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Surname	Other names
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**Pearson Edexcel**      Centre Number      Candidate Number

**International GCSE**           

# Accounting

## Paper 1

Friday 11 May 2018 – Morning <b>Time: 2 hours 30 minutes</b>	Paper Reference <b>4AC0/01</b>
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<b>You do not need any other materials.</b>	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 in neat 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** Wong sells goods on credit to Chang. How would Chang record this transaction in his books?

	<b>Account to be debited</b>	<b>Account to be credited</b>
<input type="checkbox"/> <b>A</b>	sales	Chang
<input type="checkbox"/> <b>B</b>	Chang	sales
<input type="checkbox"/> <b>C</b>	purchases	Wong
<input type="checkbox"/> <b>D</b>	Wong	purchases

**(Total for Question 1 = 1 mark)**

**2** Which of the following is a primary accounting record?

- A** general ledger
- B** petty cash book
- C** sales ledger
- D** trial balance

**(Total for Question 2 = 1 mark)**

**3** Which of the following pairs of accounts always have credit balances?

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

**(Total for Question 3 = 1 mark)**

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4 Which of the following is an intangible fixed asset?

- A bank loan
- B debtors
- C goodwill
- D premises

(Total for Question 4 = 1 mark)

5 In which section of a balance sheet will a credit balance on a business bank account be shown?

- A current assets
- B current liabilities
- C fixed assets
- D long-term liabilities

(Total for Question 5 = 1 mark)

6 Which of the following would be regarded as an item of capital expenditure for a motor vehicle business?

- A purchase of a car for resale
- B purchase of equipment for business use
- C repair and redecoration of business premises
- D road tax and insurance payments for a delivery van

(Total for Question 6 = 1 mark)

7 If capital expenditure is treated as revenue expenditure, which of the following will be incorrect?

- A bank balance
- B creditors
- C debtors
- D net profit

(Total for Question 7 = 1 mark)



8 Where should a manufacturing business show the cost of delivering its goods to customers?

- A appropriation account
- B manufacturing account
- C profit and loss account
- D trading account

(Total for Question 8 = 1 mark)

9 In non-profit making organisations, what is the equivalent of a profit and loss account?

- A income and expenditure account
- B receipts and payments account
- C statement of affairs
- D subscriptions account

(Total for Question 9 = 1 mark)

10 What is the purpose of liquidity ratios?

- A to analyse how profitable the business has been
- B to assess the level of trading
- C to indicate the business's ability to pay its debt
- D to measure how all the assets contribute to earning profit

(Total for Question 10 = 1 mark)

**TOTAL FOR SECTION A = 10 MARKS**

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**SECTION B**

**Answer ALL questions.**

**11** Justin Horan, a trader, maintains a full set of accounting books.

On 1 April 2018 he provided the following information.

<b>Sales Ledger Balances</b>	<b>£</b>	<b>Nominal Ledger Balances</b>	<b>£</b>
A Alda	1 321	Sales	21 000
B Shah	2 564	Returns inwards	1 342
C Son	1 800	VAT	8 000 Cr
D Wong	1 789	Bank	4 200

The following are extracts from Justin's books for April 2018. VAT is charged at 10%.

**Sales Journal**

<b>Date</b>	<b>Narration</b>	<b>Goods £</b>	<b>VAT £</b>	<b>Total £</b>
April 1	B Shah	920	92	1 012
April 5	D Wong	360	36	396
April 13	C Son	520	52	572
April 21	A Alda	1 450	145	1 595
April 28	D Wong	600	60	660
	<b>Totals for Month</b>	<b><u>3 850</u></b>	<b><u>385</u></b>	<b><u>4 235</u></b>

**Returns Inwards Journal**

<b>Date</b>	<b>Narration</b>	<b>Goods £</b>	<b>VAT £</b>	<b>Total £</b>
April 3	C Son	90	9	99
April 8	A Alda	260	26	286
	<b>Totals for Month</b>	<b><u>350</u></b>	<b><u>35</u></b>	<b><u>385</u></b>

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**Cash Book (Debit side)**

Date	Narration	Bank £
April 1	Balance b/d	4 200
April 5	A Alda	3 244
April 8	D Wong	2 000
April 15	Cash sales banked (including VAT)	660
April 21	B Shah	2 188
April 30	Commission received	500
April 30	C Son	1 280

**The Journal**

Date	Narration	Debit £	Credit £
April 21	C Son (Purchases Ledger)	450	
	C Son (Sales Ledger )		450
	Being transfer of balance in purchases ledger offset against the balance in the sales ledger		

(a) Prepare the following accounts in the books of Justin Horan for the month of April 2018. Balance the accounts on 30 April 2018 and bring the balances down to 1 May 2018.

(i)

**C Son Account**

(6)

Date	Details	£	Date	Details	£



(ii)

**Sales Ledger Control Account**

(6)

Date	Details	£	Date	Details	£

(iii)

**Sales Account**

(5)

Date	Details	£	Date	Details	£

(iv)

**Returns Inward Account**

(3)

Date	Details	£	Date	Details	£

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12 Sevket Christakos has been in business for some years but has never maintained a full set of accounting records. However, the following information is available for the most recently completed financial year, which ended on 28 February 2018.

Assets and liabilities at 1 March 2017

	£
8% Bank loan 2020	5 000
Bank overdraft	6 500
Creditors	3 200
Debtors	2 000
Electricity outstanding	300
Petty cash	490
Shop fittings (valuation)	20 010
Stock	2 500

(a) Calculate Sevket’s capital at 1 March 2017.

(3)

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His records also revealed that during the year ending 28 February 2018:

- credit customers had paid £45 000 by cheque
- cash takings banked totalled £53 200
- Sevket had taken £21 000 from the till for his own use
- the amount owed by credit customers had increased by 50%.

(b) Calculate the total sales for the year ended 28 February 2018.

(6)

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During the year ending 28 February 2018, Sevket paid his suppliers £42 700 by cheque and had received a cash discount of £2 300. The amount owed to credit suppliers on 28 February 2018 had decreased by 20% from the figure at 1 March 2017.

(c) Calculate the total purchases for the year ended 28 February 2018.

(5)

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An examination of the business bank account showed the following items of expenditure had been paid by cheque during the year:

- wages £15 000
- electricity £1 650
- rent and rates £4 000

On 28 February 2018:

- closing stock was valued at £1 860
- Sevket decided not to depreciate his shop fittings
- a payment of £400 for electricity used during the year was outstanding
- loan interest at 8% per annum had not yet been paid.



(d) Prepare an income statement for the year ended 28 February 2018.

(11)

**Sevket Christakos**  
**Income Statement For Year Ended 28 February 2018**

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**(Total for Question 12 = 25 marks)**



13 On 31 March 2018 the financial director of Tavish Ltd provided the following information.

	Year ended 31 March	
	2017	2018
	£000	£000
Turnover	1 600	2 400
Gross profit	400	600
Net profit	192	240
Capital employed	240	320

(a) Stating the formula used, calculate the following ratios for **each** of the two years.

(9)

Ratio	Formula	Year ended 31 March	
		2017	2018
Gross profit margin			
Net profit margin			
Return on capital employed			

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The managing director believes that due to the increased turnover and net profit the company must have experienced a very successful year.

(b) Evaluate the profitability of the company over the two years and state, with reasons, whether you agree with the managing director's statement.

(5)

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(c) State **one** ratio that could be used to measure liquidity.

(1)

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**(Total for Question 13 = 15 marks)**



14 On 31 December 2017 Dipesh provided the following information.

Date 2017	Transaction
January 1	Started in business by depositing £5 000 in a business bank account. In addition, he brought into the business a motor vehicle that was valued at £6 000
May 1	He withdrew stock from the business, £500 (selling price), for his own use. Stock is marked up by 25%.
October 1	He withdrew cash, £1 450, for personal use.
Profit for the year ended 31 December 2017 was £25 000	

(a) Prepare the following accounts for the year ended 31 December 2017. Balance the accounts where appropriate on 31 December 2017 and bring the balance down to 1 January 2018.

(i)

**Capital Account**

(7)

Date	Details	£	Date	Details	£

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(ii)

**Drawings Account**

(5)

Date	Details	£	Date	Details	£

(b) State which accounting concept has **not** been complied with in **each** of the following situations.

(3)

Situation	Concept
The owner has charged the purchase of a stapler as a fixed asset.	
The owner has changed the method of depreciation of a fixed asset.	
The owner has charged the cost of a family holiday as a business expense.	

**(Total for Question 14 = 15 marks)**

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15 Stavros has been in business for some years as a sole trader. He has recently been approached by a friend who wishes to join him in business and form a partnership.

(a) State **two** advantages and **two** disadvantages for Stavros of forming a partnership.

(4)

Advantages

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2 .....

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Disadvantages

1 .....

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2 .....

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(b) Describe the changes that Stavros will need to make to his accounting system if he decides to proceed with forming a partnership.

(6)

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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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