



# **Mark Scheme (Results)**

**Summer 2018**

**Pearson Edexcel International GCSE  
In Accounting (4AC0) Paper 1**

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Summer 2018

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## Section A: multiple choice

Question Number	Answer	Mark
1	<p><i>The correct Answer is C</i></p> <p><i>A is wrong because this is a purchase and not a sale.</i>  <i>B is wrong because this is a purchase and not a sale.</i>  <i>D is wrong because purchases are always debited when goods are purchased.</i></p>	(1)
Question Number	Answer	Mark
2	<p><i>The correct Answer is B</i></p> <p><i>A is wrong because this is a ledger – not a primary accounting record</i>  <i>C is wrong because this is a ledger – not a primary accounting record</i>  <i>D is wrong because this is a statement – not a primary accounting record.</i></p>	(1)
Question Number	Answer	Mark
3	<p><i>The correct Answer is B</i></p> <p><i>A is wrong because both accounts always have debit balances.</i>  <i>C is wrong because assets always have debit balances.</i>  <i>D is wrong because expenses always have debit balances.</i></p>	(1)
Question Number	Answer	Mark
4	<p><i>The correct Answer is C</i></p> <p><i>A is wrong because bank loan is a liability.</i>  <i>B is wrong because debtors are a current asset.</i>  <i>D is wrong because premises are a tangible fixed asset.</i></p>	(1)
Question Number	Answer	Mark
5	<p><i>The correct Answer is B</i></p> <p><i>A is wrong because a bank overdraft is a liability not an asset.</i>  <i>C is wrong because a bank overdraft is a liability not an asset</i>  <i>D is wrong because a bank overdraft is a current liability not a long-term liability.</i></p>	(1)

Question Number	Answer	Mark
<b>6</b>	<p><i>The correct Answer is B</i></p> <p><i>A is wrong because this is a purchase of inventory which is revenue expenditure</i></p> <p><i>C is wrong because this is an item of revenue expenditure</i></p> <p><i>D is wrong because this is an item of revenue expenditure</i></p>	<b>(1)</b>
Question Number	Answer	Mark
<b>7</b>	<p><i>The correct Answer is D</i></p> <p><i>A is wrong because both capital and revenue expenditure are treated in the same way in the cash book.</i></p> <p><i>B is wrong because creditors are not affected by this error.</i></p> <p><i>C is wrong because debtors are not affected by this error.</i></p>	<b>(1)</b>
Question Number	Answer	Mark
<b>8</b>	<p><i>The correct Answer is C</i></p> <p><i>A is wrong because an appropriation account is used to show how profit is shared which comes after this transaction.</i></p> <p><i>B is wrong because the transaction is not a manufacturing cost.</i></p> <p><i>D is wrong as the transaction would not be included in the trading account.</i></p>	<b>(1)</b>
Question Number	Answer	Mark
<b>9</b>	<p><i>The correct Answer is A</i></p> <p><i>B is wrong because a receipts and payments account is the same as a cash book.</i></p> <p><i>C is wrong because a statement of affairs is the same as a balance sheet.</i></p> <p><i>D is wrong as a subscriptions account is the same as a sales account.</i></p>	<b>(1)</b>

Question Number	Answer	Mark
10	<p><i>The correct Answer is C</i></p> <p><i>A is wrong because profitability is measured using profitability ratios not liquidity ratios.</i></p> <p><i>B is wrong because profitability ratios are used to assess the level of trading not liquidity ratios.</i></p> <p><i>D is wrong as the measurement relates to profitability not liquidity.</i></p>	(1)

## Section B

Question Number	Answer	Mark																																										
11(ai)	<p><b>Award marks for correct date, details and amounts in combination.</b></p> <p style="text-align: center;"><b>C Son Account</b></p> <table><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>Apr 1</td><td>Balance b/d</td><td>1800 <b>(1)</b></td><td>Apr 3</td><td>Returns inwards (Book)</td><td>99 <b>(1)</b></td></tr><tr><td>Apr 13</td><td>Sales (Book)</td><td>572 <b>(1)</b></td><td>Apr 21</td><td>(PL) Set Off/ Contra</td><td>450 <b>(1)</b></td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Cash (Book) (Bank)</td><td>1280 <b>(1)</b></td></tr><tr><td></td><td></td><td></td><td>Apr 30</td><td>Balance c/d</td><td>543</td></tr><tr><td></td><td></td><td><u>2372</u></td><td></td><td></td><td><u>2372</u></td></tr><tr><td>May 1</td><td>Balance b/d</td><td>543 <b>(1of)</b></td><td></td><td></td><td></td></tr></table>	Date	Details	£	Date	Details	£	Apr 1	Balance b/d	1800 <b>(1)</b>	Apr 3	Returns inwards (Book)	99 <b>(1)</b>	Apr 13	Sales (Book)	572 <b>(1)</b>	Apr 21	(PL) Set Off/ Contra	450 <b>(1)</b>				Apr 30	Cash (Book) (Bank)	1280 <b>(1)</b>				Apr 30	Balance c/d	543			<u>2372</u>			<u>2372</u>	May 1	Balance b/d	543 <b>(1of)</b>				<b>(6)</b>
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11(aii)	<p><b>Award marks for correct date, details and amounts in combination.</b></p> <p style="text-align: center;"><b>Sales Ledger Control Account</b></p> <table><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>Apr 1</td><td>Balance b/d</td><td>7474 <b>(1)</b></td><td>Apr 30</td><td>(PL) set off/Contra</td><td>450<b>(1)</b></td></tr><tr><td>Apr 30</td><td>Sales (Book)</td><td>4 235 <b>(1)</b></td><td></td><td>Returns inwards (Book)</td><td>385<b>(1)</b></td></tr><tr><td></td><td></td><td></td><td></td><td>Cash (Book) (Bank)</td><td>8712 <b>(1)</b></td></tr><tr><td></td><td></td><td></td><td></td><td>Balance c/d</td><td>2162</td></tr><tr><td></td><td></td><td><u>11709</u></td><td></td><td></td><td><u>11709</u></td></tr><tr><td>May 1</td><td>Balance b/d</td><td>2162 <b>(1of)</b></td><td></td><td></td><td></td></tr></table>	Date	Details	£	Date	Details	£	Apr 1	Balance b/d	7474 <b>(1)</b>	Apr 30	(PL) set off/Contra	450 <b>(1)</b>	Apr 30	Sales (Book)	4 235 <b>(1)</b>		Returns inwards (Book)	385 <b>(1)</b>					Cash (Book) (Bank)	8712 <b>(1)</b>					Balance c/d	2162			<u>11709</u>			<u>11709</u>	May 1	Balance b/d	2162 <b>(1of)</b>				(6)
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11 (aiv)	<p><b>Award marks for correct date, details and amounts in combination.</b></p> <p><b>(iv) Returns Inwards Account</b></p> <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/d</td><td>1342 <b>(1)</b></td><td>Apr 30</td><td>Balance c/d</td><td>1692</td></tr><tr><td>Apr 30</td><td>Returns inwards (Book)</td><td>350 <b>(1)</b></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>1692</u></td><td></td><td></td><td><u>1692</u></td></tr><tr><td>May 1</td><td>Balance b/d</td><td>1692 <b>(1of)</b></td><td></td><td></td><td></td></tr></table>	Date	Narration	£	Date	Narration	£	Apr 1	Balance b/d	1342 <b>(1)</b>	Apr 30	Balance c/d	1692	Apr 30	Returns inwards (Book)	350 <b>(1)</b>						<u>1692</u>			<u>1692</u>	May 1	Balance b/d	1692 <b>(1of)</b>				<b>(3)</b>
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<b>11 (b)</b>	<p><b>Award up to (4) marks for a discussion on the benefits to the business of maintaining a sales ledger control account and a final (1) mark for a conclusion related to the scenario.</b></p> <p><b>Sample reasons</b> The maintenance of a sales ledger control account can bring many benefits to Justin as :</p> <ul style="list-style-type: none"> <li>• He will find it easier to identify errors <b>(1)</b> in the sales ledger <b>(1)</b>.</li> <li>• He will also find it easier to prepare his financial statements <b>(1)</b> as the total of debtors will be easily available <b>(1)</b>.</li> <li>• Fraud should be easier to identify <b>(1)</b> as the control account is usually maintained by a different person <b>(1)</b></li> </ul> <p><b>Conclusion (1)</b> Therefore the preparation of a sales ledger control account will bring many benefits to Justin's business.</p>	<b>(5)</b>



Question Number	Answer	Mark																				
12(a)	<p><b>Award 1 mark each for:</b></p> <ul style="list-style-type: none"><li>• <b>total assets</b></li><li>• <b>total liabilities</b></li><li>• <b>capital</b></li></ul> <p><b>Assets:</b></p> <table><tr><td>Shop fittings</td><td>20 010</td></tr><tr><td>Debtors</td><td>2 000</td></tr><tr><td>Stock</td><td>2 500</td></tr><tr><td>Petty cash</td><td>490</td></tr><tr><td></td><td><u>25 000</u> <b>(1)</b></td></tr></table> <p><b>Liabilities:</b></p> <table><tr><td>Bank loan (2020)</td><td>5 000</td></tr><tr><td>Bank overdraft</td><td>6 500</td></tr><tr><td>Creditors</td><td>3 200</td></tr><tr><td>Electricity</td><td>300</td></tr><tr><td></td><td><u>15 000</u> <b>(1)</b></td></tr></table> <p><b>Capital:</b></p> <p>25000 – 15 000 = <u>10 000</u> <b>(1of)</b></p>	Shop fittings	20 010	Debtors	2 000	Stock	2 500	Petty cash	490		<u>25 000</u> <b>(1)</b>	Bank loan (2020)	5 000	Bank overdraft	6 500	Creditors	3 200	Electricity	300		<u>15 000</u> <b>(1)</b>	<b>(3)</b>
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12(b)	<p><b>Award marks as shown; marks to be awarded for correct figure and treatment.</b></p> <table><tr><td></td><td><b>£</b></td></tr><tr><td>Opening debtors</td><td>(2 000) <b>(1)</b></td></tr><tr><td>Receipts from debtors</td><td>45 000 <b>(1)</b></td></tr><tr><td>Receipts from cash sales</td><td>53 200 <b>(1)</b></td></tr><tr><td>Cash drawings</td><td>21 000 <b>(1)</b></td></tr><tr><td>Closing debtors</td><td>3 000 <b>(1)</b></td></tr><tr><td>Total sales</td><td>120 200 <b>(1of)</b></td></tr></table>		<b>£</b>	Opening debtors	(2 000) <b>(1)</b>	Receipts from debtors	45 000 <b>(1)</b>	Receipts from cash sales	53 200 <b>(1)</b>	Cash drawings	21 000 <b>(1)</b>	Closing debtors	3 000 <b>(1)</b>	Total sales	120 200 <b>(1of)</b>	<b>(6)</b>
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12(c)	<p><b>Award marks as shown; marks to be awarded for correct figure and treatment.</b></p> <table><tr><td></td><td><b>£</b></td></tr><tr><td>Opening creditors</td><td>(3 200) <b>(1)</b></td></tr><tr><td>Payments to creditors</td><td>42 700 <b>(1)</b></td></tr><tr><td>Discount received</td><td>2 300 <b>(1)</b></td></tr><tr><td>Closing creditors</td><td>2 560 <b>(1)</b></td></tr><tr><td>Total purchases</td><td>44 360 <b>(1of)</b></td></tr></table>		<b>£</b>	Opening creditors	(3 200) <b>(1)</b>	Payments to creditors	42 700 <b>(1)</b>	Discount received	2 300 <b>(1)</b>	Closing creditors	2 560 <b>(1)</b>	Total purchases	44 360 <b>(1of)</b>	<b>(5)</b>
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12(d)	<p><b>Award marks as shown; marks to be awarded for correct figure and treatment with labels.</b></p> <p><b>Award revenue and purchases o/f marks only if they match with (b) and (c)</b></p> <p style="text-align: center;"><b>Sevket Christakos</b> <b>Income statement</b> <b>Year ended 28 February 2018</b></p> <table><tr><td></td><td>£</td><td>£</td><td></td></tr><tr><td>Revenue</td><td></td><td>120 200</td><td><b>(1 of)</b></td></tr><tr><td>Opening stock</td><td>2 500</td><td></td><td></td></tr><tr><td>Purchases</td><td><u>44 360</u></td><td></td><td><b>(1 of)</b></td></tr><tr><td></td><td>46 860</td><td></td><td></td></tr><tr><td>Closing stock</td><td><u>1 860</u></td><td></td><td><b>(1)</b></td></tr><tr><td><b>Cost of sales</b></td><td></td><td><u>45 000</u></td><td><b>(1 of)</b></td></tr><tr><td><b>Gross profit</b></td><td></td><td>75 200</td><td><b>(1 of)</b></td></tr><tr><td>Discount received</td><td></td><td>2 300</td><td><b>(1)</b></td></tr><tr><td></td><td></td><td>77 500</td><td></td></tr><tr><td>Expenses</td><td></td><td></td><td></td></tr><tr><td>Wages</td><td>15 000</td><td></td><td></td></tr><tr><td>Rent and rates</td><td>4 000</td><td></td><td></td></tr><tr><td>Loan interest</td><td>400</td><td></td><td><b>(1)</b></td></tr><tr><td>Electricity*</td><td>1 750</td><td></td><td><b>(3)</b></td></tr><tr><td></td><td></td><td>21 150</td><td></td></tr><tr><td><b>Profit for the year</b></td><td></td><td>56 350</td><td><b>(1 of)</b></td></tr></table> <p>*Electricity 1 650 <b>(1)</b> – 300 <b>(1)</b> + 400 <b>(1)</b> = <b>1 750</b></p>		£	£		Revenue		120 200	<b>(1 of)</b>	Opening stock	2 500			Purchases	<u>44 360</u>		<b>(1 of)</b>		46 860			Closing stock	<u>1 860</u>		<b>(1)</b>	<b>Cost of sales</b>		<u>45 000</u>	<b>(1 of)</b>	<b>Gross profit</b>		75 200	<b>(1 of)</b>	Discount received		2 300	<b>(1)</b>			77 500		Expenses				Wages	15 000			Rent and rates	4 000			Loan interest	400		<b>(1)</b>	Electricity*	1 750		<b>(3)</b>			21 150		<b>Profit for the year</b>		56 350	<b>(1 of)</b>	(11)
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13 (a)	<p><b>Award marks as shown</b></p> <table> <tr> <th>Ratio</th> <th>Formula</th> <th>2017</th> <th>2018</th> </tr> <tr> <td>Gross profit margin</td> <td>Gross profit/Sales x 100 <b>(1)</b></td> <td>25% <b>(1)</b></td> <td>25% <b>(1)</b></td> </tr> <tr> <td>Net profit margin</td> <td>Net profit/Sales x 100 <b>(1)</b></td> <td>12% <b>(1)</b></td> <td>10% <b>(1)</b></td> </tr> <tr> <td>Return on capital employed</td> <td>Net profit/Capital employed x 100 <b>(1)</b></td> <td>80% <b>(1)</b></td> <td>75% <b>(1)</b></td> </tr> </table> <p>Accept turnover in lieu of sales % notation must be shown</p>	Ratio	Formula	2017	2018	Gross profit margin	Gross profit/Sales x 100 <b>(1)</b>	25% <b>(1)</b>	25% <b>(1)</b>	Net profit margin	Net profit/Sales x 100 <b>(1)</b>	12% <b>(1)</b>	10% <b>(1)</b>	Return on capital employed	Net profit/Capital employed x 100 <b>(1)</b>	80% <b>(1)</b>	75% <b>(1)</b>	<b>(9)</b>
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13 (b)	<p><b>Award</b></p> <ul style="list-style-type: none"> <li><b>1 mark for a general statement regarding the change in profitability over the two years;</b></li> <li><b>3 marks for a discussion on the meaning of each individual ratio;</b></li> <li><b>1 mark for a conclusion related to the managing director's comment</b></li> </ul> <p><b>Sample answer</b> The profitability of the business has declined over the two years <b>(1)</b> which is evidenced by the reduction in the net profit ratio and return on capital employed.</p> <p>The gross profit margin is unchanged over the two years indicating no change in either the selling price or cost price <b>(1)</b>; the net profit margin indicates that the business is not controlling their expenses adequately; <b>(1)</b> and the return on capital employed indicates that the business is not using the increase in capital employed effectively in generating profit. <b>(1)</b></p> <p>The managing director is incorrect in assuming that the business has had a successful year as overall profitability has declined. <b>(1)</b></p>	<b>(5)</b>																

Question Number	Answer	Mark
<b>13 (c)</b>	<b>Award mark for correct response only</b>  e.g. Current / current ratio Working capital / working capital ratio Acid test / acid test ratio Quick / quick ratio  Accept any appropriate spelling Accept upper or lowercase	<b>(1)</b>

Question Number	Answer	Mark																																				
14(a) (i)	<p><b>Award marks for figures on the correct side as shown.</b></p> <p><b>Award 1 mark for all correct dates and narratives</b></p> <p style="text-align: center;"><b>Capital Account</b></p> <table><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2017 Dec 31</td><td>Drawings</td><td>1 850 <b>W1 (2)</b></td><td>2017 Jan 1</td><td>Bank</td><td>5 000 <b>(1)</b></td></tr><tr><td></td><td>Balance c/d</td><td>34 150</td><td></td><td>Motor vehicle</td><td>6 000 <b>(1)</b></td></tr><tr><td></td><td></td><td></td><td>Dec 31</td><td>Income statement</td><td>25 000 <b>(1)</b></td></tr><tr><td></td><td></td><td><u>36 000</u></td><td></td><td></td><td><u>36 000</u></td></tr><tr><td></td><td></td><td></td><td>2018 Jan 1</td><td>Balance b/d</td><td>34 150 <b>(1of)</b></td></tr></table> <p><b>W1 400 (1) + 1450 (1) = 1850</b></p>	Date	Details	£	Date	Details	£	2017 Dec 31	Drawings	1 850 <b>W1 (2)</b>	2017 Jan 1	Bank	5 000 <b>(1)</b>		Balance c/d	34 150		Motor vehicle	6 000 <b>(1)</b>				Dec 31	Income statement	25 000 <b>(1)</b>			<u>36 000</u>			<u>36 000</u>				2018 Jan 1	Balance b/d	34 150 <b>(1of)</b>	(7)
Date	Details	£	Date	Details	£																																	
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			2018 Jan 1	Balance b/d	34 150 <b>(1of)</b>																																	
Question Number	Answer	Mark																																				
14 (a) (ii)	<p><b>Award marks for figures on the correct side as shown.</b></p> <p><b>Award 1 mark for all correct dates and narratives</b></p> <p style="text-align: center;"><b>Drawings Account</b></p> <table><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2017 May 1</td><td>Purchases</td><td>400 <b>W1(2)</b></td><td>2017 Dec 31</td><td>Capital</td><td>1 850 <b>(1of)</b></td></tr><tr><td>Oct 1</td><td>Cash (Bank)</td><td>1 450 <b>(1)</b></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>1 850</u></td><td></td><td></td><td><u>1 850</u></td></tr></table> <p><b>W1 500 (1) x 80%(1) = 400</b></p>	Date	Details	£	Date	Details	£	2017 May 1	Purchases	400 <b>W1(2)</b>	2017 Dec 31	Capital	1 850 <b>(1of)</b>	Oct 1	Cash (Bank)	1 450 <b>(1)</b>						<u>1 850</u>			<u>1 850</u>	(5)												
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		<u>1 850</u>			<u>1 850</u>																																	

Question Number	Answer	Mark				
14 (b)	<p><b>Award 1 mark for each correct concept</b></p> <table><tr><td><b>Concept</b></td></tr><tr><td>Materiality <b>(1)</b></td></tr><tr><td>Consistency <b>(1)</b></td></tr><tr><td>Business entity/ entity <b>(1)</b></td></tr></table> <p>Accept any appropriate spelling</p>	<b>Concept</b>	Materiality <b>(1)</b>	Consistency <b>(1)</b>	Business entity/ entity <b>(1)</b>	<b>(3)</b>
<b>Concept</b>						
Materiality <b>(1)</b>						
Consistency <b>(1)</b>						
Business entity/ entity <b>(1)</b>						

Question Number	Answer	Mark
<b>15 (a)</b>	<p><b>Award up to 2 marks for advantages and up to 2 marks for disadvantages.</b></p> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• additional capital</li> <li>• share the risk</li> <li>• share the workload</li> <li>• new ideas</li> <li>• additional skills</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• receiving less profit</li> <li>• delaying business decisions</li> <li>• possible conflicts</li> <li>• responsible for all debts</li> </ul> <p><b>Accept other appropriate responses</b></p>	<b>(4)</b>

Question Number	Answer	Mark
<b>15 (b)</b>	<p><b>Award 1 mark for identifying the changes to each category with a further 1 mark for each point of development – max 2 marks for each.</b></p> <p><b>Sample answer</b></p> <p>Current accounts <b>(1)</b> will be required which will record drawings , interest on capital etc. <b>(1)</b></p> <p>The partnership will be required to produce an appropriation account <b>(1)</b> which will show the share of profit/loss for each partner <b>(1)</b></p> <p>The financed by section of the balance sheet <b>(1)</b> will now include separate balances for each partners capital and current accounts. <b>(1)</b></p>	<b>(6)</b>



