

Write your name here

Surname	Other names
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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)

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(c) Explain the meaning of the following terms.

(4)

Trade discount

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Cash discount

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(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)																																										
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narration</th> <th>£</th> <th>Date</th> <th>Narration</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Nov 1</td> <td>Balance b/d</td> <td>500 (1 cf)</td> <td>Nov 12</td> <td>Sales returns</td> <td>60 (2 cf)</td> </tr> <tr> <td>Nov 4</td> <td>Sales</td> <td>450 (1 cf)</td> <td>Nov 24</td> <td>Bank</td> <td>475 (1cf)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Nov 24</td> <td>Discount allowed (1)</td> <td>25 (1cf)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Nov 30</td> <td>Balance c/d</td> <td>390</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">950</td> <td></td> <td></td> <td style="text-align: right;">950</td> </tr> <tr> <td>Dec 1</td> <td>Balance b/d</td> <td>390 (1of)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		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)			
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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)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Debit</td> <td>Discount allowed (1)</td> </tr> <tr> <td>Credit</td> <td>Roberto (accept customer) (1)</td> </tr> </table>	Debit	Discount allowed (1)	Credit	Roberto (accept customer) (1)	(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.



(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



Question Number	Answer	Mark																														
12(a)	<p style="text-align: center;">Ganchi Limited Appropriation Account Year ended 31 October 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£000</th> <th style="width: 20%; text-align: center;">£000</th> </tr> </thead> <tbody> <tr> <td>Net profit</td> <td></td> <td style="text-align: center;">125</td> </tr> <tr> <td>Transfer to general reserve</td> <td style="text-align: center;">10 (1)</td> <td></td> </tr> <tr> <td>Ordinary share dividend:</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Interim paid</td> <td style="text-align: center;">50 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Final proposed</td> <td style="text-align: center;">25 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">85</td> </tr> <tr> <td>Retained profit for the year</td> <td></td> <td style="text-align: center;">40</td> </tr> <tr> <td>Profit and loss account balance b/f</td> <td></td> <td style="text-align: center;">175</td> </tr> <tr> <td>Retained profit c/f</td> <td></td> <td style="text-align: center;">215 (1)</td> </tr> </tbody> </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)
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12(b)	<p style="text-align: center;">Ganchi Limited Balance Sheet at 31 October 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£000</th> <th style="text-align: center;">£000</th> <th style="text-align: center;">£000</th> </tr> <tr> <th style="text-align: left;">Fixed Assets</th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Total Depreciation</th> <th style="text-align: center;">Net Book Value</th> </tr> </thead> <tbody> <tr> <td>Land and Buildings</td> <td style="text-align: right;">650</td> <td style="text-align: center;">-</td> <td style="text-align: right;">650</td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;"><u>65</u></td> <td style="text-align: right;"><u>25</u></td> <td style="text-align: right;"><u>40</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>315</u></td> <td style="text-align: right;"><u>25</u></td> <td style="text-align: right;"><u>690(1)</u></td> </tr> <tr> <td colspan="4">Current Assets</td> </tr> <tr> <td>Stock</td> <td></td> <td style="text-align: right;">128(1)</td> <td></td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">40(1)</td> <td></td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;"><u>2(1)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">38</td> <td></td> </tr> <tr> <td>Cash in hand</td> <td></td> <td style="text-align: right;"><u>4(1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">170</td> <td></td> </tr> <tr> <td colspan="4">Current Liabilities</td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">30(1)</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right;">10(1)</td> <td></td> <td></td> </tr> <tr> <td>Proposed dividend</td> <td style="text-align: right;">25(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">65</td> <td></td> </tr> <tr> <td>Working capital</td> <td></td> <td></td> <td style="text-align: right;"><u>105</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">795</td> </tr> <tr> <td colspan="4">Long term Liabilities</td> </tr> <tr> <td>6% Debentures</td> <td></td> <td></td> <td style="text-align: right;">50(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>745</u></td> </tr> <tr> <td colspan="4">Capital and Reserves</td> </tr> <tr> <td>Ordinary share capital</td> <td></td> <td style="text-align: right;">500(1)</td> <td></td> </tr> <tr> <td>General reserve</td> <td></td> <td style="text-align: right;">30 (1)</td> <td></td> </tr> <tr> <td>Profit and loss</td> <td></td> <td style="text-align: right;">215 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>745</u></td> </tr> </tbody> </table>		£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>		<u>315</u>	<u>25</u>	<u>690(1)</u>	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)				<u>745</u>	Capital and Reserves				Ordinary share capital		500(1)		General reserve		30 (1)		Profit and loss		215 (1)					<u>745</u>	(12)
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12(c)	<p>Current ratio</p> <table border="1" style="margin-left: 40px;"> <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 border="1" style="margin-left: 40px;"> <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)
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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**

	£	£



Question Number	Answer	Mark																					
13(a)	<p>The Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Account</th> <th style="width: 20%;">Debit</th> <th style="width: 20%;">Credit</th> </tr> </thead> <tbody> <tr> <td>Drawings</td> <td style="text-align: right;">650 (1)</td> <td></td> </tr> <tr> <td style="text-align: right;">Wages and Salaries</td> <td></td> <td style="text-align: right;">650 (1)</td> </tr> <tr> <td>Heat and Light</td> <td style="text-align: right;">175 (1)</td> <td></td> </tr> <tr> <td style="text-align: right;">Accruals</td> <td></td> <td style="text-align: right;">175 (1)</td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">720 (1)</td> <td></td> </tr> <tr> <td style="text-align: right;">Bank</td> <td></td> <td style="text-align: right;">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)
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Creditors	720 (1)																						
Bank		720 (1)																					

Question Number	Answer	Mark																											
13(b)	<p>Barack Profit and Loss Account For year ended 30 November 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;">22907</td> </tr> <tr> <td>Overheads</td> <td></td> <td></td> </tr> <tr> <td>Heat and Light</td> <td style="text-align: right;">1500 (1 cf)</td> <td></td> </tr> <tr> <td>Motor Vehicle Repairs</td> <td style="text-align: right;">4 322}</td> <td></td> </tr> <tr> <td>Rent and Rates</td> <td style="text-align: right;">7860} (1 cf for both)</td> <td></td> </tr> <tr> <td>Wages and Salaries</td> <td style="text-align: right;">19 000 (1 cf)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">32 682</td> </tr> <tr> <td>Net Loss</td> <td></td> <td style="text-align: right;">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)
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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 style="text-align: right;">(Max 5)</p>	(5)

Question Number	Answer	Mark																																																
14 (a)	<p style="text-align: center;">Precious and Little Appropriation Account Year ended 30 September 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Net Profit</td> <td></td> <td></td> <td style="text-align: right;">57250 (1)</td> </tr> <tr> <td>Appropriations</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on capitals: Precious</td> <td style="text-align: right;">2 500 (1)</td> <td></td> <td></td> </tr> <tr> <td>Little</td> <td style="text-align: right;">1 750 (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">4 250</td> <td></td> </tr> <tr> <td>Salary Little</td> <td></td> <td style="text-align: right;">10 000 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>14 250</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">43 000</td> </tr> <tr> <td>Share of Profits: Precious</td> <td></td> <td style="text-align: right;">21 500 (1)</td> <td></td> </tr> <tr> <td>Little</td> <td></td> <td style="text-align: right;">21 500 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>43 000</u></td> </tr> </tbody> </table>		£	£	£	Net Profit			57250 (1)	Appropriations				Interest on capitals: Precious	2 500 (1)			Little	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)					<u>43 000</u>	(6)
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			<u>43 000</u>																																															

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	£



(c) Explain the meaning of each of the following accounting concepts, using an example to illustrate its application.

Accruals/Matching

(3)

.....

.....

.....

.....

Business entity

(3)

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.....

Going concern

(3)

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.....

(Total for Question 14 = 20 marks)



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 style="text-align: right;">(Max 5)</p>	(5)

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14 (a)	<p>Precious and Little Appropriation Account Year ended 30 September 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Net Profit</td> <td></td> <td></td> <td style="text-align: right;">57250 (1)</td> </tr> <tr> <td>Appropriations</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on capitals: Precious</td> <td style="text-align: right;">2 500 (1)</td> <td></td> <td></td> </tr> <tr> <td>Little</td> <td style="text-align: right;">1 750 (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">4 250</td> <td></td> </tr> <tr> <td>Salary Little</td> <td></td> <td style="text-align: right;">10 000 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>14 250</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">43 000</td> </tr> <tr> <td>Share of Profits: Precious</td> <td></td> <td style="text-align: right;">21 500 (1)</td> <td></td> </tr> <tr> <td>Little</td> <td></td> <td style="text-align: right;">21 500 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>43 000</u></td> </tr> </tbody> </table>		£	£	£	Net Profit			57250 (1)	Appropriations				Interest on capitals: Precious	2 500 (1)			Little	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)					<u>43 000</u>	(6)
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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, Strep, 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. Strep 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 Strep 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	£



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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)

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15 (d)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Transaction</th> <th>Capital expenditure</th> <th>Revenue expenditure</th> </tr> </thead> <tbody> <tr> <td>Purchase of new premises</td> <td style="text-align: center;">✓ (1)</td> <td></td> </tr> <tr> <td>Insurance of premises</td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>Installing and testing an air conditioning system</td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>Repairs to premises roof</td> <td></td> <td style="text-align: center;">✓(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)
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