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Pearson Edexcel					Centre Number					Candidate Number				
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<h1>Accounting</h1> <h2>Paper 1</h2>														
Tuesday 23 January 2018 - Morning										Paper Reference				
Time: 2 hours 30 minutes										4AC0/01				
You do not need any other materials.										Total Marks				
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Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- 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.

Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►



SECTION A

Answer ALL questions.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 R Rogers sells goods for cash. How would the purchaser record this transaction in their books?

	Account to be debited	Account to be credited
<input type="checkbox"/> A	cash	purchases
<input type="checkbox"/> B	cash	R Rogers
<input type="checkbox"/> C	purchases	cash
<input type="checkbox"/> D	R Rogers	cash

(Total for Question 1 = 1 mark)

2 Which of the following pairs of accounts always have debit balances?

- A** assets and expenses
- B** capital and expenses
- C** income and assets
- D** liabilities and income

(Total for Question 2 = 1 mark)

3 Where would a trader show trade discount?

- A** cash book
- B** discounts account
- C** invoice
- D** purchases ledger

(Total for Question 3 = 1 mark)

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- 4 A sole trader has included the purchase of a motor vehicle for private use as a business asset.

Which double entry would correct this error?

	Account to be debited	Account to be credited
<input type="checkbox"/> A	capital	motor expenses
<input type="checkbox"/> B	drawings	motor vehicles
<input type="checkbox"/> C	motor expenses	capital
<input type="checkbox"/> D	motor vehicles	drawings

(Total for Question 4 = 1 mark)

- 5 A trader records purchases of £250 in his books as £520.

What type of error is this?

- A commission
- B compensating
- C original entry
- D principle

(Total for Question 5 = 1 mark)

- 6 Which of the following transactions would affect a business's profit?

- A sale of a fixed asset at book value
- B settlement of a business debt with discount
- C settlement of a business debt in full
- D transfer of cash to the bank account

(Total for Question 6 = 1 mark)



- 7 At the end of the financial year a trader added monies outstanding for rent to the rent amount paid during the year to obtain the total rent for the year.

Which accounting concept was being adhered to?

- A accruals
- B business entity
- C going concern
- D materiality

(Total for Question 7 = 1 mark)

- 8 To whom do the reserves in a limited company belong?

- A creditors
- B debenture holders
- C directors
- D ordinary shareholders

(Total for Question 8 = 1 mark)

- 9 Where on a balance sheet would a proposed dividend be shown?

- A current asset
- B current liability
- C fixed asset
- D long-term liability

(Total for Question 9 = 1 mark)

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10 The following information was extracted from the accounts of Simba Ltd.

	Year ended 31 December	
	2016	2017
Sales	£120 000	£140 000
Gross profit percentage	20%	25%
Net profit percentage	10%	8%

What conclusion can you reach about Simba Ltd?

- A closing stock has increased
- B expenses have increased
- C purchase prices have increased but selling prices have not
- D the company has paid a large dividend

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS



SECTION B

Answer ALL questions.

11 Selina Gomez owns a wholesale electrical supplies business. She buys and sells mainly on credit terms.

(a) Complete the following table to show the book of original entry in which **each** transaction would be entered.

(5)

Transaction	Book of original entry
Sold goods on credit	
Sold goods for cash	
Purchased a fixed asset on credit	
Returned goods to a credit supplier	
Paid a credit supplier by bank transfer	

On the 1 September 2017 her purchases ledger contained the following credit balances:

A Alder	£1 266
B Brown	£3 478
N Carter	£2 188
D Davis	£1 068

At the end of September 2017 she extracted the following information from her records.

	£
Purchases on credit	21 786
Payments to credit suppliers	15 422
Returns to credit suppliers	1 731
Interest charged by credit suppliers	184
Sales ledger balance set off	650

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(b) Prepare the purchases ledger control account for the month of September 2017.
 Balance the account on 30 September 2017 and bring the balance down to
 1 October 2017.

(8)

Purchases Ledger Control Account

Date	Details	£	Date	Details	£

(c) Explain **one** error that would **not** be identified by preparing a purchases ledger control account.

(2)

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(Total for Question 11 = 15 marks)

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- 12** Devon Sawa maintains a full set of accounting books including a petty cash book, which is kept using the imprest system with a float of £250.

On 1 November 2017 the balance of the petty cash book was £186. On that day the float was restored.

During the month of November 2017 Devon made the following petty cash transactions.

November	Voucher Number	Transaction	£
1	101	Paid sales manager's travel expenses for October 2017.	28
6	102	Purchased postage stamps.	8
10	103	Paid window cleaner.	19
14	104	Paid for taxi fare to the train station for client.	21
22	105	Purchased photocopy paper.	12
26		Sold stamps to a member of staff.	4
29	106	Paid office cleaner's wages.	25
30	107	Paid Peters, a credit supplier.	35

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On 1 November 2017 the balance on the postage and stationery account was £57.

- (b) Prepare the postage and stationery account for the month of November 2017 to show the transfers from the petty cash book. Balance the account on 30 November 2017 and bring the balance down to 1 December 2017.

(4)

Postage and Stationery Account

Date	Details	£	Date	Details	£



(c) State in which section of the balance sheet the petty cash balance on 30 November 2017 will appear.

(1)

On 30 November 2017 Devon Sawa provided the following information.

Year ended 30 November	Current ratio	Quick ratio (acid test)
2016	2.5:1	1.4:1
2017	1.3:1	0.9:1

(d) Evaluate the change in the liquidity of the business over the two years and the implications of this for the business's creditors.

(5)

(Total for Question 12 = 25 marks)

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13 At the close of business on 30 September 2017 the business bank account of Finn Bar showed a balance of £2 314.73 (Dr).

On the same date he received a bank statement that showed a balance of £2 795.73 (Cr).

On investigation he identified the following reasons for the difference.

- Bank charges for the month of September 2017 of £84 had been debited directly by the bank but had not yet been recorded in the cash book.
- An error had occurred when balancing the cash book: the bookkeeper had overcast the total of the debit entries by £160.
- The bank statement included a direct debit for insurance of £750, which had not been recorded in the cash book.
- Cash takings of £1 485.55 banked on 30 September 2017 had not yet appeared on the bank statement.
- Two cheques sent to suppliers during the month of September 2017 had not yet been presented for payment:
 - Cheque No: 196 B Hope £261.55
 - Cheque No: 199 F Faith £399.00
- A customer, S King, had paid his account of £2 300 by credit transfer directly into Finn Bar’s bank account. This had not yet been recorded in the cash book.

(a) Prepare the updated bank account for the month of September 2017 and bring down the corrected balance on 1 October 2017.

(5)

Bank Account

Date	Details	£	Date	Details	£

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(b) Prepare a bank reconciliation statement at 30 September 2017.

(5)

**Finn Bar
Bank Reconciliation Statement
At 30 September 2017**

(c) Evaluate Finn Bar's decision to purchase accounting software to help him run his business.

(5)

(Total for Question 13 = 15 marks)

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- 14 Tornby, a manufacturer of children's toys, provided the following information for the year ended 31 October 2017.

	£
Stock 1 November 2016	
Finished goods	68 000
Raw materials	45 000
Work in progress	13 650
Stock 31 October 2017	
Finished goods	62 000
Raw materials	50 600
Work in progress	16 105
Factory machinery	
Cost	350 000
Accumulated depreciation	200 000
Office equipment	
Cost	75 000
Accumulated depreciation	25 000
Direct factory wages	78 600
Heat and light	26 000
Indirect factory wages	28 930
Insurance	1 750
Purchases of finished goods	22 000
Purchases of raw materials	245 000
Rent and rates	8 000
Revenue	563 000

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(b) Prepare the income statement for the year ended 31 October 2017.

(10)

Tornby

Income Statement For The Year Ended 31 October 2017

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15 (a) Explain the difference between a bad debt and a provision for doubtful debts. (2)

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At the end of their financial year on 30 November 2017, Baker and Butcher provided the following information related to its debtors.

Balance	Amount (£)
1 December 2016	5 870
30 November 2017	7 000

On 30 November 2017 Baker and Butcher decided to write off a bad debt of £300 and create a provision for doubtful debts of 2% of remaining debtors.

(b) Prepare the journal entries to record **both** of these transactions. Narratives are required. (6)

Date	Account	Debit (£)	Credit (£)



(c) State **two** ways in which a business could ensure that the debtors pay on time.

(2)

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(Total for Question 15 = 10 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 100 MARKS

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