Mark Scheme (Results)

Summer 2016

Pearson Edexcel International GCSE Accounting (4AC0) Paper 1

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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	A	**(1)**

Question Number	Answer	Mark
2	C	**(1)**

Question Number	Answer	Mark
3	B	**(1)**

Question Number	Answer	Mark
4	C	**(1)**

Question Number	Answer	Mark
5	C	**(1)**

Question Number	Answer	Mark
6	A	**(1)**

Question Number	Answer	Mark
7	B	**(1)**

Question Number	Answer	Mark
8	B	**(1)**

Question Number	Answer	Mark
9	C	**(1)**

Question Number	Answer	Mark
10	D	**(1)**

Section B

Question Number	Answer	Mark
11(a)	To encourage repeat business/customer loyalty (1) Bulk buying (1)	**(2)**

Question Number	Answer	Mark
11(b)	Invoice (1) Credit note (1)	**(2)**

Question Number	Answer	Mark
11(c)	**Award 1 mark for correct date, narrative and amount.**	**(9)**

B Cratchit Account

Date	Narrative	£	Date	Narrative	£
Apr 1	Balance b/d	350 (1)	Apr 15	Returns in	45 (2cf 1of)
Apr 2	Sales	180 (2cf 1of)	Apr 21	Bank	350 (1)
Apr 9	Sales	300 (2cf 1of)	Apr 30	Balance c/d	435
		830			**830**
May 1	Balance b/d	435 (1of for both)			

Question Number	Answer	Mark
11(d)	**Award 1 mark for correct dates, 1 mark for correct narratives and 1 mark for each correct amount on the correct side.**	**(10)**

Purchases Ledger Control Account

Date	Narrative	£	Date	Narrative	£
Apr 30	Returns Out	210 (1)	Apr 1	Balance b/d	1 749 (1)
Apr 30	Bank	2 040 (1)	Apr 30	Purchases	2 521(1)
Apr 30	Discount Received	98 (1)			
Apr 30	SL set off	200 (1)			
Apr 30	Balance c/d	1 722			
		4 270			4 270
			May 1	Balance b/d	1 722 (2cf/1of for both)

Question Number	Answer	Mark
11 (e)	The balance represents the creditors of the business (1) This would be shown as a current liability (on the balance sheet) (1)	**(2)**

Question Number	Answer	Mark
12 (a)	**Aaron Crow** **Trial Balance at 30 April 2016**	**(12)**

	Debit (£)	**Credit (£)**
Gross profit		240 000 (1)
General expenses	50 000(1)	
Furniture and fittings - cost	35 000 (1)	
Furniture and fittings – provision for depreciation		5 000 (1)
Stock – 30 April 2016	12 500(1)	
Long term bank loan		10 000 (1)
Premises	360 000 (1)	
Debtors	42 000 (1)	
Creditors		18 750 (1)
Cash in hand	500 (1)	
Bank overdraft		8 325 (1)
Capital		217 925 (1of)
	500 000	500 000

Question Number	Answer	Mark
12 (b i)	240 000 x 125/25 (1) = £1 200 000 (1)	**(2)**

Question Number	Answer	Mark
12 (b ii)	GP 240 000 – (50 000 + 10 000) (1) = NP £180 000 (1of)	**(2)**

Question Number	Answer	Mark
12 (b iii)	£180 000/1 200 000 (1of) x 100 = 15% (1of)	**(2)**

Question Number	Answer	Mark
12 (b iv)	£180 000 (1of) /217 925 x 100 = 82.60% (1of)	**(2)**

Question Number	Answer	Mark
12 (c)	Award up to 2 marks for an appropriate comment on **each** profitability ratio (Max 4 marks). Award 1 mark for a concluding statement Sample answers The mark-up has decreased from 30% to 25%. This indicates that Aaron is either selling his goods at a lower price (1) and/or purchasing his goods at a higher price (1) than the previous year. The net profit percentage had decreased from 20% to 15%. This indicates that Aaron may be spending more money on his overheads this year than previously (1). However this may be due to the decrease in his mark up rather than any increase in overhead costs (1) The return on capital employed has increased from 65% to 82.6% which indicates that Aaron is earning more profit from his capital this year than the previous year (1). This may be due to improved efficiency is his business operations (1) In spite of a decrease in his mark up Aaron's business's profitability is improving which is evident from the increase in the capital employed (1)	**(5)**

Question Number	Answer	Mark
13 (a)	Raw materials stock is the stock of crude or processed material that can be converted by manufacture into a saleable good (1). Work in progress stock is goods which have started their manufacturing process so are no longer included in the raw materials stock, but have not yet reached a stage where they are fit to be sold (1) Finished goods stock is goods which have completed the manufacturing process and are available to be sold (1)	**(3)**

Question Number	Answer	Mark
13 (b)	**Sohal** **Manufacturing Account** **Year ended 31 March 2016**	**(12)**

	£	**£**	**£**	
Opening stock RM	3 600			(1 for both)
Purchases RM	390 600			
	394 200			
Carriage inwards	9 800			(1)
	404 000			
Closing stock RM	4 000			
Cost of raw materials consumed		400 000		**(1)**
Direct wages		110 000		**(1)**
Prime cost			510 000	(1of)
Overheads				
Factory supervisor salary		45 000		(1)
Factory machinery dep		33 000		(1)
Rent		18 000		(1)
Power		3 000		(1)
Insurance		4 800		(1)
			103 800	
			613 800	
Opening stock WIP		5 800		(1for both)
Closing stock WIP		(6 100)		
Production cost			613 500	(1of)

Question Number	Answer	Mark
14 (a)	(see table below) Accept £200 000 for 4 marks. Accept any format.	**(4)**

	£	£
Net profit		174 622
Debenture interest		3 000 (1)
Net profit after financial charges		171 622
Appropriations		
Transfer to general reserve	10 000 (1)	
Ordinary dividend proposed	60 000 (1)	
		70 000
		101 622
Profit and loss account balance 1 January 2015		98 378
Retained profit at 31 December 2015		200 000 (1of)

Question Number	Answer	Mark
14 (b)	**Rekha Limited** **Balance Sheet** **At 31 December 2015**	**(6)**

Fixed assets	**Cost**	Total dep.	Net book value
Premises	490 000	-	490 000
Plant and equipment	125 000	50 000	75 000
	615 000	50 000	565 000(1)
Current assets			
Stock		85 765	
Debtors	32 879		
Provision for doubtful debts	592 (1)	32 287	
Cash in hand		**2 378**	
		120 430 (1of)	
Current liabilities			
Creditors	24 598		
Debenture interest	3 000		
Bank overdraft	17 832		
Proposed dividend	60 000	105 430 (1of)	
			15 000
			580 000
Long term liabilities			
6% debentures			50 000 (1)
			530 000
Financed by			
Share capital : ordinary shares at 0.50p each		300 000	
General reserve		30 000	
Profit and loss		200 000	
			530 000 (1)

Question Number	Answer	Mark
14 (c)	Award up to 2 marks for comments on **each** method of raising additional finance. (Max 4 marks). Award 1 mark for a concluding statement Sample answers By issuing additional share capital they would have access to new capital but may have to pay additional dividends (1). However it is likely that these additional dividends would be compensated by the extra profit that this expansion is likely to generate (1). By issuing debentures they would have to pay additional interest (1) which would decrease her profit for the year (1). Some form of security may have to be offered which could affect the stability of the business (1). When considering which method to use the directors should consult with their existing shareholders before making any commitments (1).	**(5)**

Question Number	Answer	Mark
15 (a)	**Award 1 mark for correct date, narrative and amount.**	**(7)**

Rent Received Account

Date	Narrative	£	Date	Narrative	£
Jan 1	Balance b/d	200 (1)	Jan 1	Balance b/d	800 (1)
Dec 31	Profit and Loss (1)	13 850 (1 of)	Dec 31	Bank	13 600 (1)
Dec 31	Balance c/d	700	Dec 31	Balance c/d	350
		<u>14 750</u>			<u>14 750</u>
Jan 1	Balance b/d	350 (1)	Jan 1	Balance b/d	700 (1)

Question Number	Answer	Mark
15 (b)		**(3)**

	Increase	Decrease	No effect
1	*£450*		
2		£732 (1)	
3	£640 (1)		

		4			**_ (1)**		