

Mark Scheme (Results)

June 2011

IGCSE Accounting
(4AC0) Paper 01

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information, please call our GCE line on 0844 576 0025, our GCSE team on 0844 576 0027, or visit our website at www.edexcel.com.

If you have any subject specific questions about the content of this Mark Scheme that require the help of a subject specialist, you may find our **Ask The Expert** email service helpful.

Ask The Expert can be accessed online at the following link:
<http://www.edexcel.com/Aboutus/contact-us/>

Alternatively, you can contact our Business/Economics Advisor directly by sending an email to Business specialist on
BusinessSubjectAdvisor@EdexcelExperts.co.uk.

You can also telephone 0844 372 2187 to speak to a member of our subject advisor team.

June 2011

Publications Code UG027254

All the material in this publication is copyright

© Edexcel Ltd 2011

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)

Question Number	Answer	Mark																																																
11(a)	<p>Trial Balance as at 31 December 2010</p> <table border="1"> <thead> <tr> <th>Account</th><th>Debit</th><th>Credit</th></tr> <tr> <th></th><th>£</th><th>£</th></tr> </thead> <tbody> <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> </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)
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*																																																

Question Number	Answer	Mark																																																																
11(b)	<table><tr><th>Date</th><th>Narration</th><th>Debit</th><th>Credit</th></tr><tr><td></td><td></td><td>£</td><td>£</td></tr><tr><td></td><td>Suspense</td><td>15 000</td><td></td></tr><tr><td></td><td>Capital</td><td></td><td>15 000*</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Fixtures and Fittings</td><td>1 500</td><td></td></tr><tr><td></td><td>Purchases</td><td></td><td>1 500*</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Suspense</td><td>882</td><td></td></tr><tr><td></td><td>Rent and Rates</td><td></td><td>882*</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Suspense</td><td>1 000</td><td></td></tr><tr><td></td><td>Wages and Salaries</td><td></td><td>1 000*</td></tr></table> <p>1 Mark for each correct pair of entries - Mark to be awarded for correct figure and account name</p>	Date	Narration	Debit	Credit			£	£		Suspense	15 000			Capital		15 000*										Fixtures and Fittings	1 500			Purchases		1 500*										Suspense	882			Rent and Rates		882*										Suspense	1 000			Wages and Salaries		1 000*	(4)
Date	Narration	Debit	Credit																																																															
		£	£																																																															
	Suspense	15 000																																																																
	Capital		15 000*																																																															
	Fixtures and Fittings	1 500																																																																
	Purchases		1 500*																																																															
	Suspense	882																																																																
	Rent and Rates		882*																																																															
	Suspense	1 000																																																																
	Wages and Salaries		1 000*																																																															

Question Number	Answer	Mark																																				
11(c)	<table><tr><th colspan="6">Suspense Account</th></tr><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td></td><td>Capital</td><td>15 000</td><td></td><td>Balance b/f*</td><td>1 6882*</td></tr><tr><td></td><td>Rent and Rates</td><td>882</td><td></td><td></td><td></td></tr><tr><td></td><td>Wages and Salaries</td><td>1 000*</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>16 882</u></td><td></td><td></td><td><u>16 882</u></td></tr></table> <p>1 Mark for all three entries on debit side</p>	Suspense Account						Date	Narration	£	Date	Narration	£		Capital	15 000		Balance b/f*	1 6882*		Rent and Rates	882					Wages and Salaries	1 000*						<u>16 882</u>			<u>16 882</u>	(3)
Suspense Account																																						
Date	Narration	£	Date	Narration	£																																	
	Capital	15 000		Balance b/f*	1 6882*																																	
	Rent and Rates	882																																				
	Wages and Salaries	1 000*																																				
		<u>16 882</u>			<u>16 882</u>																																	

Question Number	Answer						Mark
12(a)	A Alpa Account						(6)
	Date	Narration	£	Date	Narration	£	
	Apr 1	Balance b/f	3 000*	Apr 21	Cash Book	1 500*	
	Apr 1	Sales Book	660*	Apr 28	PL Set Off	1 000*	
	Apr 17	Sales Book	1 595*	Apr 30	Balance c/d	2 755	
			<u>5 255</u>			<u>5 255</u>	
	May 1	Balance b/d	2 755*				

Question Number	Answer	Mark																																																
12(b)	<table><tr><th colspan="6">Sales Ledger Control (Total Debtors) Account</th></tr><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td>Apr 1</td><td>Balance b/f</td><td>16 000*</td><td>Apr 28</td><td>PL set Off</td><td>1 000*</td></tr><tr><td>Apr 30</td><td>Sales Book</td><td>5 973*</td><td>Apr 30</td><td>Returns Inwards Book</td><td>440*</td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Cash Book</td><td>10 750*</td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Balance c/d</td><td>9 783</td></tr><tr><td></td><td></td><td><u>21 973</u></td><td></td><td></td><td><u>21 973</u></td></tr><tr><td>May 1</td><td>Balance b/d</td><td>9 783*</td><td></td><td></td><td></td></tr></table>	Sales Ledger Control (Total Debtors) Account						Date	Narration	£	Date	Narration	£	Apr 1	Balance b/f	16 000*	Apr 28	PL set Off	1 000*	Apr 30	Sales Book	5 973*	Apr 30	Returns Inwards Book	440*				Apr 30	Cash Book	10 750*				Apr 30	Balance c/d	9 783			<u>21 973</u>			<u>21 973</u>	May 1	Balance b/d	9 783*				(6)
Sales Ledger Control (Total Debtors) Account																																																		
Date	Narration	£	Date	Narration	£																																													
Apr 1	Balance b/f	16 000*	Apr 28	PL set Off	1 000*																																													
Apr 30	Sales Book	5 973*	Apr 30	Returns Inwards Book	440*																																													
			Apr 30	Cash Book	10 750*																																													
			Apr 30	Balance c/d	9 783																																													
		<u>21 973</u>			<u>21 973</u>																																													
May 1	Balance b/d	9 783*																																																

Question Number	Answer	Mark																																																																								
12(c)	<div><div>Sales Account</div><table><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td></td><td></td><td></td><td>Apr 1</td><td>Balance b/f</td><td>23 400</td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Sales Book</td><td>5 430*</td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Cash Book</td><td>1 250</td></tr></table><div>1 Mark for both entries</div><div>Returns Inwards Account</div><table><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td>Apr 1</td><td>Balance b/f</td><td>2 360</td><td></td><td></td><td></td></tr><tr><td>Apr 30</td><td>Returns Inwards Book</td><td>400*</td><td></td><td></td><td></td></tr></table><div>VAT Account</div><table><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td>Apr 30</td><td>Returns Inwards Book</td><td>40*</td><td>Apr 1</td><td>Balance b/f</td><td>3200</td></tr><tr><td>Apr 30</td><td>Purchases Book</td><td>320*</td><td>Apr 30</td><td>Sales Book</td><td>543*</td></tr><tr><td>Apr 30</td><td>Cash Book</td><td>70*</td><td>Apr 30</td><td>Cash Book</td><td>125*</td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Purchases Returns Book</td><td>26*</td></tr></table></div>	Date	Narration	£	Date	Narration	£				Apr 1	Balance b/f	23 400				Apr 30	Sales Book	5 430*				Apr 30	Cash Book	1 250	Date	Narration	£	Date	Narration	£	Apr 1	Balance b/f	2 360				Apr 30	Returns Inwards Book	400*				Date	Narration	£	Date	Narration	£	Apr 30	Returns Inwards Book	40*	Apr 1	Balance b/f	3200	Apr 30	Purchases Book	320*	Apr 30	Sales Book	543*	Apr 30	Cash Book	70*	Apr 30	Cash Book	125*				Apr 30	Purchases Returns Book	26*	(8)
Date	Narration	£	Date	Narration	£																																																																					
			Apr 1	Balance b/f	23 400																																																																					
			Apr 30	Sales Book	5 430*																																																																					
			Apr 30	Cash Book	1 250																																																																					
Date	Narration	£	Date	Narration	£																																																																					
Apr 1	Balance b/f	2 360																																																																								
Apr 30	Returns Inwards Book	400*																																																																								
Date	Narration	£	Date	Narration	£																																																																					
Apr 30	Returns Inwards Book	40*	Apr 1	Balance b/f	3200																																																																					
Apr 30	Purchases Book	320*	Apr 30	Sales Book	543*																																																																					
Apr 30	Cash Book	70*	Apr 30	Cash Book	125*																																																																					
			Apr 30	Purchases Returns Book	26*																																																																					

Question Number	Answer	Mark
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>Sample Answer</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)

Question Number	Answer	Mark																																																																																												
13(a)	<div>Omar Bashir</div> <div>Trading and profit and loss account</div> <div>For year ended 30 April 2011</div> <table><tr><td></td><td>£</td><td>£</td><td>£</td></tr><tr><td>Sales</td><td></td><td>506 500(1)</td><td></td></tr><tr><td>Returns inwards</td><td></td><td><u>6 500(1)</u></td><td></td></tr><tr><td></td><td></td><td></td><td>500 000</td></tr><tr><td>Cost of Sales</td><td></td><td></td><td></td></tr><tr><td>Opening stock</td><td></td><td>45 000(1)</td><td></td></tr><tr><td>Purchases (324 897* - 5 000*)</td><td>319 897 (2)</td><td></td><td></td></tr><tr><td>Returns outwards</td><td><u>4 897(1)</u></td><td></td><td></td></tr><tr><td></td><td></td><td>315 000</td><td></td></tr><tr><td></td><td></td><td>360 000</td><td></td></tr><tr><td>Closing stock</td><td></td><td><u>55 000(1)</u></td><td></td></tr><tr><td>Cost of goods sold</td><td></td><td></td><td><u>305 000</u></td></tr><tr><td>Gross Profit</td><td></td><td></td><td>195000 (1)</td></tr><tr><td>Expenses</td><td></td><td></td><td></td></tr><tr><td>Bad debts</td><td></td><td>3 200(1)</td><td></td></tr><tr><td>Insurance (4 322* - 322*)</td><td></td><td>4 000(2)</td><td></td></tr><tr><td>Motor expenses</td><td></td><td>7 690(1)</td><td></td></tr><tr><td>Rates (9 500* + 500*)</td><td></td><td>10 000(2)</td><td></td></tr><tr><td>Sundry expenses</td><td></td><td>42 156(1)</td><td></td></tr><tr><td>Provision for depreciation - equipment</td><td></td><td>1 000(2cf)</td><td></td></tr><tr><td>motor vehicles</td><td></td><td><u>10 000 (2cf)</u></td><td></td></tr><tr><td></td><td></td><td></td><td>78 046</td></tr><tr><td>Net Profit</td><td></td><td></td><td>116 954</td></tr></table>		£	£	£	Sales		506 500(1)		Returns inwards		<u>6 500(1)</u>					500 000	Cost of Sales				Opening stock		45 000(1)		Purchases (324 897* - 5 000*)	319 897 (2)			Returns outwards	<u>4 897(1)</u>					315 000				360 000		Closing stock		<u>55 000(1)</u>		Cost of goods sold			<u>305 000</u>	Gross Profit			195000 (1)	Expenses				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)		motor vehicles		<u>10 000 (2cf)</u>					78 046	Net Profit			116 954	(20)
	£	£	£																																																																																											
Sales		506 500(1)																																																																																												
Returns inwards		<u>6 500(1)</u>																																																																																												
			500 000																																																																																											
Cost of Sales																																																																																														
Opening stock		45 000(1)																																																																																												
Purchases (324 897* - 5 000*)	319 897 (2)																																																																																													
Returns outwards	<u>4 897(1)</u>																																																																																													
		315 000																																																																																												
		360 000																																																																																												
Closing stock		<u>55 000(1)</u>																																																																																												
Cost of goods sold			<u>305 000</u>																																																																																											
Gross Profit			195000 (1)																																																																																											
Expenses																																																																																														
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)																																																																																												
motor vehicles		<u>10 000 (2cf)</u>																																																																																												
			78 046																																																																																											
Net Profit			116 954																																																																																											

					<u>(1)</u>

Question Number	Answer	Mark
13(b)(i)	Sample answer 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)	Sample answer 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
----------	--------	------

Number					
14	<div><div>Oriental Furniture Ltd</div><div>Balance Sheet</div><div>As at 31 March 2011</div></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> <tr> <th>Year</th><th>(i) Gross Profit</th><th>(ii) Net Profit</th></tr> <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> </table>	Year	(i) Gross Profit	(ii) Net Profit	2010	£250 000* (c)	£150 000* (c)	2011	£330 000* (c)	£210 000* (c)	(4)
Year	(i) Gross Profit	(ii) Net Profit									
2010	£250 000* (c)	£150 000* (c)									
2011	£330 000* (c)	£210 000* (c)									

Question Number	Answer	Mark
15(b)	Formula Gross Profit/Sales x 100 Gross profit margin for year ended 31 March 2010 $250\,000/500\,000 \times 100 = 50\%$ Gross profit margin for year ended 31 March 2011 $330\,000/600\,000 \times 100 = 55\%$ 1 mark for correct formula + 1 mark for both correct percentages (2)	(2)

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

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

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467

Fax 01623 450481

Email publication.orders@edexcel.com

Order Code UG027254 June 2011

For more information on Edexcel qualifications, please visit
www.edexcel.com/quals

Pearson Education Limited. Registered company number 872828
with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE

Ofqual
■■■■■■■■■■



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

