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Edexcel IGCSE

Accounting
Paper 1

Thursday 12 May 2011 – Morning
Time: 2 hours 30 minutes

Paper Reference
4AC0/01

You do not need any other materials.

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 **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.*

Advice

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



SECTION A

Answer ALL questions

Choose an answer A, B, C or D, and put a cross in the 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 Which business document is sent when goods are sold to another business?

- A Invoice.
- B Credit note.
- C Purchase order.
- D Debit note.

(Total for Question 1 = 1 mark)

2 In which book would a credit note sent to a customer be recorded?

- A Purchases returns day book.
- B Sales day book.
- C Sales returns day book.
- D General journal.

(Total for Question 2 = 1 mark)

3 Capital expenditure is

- A money contributed by the business owner.
- B money received from the sale of fixed assets.
- C money spent on buying fixed assets.
- D money spent on day to day running of the business.

(Total for Question 3 = 1 mark)

4 Which of the following would cause a decrease in working capital?

- A Purchase of stock for cash.
- B Receipt of cash from debtor.
- C Purchase of stock on credit.
- D Purchase of office equipment by cheque.

(Total for Question 4 = 1 mark)



- 5 Rent owing is normally shown as a
- A current asset in the balance sheet.
 - B debit balance in the rent account.
 - C fixed asset in the balance sheet.
 - D credit balance in the rent account.

(Total for Question 5 = 1 mark)

- 6 Stock purchased was debited incorrectly to the motor vehicles account. The effect on the profit and loss account would be
- A net profit understated.
 - B net profit overstated.
 - C net profit unaffected.
 - D gross profit and net profit affected.

(Total for Question 6 = 1 mark)

- 7 A petty cash book is balanced at the end of each week. The cash float is £100. Petty cash vouchers for the week total £74.52. How much will be received from the main cashier at the end of the week?

- A £25.48
- B £74.52
- C £100
- D £174.52

(Total for Question 7 = 1 mark)

- 8 A business issues an invoice for stock with a list price of £30,000. The invoice was subject to a trade discount of 10% and a cash discount of 5%. VAT is charged at 10%. How much VAT should be shown on the invoice?

- A £2 565
- B £2 850
- C £2 700
- D £3 000

(Total for Question 8 = 1 mark)



9 Which of the following should be included in a limited company's appropriation account?

- A Debenture interest.
- B Audit fees.
- C Depreciation.
- D Interim dividends.

(Total for Question 9 = 1 mark)

10 A limited company has an authorised capital of 100 000 shares of 50 pence each. The issued capital is £40 000 fully paid. The directors declare a dividend of 10 pence per share. Which of the following is the correct amount of dividend?

- A £4 000
- B £8 000
- C £10 000
- D £20 000

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS



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SECTION B**Answer ALL questions**

- 11** The following trial balance has been prepared by a trainee accounting clerk from the books of Harsha Patel.

Trial Balance as at 31 December 2010

Account	Debit £	Credit £
Bank balance	59 000	
Capital		87 900
Carriage outwards	350	
Closing stock		3 241
Drawings		27 500
Fixtures and fittings	30 000	
Opening stock	2 623	
Provision for depreciation – fixtures and fittings	2 500	
Purchases		38 950
Rent and rates	7 500	
Sales	65 400	
Wages and salaries		10 000
Suspense	218	
	<u>167 591</u>	<u>167 591</u>



- (a) Prepare a corrected version of Harsha’s trial balance, with an amended figure for the suspense account.

(3)

Trial Balance as at 31 December 2010

Account	Debit £	Credit £
Bank balance		
Capital		
Carriage outwards		
Closing stock		
Drawings		
Fixtures and fittings		
Opening stock		
Provision for depreciation – fixtures and fittings		
Purchases		
Rent and rates		
Sales		
Wages and salaries		
Suspense		



After the corrected version of the trial balance was prepared, the following errors and omissions were found in the accounting system.

- During the year Harsha had invested a further £15 000 into the business. This had been correctly entered into the business bank account but had not been entered into the capital account.
- In March 2010 some new fixtures had been purchased at a cost of £1 500; these had been debited to the purchases account.
- In December 2010 Harsha had received a refund of rates amounting to £882. This had been correctly entered into the business bank account but no further entries had been made.
- Wages paid in December 2010 totalling £200 had been correctly entered in the cash book, but had been debited in the wages account as £1 200.

(b) Prepare journal entries to correct these errors and omissions. Narratives are not required.

(4)

Date	Narration	Debit £	Credit £



(c) Prepare the suspense account, clearly showing the opening balance calculated in part (a).

(3)

Suspense Account

Date	Narration	£	Date	Narration	£

(Total for Question 11 = 10 marks)



Throughout Question 12, assume that the rate of VAT is 10%

12 Rita Kaur is a wholesaler of footwear. She buys and sells mainly on credit terms. She does not offer a cash discount to any of her customers.

On 1 April 2011 her sales ledger contained the following debit balances.

A Alpa	£3 000
B Blach	£5 000
C Caron	£2 000
D Drake	£6 000

On 1 April 2011 her nominal ledger contained the following balances:

Sales Account	£23 400
Returns Inwards Account	£2 360
Sales Ledger Control Account	£16 000
VAT Account	£3 200 (Cr)

The following are extracts from her books for April 2011.

Sales Book

Date	Narration	Goods	VAT	Total
April 1	A Alpa	600	60	660
April 7	B Blach	260	26	286
April 10	D Drake	1 520	152	1 672
April 17	A Alpa	1 450	145	1 595
April 25	C Caron	1 600	160	1 760
	Totals for Month	<u>5 430</u>	<u>543</u>	<u>5 973</u>

Returns Inwards Book

Date	Narration	Goods	VAT	Total
April 13	B Blach	60	6	66
April 28	D Drake	340	34	374
	Totals for Month	<u>400</u>	<u>40</u>	<u>440</u>



Cash Book (Debit side)

Date	Narration	VAT	Bank
April 1	Balance b/d		8 000
April 2	Cash sales (including VAT)	50	550
April 5	D Drake		6 000
April 8	C Caron		1 000
April 15	Cash sales (including VAT)	75	825
April 21	A Alpa		1 500
April 30	Rent received		500
April 30	B Blach		2 250
	Totals for Month	<u>125</u>	<u>20 625</u>

The Journal

Date	Narration	Debit	Credit
April 28	A Alpa (Purchases Ledger)	1 000	
	A Alpa (Sales Ledger)		1 000
	Being transfer of balance in purchases ledger offset against balance in the sales ledger		

The following totals were extracted from her books at the end of April:

	Goods	Vat	Total
Purchases Journal	3 200	320	3 520
Returns Outwards Journal	260	26	286

Rita made cash purchases totalling £770 (including VAT) during the month of April 2011.



- (a) Prepare the account of A Alpa in Rita Kaur’s sales ledger. Balance the account on 30 April 2011 and bring the balance down.

(6)

A Alpa Account

Date	Narration	£	Date	Narration	£

- (b) Prepare the sales ledger control (total debtors) account for the month of April 2011. Balance the account on 30 April 2011 and bring the balance down.

(6)

Sales Ledger Control (Total Debtors) Account

Date	Narration	£	Date	Narration	£



(c) Prepare the sales account, returns inwards account and VAT account for the month of April 2011. There is no need to balance the accounts.

(8)

Sales Account

Date	Narration	£	Date	Narration	£

Returns Inwards Account

Date	Narration	£	Date	Narration	£

VAT Account

Date	Narration	£	Date	Narration	£



(d) Evaluate the usefulness to Rita Kaur of maintaining a sales ledger control account.

(5)

Area with horizontal dotted lines for writing the answer.

(Total for Question 12 = 25 marks)



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P 3 8 6 4 9 A 0 1 5 2 8

13 The following balances were extracted from the ledgers of Omar Bashir on 30 April 2011.

Account	Balance £
Bad debts	3 200
Equipment (cost)	15 000
Insurance	4 322
Motor expenses	27 690
Motor vehicles (cost)	50 000
Opening stock	45 000
Premises (cost)	250 000
Provision for depreciation – equipment	5 000
Provision for depreciation – motor vehicles	30 000
Purchases	324 897
Returns inwards	6 500
Returns outwards	4 897
Rates	9 500
Sales	506 500
Sundry expenses	42 156

The following additional information at 30 April 2011 should be taken into account:

1. Stock was valued at £55 000.
2. Provide for depreciation by the reducing balance method on equipment (10%) and motor vehicles (25%).
3. A motor van purchased during the year for £20 000 has been included in the motor expenses account.
4. It is Omar's policy to provide a full year's depreciation on all assets held at the year's end.
5. Allow for business rates due but unpaid, £500, and for insurance paid in advance, £322.
6. Omar took stock to the value of £5 000 during the year for his own personal use.



(a) Prepare the trading and profit and loss account for the year ended 30 April 2011. (20)

Omar Bashir
Trading and profit and loss account
For year ended 30 April 2011

Blank grid for account preparation



A large rectangular area with a rounded border containing 28 horizontal lines for writing.



(b) Making appropriate reference to the accounting concepts that you have used, explain your treatment of:

(i) Additional information 5 on page 16.

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(ii) Additional information 6 on page 16.

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(Total for Question 13 = 25 marks)



- 14 An accountant has prepared for Oriental Furniture Ltd the following profit and loss appropriation account, for the year ended 31 March 2011.

Oriental Furniture Ltd
Profit and loss appropriation account
Year ended 31 March 2011

	£000	£000
Operating profit		250
Retained earnings brought forward		50
		300
Less appropriations		
Transfer to general reserve	25	
Ordinary dividend: Interim (paid)	25	
Final (proposed)	25	
		75
Retained earnings carried forward		225

In addition, the following balances appeared in its books at that date.

Account	£000
Bank overdraft	30
Closing stock	60
Debentures – 2020	100
Debenture interest due	10
General reserve	25
Fixtures and fittings (cost)	62
Issued share capital	300
Premises (cost)	600
Prepaid expenses	10
Provision for depreciation – fixtures and fittings	12
Trade creditors	35
Trade debtors	55



15 The following information is available about a retail business owned by Albert Gonzalez .

	Year ended 31 March 2010	Year ended 31 March 2011
	£000	£000
Sales	500	600
Cost of sales	250	270
Expenses	100	120
Capital employed	750	900

Current ratio	2.5:1	1.5:1
Acid test	1.5:1	0.8:1

(a) Using these figures:

(4)

(i) Calculate the gross profit for each year.

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(ii) Calculate the net profit for each year.

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(b) Stating clearly the formula used, calculate the gross profit margin for each of the two years.

(2)

Formula

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Gross profit margin for year ended 31 March 2010

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Gross profit margin for year ended 31 March 2011

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(c) Stating clearly the formula used, calculate the net profit margin for each of the two years.

(2)

Formula

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Net profit margin for year ended 31 March 2010

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Net profit margin for year ended 31 March 2011

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(d) Stating clearly the formula used, calculate the return on capital employed for each of the two years.

(2)

Formula

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Return on capital employed for year ended 31 March 2010

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Return on capital employed for year ended 31 March 2011

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Albert believes that the financial performance of his business has improved between 2010 and 2011.

(e) Evaluate Albert's claim, giving reasons backed up with figures. In your answer you are expected to make equal reference to **profitability** and **liquidity**.

(5)

Profitability

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Liquidity

Dotted lines for writing answers.

(Total for Question 15 = 15 Marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 100 MARKS

