goodwill paid by HealthWave plc for Orion Pharma plc.

(6)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Calculate the:

(i) amount of cash a shareholder would receive for **each** share held in Orion Pharma plc

(5)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(ii) total amount of cash shareholders in Orion Pharma plc would receive.

(2)

.....

.....

.....

.....

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

(d) Prepare an extract from the Statement of Financial Position of HealthWave plc at 1 January 2023 showing the Equity section **after** the purchase of Orion Pharma plc.

(6)

Area with horizontal dotted lines for writing the answer.



(e) Evaluate the purchase of Orion Pharma plc from the point of view of a shareholder in HealthWave plc.

(6)

(Total for Question 4 = 30 marks)

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

BLANK PAGE



P 7 2 4 5 0 A 0 2 1 3 2

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) (i) Calculate the break-even point for printers for the year, in units.

(16)

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

Handwriting practice area with 20 horizontal dotted lines.



P 7 2 4 5 0 A 0 2 3 3 2

(ii) Calculate the break-even point for printers for the year, in sales revenue.

(2)

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) Calculate the:

(i) margin of safety in sales units

(3)

.....

.....

.....

.....

.....

.....

.....

.....

(ii) margin of safety as a percentage of sales.

(3)

.....

.....

.....

.....

.....

.....

.....

.....



(c) Evaluate the decision of Cherry-Avocado plc to award sales staff a sales commission of £8 for every printer sold.

(6)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 5 = 30 marks)



P 7 2 4 5 0 A 0 2 5 3 2

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

Source material for Question 6 is on pages 14 and 15 of the Source Booklet.

6 (a) Calculate the following ratios for Morphou Bay Holiday Apartments plc.

(i) Return on capital employed

(3)

.....

.....

.....

.....

.....

.....

.....

(ii) Dividend paid per share

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(iii) Dividend yield

(3)

(iv) Dividend cover

(8)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



P 7 2 4 5 0 A 0 2 7 3 2

(v) Earnings per ordinary share

(3)

.....

.....

.....

.....

.....

.....

(vi) Price/earnings ratio

(3)

.....

.....

.....

.....

.....

.....

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

At a recently held Annual General Meeting, a shareholder made the following comment.

“If we can increase the return on capital employed ratio, we will be able to attract more shareholders”.

(b) Evaluate the statement made by the shareholder.

(6)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(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

BLANK PAGE



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE



Pearson Edexcel International Advanced Level

Time 3 hours

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 ►

P72450A

©2023 Pearson Education Ltd.
1/1/1/1/1



Pearson

- 1 Middle East Mining plc owns four mines where ore is extracted and used to produce the metal, aluminium. The price of aluminium is determined by the world market.

Figures for the mines for the year ended 31 December 2022 are shown below.

Mine	Alkaran	Banitas	Cabaid	Dalamora
Quantity of ore mined (kgs)	12 000 000	80 000 000	160 000 000	20 000 000

Additional information:

- four kilograms of ore will produce one kilogram of aluminium
- all aluminium produced is sold.

Required

- (a) Calculate the quantity of aluminium, in kilograms, produced by **each** of the four mines.

(2)

Fixed costs for the year consist of the following three costs.

- (1) Salaries of mine staff.

Mine	Alkaran	Banitas	Cabaid	Dalamora
Salaries	£150 000	£360 000	£420 000	£280 000

- (2) Head Office overheads with a total of £2 000 000 to be apportioned in the following ratio.

Mine	Alkaran	Banitas	Cabaid	Dalamora
Ratio	1	3	4	2

- (3) Depreciation – at a rate of 4% on the cost of mine buildings.

Mine	Alkaran	Banitas	Cabaid	Dalamora
Cost of buildings	£4 000 000	£10 000 000	£12 000 000	£7 000 000

Required

- (b) Calculate the total fixed costs for **each** of the four mines.

(9)

Information concerning variable costs for the year ended 31 December 2022 is shown below.

Mine	Alkaran	Banitas	Cabaid	Dalamora
	£	£	£	£
Other direct materials	750 000	4 800 000	9 600 000	1 150 000
Direct labour	3 510 000	23 200 000	50 400 000	6 000 000
Direct power	1 800 000	8 000 000	20 000 000	2 700 000

The world price of aluminium is £2.20 per kilogram

Required

- (c) Calculate the profit or loss for **each** of the four mines of Middle East Mining plc, for the year ended 31 December 2022. (16)

In 2023, the world market price of aluminium is expected to fall to £2.00 per kilogram.

In 2023, all costs will remain the same as 2022.

- (d) Calculate the expected contribution **per kilogram** of aluminium, made by **each** of the four mines, for the year ended 31 December 2023. (16)

- (e) Evaluate the future of **each** of the four mines in 2023, using the figures calculated, and any relevant factors. (12)

(Total for Question 1 = 55 marks)

2 The Statement of Changes in Equity of Asiatic Investments plc for the year ended 31 December 2022 is being prepared.

Required

(a) Complete the Statement of Changes in Equity in the Question Paper to show the figures for the information below, for the year ended 31 December 2022.

You should insert a suitable heading for columns A and B as applicable.

(22)

(1) Enter the opening balances at 1 January 2022 and the Total Equity figure.

- £1 Ordinary Shares – £600 million
- Share Premium – £180 million
- Retained Earnings – £116 million credit balance
- General Reserve – £4 million
- Foreign Exchange Reserve – £3 million

(2) On 16 January 2022, a transfer of £2 million was made from Retained earnings to the Foreign Exchange Reserve to cover movements in currencies.

(3) On 4 February 2022, a final dividend for 2021, of 2.3 pence (£0.023) per share was paid to all shareholders.

(4) On 12 March 2022, property that had been bought two years ago for £64 million was revalued to its market value. This new value was a 15% increase on the purchase price.

(5) On 15 May 2022 50 million £1 ordinary shares were redeemed, at a premium of 30 pence (£0.30) per share.

(6) On 10 July 2022 all of the General Reserve was transferred to Retained Earnings.

(7) On 18 August 2022, an interim dividend for 2022, of 0.45 pence (£0.0045) per share was paid to all shareholders.

(8) The profit for the year ended 31 December 2022 was £11 million.

(9) Complete the row to show the balances at 31 December 2022 and the Total Equity at that date.

Required

(b) Prepare the Journal entries for three of the items that were shown.

Narratives are not required.

(i) On 12 March 2022, property that had been bought two years ago for £64 million was revalued to its market value. This new value was a 15% increase on the purchase price. (2)

(ii) On 15 May 2022, 50 million £1 ordinary shares were redeemed, at a premium of £0.30 (£0.30) per share. (5)

(iii) The profit for the year ended 31 December 2022 was £11 million. (2)

(c) State **three** uses (ways it could be utilised) of a Share Premium Account. (3)

(d) (i) Explain the meaning of the term **provision**. (3)

Asiatic Investments plc maintains an allowance for irrecoverable debts at a rate of 3% of its trade receivables at the year-end.

Trade receivables at the year-end were

2021 £480 000

2022 £420 000

(ii) Complete the entries in the Allowance for Irrecoverable Debts Account in the Question Paper for the year ended 31 December 2022. (4)

(iii) State the name of **two** accounts that are provisions, other than the Allowance for Irrecoverable Debts Account. (2)

Sohail is an investor who holds 5% of the share capital in Asiatic Investments plc.

(e) Evaluate the performance of Asiatic Investments plc from the point of view of Sohail. (12)

(Total for Question 2 = 55 marks)

- 3 Windgreen plc is a company that builds and installs wind turbines that produce electricity. The company is considering the possibility of building 40 wind turbines.

The total cost of purchasing and installing one wind turbine will be £1 250 000 (£1.25m).

The company has two possible sources of finance for the 40 wind turbines.

Option A – a government loan for the full £50 000 000 (£50m), at an interest rate of 8%

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

Option B	£	Interest Rate/ Expected Return
Debenture	8 000 000	13%
Bank Loan	20 000 000	10%
Preference Shares	5 000 000	5%
Ordinary Shares	7 000 000	3%
Government Grant	<u>10 000 000</u>	0%
Total	50 000 000	

Required

- (a) Calculate the weighted average cost of capital of Option B. (6)
- (b) Identify either Option A or Option B as a source of finance for the project, giving a reason for your choice. (2)
- (c) Explain **one** reason why the government may give a grant to Windgreen plc to install the wind turbines. (2)

The following information applies to **one** wind turbine.

- The electricity generated in one hour can be sold for £80
- No wind at certain times will mean electricity is generated for only 65% of the year.
- There are 24 hours in a day and 365 days in a year.
- 5% of annual revenue must be paid to the landowner.
- Maintenance costs will be £40 000 per year.
- Maintenance costs are expected to rise by 10% every year.
- Insurance against lightning strikes is £5 000 per year.

A table showing the discount factors is given.

Year	5%	6%	7%	8%	9%	10%
1	0.952	0.943	0.935	0.926	0.917	0.909
2	0.907	0.890	0.873	0.857	0.842	0.826
3	0.864	0.840	0.816	0.794	0.772	0.751
4	0.823	0.792	0.763	0.735	0.708	0.683
5	0.784	0.747	0.713	0.681	0.650	0.621

Required

(d) Calculate the Net Present Value at the end of year 5 of:

(i) **one** wind turbine (13)

(ii) the 40 wind turbines. (1)

(e) Evaluate the project for the company, using the calculations made, and considering any other relevant factors. (6)

(Total for Question 3 = 30 marks)

- 4 HealthWave plc, a large pharmaceutical company, purchased a smaller pharmaceutical company Orion Pharma plc on 1 January 2023.

The Statement of Financial Position of Orion Pharma plc on 31 December 2022, **before** any revaluations, is shown below.

Statement of Financial Position of Orion Pharma plc at 31 December 2022		
Assets	£m	£m
Non-current assets		
Property, plant and equipment	155	
Fixtures and fittings	30	
Motor vehicles	1	
Intangible assets	<u>68</u>	
		254
Current assets		
Inventory	41	
Trade receivables	15	
Other receivables	1	
Cash and cash equivalents	<u>23</u>	
		<u>80</u>
Total Assets		<u>334</u>
Equity and Liabilities		
Equity		
Ordinary shares of £1.00 each	120	
Share premium	60	
Foreign exchange reserve	15	
Retained earnings	<u>38</u>	
Total Equity		233

Statement of Financial Position of Orion Pharma plc at 31 December 2022		
Non-current liabilities		
Mortgage	66	
Debenture	<u>20</u>	
		86
Current liabilities		
Trade payables	11	
Other payables	<u>4</u>	
		15
Total Equity and Liabilities		<u>334</u>

HealthWave plc agreed to take over all of the assets and all of the liabilities of Orion Pharma plc at book value, with the following exceptions.

- Property was increased in value by £29 million.
- Plant was reduced in value by £2 million.
- Equipment with a book value of £3 million was considered to have no value.
- Fixtures and fittings were reduced in value by 20%.
- Intangible assets were revalued to a figure of £72 million.
- Inventory of £41 million was in the books, but a value of £46 million was agreed.
- The purchase price of Orion Pharma plc was agreed at £300 million.

Required

(a) State **one** factor that would be considered when deciding upon the value to be agreed for **each** of the following assets.
You must use a different factor for each asset.

- Property
- Motor vehicles
- Inventory
- Trade receivables
- Patent

(5)

- (b) Calculate the value of goodwill paid by HealthWave plc for Orion Pharma plc. (6)

HealthWave plc is to settle the purchase consideration on the following terms.

For every one share held in Orion Pharma plc, shareholders will receive:

- **two** £0.50 ordinary shares in HealthWave plc valued at £1.06 each, which includes a premium of £0.56 per share
- the balance due, which will be paid in cash.

(c) Calculate the:

- (i) amount of cash a shareholder would receive for each share held in Orion Pharma plc (5)
- (ii) total amount of cash shareholders in Orion Pharma plc would receive. (2)

The Equity section of the Statement of Financial Position of HealthWave plc at 31 December 2022 is shown below.

	£m
Ordinary shares of £0.50 each	800
Share premium	200
Retained earnings	71
Total equity	1071

- (d) Prepare an extract from the Statement of Financial Position of HealthWave plc at 1 January 2023 showing the Equity section **after** the purchase of Orion Pharma plc. (6)
- (e) Evaluate the purchase of Orion Pharma plc from the point of view of a shareholder in HealthWave plc. (6)

(Total for Question 4 = 30 marks)

BLANK PAGE

- 5 Cherry-Avocado plc produces printers for computers. A summarised Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022 is shown below.

	£ (000)	£ (000)
Revenue		7 125
Direct Costs		
Labour	825	
Material	1 875	
Royalties	225	
Overheads		
Production	1 125	
Delivery	525	
Administration	825	
Sales	<u>900</u>	
		<u>(6 300)</u>
Net Profit for the Year		825

The following information is available.

- Printers are sold for £95 each. All production is sold.
- All direct costs vary directly with production.
- Production overheads include a fixed element of £750 000
- Delivery overheads are split into fixed costs of £300 000 and variable costs of £225 000
- All Administration overheads are regarded as fixed costs.
- Sales staff receive a sales commission of £4 for every printer sold. All other sales overheads are fixed.

Required

- (a) (i) Calculate the break-even point for printers for the year, in units. (16)
- (ii) Calculate the break-even point for printers for the year, in sales revenue. (2)

(b) Calculate the:

(i) margin of safety in sales revenue (3)

(ii) margin of safety as a percentage of sales. (3)

Cherry-Avocado plc has decided to award sales staff a pay rise. Sales staff will now receive a sales commission of £8 for every printer sold.

(c) Evaluate the decision of Cherry-Avocado plc to award sales staff a sales commission of £8 for every printer sold. (6)

(Total for Question 5 = 30 marks)

6 You work in the Accounts department of Morphou Bay Holiday Apartments plc.

The following summarised information from the Statement of Financial Position is available.

Summarised Statement of Financial Position of Morphou Bay Holiday Apartments plc at 31 December 2022

	£m	£m
Assets		
Non-current assets	135	
Current assets	<u>65</u>	
Total Assets		<u>200</u>
Equity and Liabilities		
Equity		
Ordinary shares of £0.50 each	30	
Share premium	30	
General reserve	9	
Retained earnings	<u>21</u>	
Total equity		90
Non-current liabilities		
4.5% Redeemable preference shares	50	
6% Bank loan	<u>20</u>	
		70
Current liabilities	<u>40</u>	
		<u>40</u>
Total liabilities		110
Total Equity and Liabilities		<u>200</u>

The following information was available.

- (1) Net profit for the year **before** interest and tax was £8 000 000 (£8m).
- (2) All non-current liabilities applied for the whole year
- (3) Tax rates paid on profit for the year are:
 - No tax on the first £100 000 of profit after interest
 - Profit after interest over £100 000 is taxed at a rate of 20%
- (4) Interim dividend paid for the year was £900 000 (£0.9m).
- (5) Final dividend paid for the year was 3 pence (£0.03) per share.
- (6) Market price of one ordinary share at 31 December 2022 was £1.80

Required

- (a) Calculate the following ratios for Morphou Bay Holiday Apartments plc.
 - (i) Return on capital employed (3)
 - (ii) Dividend paid per share (4)
 - (iii) Dividend yield (3)
 - (iv) Dividend cover (8)
 - (v) Earnings per ordinary share (3)
 - (vi) Price/earnings ratio (3)

At a recently held Annual General Meeting, a shareholder made the following comment.

“If we can increase the return on capital employed ratio, we will be able to attract more shareholders”.

Required:

- (b) Evaluate the statement made by the shareholder. (6)

(Total for Question 6 = 30 marks)

BLANK PAGE