Write your name here

Surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Accounting

Paper 1

Wednesday 7 January 2015 – Morning
Time: 2 hours 30 minutes

Paper Reference
4AC0/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over

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PEARSON

SECTION B

Answer ALL questions.

11 Allan Brown commenced business on 1 July 2014. On that day he:

purchased goods for resale, costing £5 000 and fixtures and fittings for use in the business, costing £8 000;

paid £3 500 into a business bank account and kept £100 on hand to pay for petty cash expenses;

received a £5 000 loan from his brother, which he paid into the business bank account.

(a) Show the opening journal entry to record these transactions.

(7)

Journal

	Debit £	Credit £

During his first month of trading Allan paid the following expenses from petty cash.

July		**£**
1	Postage stamps	10
6	Bus fares	8
10	J Green – a creditor	19
14	Window cleaner	21
22	Taxi fare	12
26	Stationery	16

On 31 July Allan withdrew the appropriate amount from the bank to balance the petty cash book.

(b) Prepare the petty cash book for the month of July 2014. Balance the book on 31 July 2014 and bring the balance forward to 1 August 2014.

(9)

Petty Cash Book

Receipts	Date	Details	Total	Postage and Stationery	Travel	Cleaning	Ledger Accounts
£			£	£	£	£	£

(Total for Question 11 = 16 marks)

Section B

Question Number	Answer	Mark
11 (a)	**Journal**	**(7)**

	Debit	Credit
	£	£
Purchases	5 000(1)	
Fixtures and fittings	8 000(1)	
Bank	8 500(1)	
(Petty) Cash	100(1)	
Loan		5 000(1)
Capital		16 600 (1of)
	21 600	21 600
Being assets and liabilities on 1 July 2014 (1)		

Question Number	Answer	Mark
11 (b)		**(9)**

Petty Cash Book

Receipts	Date	Details	Total	Postage and Stationery	Travel	Cleaning	Ledger Accounts
£			£	£	£	£	£
100 (1)	July 1	Capital					
	July 1	Postages	10(1)	10			
	July 6	Bus fares	8(1)		8		
	July 10	J Green	19(1)				19
	July 14	Window Cleaner	21(1)			21	
	July 22	Taxi Fare	12(1)		12		
	July 26	Stationery	16(1)	16			
			86	26	20	21	19
86 (1)	July 31	Cash					
	July 31	Balance c/d	100				
186			186				
100 (1)	Aug1	Balance b/d					

12 Rachel Black, a sole trader, does not keep proper accounting records but was able to provide the following information for the year ended 31 December 2014.

	1 January 2014	**31 December 2014**
	£	**£**
Stock	1 200	1 400
Debtors	4 500	8 700
Creditors	3 678	4 321

An analysis of her cash book revealed that during the year ended 31 December 2014, Rachel had received payments of £97 800 from her debtors and paid £36 890 to her creditors. The creditors had allowed her cash discount of £1 667.

All purchases and sales are on credit.

(a) Calculate the sales for the year.

(4)

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(b) Calculate the purchases for the year.

(5)

(c) Prepare the trading account for the year ended 31 December 2014.

(5)

Rachel Black

Trading Account for year ended 31 December 2014

(d) Calculate the rate of stock turnover for the year ended 31 December 2014.

(2)

Formula	**Calculation**

Rachel provided the following information for the previous two financial years.

	Year ended 31 December 2012	**Year ended 31 December 2013**
Stock turnover	50 times	40 times

(e) Evaluate the change in the rate of stock turnover over the three years and suggest how Rachel could improve the current figure.

(5)

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(Total for Question 12 = 21 marks)

Question Number	Answer	Mark
12 (a)	**Debtors Ledger Control Account**	**(4)**

Date	Narration	£	Date	Narration	£
Jan 1	Balance b/f	4500(1)	Dec 31	Cash book	97800(1)
Dec 31	Sales (bal figure)	102000(1)	Dec 31	Balance c/d	8 700
		106 500			106 500
Jan 1	Balance b/d	8 700(1)			

Alternative presentation

Opening Debtors	(4500)	(1)
Receipts from debtors	97 800	(1)
Closing debtors	8 700	(1)
Sales	102 000	(1)

Question Number	Answer	Mark
12 (b)	**Creditors Ledger Control Account**	**(5)**

Date	Narration	£	Date	Narration	£
Dec 31	Cash book	36 890(1)	Jan 1	Balance b/f	3 678(1)
Dec 31	Discount received	1 667(1)	Dec 31	Purchases (bal figure)	39 200(1)
Dec 31	Balance c/d	4 321			
		42 878			42 878
			Jan 1	Balance b/d	4 321(1)

Alternative presentation

Opening creditors	(3 678)	(1)
Payments to creditors	36 890	(1)
Discount received	1 667	(1)
Closing creditors	4 321	(1)
Purchases	39 200	(1)

Question Number	Answer	Mark
12 (c)	**Rachel Black** **Trading account for year ended 31 December 2014**	**(5)**

	£	£
Sales		102 000 (1of)
Cost of goods sold		
Opening stock	1 200	
Purchases	39 200 (1of)	
	40 400	
Closing stock	1 400 (1cf)	
Cost of goods sold		39 000 (1 of)
Gross profit		63 000 (1 of)

Question Number	Answer	Mark
12 (d)	Cost of goods sold (1) Average Stock 39 000 1 300 = 30 (times) (1of)	**(2)**

Question Number	Answer	Mark
12 (e)	Award (1) mark for identifying that the stock turnover rate has declined and a further (1) mark for development. A further (2) marks for stating the steps that could be taken to improve on the current situation and a further (1) mark for a suitable conclusion. **Sample answer** Over the three years Rachel's stock turnover has declined (1) from 50 times to 30 times. This indicates that it is taking longer for her to sell her stock. As a consequence of this there is a possibility that some of her stock may become obselete or become damaged (1) and have to be sold at a reduced price. In order to improve on her current stock turnover ratio Rachel should consider reducing her purchases (1) or offering her customers a discount in order to encourage sales(1). By taking these steps Rachel should see an improvement in her stock turnover rate (1)	**(5)**

13 Green Limited has an authorised share capital of 500 000 ordinary shares of £0.50 each.

At the end of the company's financial year on 30 September 2014, the following balances remained in the books after the preparation of the trading and profit and loss accounts.

	£
Land and buildings (cost)	800 000
Motor vehicles (cost)	43 000
Fixtures and fittings (cost)	27 500
Motor vehicles (provision for depreciation)	13 000
Fixtures and fittings (provision for depreciation)	7 500
Trade creditors	21 689
Trade debtors	26 248
Prepaid expenses	428
Accrued expenses	286
Closing stock	43 799
Bank overdraft	56 000
Net profit for the year	116 524
General reserve	100 000
Profit and loss account balance b/f	450 976
5% Debentures	50 000
Issued share capital 250 000 ordinary shares of £0.50 each	125 000

The directors have proposed a transfer to the general reserve of £25 000 and payment of a dividend on ordinary shares of £0.05 each.

(a) Prepare the appropriation account for the year ended 30 September 2014.

(5)

Green Limited

Appropriation Account for the year ended 30 September 2014

(b) Prepare a balance sheet as at 30 September 2014.

(10)

Green Limited

Balance Sheet as at 30 September 2014

(Total for Question 13 = 15 marks)

Question Number	Answer	Mark
13 (a)	**Green Limited** **Appropriation account for the year ended 30 September 2014**	**(5)**

	£	£	
Net profit for the year		116 524	
Transfer to general reserve	25 000		(1 cf)
Ordinary share dividend proposed	12 500		(1 cf)
		37 500	
Retained profit for the year		79 024	(1 of)
Retained profit brought forward		450 976	(1 cf)
Retained profit carried forward		530 000	(1 of)

Question Number	Answer	Mark
13 (b)		**(10)**

Green Limited
Balance Sheet as at 30 September 2014

	£	£	£	
Fixed assets	Cost	Total depreciation	Net book value	
Land and buildings	800 000		800 000	
Motor vehicles	43 000	13 000	30 000	
Fixtures and fittings	27 500	7 500	20 000	
	870 500	20 500	850 000	**(2 cf 1 of)**
Current assets				
Stock	43 799			
Trade debtors	26 248			
Prepaid expenses	428			
		70 475		**(2 cf 1 of)**
Current liabilities				
Trade creditors	216 89			
Accrued expenses	286			
Proposed dividend	12 500			
Bank overdraft	56 000	90 475		**(2 cf 1 of)**
Working capital			(20 000)	
			830 000	
Long term liabilities				
5% Debentures			50 000	**(1 cf)**
			780 000	
Financed by				
Share capital		125 000		**(1 cf)**
General reserve		125 000		**(1 cf)**
Profit and loss account		530 000		**(1 of)**
			780 000	

14 Red Limited manufactures footwear. It provided the following information for the year ended 31 October 2014.

	£
Stocks 1 November 2013: Raw materials	45 000
Work in progress	13 650
Finished goods	68 000
Purchases of raw materials	262 000
Carriage on raw materials	9 000
Direct factory wages	78 600
Indirect factory wages	28 930
Factory machinery – cost	350 000
Factory machinery – provision for depreciation	200 000
Factory power	22 379
Heat and light	26 000
Insurance	1 500
Rent and rates	8 000
Stocks 31 October 2014: Raw materials	51 000
Work in progress	13 709
Finished goods	76 000

Additional information

On 31 October 2014 insurance paid in advance amounted to £500 and direct factory wages owing were £6 400.

Heat and light, insurance, and rent and rates are to be apportioned ¾ to the factory and ¼ to the administration building.

Factory machinery is depreciated at the rate of 25% on the reducing balance basis.

(a) Prepare the manufacturing account for the year ended 31 October 2014.

(10)

Red Limited

Manufacturing Account for the year ended 31 October 2014

After preparation of the manufacturing account for the year ended 31 October 2014, a profit and loss account was prepared for the same period. It showed that net profit for the year was £113 000. The balance sheet showed that capital employed on 1 November 2013 was £565 000.

The return on capital employed has decreased from 28% for the year ended 31 October 2012 to 25% for the year ended 31 October 2013.

(b) (i) Calculate the return on capital employed for the year ended 31 October 2014. Use the capital employed figure on 1 November 2013 for your calculation.

(2)

Formula	Calculation

(ii) Evaluate the significance of this ratio for Red Limited and state, with reasons, whether you believe that the company is operating efficiently.

(5)

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(Total for Question 14 = 17 marks)

Question Number	Answer	Mark
14 (a)		**(10)**

Red Limited

Manufacturing account for the year ended 31 October 2014.

	£	£	£	
Opening stock – raw materials	45 000			
Purchases of raw materials	262 000			
	307 000			
Carriage on raw materials	9 000			
	316 000			
Closing stock – raw materials	51 000			
Cost of raw material consumed		265 000		(1)
Direct factory wages(78600 + 6 400)		85 000		(1)
Prime cost			350 000	(1)
Factory overheads				
Indirect factory wages		28 930		
Factory power		22 379		
Heat and light		19 500		(1)
Insurance		750		(1)
Rent and rates		6 000		(1)
Depreciation – factory machinery		37 500		(1)
			115 059	
			465 059	
Opening work in progress			13 650	
Closing work in progress			(13 709)	(1)
Production cost (1)			465 000	(1)

Question Number	Answer	Mark
14 (b)(i)	Net profit/Capital employed x 100 (1) 113000/565000 x 100 = 20% (1)	**(2)**

Question Number	Answer	Mark
14 (b)(ii)	Award (1) for identifying that the ROCE is worsening over the three year period. Award up to (3) for statements relating to how efficent or otherwise the company is. Award (1) for an appropriate conclusion. **Sample answer** The ratio indicates that their ROCE has declined (1) over the three year period. This indicates that the company is not (1) operating as efficiently (1) as it should be and that they are not making the most effective use of their capital employed (1). If this trend contnues shareholders may decide to sell their shares and the company may have difficulty attracting further investments in the future (1).	**(5)**

15 Mary Grey, a sole trader, commenced business on 1 January 2012. On that day she purchased the following motor vehicles on credit from B Lue Motor Traders, for use in the business.

Vehicle 1	Delivery van £10 000
Vehicle 2	Salesman's car £15 000

The business's depreciation policy stated that depreciation is provided at 25% on a straight line basis on all motor vehicles owned at the year end. A full year's depreciation is charged in the year of purchase, but no depreciation is charged in the year of sale.

On 1 July 2014 Mary decided to sell her delivery van to another trader for £2 500. This amount was received in cash.

Prepare the following accounts for the years ended 31 December 2012 to 31 December 2014. Balance the accounts, where appropriate, and bring down the balances on 1 January 2015.

(21)

You can use this space for your workings

Motor Vehicle Account

Date	Narration	£	Date	Narration	£

Provision for Depreciation Account

Date	Narration	£	Date	Narration	£

Asset Disposal Account

Date	Narration	£	Date	Narration	£

(Total for Question 15 = 21 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 100 MARKS

Question Number	Answer	Mark
15	**Motor Vehicle Account**	**(21)**

Provision for Depreciation Account

Date	Narration	£	Date	Narration	£
Jan 1	B Lue	**25 000** (1)	Jul 1	**Asset Disposal** (1)	**10 000** (1)
			Dec 31 '14	Bal c/d	15 000
		25 000			25 000
Jan 1 '15	Bal b/d	**15 000** (1of)			

Asset Disposal Account

Date	Narration	£	Date	Narration	£
Dec 31 '12	Bal c/d	6 250	Dec 31 '12	**Profit & loss** (1)	**6 250** (1)
Dec 31 '13	Bal c/d	12 500	Jan 1 '13	Bal b/d	6 250
			Dec 31 '13	**Profit & loss** (1)	**6 250** (1)
		12 500			12 500
Jul 1 '14	**Asset Disposal** (1)	**5 000** (1)	Jan 1 '14	Bal b/d	**12 500** (1of)
Dec 31 '14	Bal c/d	11 250	Dec 31 '14	**Profit & loss** (1)	**3 750** (1)
		16 250			16 250
			Jan 1 '15	Bal b/d	**11 250** (1of)
Date 2014	**Narration**	**£**	**Date 2014**	**Narration**	**£**
Jul 1	**Motor Vehicle** (1)	**10 000** (1)	Jul 1	Provision for Dep.	**5 000** (1)
			Jul 1	**Cash** (1)	**2 500** (1)
			Dec 31	**Profit & loss** (1)	**2 500** (1of)
		10 000			10 000