

Mark Scheme (Results)

June 2011

IGCSE Accounting
(4AC0) Paper 01

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Question Number	Answer	Mark																																																
11(a)	<p>Trial Balance as at 31 December 2010</p> <table> <tr> <th>Account</th><th>Debit</th><th>Credit</th></tr> <tr> <td></td><td>£</td><td>£</td></tr> <tr> <td>Bank balance</td><td>59 000</td><td></td></tr> <tr> <td>Capital</td><td></td><td>87 900</td></tr> <tr> <td>Carriage outwards</td><td>350</td><td></td></tr> <tr> <td>Closing stock</td><td></td><td>3 241</td></tr> <tr> <td>Drawings</td><td>27 500 *</td><td></td></tr> <tr> <td>Fixtures and fittings</td><td>30 000</td><td></td></tr> <tr> <td>Opening stock</td><td>2 623</td><td></td></tr> <tr> <td>Provision for depreciation - fixtures and fittings</td><td></td><td>2 500*</td></tr> <tr> <td>Purchases</td><td>38 950*</td><td></td></tr> <tr> <td>Rent and rates</td><td>7 500</td><td></td></tr> <tr> <td>Sales</td><td></td><td>65 400*</td></tr> <tr> <td>Wages and salaries</td><td>10 000*</td><td></td></tr> <tr> <td>Suspense</td><td></td><td>16 882*</td></tr> <tr> <td></td><td></td><td></td></tr> </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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Number					
14	<div>Oriental Furniture Ltd Balance Sheet As at 31 March 2011</div>				(15)
		£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	
	Current Assets				
	Stock	60*			
	Debtors	55*			
	Prepayments	<u>10*</u>			
			125		
	Current Liabilities				
	Creditors	35*			
	Bank overdraft	30*			
	Interest accrued	10*			
	Proposed dividend	<u>25*</u>			
			100		
	Working capital			25*	
				675	
	Long term Liabilities				
	Debentures 2020			100*	
				<u>575</u>	
	Financed by:				
	Share capital		300*		
	General reserve		50*		
	Profit and loss account		225*		
	Shareholders funds			<u>575*</u>	

Question Number	Answer	Mark									
15(a)	<table border="1"> <thead> <tr> <th>Year</th><th>(i) Gross Profit</th><th>(ii) Net Profit</th></tr> </thead> <tbody> <tr> <td>2010</td><td>£250 000* (c)</td><td>£150 000* (c)</td></tr> <tr> <td>2011</td><td>£330 000* (c)</td><td>£210 000* (c)</td></tr> </tbody> </table>	Year	(i) Gross Profit	(ii) Net Profit	2010	£250 000* (c)	£150 000* (c)	2011	£330 000* (c)	£210 000* (c)	(4)
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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</p> <p>Comment on profitability (1) with figures (1)</p> <p>Comment on liquidity (1) with figures (1)</p> <p>Decision based on evidence (1)</p> <p>Max 3 marks if no figures.</p> <p>Sample answer:</p> <p>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)