# Mark Scheme (Results)

# January 2013

# International GCSE Accounting (4AC0/01)

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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 | D | **(1)** |

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

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

| Question Number | Answer | Mark |
|---|---|---|
| 5 | B | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| 6 | C | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| 7 | A | **(1)** |

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

| Question Number | Answer | Mark |
|---|---|---|
| 9 | A | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| 10 | C | **(1)** |

**Section B**

| Question Number | Answer | Mark |
|---|---|---|
| 11(a) | **Roberto Account** | **(8)** |

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| Nov 1 | Balance b/d | 500 (1 cf) | Nov 12 | Sales returns | 60 (2 cf) |
| Nov 4 | Sales | 450 (1 cf) | Nov 24 | Bank | 475 (1cf) |
| | | | Nov 24 | Discount allowed (1) | 25 (1cf) |
| | | | Nov 30 | Balance c/d | 390 |
| | | **950** | | | **950** |
| Dec 1 | Balance b/d | 390 (1of) | | | |

| Question Number | Answer | Mark |
|---|---|---|
| 11(b) | Current Assets | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| 11(c) | **Trade discount**<br>Trade discount is an allowance given to businesses in the same trade (1) and is given either to encourage loyalty (1) or bulk buying (1) (Max 2)<br><br>**Cash discount**<br>Cash discount is given to customers as an incentive to pay their accounts promptly (1) which may reduce the number of bad debts (1) and improve the cash flow of the business (1) (Max 2) | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| 11(d) | | **(2)** |

| | |
|---|---|
| Debit | Discount allowed (1) |
| Credit | Roberto (accept customer) (1) |

| Question Number | Answer | Mark |
|---|---|---|
| 12(a) | **Ganchi Limited Appropriation Account**<br>**Year ended 31 October 2012** | **(4)** |

| | **£000** | **£000** |
|---|---|---|
| Net profit | | 125 |
| Transfer to general reserve | 10 **(1)** | |
| Ordinary share dividend: | | |
| Interim paid | 50 **(1)** | |
| Final proposed | 25 **(1)** | |
| | | 85 |
| Retained profit for the year | | 40 |
| Profit and loss account balance b/f | | 175 |
| Retained profit c/f | | 215 **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| 12(b) | | |

**Ganchi Limited**
**Balance Sheet at 31 October 2012**

| | £000 | £000 | £000 |
|---|---|---|---|
| **Fixed Assets** | **Cost** | **Total Depreciation** | **Net Book Value** |
| Land and Buildings | 650 | - | 650 |
| Motor vehicles | 65 | 25 | 40 |
| | **315** | **25** | **690(1)** |
| | | | |
| **Current Assets** | | | |
| Stock | | 128(1) | |
| Debtors | 40(1) | | |
| Provision for doubtful debts | 2(1) | | |
| | | 38 | |
| Cash in hand | | 4(1) | |
| | | 170 | |
| **Current Liabilities** | | | |
| Creditors | 30(1) | | |
| Bank overdraft | 10(1) | | |
| Proposed dividend | 25(1) | | |
| | | 65 | |
| Working capital | | | 105 |
| | | | 795 |
| **Long term Liabilities** | | | |
| 6% Debentures | | | 50(1) |
| | | | **745** |
| **Capital and Reserves** | | | |
| Ordinary share capital | | 500(1) | |
| General reserve | | 30 (1) | |
| Profit and loss | | 215 (1) | |
| | | | **745** |

**(12)**

| Question Number | Answer | Mark |
|---|---|---|
| 12(c) | Current ratio<br><br>Formula: Current assets/Current liabilities (1)<br>Calculation: 170/65 = 2.62:1 (1 of)<br><br>Quick ratio (acid test)<br><br>Formula: Current assets – stock/Current liabilities (1)<br>Calculation: (170 -128)/65 = 0.65:1 (1 of) | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| 12(d) | Award up to (2) marks for an evaluation of each ratio and a further (1) mark for a suggested improvement. (5)<br><br>**Sample answer**<br><br>The current ratio is acceptable (1) and indicates that the business is able to meet its short term debts from its current assets(1).<br><br>The quick ratio is less than an acceptable standard of 1:1 (1) which indicates that the business may have difficulty paying its short term debts (1) unless it is able to reduce its large amount of stock (1). | **(5)** |

| Question Number | Answer | Mark |
|---|---|---|
| 13(a) | **The Journal** | **(6)** |

| Account | Debit | Credit |
|---|---|---|
| Drawings | 650 (1) | |
| Wages and Salaries | | 650 (1) |
| | | |
| Heat and Light | 175 (1) | |
| Accruals | | 175 (1) |
| | | |
| Creditors | 720 (1) | |
| Bank | | 720 (1) |

| Question Number | Answer | Mark |
|---|---|---|
| 13(b) | **Barack**<br>**Profit and Loss Account**<br>**For year ended 30 November 2012** | **(4)** |

| | £ | £ |
|---|---|---|
| Gross Profit | | 22907 |
| **Overheads** | | |
| Heat and Light | 1500 (1 cf) | |
| Motor Vehicle Repairs | 4 322} | |
| Rent and Rates | 7860} (1 cf for both) | |
| Wages and Salaries | 19 000 (1 cf) | |
| | | 32 682 |
| Net Loss | | 9 775 (1 of) |

| Question Number | Answer | Mark |
|---|---|---|
| 13(c) | Identification of the causes (1)<br>Short term remedies (2)<br>Long term remedies (2)<br><br>**Sample Answer**<br><br>The reduction in the capital of the business may be due to one of two factors, either the fact that the business is currently making a loss (1) or that the owner's drawings are too high in relation to profits earned (1). In the short term the owner needs to consider either increasing his prices (1) or reducing his overheads (1) In the long term the business owner may need to consider either investing more capital, or look for further external sources of finance such as may be gained through taking on a partner (1) or taking out a bank loan (1)<br>(Max 5) | **(5)** |

| Question Number | Answer | Mark |
|---|---|---|
| 14 (a) | **Precious and Little**<br>**Appropriation Account**<br>**Year ended 30 September 2012** | **(6)** |

| | £ | £ | £ |
|---|---|---|---|
| Net Profit | | | 57250 (1) |
| Appropriations | | | |
| Interest on capitals: Precious<br>Little | 2 500 (1)<br>1 750 (1) | | |
| | | 4 250 | |
| Salary Little | | 10 000 (1) | |
| | | | 14 250 |
| | | | 43 000 |
| Share of Profits: Precious | | 21 500 (1) | |
| Little | | 21 500 (1) | |
| | | | 43 000 |

| Question Number | Answer | Mark |
|---|---|---|
| 14 (b) | **Current account - Little** | **(5)** |

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| Oct 1 | Balance b/f | 8 700 | Sep 30 | Interest on capital | 1 750 (1 of) |
| Sep 30 | Drawings | 21 000 (1 cf) | Sep 30 | Salary | 10 000 (1 cf) |
| Sep 30 | Balance c/d | 3 550 | Sep 30 | Share of profits | 21 500 (1 of) |
| | | 33 250 | | | 33 250 |
| | | | Oct 1 | Balance b/d | 3 550 (1 of) |

| Question Number | Answer | Mark |
|---|---|---|
| 14 (c) | 1 Accruals/Matching<br><br>This concept states that the revenue of an accounting period must be matched against the costs of the same period (1) + a further (2) for an appropriate illustration such as payment of rent in advance/arrears. (3)<br><br>2 Business entity<br><br>This concept states that the business is treated as being completely separate from the owner of the business (1) + (2) for an appropriate illustration such as the owner treating personal expenditure as business expenditure, which is not allowed. (3)<br><br>3 Going concern<br><br>This concept states that it is to be assumed that the business will continue to operate for an indefinite period of time and that there is no intention to close down the business or reduce the size of the business by any significant amount (1) + (2) for an appropriate illustration such as valuing the fixed assets as if they are being sold. (3) | **(9)** |

| Question Number | Answer | Mark |
|---|---|---|
| 15 (a) | **Bad Debts Account** | **(4)** |

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| Dec 31 | Sundry debtors | 650 (1 cf) | Dec 31 | Profit and Loss (1) | 1 100 (1 of) |
| Dec 31 | Thatcher | 450 (1 of) | | | |
| | | 1 100 | | | 1 100 |

| Question Number | Answer | Mark |
|---|---|---|
| 15 (b) | **Thatcher Account** | **(3)** |

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| Jan 1 | Balance b/d | 800 (1) | Dec 31 | Bank | 350 (1) |
| | | | Dec 31 | Bad Debts | 450 (1) |
| | | 800 | | | 800 |

| Question Number | Answer | Mark |
|---|---|---|
| 15 (c) | Capital expenditure is money spent by a business on purchasing fixed assets or improving existing fixed assets (1). These costs will appear in the balance sheet (1) Revenue expenditure is money spent on running a business on a day-to-day basis (1). These costs will appear in the profit and loss account (1). | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| 15 (d) | | **(4)** |

| Transaction | Capital expenditure | Revenue expenditure |
|---|---|---|
| Purchase of new premises | ✓ (1) | |
| Insurance of premises | | ✓(1) |
| Installing and testing an air conditioning system | ✓(1) | |
| Repairs to premises roof | | ✓(1) |

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