



Mark Scheme (Results)

June 2015

International GCSE Accounting (4AC0)

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Answer	Mark
1	B	(1)

Question Number	Answer	Mark
2	B	(1)

Question Number	Answer	Mark
3	D	(1)
Question Number	Answer	Mark
4	D	(1)

Question Number	Answer	Mark
5	C	(1)

Question Number	Answer	Mark
6	B	(1)

Question Number	Answer	Mark
7	C	(1)

Question Number	Answer	Mark
8	C	(1)

Question Number	Answer	Mark
9	B	(1)

Question Number	Answer	Mark
10	C	(1)

Section B

Question Number	Answer	Mark
11 (a)	Award mark for correct date, narrative and figure.	(16)

Date	Narrative	Disc. All.	Cash	Bank	Date	Narrative	Disc. Rec	Cash	Bank
		£	£	£			£	£	£
Mar 1	Bal b/f		540 (1)		Mar 1	Bal b/f			8 970 (1)
Mar 3	Sales		500 (1)		Mar 12	Drawings			300 (1)
Mar 7	T Lee	3 (1)		147 (1)	Mar 15	R Tong	19 (1)		456 (1)
Mar 10	S Teen			350 (1)					
Mar 25	Sales			1 430 (1)	Mar 21	Wages & Salaries			425 (1)
Mar 28	Cash			800 (1)	Mar 27	S Teen (Dis Chq)			350 (1)
					Mar 28	Bank		800 (1)	
Mar 31	Balance c/d			7774	Mar 31	Balance c/d		240	
		<u>3</u>	<u>1</u> <u>040</u>	<u>10</u> <u>501</u>			<u>19</u>	<u>1</u> <u>040</u>	<u>10</u> <u>501</u>
Apr 1	Balance b/d		240 (1)		Apr 1	Balance b/d			7774 (1)

Question Number	Answer	Mark																								
11 (b)	<div><div>Discount allowed account</div><table><tr><th>Date</th><th>Narrative</th><th>£</th><th>Date</th><th>Narrative</th><th>£</th></tr><tr><td>Mar 31</td><td>Cash Book</td><td>3(1 o.f)</td><td></td><td></td><td></td></tr></table><div>Discount received account</div><table><tr><th>Date</th><th>Narrative</th><th>£</th><th>Date</th><th>Narrative</th><th>£</th></tr><tr><td></td><td></td><td></td><td>Mar 31</td><td>Cash book</td><td>19(1o.f)</td></tr></table></div>	Date	Narrative	£	Date	Narrative	£	Mar 31	Cash Book	3(1 o.f)				Date	Narrative	£	Date	Narrative	£				Mar 31	Cash book	19(1o.f)	(2)
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Question Number	Answer	Mark
11 (c)	A dishonoured cheque is a cheque received by a business which the debtor's bank refuses to pay (1). This may be because the debtor does not have enough money in his/her bank account (1).	(2)

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12	<div><p style="text-align: center;">Bob and Carol Profit and Loss and Appropriation Account Year ended 31 March 2015</p><table><tr><td></td><td style="text-align: center;">£</td><td style="text-align: center;">£</td><td></td></tr><tr><td>Gross profit</td><td></td><td style="text-align: right;">85 321</td><td style="text-align: right;">(1)</td></tr><tr><td>Discount received</td><td></td><td style="text-align: right;"><u>521</u></td><td style="text-align: right;">(1)</td></tr><tr><td></td><td></td><td style="text-align: right;">85 842</td><td></td></tr><tr><td>Expenses</td><td></td><td></td><td></td></tr><tr><td>Heat and light</td><td style="text-align: right;">1 329</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Rent (4500 - 600)</td><td style="text-align: right;">3 900</td><td></td><td style="text-align: right;">(2)</td></tr><tr><td>Discount allowed</td><td style="text-align: right;">371</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Wages and salaries (13 002 + 240)</td><td style="text-align: right;">13 242</td><td></td><td style="text-align: right;">(2)</td></tr><tr><td>Provision for depreciation (25% x 30000)</td><td style="text-align: right;">7 500</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td></td><td></td><td style="text-align: right;"><u>26 342</u></td><td></td></tr><tr><td>Net profit</td><td></td><td style="text-align: right;">59 500</td><td style="text-align: right;">(1of)</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Salary – Carol</td><td style="text-align: right;">10 000</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Interest on capitals – Bob</td><td style="text-align: right;">5 000</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Carol</td><td style="text-align: right;">2 500</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td></td><td></td><td style="text-align: right;">17 500</td><td></td></tr><tr><td></td><td></td><td style="text-align: right;">42 000</td><td></td></tr><tr><td>Share of profits:</td><td></td><td></td><td></td></tr><tr><td>Bob</td><td style="text-align: right;">28 000</td><td></td><td style="text-align: right;">(1of)</td></tr><tr><td>Carol</td><td style="text-align: right;">14 000</td><td></td><td style="text-align: right;">(1of)</td></tr><tr><td></td><td></td><td style="text-align: right;"><u>42 000</u></td><td></td></tr></table></div>		£	£		Gross profit		85 321	(1)	Discount received		<u>521</u>	(1)			85 842		Expenses				Heat and light	1 329		(1)	Rent (4500 - 600)	3 900		(2)	Discount allowed	371		(1)	Wages and salaries (13 002 + 240)	13 242		(2)	Provision for depreciation (25% x 30000)	7 500		(1)			<u>26 342</u>		Net profit		59 500	(1of)					Salary – Carol	10 000		(1)	Interest on capitals – Bob	5 000		(1)	Carol	2 500		(1)			17 500				42 000		Share of profits:				Bob	28 000		(1of)	Carol	14 000		(1of)			<u>42 000</u>		(15)
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Question Number	Answer				Mark
13 (a)	Current assets				(5)
	Stock	35 000			
	Debtors	35 751			
	Expenses prepaid	990			
	Cash at bank	3 600			
	Cash in hand	<u>259</u>			
			75 600	(2 cf 1 of)	
	Current liabilities				
	Creditors	41 200			
	Expenses accrued	<u>800</u>			
			<u>42 000</u>	(2 cf 1 of)	
	Working capital		33 600	(1 of)	

Question Number	Answer		Mark
13 (b)	Formula	Working capital (current) ratio	(2)
	Current assets/Current liabilities (1)	$75\,600/42\,000 = 1.8:1$ (1)	

Question Number	Answer		Mark
13 (c)	Formula	Liquid (Acid test) ratio	(2)
	Current assets – stock/Current liabilities (1)	$(75\,600 - 35\,000)/42\,000 = 0.97:1$ (1)	

Question Number	Answer	Mark
13 (d)	<p>Award (1) mark for identifying that the business's current ratio is below normal (2: 1) and similarly (1) mark for identifying that the liquid ratio is also below normal (1: 1).</p> <p>Award up to (2) marks for 2 correct suggestions as to how he could improve his working capital position eg: inject more capital; sell surplus fixed asset; reduce drawings; take on a partner; take out long term loans etc. Final (1) mark for suitable conclusion.</p> <p>Sample Answer</p> <p>The liquidity position of the business has clearly worsened over the past three years as the current ratio is now below that which is considered normal (2: 1) (1) and his liquid ratio is similarly lower than expected (1: 1) (1).</p> <p>In order to improve his working capital position Holmes should consider introducing further capital from his own resources (1), or selling surplus fixed assets (1).</p> <p>If he does not take step to improve on his working capital position he may have problems meeting his short term debts (1).</p>	(5)

Question Number	Answer				Mark
14 (a)			Debit	Credit	(9)
			£	£	
		Suspense	250 (1)		
		Purchases		250 (1)	
		Stationery	86 (1)		
		Ali - Current account		86 (1)	
		Suspense	700 (1)		
		Bad debts recovered		350 (1)	
		Bad debts		350 (1)	
		Rekha – Capital account	3 500 (1)		
		Rekha – Current account		3 500 (1)	

Question Number	Answer	Mark																																										
14 (b)	<table><tr><th colspan="7">Suspense account</th></tr><tr><th>Date</th><th>Narrative</th><th>£</th><th>Date</th><th>Narrative</th><th>£</th><th></th></tr><tr><td>31 March</td><td>Purchases</td><td>250(1)</td><td></td><td>Balance b/f (1)</td><td>950(1)</td><td></td></tr><tr><td>31 March</td><td>Bad debts</td><td>350(1)</td><td></td><td></td><td></td><td></td></tr><tr><td>31 March</td><td>Bad debts recovered</td><td>350(1)</td><td></td><td></td><td></td><td></td></tr><tr><td>31 March</td><td></td><td><u>950</u></td><td></td><td></td><td><u>950</u></td><td></td></tr></table>	Suspense account							Date	Narrative	£	Date	Narrative	£		31 March	Purchases	250(1)		Balance b/f (1)	950(1)		31 March	Bad debts	350(1)					31 March	Bad debts recovered	350(1)					31 March		<u>950</u>			<u>950</u>		(5)
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Question Number	Answer				Mark
14 (c)	Error and omission	Increase	Decrease	No effect	(4)
	1	✓ (1)			
	2		✓ (1)		
	3	✓ (1)			
	4			✓ (1)	

Question Number	Answer	Mark
14 (d i)	Increase the selling price of their products without any subsequent increase in the cost price (1) OR Decrease the cost of goods purchased without any subsequent decrease in the selling price. (1)	(1)

Question Number	Answer	Mark
14 (d ii)	Better control of overheads/ reduce expenses (1)	(1)

Question Number	Answer	Mark
14 (e)	Award (1) mark for confirming that this will increase her profits. Award (1) mark for stating how stock should be valued and (1) mark for identifying that this suggestion would be in contravention of the prudence concept. A further (1) mark for stating the effect on both profit and assets and (1) mark for an appropriate conclusion. Sample Answer Rekha is correct in her statement that valuing the closing stock at selling price will increase her profits as the cost of sales will be reduced (1). However, stock should be valued at the lower of cost or net realisable value (1) which is an application of the concept of prudence (1). By over valuing the stock both the profit and the assets will be over-valued (1). Hence Rekha should be advised that her suggestion is not appropriate (1).	(5)

Question Number	Answer			Mark
15	Item of expenditure	Type of expenditure	Financial statement	(16)
	Payment of administration expenses	Revenue	Profit and loss account	
	Cost of improvements to factory air conditioning	Capital (1)	Balance sheet (1)	
	Payment of directors' salaries	Revenue (1)	Profit and loss account (1)	
	Payment of share dividend	Revenue (1)	Appropriation account (1)	
	Payment of debenture interest	Revenue (1)	Profit and loss account (1)	
	Purchase of raw materials	Revenue (1)	Manufacturing account (1)	
	Purchase of new plant and machinery	Capital (1)	Balance sheet (1)	
	Cost of installing new plant and machinery	Capital (1)	Balance sheet (1)	
	Maintenance charges for new plant and machinery	Revenue (1)	Manufacturing account (1)	

