

Write your name here

Surname

Other names

Edexcel**International GCSE**

Centre Number

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Candidate Number

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Accounting

Paper 1

Wednesday 9 January 2013 – 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 and in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

P42217A

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**PEARSON**

SECTION B**Answer ALL questions.**

- 11** The following transactions took place in November 2012 between Gregory and his credit customer Roberto.

| Nov | Transaction |
|-----|--|
| 1 | Roberto owed Gregory £500. |
| 4 | Roberto purchased goods, list price, £600, less 25% trade discount. |
| 12 | Roberto returned goods with a list price of £80. |
| 24 | Roberto paid the balance due on November 1 by cheque, after deducting a cash discount of 5%. |

- (a) Prepare Roberto's account in Gregory's ledger for the month of November 2012. Balance the account on 30 November 2012 and bring the balance down on 1 December 2012.

(8)**Roberto Account**

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

- (b) In what section of Gregory's balance sheet will the balance on November 30 be shown?

(1)

(c) Explain the meaning of the following terms.

(4)

Trade discount

Cash discount

(d) Show how the cash discount given to Roberto would be recorded in Gregory's books of account.

(2)

| | |
|--------|--|
| Debit | |
| Credit | |

(Total for Question 11 = 15 marks)



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 | |
| | | | <u>950</u> | | | <u>950</u> | |
| | Dec 1 | Balance b/d | 390 (1of) | | | | |

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

| Question Number | Answer | Mark |
|-----------------|---|------------|
| 11(c) | <p>Trade discount 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)</p> <p>Cash discount 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)</p> | (4) |

| Question Number | Answer | | Mark |
|-----------------|--------|-------------------------------|------|
| 11(d) | | | (2) |
| | Debit | Discount allowed (1) | |
| | Credit | Roberto (accept customer) (1) | |

- 12** The following balances remained in the books of Ganchi Limited after the preparation of the trading and profit and loss account for the year ended 31 October 2012.

| | £000 |
|---|------|
| Land and buildings | 650 |
| Motor vehicles (Cost) | 65 |
| Provision for depreciation – motor vehicles | 25 |
| Debtors | 40 |
| Creditors | 30 |
| Cash in hand | 4 |
| Bank overdraft | 10 |
| Provision for doubtful debts | 2 |
| Stock – 31 October 2012 | 128 |
| Ordinary share capital – 500 000 shares @ £1 each | 500 |
| 6% Debentures | 50 |
| General reserve – 1 November 2011 | 20 |
| Profit and loss account – 1 November 2011 | 175 |

Additional information

- The net profit for the year ended 31 October 2012, before appropriations, was £125 000.
- During the year ended 31 October 2012 the company paid an interim ordinary share dividend of £0.10 per share.
- On 31 October 2012 the directors proposed to pay a final ordinary share dividend of £0.05 per share, and to transfer £10 000 to the general reserve.



- (4)

[illegible]

- (12)

[illegible]

- (c) Using the figures calculated in (b), and stating the formula used, calculate each of the following ratios to two decimal places.

Current ratio

(2)

| Formula | Calculation |
|----------------------|-------------|
| | |

Quick ratio (acid test)

(2)

| Formula | Calculation |
|----------------------|-------------|
| | |



(5)

(Total for Question 12 = 25 marks)



| Question Number | Answer | Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|---|----------------|------|------|------------|--|-----|-----------------------------|---------------|--|--------------------------|--|--|--------------|---------------|--|----------------|---------------|--|--|--|----|------------------------------|--|----|-------------------------------------|--|-----|---------------------|--|----------------|------------|
| 12(a) | <p style="text-align: center;">Ganchi Limited Appropriation Account Year ended 31 October 2012</p> <table> <tr> <th></th><th>£000</th><th>£000</th></tr> <tr> <td>Net profit</td><td></td><td>125</td></tr> <tr> <td>Transfer to general reserve</td><td>10 (1)</td><td></td></tr> <tr> <td>Ordinary share dividend:</td><td></td><td></td></tr> <tr> <td> Interim paid</td><td>50 (1)</td><td></td></tr> <tr> <td> Final proposed</td><td>25 (1)</td><td></td></tr> <tr> <td></td><td></td><td>85</td></tr> <tr> <td>Retained profit for the year</td><td></td><td>40</td></tr> <tr> <td>Profit and loss account balance b/f</td><td></td><td>175</td></tr> <tr> <td>Retained profit c/f</td><td></td><td>215 (1)</td></tr> </table> | | £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) | (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) | <div><p style="text-align: center;">Ganchi Limited Balance Sheet at 31 October 2012</p><table><tr><td></td><td>£000</td><td>£000</td><td>£000</td></tr><tr><td>Fixed Assets</td><td>Cost</td><td>Total Depreciation</td><td>Net Book Value</td></tr><tr><td>Land and Buildings</td><td>650</td><td>-</td><td>650</td></tr><tr><td>Motor vehicles</td><td><u>65</u></td><td><u>25</u></td><td><u>40</u></td></tr><tr><td></td><td>315</td><td>25</td><td>690(1)</td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Current Assets</td><td></td><td></td><td></td></tr><tr><td>Stock</td><td></td><td>128(1)</td><td></td></tr><tr><td>Debtors</td><td>40(1)</td><td></td><td></td></tr><tr><td>Provision for doubtful debts</td><td><u>2(1)</u></td><td></td><td></td></tr><tr><td></td><td></td><td>38</td><td></td></tr><tr><td>Cash in hand</td><td></td><td><u>4(1)</u></td><td></td></tr><tr><td></td><td></td><td>170</td><td></td></tr><tr><td>Current Liabilities</td><td></td><td></td><td></td></tr><tr><td>Creditors</td><td>30(1)</td><td></td><td></td></tr><tr><td>Bank overdraft</td><td>10(1)</td><td></td><td></td></tr><tr><td>Proposed dividend</td><td>25(1)</td><td></td><td></td></tr><tr><td></td><td></td><td>65</td><td></td></tr><tr><td>Working capital</td><td></td><td></td><td><u>105</u></td></tr><tr><td></td><td></td><td></td><td>795</td></tr><tr><td>Long term Liabilities</td><td></td><td></td><td></td></tr><tr><td>6% Debentures</td><td></td><td></td><td>50(1)</td></tr><tr><td></td><td></td><td></td><td>745</td></tr><tr><td>Capital and Reserves</td><td></td><td></td><td></td></tr><tr><td>Ordinary share capital</td><td></td><td>500(1)</td><td></td></tr><tr><td>General reserve</td><td></td><td>30 (1)</td><td></td></tr><tr><td>Profit and loss</td><td></td><td>215 (1)</td><td></td></tr><tr><td></td><td></td><td></td><td>745</td></tr></table></div> | | £000 | £000 | £000 | Fixed Assets | Cost | Total Depreciation | Net Book Value | Land and Buildings | 650 | - | 650 | Motor vehicles | <u>65</u> | <u>25</u> | <u>40</u> | | 315 | 25 | 690(1) | | | | | Current Assets | | | | Stock | | 128(1) | | Debtors | 40(1) | | | Provision for doubtful debts | <u>2(1)</u> | | | | | 38 | | Cash in hand | | <u>4(1)</u> | | | | 170 | | Current Liabilities | | | | Creditors | 30(1) | | | Bank overdraft | 10(1) | | | Proposed dividend | 25(1) | | | | | 65 | | Working capital | | | <u>105</u> | | | | 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) |
| | £000 | £000 | £000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed Assets | Cost | Total Depreciation | Net Book Value | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Land and Buildings | 650 | - | 650 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motor vehicles | <u>65</u> | <u>25</u> | <u>40</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 315 | 25 | 690(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Current Assets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stock | | 128(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debtors | 40(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for doubtful debts | <u>2(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 38 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash in hand | | <u>4(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 170 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Creditors | 30(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank overdraft | 10(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed dividend | 25(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 65 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Working capital | | | <u>105</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 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 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

| Question Number | Answer | Mark |
|-----------------|---|------|
| 12(d) | <p>Award up to (2) marks for an evaluation of each ratio and a further (1) mark for a suggested improvement. (5)</p> <p>Sample answer</p> <p>The current ratio is acceptable (1) and indicates that the business is able to meet its short term debts from its current assets(1).</p> <p>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).</p> | (5) |

- 13** Barack, a sole trader, had the following balances remaining in his books after the preparation of his trading account for the year ended 30 November 2012.

**Trial Balance
At 30 November 2012**

| Account | £ | £ |
|---------------------------|---------------------|---------------------|
| Capital – 1 December 2011 | | 60 000 |
| Creditors | | 6 000 |
| Drawings | 14 350 | |
| Fixtures and fittings | 14 000 | |
| Gross profit | | 22 907 |
| Heat and light | 1 325 | |
| Motor vehicles | 25 000 | |
| Motor vehicles repairs | 4 322 | |
| Rent and rates | 7 860 | |
| Stock 30 November 2012 | 2 400 | |
| Wages and salaries | 19 650 | |
| | <u>88907</u> | <u>88907</u> |

After the preparation of the trial balance, Barack discovered the following errors and omissions:

1. Drawings, £650, had been posted to the wages and salaries account.
2. An electric bill for £175 was outstanding on 30 November 2012. No adjustment had been made for this in the accounts.
3. A payment to a creditor, £360, had been incorrectly credited to the creditor and debited to the bank.



- (a) Prepare the journal entries to correct the above three errors and omissions.
Narratives are not required.

(6)

The Journal

| Account | Debit | Credit |
|---------|-------|--------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

- (b) Prepare the profit and loss account for the year ended 30 November 2012 after taking into account the above errors and omissions.

(4)

Barack Profit and Loss Account For year ended 30 November 2012

| | £ | £ |
|--|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |



(c) Evaluate the likely causes of this decrease and suggest steps that could be taken to improve the current situation in the short-term and the long-term.

(5)

(Total for Question 13 = 15 marks)



| Question Number | Answer | Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------|--|---------|-------|--------|----------|---------|--|--------------------|--|---------|--|--|--|----------------|---------|--|----------|--|---------|--|--|--|-----------|---------|--|------|--|---------|------------|
| 13(a) | <p style="text-align: center;">The Journal</p> <table border="1"> <thead> <tr> <th>Account</th><th>Debit</th><th>Credit</th></tr> </thead> <tbody> <tr> <td>Drawings</td><td>650 (1)</td><td></td></tr> <tr> <td>Wages and Salaries</td><td></td><td>650 (1)</td></tr> <tr> <td></td><td></td><td></td></tr> <tr> <td>Heat and Light</td><td>175 (1)</td><td></td></tr> <tr> <td>Accruals</td><td></td><td>175 (1)</td></tr> <tr> <td></td><td></td><td></td></tr> <tr> <td>Creditors</td><td>720 (1)</td><td></td></tr> <tr> <td>Bank</td><td></td><td>720 (1)</td></tr> </tbody> </table> | 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) | (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) | <p style="text-align: center;">Barack Profit and Loss Account For year ended 30 November 2012</p> <table border="1"> <thead> <tr> <th></th><th>£</th><th>£</th></tr> </thead> <tbody> <tr> <td>Gross Profit</td><td></td><td>22907</td></tr> <tr> <td>Overheads</td><td></td><td></td></tr> <tr> <td>Heat and Light</td><td>1500 (1 cf)</td><td></td></tr> <tr> <td>Motor Vehicle Repairs</td><td>4 322 }</td><td></td></tr> <tr> <td>Rent and Rates</td><td>7860 } (1 cf for both)</td><td></td></tr> <tr> <td>Wages and Salaries</td><td>19 000 (1 cf)</td><td></td></tr> <tr> <td></td><td></td><td>32 682</td></tr> <tr> <td>Net Loss</td><td></td><td>9 775 (1 of)</td></tr> </tbody> </table> | | £ | £ | 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) | (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) | <p>Identification of the causes (1) Short term remedies (2) Long term remedies (2)</p> <p>Sample Answer</p> <p>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)</p> <p>(Max 5)</p> | (5) |

| Question Number | Answer | Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---------------|---------------|---|---|------------|--|--|--------------|----------------|--|--|--|---|------------------------------|--|--|--|--|----------|--|---------------|--|------------|--|--|--|--|---------------|--|--|--|--------|-------------------------------|--|---------------|--|--------|--|---------------|--|--|--|--|--------|-----|
| 14 (a) | <div><p style="text-align: center;">Precious and Little Appropriation Account Year ended 30 September 2012</p><table><tr><td></td><td>£</td><td>£</td><td>£</td></tr><tr><td>Net Profit</td><td></td><td></td><td>57250 (1)</td></tr><tr><td>Appropriations</td><td></td><td></td><td></td></tr><tr><td>Interest on capitals: Precious Little</td><td>2 500 (1) 1 750 (1)</td><td></td><td></td></tr><tr><td></td><td></td><td>4 250</td><td></td></tr><tr><td>Salary Little</td><td></td><td>10 000 (1)</td><td></td></tr><tr><td></td><td></td><td></td><td><u>14 250</u></td></tr><tr><td></td><td></td><td></td><td>43 000</td></tr><tr><td>Share of Profits: Precious</td><td></td><td>21 500 (1)</td><td></td></tr><tr><td>Little</td><td></td><td>21 500 (1)</td><td></td></tr><tr><td></td><td></td><td></td><td>43 000</td></tr></table></div> | | £ | £ | £ | Net Profit | | | 57250 (1) | Appropriations | | | | Interest on capitals: Precious Little | 2 500 (1) 1 750 (1) | | | | | 4 250 | | Salary Little | | 10 000 (1) | | | | | <u>14 250</u> | | | | 43 000 | Share of Profits: Precious | | 21 500 (1) | | Little | | 21 500 (1) | | | | | 43 000 | (6) |
| | £ | £ | £ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Profit | | | 57250 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Appropriations | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest on capitals: Precious Little | 2 500 (1) 1 750 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 4 250 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary Little | | 10 000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <u>14 250</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 43 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Share of Profits: Precious | | 21 500 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Little | | 21 500 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 43 000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



During the year ended 30 September 2012 the partners withdrew the following monies:

| | £ |
|----------|--------|
| Precious | 16 200 |
| Little | 21 000 |

- (b) Prepare Little's current account for the year ended 30 September 2012. Balance the account and bring the balance down to 1 October 2012.

(5)

Current Account – Little

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |



| Question Number | Answer | Mark |
|-----------------|--|------|
| 13(c) | <p>Identification of the causes (1) Short term remedies (2) Long term remedies (2)</p> <p>Sample Answer</p> <p>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)</p> <p>(Max 5)</p> | (5) |

| Question Number | Answer | Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---------------|---------------|---|---|------------|--|--|--------------|----------------|--|--|--|---|------------------------------|--|--|--|--|----------|--|---------------|--|------------|--|--|--|--|---------------|--|--|--|--------|-------------------------------|--|---------------|--|--------|--|---------------|--|--|--|--|--------|-----|
| 14 (a) | <div><div><div>Precious and Little Appropriation Account Year ended 30 September 2012</div><table><tr><td></td><td>£</td><td>£</td><td>£</td></tr><tr><td>Net Profit</td><td></td><td></td><td>57250 (1)</td></tr><tr><td>Appropriations</td><td></td><td></td><td></td></tr><tr><td>Interest on capitals: Precious Little</td><td>2 500 (1) 1 750 (1)</td><td></td><td></td></tr><tr><td></td><td></td><td>4 250</td><td></td></tr><tr><td>Salary Little</td><td></td><td>10 000 (1)</td><td></td></tr><tr><td></td><td></td><td></td><td><u>14 250</u></td></tr><tr><td></td><td></td><td></td><td>43 000</td></tr><tr><td>Share of Profits: Precious</td><td></td><td>21 500 (1)</td><td></td></tr><tr><td>Little</td><td></td><td>21 500 (1)</td><td></td></tr><tr><td></td><td></td><td></td><td>43 000</td></tr></table></div></div> | | £ | £ | £ | Net Profit | | | 57250 (1) | Appropriations | | | | Interest on capitals: Precious Little | 2 500 (1) 1 750 (1) | | | | | 4 250 | | Salary Little | | 10 000 (1) | | | | | <u>14 250</u> | | | | 43 000 | Share of Profits: Precious | | 21 500 (1) | | Little | | 21 500 (1) | | | | | 43 000 | (6) |
| | £ | £ | £ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Profit | | | 57250 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Appropriations | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest on capitals: Precious Little | 2 500 (1) 1 750 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 4 250 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary Little | | 10 000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <u>14 250</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 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) |
| | Dat e | Narrati on | £ | Dat e | Narration | £ | |
| | Oct 1 | Balance b/f | 8 700 | Sep 30 | Interest on capital | 1 750 (1 of) | |
| | Sep 30 | Drawin gs | 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) | |
| | | | <u>33 250</u> | | | <u>33 250</u> | |
| | | | | Oct 1 | Balance b/d | 3 550 (1 of) | |

| Question Number | Answer | Mark |
|-----------------|--|------------|
| 14 (c) | <p>1 Accruals/Matching</p> <p>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)</p> <p>2 Business entity</p> <p>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)</p> <p>3 Going concern</p> <p>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)</p> | (9) |

- 15** During the year ended 31 December 2012, Streep, a trader, wrote off the sum of £650 in bad debts. At this date she was also advised that a debtor, Thatcher, who owed £800 on 1 January 2012 had been declared bankrupt. Streep received £350 in full settlement of this debt and the remainder was to be written off.

- (a) Prepare the bad debts account in the books of Streep for the year ended 31 December 2012.

(4)

Bad Debts Account

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

- (b) Prepare the account of Thatcher for the year ended 31 December 2012.

(3)

Thatcher Account

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
| | | | | | |
| | | | | | |
| | | | | | |



Streep has recently purchased a new motor vehicle for use in the business.

- (c) Explain the difference between capital and revenue expenditure and state how each is treated in the end-of-year accounts.

(4)

- (d) Indicate by placing a tick (✓) which transactions are capital expenditure and which are revenue expenditure.

(4)

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

(Total for Question 15 = 15 marks)

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



| 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) | <p>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).</p> | (4) |

| Question Number | Answer | Mark | | | | | | | | | | | | | | | |
|---|--|---------------------|---------------------|---------------------|--------------------------|-------|--|-----------------------|--|-------|---|-------|--|--------------------------|--|-------|-----|
| 15 (d) | <table border="1"> <thead> <tr> <th>Transaction</th><th>Capital expenditure</th><th>Revenue expenditure</th></tr> </thead> <tbody> <tr> <td>Purchase of new premises</td><td>✓ (1)</td><td></td></tr> <tr> <td>Insurance of premises</td><td></td><td>✓ (1)</td></tr> <tr> <td>Installing and testing an air conditioning system</td><td>✓ (1)</td><td></td></tr> <tr> <td>Repairs to premises roof</td><td></td><td>✓ (1)</td></tr> </tbody> </table> | 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) | (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) | | | | | | | | | | | | | | | |