

# Mark Scheme (Results)

June 2011

IGCSE Accounting  
(4AC0) Paper 01

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## Section A

Question Number	Answer	Mark
1	A	(1)

Question Number	Answer	Mark
2	C	(1)

Question Number	Answer	Mark
3	C	(1)

Question Number	Answer	Mark
4	D	(1)

Question Number	Answer	Mark
5	D	(1)

Question Number	Answer	Mark
6	D	(1)

Question Number	Answer	Mark
7	B	(1)

Question Number	Answer	Mark
8	A	(1)

Question Number	Answer	Mark
9	D	(1)

Question Number	Answer	Mark
10	B	(1)

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11(a)	<p><b>Trial Balance as at 31 December 2010</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Account</th> <th style="width: 20%;">Debit</th> <th style="width: 20%;">Credit</th> </tr> <tr> <td></td> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr><td>Bank balance</td><td style="text-align: right;">59 000</td><td></td></tr> <tr><td>Capital</td><td></td><td style="text-align: right;">87 900</td></tr> <tr><td>Carriage outwards</td><td style="text-align: right;">350</td><td></td></tr> <tr><td>Closing stock</td><td></td><td style="text-align: right;">3 241</td></tr> <tr><td>Drawings</td><td style="text-align: right;">27 500 *</td><td></td></tr> <tr><td>Fixtures and fittings</td><td style="text-align: right;">30 000</td><td></td></tr> <tr><td>Opening stock</td><td style="text-align: right;">2 623</td><td></td></tr> <tr><td>Provision for depreciation - fixtures and fittings</td><td></td><td style="text-align: right;">2 500*</td></tr> <tr><td>Purchases</td><td style="text-align: right;">38 950*</td><td></td></tr> <tr><td>Rent and rates</td><td style="text-align: right;">7 500</td><td></td></tr> <tr><td>Sales</td><td></td><td style="text-align: right;">65 400*</td></tr> <tr><td>Wages and salaries</td><td style="text-align: right;">10 000*</td><td></td></tr> <tr><td>Suspense</td><td></td><td style="text-align: right;">16 882*</td></tr> <tr><td></td><td></td><td></td></tr> </tbody> </table> <p>1 mark for every two correct entries</p>	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		16 882*				(3)
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12(d)	<p>The key here is does the candidate clearly understand what a sales ledger control account is and what its value is to the running of a business. The following sample answer identifies how you should allocate the 5 marks.</p> <p><b>Sample Answer</b></p> <p>The balance of the control can be checked against the sum of the individual balances in the sales ledger and discrepancies or errors (1) identified. These errors could either be in the day books or in the individual accounts in the sales ledger (1).</p> <p>The balance of the control account can also assist in the preparation of the balance sheet at the year end by providing a total for debtors (1) .</p> <p>The control account can also be used to identify and prevent fraud in the business. (1)</p> <p>However there are some disadvantages to maintaining a sales ledger control account. It may be costly to maintain (1) and there is no certainty that all errors will be located (1)</p> <p>Overall there are several advantages to Rita of maintaining a sales ledger control account but there may also be some disadvantages (1)</p>	(5)

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13(a)	<p style="text-align: center;"><b>Omar Bashir</b> <b>Trading and profit and loss account</b> <b>For year ended 30 April 2011</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">506</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">500(1)</td> <td></td> </tr> <tr> <td>Returns inwards</td> <td></td> <td style="text-align: right;"><u>6 500(1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">500 000</td> </tr> <tr> <td><b>Cost of Sales</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td></td> <td style="text-align: right;">45 000(1)</td> <td></td> </tr> <tr> <td>Purchases (324 897* - 5 000*)</td> <td style="text-align: right;">319 897</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(2)</td> <td></td> <td></td> </tr> <tr> <td>Returns outwards</td> <td style="text-align: right;"><u>4</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">897(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>315 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">360 000</td> <td></td> </tr> <tr> <td>Closing stock</td> <td></td> <td style="text-align: right;"><u>55 000(1)</u></td> <td></td> </tr> <tr> <td><b>Cost of goods sold</b></td> <td></td> <td></td> <td style="text-align: right;"><u>305 000</u></td> </tr> <tr> <td><b>Gross Profit</b></td> <td></td> <td></td> <td style="text-align: right;"><b>195000</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td><b>Expenses</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bad debts</td> <td></td> <td style="text-align: right;">3 200(1)</td> <td></td> </tr> <tr> <td>Insurance ( 4 322* - 322*)</td> <td></td> <td style="text-align: right;">4 000(2)</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td></td> <td style="text-align: right;">7 690(1)</td> <td></td> </tr> <tr> <td>Rates (9 500* + 500*)</td> <td></td> <td style="text-align: right;">10 000(2)</td> <td></td> </tr> <tr> <td>Sundry expenses</td> <td></td> <td style="text-align: right;">42 156(1)</td> <td></td> </tr> <tr> <td>Provision for depreciation - equipment</td> <td></td> <td style="text-align: right;">1 000(2cf)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>10 000</u></td> <td></td> </tr> <tr> <td>motor vehicles</td> <td></td> <td style="text-align: right;">(2cf)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>78 046</b></td> </tr> <tr> <td><b>Net Profit</b></td> <td></td> <td></td> <td style="text-align: right;"><u><b>116 954</b></u></td> </tr> </tbody> </table>		£	£	£	Sales		506				500(1)		Returns inwards		<u>6 500(1)</u>					500 000	<b>Cost of Sales</b>				Opening stock		45 000(1)		Purchases (324 897* - 5 000*)	319 897				(2)			Returns outwards	<u>4</u>				897(1)					<u>315 000</u>				360 000		Closing stock		<u>55 000(1)</u>		<b>Cost of goods sold</b>			<u>305 000</u>	<b>Gross Profit</b>			<b>195000</b>				<b>(1)</b>	<b>Expenses</b>				Bad debts		3 200(1)		Insurance ( 4 322* - 322*)		4 000(2)		Motor expenses		7 690(1)		Rates (9 500* + 500*)		10 000(2)		Sundry expenses		42 156(1)		Provision for depreciation - equipment		1 000(2cf)				<u>10 000</u>		motor vehicles		(2cf)					<b>78 046</b>	<b>Net Profit</b>			<u><b>116 954</b></u>	(20)
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Motor expenses		7 690(1)																																																																																																																
Rates (9 500* + 500*)		10 000(2)																																																																																																																
Sundry expenses		42 156(1)																																																																																																																
Provision for depreciation - equipment		1 000(2cf)																																																																																																																
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				<u>(1)</u>

Question Number	Answer	Mark
13(b)(i)	<b>Sample answer</b> With additional information 5 I have used the accruals (matching) concept (1), which states that only transactions relating to the year under consideration should be included in the final accounts (1).	(2)

Question Number	Answer	Mark
13(b)(ii)	<b>Sample answer</b> With additional information 6 I have used the business entity concept (1), which states that only transactions involving the business should be included in the business books (1). The goods for own use are drawings and as such, they need to be ignored in the calculation of cost of sales . Only the purchases used in the business are recorded (1).	(3)

Question	Answer	Mark
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14	<p><b>Oriental Furniture Ltd</b>  <b>Balance Sheet</b>  <b>As at 31 March 2011</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£000</th> <th style="text-align: center;">£000</th> <th style="text-align: center;">£000</th> </tr> <tr> <th style="text-align: left;">Fixed Assets</th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Agg Dep</th> <th style="text-align: center;">N.B.V.</th> </tr> </thead> <tbody> <tr> <td>Premises</td> <td style="text-align: center;">600</td> <td></td> <td style="text-align: center;">600*</td> </tr> <tr> <td>Fixtures and Fittings</td> <td style="text-align: center;"><u>62</u></td> <td style="text-align: center;"><u>12</u></td> <td style="text-align: center;"><u>50*</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>662</u></td> <td style="text-align: center;"><u>12</u></td> <td style="text-align: center;">650</td> </tr> <tr> <td colspan="4"><b>Current Assets</b></td> </tr> <tr> <td>Stock</td> <td style="text-align: center;">60*</td> <td></td> <td></td> </tr> <tr> <td>Debtors</td> <td style="text-align: center;">55*</td> <td></td> <td></td> </tr> <tr> <td>Prepayments</td> <td style="text-align: center;"><u>10*</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">125</td> <td></td> </tr> <tr> <td colspan="4"><b>Current Liabilities</b></td> </tr> <tr> <td>Creditors</td> <td style="text-align: center;">35*</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: center;">30*</td> <td></td> <td></td> </tr> <tr> <td>Interest accrued</td> <td style="text-align: center;">10*</td> <td></td> <td></td> </tr> <tr> <td>Proposed dividend</td> <td style="text-align: center;"><u>25*</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">100</td> <td></td> </tr> <tr> <td><b>Working capital</b></td> <td></td> <td></td> <td style="text-align: center;">25*</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">675</td> </tr> <tr> <td colspan="4"><b>Long term Liabilities</b></td> </tr> <tr> <td>Debentures 2020</td> <td></td> <td></td> <td style="text-align: center;">100*</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;"><u>575</u></td> </tr> <tr> <td colspan="4"><b>Financed by:</b></td> </tr> <tr> <td>Share capital</td> <td></td> <td style="text-align: center;">300*</td> <td></td> </tr> <tr> <td>General reserve</td> <td></td> <td style="text-align: center;">50*</td> <td></td> </tr> <tr> <td>Profit and loss account</td> <td></td> <td style="text-align: center;">225*</td> <td></td> </tr> <tr> <td><b>Shareholders funds</b></td> <td></td> <td></td> <td style="text-align: center;"><u>575*</u></td> </tr> </tbody> </table>		£000	£000	£000	Fixed Assets	Cost	Agg Dep	N.B.V.	Premises	600		600*	Fixtures and Fittings	<u>62</u>	<u>12</u>	<u>50*</u>		<u>662</u>	<u>12</u>	650	<b>Current Assets</b>				Stock	60*			Debtors	55*			Prepayments	<u>10*</u>					125		<b>Current Liabilities</b>				Creditors	35*			Bank overdraft	30*			Interest accrued	10*			Proposed dividend	<u>25*</u>					100		<b>Working capital</b>			25*				675	<b>Long term Liabilities</b>				Debentures 2020			100*				<u>575</u>	<b>Financed by:</b>				Share capital		300*		General reserve		50*		Profit and loss account		225*		<b>Shareholders funds</b>			<u>575*</u>	(15)
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Question Number	Answer	Mark
15(b)	<p><b>Formula</b>            Gross Profit/Sales x 100  <b>Gross profit margin for year ended 31 March 2010</b>  <math>250\,000/500\,000 \times 100 = 50\%</math>  <b>Gross profit margin for year ended 31 March 2011</b>  <math>330\,000/600\,000 \times 100 = 55\%</math></p> <p>1 mark for correct formula + 1 mark for both correct percentages (2)</p>	(2)

Question Number	Answer	Mark
15(c)	<p><b>Formula</b>            Net Profit/Sales x 100  <b>Net profit margin for year ended 31 March 2010</b>  <math>150\,000/500\,000 \times 100 = 30\%</math>  <b>Net profit margin for year ended 31 March 2011</b>  <math>210\,000/600\,000 \times 100 = 35\%</math></p> <p>1 mark for correct formula + 1 mark for both correct percentages (2)</p>	(2)

Question Number	Answer	Mark
15(d)	<p><b>Formula</b>            Net Profit/Capital Employed x 100  <b>Return on capital employed for year ended 31 March 2010</b>  <math>150\,000/750\,000 \times 100 = 20\%</math>  <b>Return on capital employed for year ended 31 March 2011</b>  <math>210\,000/900\,000 \times 100 = 23.3\%</math></p> <p>1 mark for correct formula + 1 mark for both correct percentages (2)</p>	(2)

Question Number	Answer	Mark
15 (e)	<p>The key here is for the candidate to find reasons (identify a strategy) to explain their contention. Reasons must have validity and must be backed up by figures.</p> <p>Evaluation of performance between 2010 and 2011                      Comment on profitability (1) with figures (1)                      Comment on liquidity (1) with figures (1)                      Decision based on evidence (1)                      Max 3 marks if no figures.</p> <p>Sample answer:                      Since Albert has increased his gross profit margin (from 50% to 55%) it may be that he has increased his selling price or negotiated better terms with his suppliers which has lowered his cost of sales. There has been no increase in his overhead ratio over the two years as the only change in the net profit margin was due to the increase in his gross profit margin. This indicates that he is maintaining the same level of overhead expenditure. The return on capital employed also indicates an improving profitability situation with an increase from 20% to 23%.</p> <p>In terms of liquidity the situation has worsened between the two years. His current ratio has diminished from 2.5:1 in 2010 to 1.5:1 in 2011. If this trend continues then he may have difficulty meeting his short term debts. The acid test also shows a diminishing trend, down from 1.5:1 to 0.8:1.</p> <p>Overall although Albert's profitability has shown some signs of improvement between 2010 and 2011 the reduction in his liquidity position would indicate that contrary to his belief his business performance in 2011 is not superior to 2010.</p>	(5)

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