

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

Thursday 10 May 2012 – 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.*

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 ►

P40268A

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**PEARSON**

SECTION B

Answer ALL questions.

- 11 Ashak Solona maintains a full set of accounting records and provides the following information for the month of March 2012.

	£
Total debtors on 1 March 2012	12 800
Totals for the month of March 2012	
Credit sales	26 780
Credit purchases	15 432
Returns from credit customers	2 453
Returns to credit suppliers	1 659
Bad debts written off	350
Dishonoured cheque	125
Receipts from credit customers	11 450
Payments to credit suppliers	8 760
Discount allowed	589
Discount received	357
Contra entry (set off)	350

- (a) Select the relevant figures and prepare the sales ledger (total debtors) control account for the month of March 2012. Balance the account and bring down the balance on 1 April 2012.

(10)

Sales ledger (total debtors) control account

Date	Narration	£	Date	Narration	£



(b) Explain how a contra entry (set off) between the sales ledger and purchases ledger can arise.

(3)

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(c) State **two** advantages of preparing a sales ledger (total debtors) control account.

(2)

Advantage 1

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Advantage 2

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(Total for Question 11 = 15 marks)



Section B

Question Number	Answer						Mark
11(a)	Sales ledger (total debtors) control account						(10)
	Date	Narration		£	Date	Narration	
	Mar 1	Balance b/f	(1)	12 800	Mar 31	Returns inwards	
	Mar 31	(Credit) Sales	(1)	26 780	Mar 31	Bad Debts	
	Mar 31	Cash Book	(1)	125	Mar 31	Cash Book (Bank)	
					Mar 31	Discount Allowed	
					Mar 31	PL Set off (Contra)	
					Mar 31	Balance c/d	
				<u>39 705</u>			
	Apr 1	Balance b/d	(2cf) (1of)	24 513			

Question Number	Answer	Mark
11(b)	A contra entry can arise when a customer is also a supplier of the business (1). Instead of the customer paying us for goods supplied (1) their balance is offset against the amount owing to them for good or services supplied (1).	(3)

Question Number	Answer	Mark
11(c)	<p>Award one mark for each clear advantage identified</p> <p>Sample answers: Verifies the arithmetical accuracy of the sales ledger (1). Assists in the prevention of fraud (1). Provides management with total debtors (1) Helps in the preparation of the balance sheet (1). Detects errors in individual ledgers (1).</p>	(2)

Question Number	Answer	Mark
12(a)(i)	Assets (1) = Capital (1) + Liabilities (1) (must be correct direction)	(3)

12 James Ford, a sole trader, repairs and sells used motor vehicles. On 31 March 2012 his books of account contained the following balances after the preparation of his final accounts.

	£
Equipment (net book value)	5 000
Motor vehicles (net book value)	12 500
Stock of vehicles	45 000
Stock of materials	2 250
Debtors	560
Creditors	430
Capital	64 880

(a) (i) State the accounting equation.

(3)

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(ii) Using the figures above, state the accounting equation for James Ford's business.

(3)

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(iii) James is considering creating a provision for doubtful debts of £100. Explain the effect that this would have on the accounting equation.

(3)

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(b) (i) Explain how capital expenditure differs from revenue expenditure.

(6)

Capital expenditure

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Revenue expenditure

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- (5)

(5)

(Total for Question 12 = 25 marks)



Section B

Question Number	Answer						Mark
11(a)	Sales ledger (total debtors) control account						(10)
	Date	Narration		£	Date	Narration	
	Mar 1	Balance b/f	(1)	12 800	Mar 31	Returns inwards	
	Mar 31	(Credit) Sales	(1)	26 780	Mar 31	Bad Debts	
	Mar 31	Cash Book	(1)	125	Mar 31	Cash Book (Bank)	
					Mar 31	Discount Allowed	
					Mar 31	PL Set off (Contra)	
					Mar 31	Balance c/d	
				<u>39 705</u>			
	Apr 1	Balance b/d	(2cf) (1of)	24 513			

Question Number	Answer	Mark
11(b)	A contra entry can arise when a customer is also a supplier of the business (1). Instead of the customer paying us for goods supplied (1) their balance is offset against the amount owing to them for good or services supplied (1).	(3)

Question Number	Answer	Mark
11(c)	<p>Award one mark for each clear advantage identified</p> <p>Sample answers: Verifies the arithmetical accuracy of the sales ledger (1). Assists in the prevention of fraud (1). Provides management with total debtors (1) Helps in the preparation of the balance sheet (1). Detects errors in individual ledgers (1).</p>	(2)

Question Number	Answer	Mark
12(a)(i)	Assets (1) = Capital (1) + Liabilities (1) (must be correct direction)	(3)

Question Number	Answer		Mark
12(a)(ii)	Assets	Liabilities	(3)
	Equipment 5 000	Creditors 430 (1cf)	
	Motor vehicles 12 500		
	Stock of vehicles 45 000	Capital 64880	
	Stock of materials 2 250		
	Debtors 560		
	Total Assets = 65 310 (1cf)		
	Assets 65310 = Capital (64880) + Liabilities (430) ((1) for correct formula)		

Question Number	Answer	Mark
12(a)(iii)	<p>The marks are awarded for identifying the effect on assets, and capital.</p> <p>Sample Answer</p> <p>The asset of debtors would be reduced by £100 (1) and capital would also be reduced by £100 (1) as the provision would reduce profit (1)</p>	(3)

Question Number	Answer	Mark
12(b)(i)	<p>The marks are awarded for a correct definition. Do not award any marks for examples.</p> <p>Sample Answer</p> <p>Capital expenditure is monies spent on the purchase of or addition to a fixed asset (1) and are included on the balance sheet (1). They are purchased to generate profit for the business and not for resale (1). They will last longer than one year (1) (Max 3)</p> <p>Revenue expenditure is monies spent on the day to day running of a business (1) and are included on the trading, and profit and loss account (1). The cost is written off against profit in the year incurred (1). They are used up within one year (1) (Max 3)</p>	(6)

Question Number	Answer	Mark
12(b)(ii)	<p>Revenue</p> <p>Revenue</p> <p>Revenue</p> <p>Neither</p> <p>Capital</p>	(5)

Question Number	Answer	Mark
12(c)	<p>Award one mark for stating that this would result in an incorrect set of final accounts and up to a further four marks for a good example.</p> <p>Sample Answer If a business does not treat capital and revenue expenditure correctly their final accounts will not be accurate and will not reflect a true and fair view (1) of the businesses profits or assets. For example if they were to include the cost of a new motor vehicle (capital expenditure) (1) as an item of expenditure in the profit and loss account (revenue expenditure) (1) their profits would be understated (1) and the valuation on the balance sheet would also be understated (1)</p>	(5)

Question Number	Answer	Mark																																																																																				
13(a)	<table><tr><th colspan="4">Twilight Ltd</th></tr><tr><th colspan="4">Trading and Profit and Loss Account</th></tr><tr><th colspan="4">For Year Ended 31 March 2012</th></tr><tr><th></th><th>£ 000</th><th>£ 000</th><th></th></tr><tr><td>Sales</td><td></td><td>940</td><td></td></tr><tr><td>Cost of Sales</td><td></td><td></td><td></td></tr><tr><td>Opening stock</td><td>125</td><td></td><td></td></tr><tr><td>Purchases</td><td><u>472</u></td><td></td><td></td></tr><tr><td></td><td>597</td><td></td><td></td></tr><tr><td>Closing stock</td><td><u>127</u></td><td></td><td></td></tr><tr><td></td><td></td><td><u>470</u></td><td>(1cf)</td></tr><tr><td>Gross profit</td><td></td><td>470</td><td>(1cf)</td></tr><tr><td>Running expenses</td><td></td><td></td><td></td></tr><tr><td>Salaries and wages</td><td>64</td><td></td><td></td></tr><tr><td>Directors' remuneration</td><td>10</td><td></td><td></td></tr><tr><td>Audit fees (4 + 1)</td><td>5</td><td></td><td>(2)</td></tr><tr><td>Heat & light</td><td>28</td><td></td><td></td></tr><tr><td>Debenture interest (10 + 10)</td><td>20</td><td></td><td>(2)</td></tr><tr><td>Communication expenses</td><td>20</td><td></td><td></td></tr><tr><td>Provision for depreciation: Buildings</td><td>25</td><td></td><td>(2cf)</td></tr><tr><td></td><td>16</td><td></td><td>(2cf)</td></tr></table>	Twilight Ltd				Trading and Profit and Loss Account				For Year Ended 31 March 2012					£ 000	£ 000		Sales		940		Cost of Sales				Opening stock	125			Purchases	<u>472</u>				597			Closing stock	<u>127</u>					<u>470</u>	(1cf)	Gross profit		470	(1cf)	Running expenses				Salaries and wages	64			Directors' remuneration	10			Audit fees (4 + 1)	5		(2)	Heat & light	28			Debenture interest (10 + 10)	20		(2)	Communication expenses	20			Provision for depreciation: Buildings	25		(2cf)		16		(2cf)	
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- 13** The following balances were extracted from the accounting records of Twilight Ltd on 31 March 2012.

	£ 000
Sales	940
Purchases	472
Stock – 1 April 2011	125
Salaries and wages	64
Directors' remuneration	10
Audit fees	4
Heat and light	28
Debenture interest	10
Interim ordinary dividend	50
Communication expenses	20
Buildings – Cost	500
Buildings – Accumulated depreciation	50
Fixtures and fittings – Cost	100
Fixtures and fittings – Accumulated depreciation	20
10% Debentures – 2020	200
Ordinary share capital (Fully paid)	1 000
Creditors	80
Debtors	120
Bank	467
Profit and loss account – 1 April 2011	326
General reserve	25

The following additional information at 31 March 2012 should be taken into account.

- Closing stock was valued at £127 000
- Audit fees of £1 000 were outstanding
- The outstanding debenture interest is to be provided for
- Depreciation is to be charged on buildings at 5% on a straight line basis and on fixtures and fittings at 20% per annum on a reducing balance basis.

On 31 March 2012 the directors decide to:

- Transfer the sum of £50 000 to the general reserve account
- Pay a final ordinary share dividend of 10%



- (11)

[illegible]

(5)

Twilight Ltd
Appropriation Account
For Year Ended 31 March 2012

[illegible]

(2)

Formula	Gross profit margin

(2)

Formula	Net profit margin

(Total for Question 13 = 20 marks)



Question Number	Answer	Mark
12(c)	<p>Award one mark for stating that this would result in an incorrect set of final accounts and up to a further four marks for a good example.</p> <p>Sample Answer If a business does not treat capital and revenue expenditure correctly their final accounts will not be accurate and will not reflect a true and fair view (1) of the businesses profits or assets. For example if they were to include the cost of a new motor vehicle (capital expenditure) (1) as an item of expenditure in the profit and loss account (revenue expenditure) (1) their profits would be understated (1) and the valuation on the balance sheet would also be understated (1)</p>	(5)

Question Number	Answer	Mark																																																																								
13(a)	<div><p style="text-align: center;">Twilight Ltd Trading and Profit and Loss Account For Year Ended 31 March 2012</p><table><tr><th></th><th>£ 000</th><th>£ 000</th><th></th></tr><tr><td>Sales</td><td></td><td>940</td><td></td></tr><tr><td>Cost of Sales</td><td></td><td></td><td></td></tr><tr><td>Opening stock</td><td>125</td><td></td><td></td></tr><tr><td>Purchases</td><td><u>472</u></td><td></td><td></td></tr><tr><td></td><td>597</td><td></td><td></td></tr><tr><td>Closing stock</td><td><u>127</u></td><td></td><td></td></tr><tr><td></td><td></td><td><u>470</u></td><td>(1cf)</td></tr><tr><td>Gross profit</td><td></td><td>470</td><td>(1cf)</td></tr><tr><td>Running expenses</td><td></td><td></td><td></td></tr><tr><td>Salaries and wages</td><td>64</td><td></td><td></td></tr><tr><td>Directors' remuneration</td><td>10</td><td></td><td></td></tr><tr><td>Audit fees (4 + 1)</td><td>5</td><td></td><td>(2)</td></tr><tr><td>Heat & light</td><td>28</td><td></td><td></td></tr><tr><td>Debenture interest (10 + 10)</td><td>20</td><td></td><td>(2)</td></tr><tr><td>Communication expenses</td><td>20</td><td></td><td></td></tr><tr><td>Provision for depreciation: Buildings</td><td>25</td><td></td><td>(2cf)</td></tr><tr><td></td><td>16</td><td></td><td>(2cf)</td></tr></table></div>		£ 000	£ 000		Sales		940		Cost of Sales				Opening stock	125			Purchases	<u>472</u>				597			Closing stock	<u>127</u>					<u>470</u>	(1cf)	Gross profit		470	(1cf)	Running expenses				Salaries and wages	64			Directors' remuneration	10			Audit fees (4 + 1)	5		(2)	Heat & light	28			Debenture interest (10 + 10)	20		(2)	Communication expenses	20			Provision for depreciation: Buildings	25		(2cf)		16		(2cf)	
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	16		(2cf)																																																																							

	Fixtures and Fittings				(11)
			188		
	Profit for year		282	(1of)	

Question Number	Answer	Mark																																												
13(b)	<div><div><div>Twilight Ltd</div><div>Appropriation Account</div><div>For Year Ended 31 March 2012</div></div><table><thead><tr><th></th><th>£000</th><th>£000</th><th></th></tr></thead><tbody><tr><td>Profit for year</td><td></td><td>282</td><td></td></tr><tr><td>Profit and loss account b/f</td><td></td><td><u>326</u></td><td>(1)</td></tr><tr><td></td><td></td><td>608</td><td></td></tr><tr><td>Appropriations</td><td></td><td></td><td></td></tr><tr><td>Transfer to general reserve</td><td>50</td><td></td><td>(1)</td></tr><tr><td>Ordinary share dividend: Interim Paid</td><td>50</td><td></td><td>(1)</td></tr><tr><td></td><td><u>100</u></td><td></td><td>(1)</td></tr><tr><td>Final Proposed</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>200</u></td><td></td></tr><tr><td>Profit and loss account c/f</td><td></td><td><u>408</u></td><td>(1of)</td></tr></tbody></table></div>		£000	£000		Profit for year		282		Profit and loss account b/f		<u>326</u>	(1)			608		Appropriations				Transfer to general reserve	50		(1)	Ordinary share dividend: Interim Paid	50		(1)		<u>100</u>		(1)	Final Proposed						<u>200</u>		Profit and loss account c/f		<u>408</u>	(1of)	(5)
	£000	£000																																												
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Question Number	Answer	Mark				
13(c)	<table><tr><th>Formula</th><th>Gross profit margin</th></tr><tr><td>$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$</td><td>$\frac{470}{940} \times 100 = 50\%$</td></tr></table>	Formula	Gross profit margin	$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$	$\frac{470}{940} \times 100 = 50\%$	(2)
Formula	Gross profit margin					
$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$	$\frac{470}{940} \times 100 = 50\%$					

Question Number	Answer	Mark				
13(d)	<table><tr><th>Formula</th><th>Net profit margin</th></tr><tr><td>$\frac{\text{Net Profit}}{\text{Sales}} \times 100$</td><td>$\frac{282}{940} \times 100 = 30\%$</td></tr></table>	Formula	Net profit margin	$\frac{\text{Net Profit}}{\text{Sales}} \times 100$	$\frac{282}{940} \times 100 = 30\%$	(2)
Formula	Net profit margin					
$\frac{\text{Net Profit}}{\text{Sales}} \times 100$	$\frac{282}{940} \times 100 = 30\%$					

[illegible]

Sue Tang extracted the following trial balance from her books on 30 April 2012.

Account	Debit	Credit
	£	£
Bank	2 300	
Capital		28 000
Cash	450	
Creditors		2 354
Debtors	3 288	
Drawings	5 220	
Fixtures – cost	40 000	
Fixtures – accumulated depreciation		5 000
Loan – 2013		2 500
Loan – 2015		7 500
Opening stock	2 000	
Purchases	45 000	
Rent rates and insurance	12 096	
Sales		65 000
	110 354	110 354

The following additional information at 30 April 2012 should be taken into account.

- Stock was valued at £2 500
- Rent of £500 was prepaid.
- Rates of £250 were accrued.
- Depreciation is to be charged on fixtures at 20% per annum on a straight line basis.

(d) State the formula for calculating working capital.

(1)

(e) Calculate the working capital at 30 April 2012.

(3)



- (f) Evaluate the effects on Sue Tang's business of poor working capital management. In your answer, you should make reference to how Sue might improve her working capital situation.

(5)

(Total for Question 14 = 15 marks)



P 4 0 2 6 8 A 0 1 5 2 0

Question Number	Answer	Mark
14 (a)	The purpose of a trial balance is to check the arithmetical accuracy of the ledgers (books) (1). The trial balance could also be useful in locating errors. (1)	(2)

Question Number	Answer	Mark
14 (b)	Award one mark for each identification the correct types of errors: commission omission principle original entry compensating complete reversal	(2)

Question Number	Answer	Mark
14 (c)	Award one mark for each correct example given up to two marks in total. Examples could include: omission of the debit or credit entry, addition errors, entering transactions twice on the same side	(2)

Question Number	Answer	Mark
14 (d)	Current assets less Current liabilities	(1)

Question Number	Answer	Mark						
14 (e)	<table><tr><th>Current Assets</th><th>Current Liabilities</th></tr><tr><td>Stock 2 500</td><td>Creditors 2 354</td></tr><tr><td>Debtors 3 288</td><td>Accrual 250</td></tr></table>	Current Assets	Current Liabilities	Stock 2 500	Creditors 2 354	Debtors 3 288	Accrual 250	
Current Assets	Current Liabilities							
Stock 2 500	Creditors 2 354							
Debtors 3 288	Accrual 250							

		Prepayment 500	Loan 2013 500	2		
		Bank 300	2	Total (1)	5 104	
		Cash 450				
		Total 038 (1)	9			(3)
				WC = 9 038 – 5 104 = 3 934 (1) (of)		

Question Number	Answer	Mark
14 (f)	<p>The key here is has the candidate explained fully the effect of poor working capital management and how a sole trader can improve their working capital. Candidates may have calculated the WC ratio and should be given credit for this.</p> <p>Sample Answers</p> <p>Effect of poor working capital management (Max 2 marks)</p> <p>If a business fails to maintain adequate working capital they may be unable to pay their creditors (1) which could eventually mean that they are unable to maintain trading as they are unable to purchase stock on credit (1). Su may also find that she has inadequate cash to pay back her loan which is due in 2013 (1)</p> <p>Discussion or calculation of working capital ratio (Max 1 mark)</p> <p>At present Su Tang's working capital ratio (1) is below the accepted normal level of 2:1 which indicates that she needs to consider strategies to improve on this figure.</p> <p>Suggestions to improve her working capital (Max 2 marks)</p> <p>Su could take steps to improve her situation by trying to get her debtors (1) to pay their outstanding amounts faster, possibly by offering cash discount to them. She could also consider reducing her drawings (1) or sell off any surplus fixed assets she owns (1) or she may want to consider taking on a partner (1) who could invest some much needed cash into the business.</p>	(5)

15 The Lazy Days Social Club had the following balances in the books on 1 March 2011.

	£
Bank balance	1 600 (Dr)
Equipment (Net Book Value)	6 000
Premises (Net Book Value)	50 000
Subscriptions owing	345

The following information for the year ended 29 February 2012 was provided.

Receipts and Payments Account

Narration	£	Narration	£
Balance b/f	1 600	Purchase of new equipment	2 000
Subscriptions	5 000	Stamps	342
Social event income	4 390	Sundry expenses	139
		Rates and insurances	2 654
		Lighting and heating	2 190
		Social event expenditure	1 739
		Balance c/d	1 926
	<u>10 990</u>		<u>10 990</u>
Balance b/d	1 926		

The club treasurer also provided the following additional information on 29 February 2012.

- All equipment is to be depreciated using the straight line method at a rate of 10% per annum.
- Lighting and heating owing amounted to £110.
- Rates paid in advance amounted to £180.
- The figure for subscriptions in the receipts and payment account includes £200 owing from the previous year. As there is no prospect of the remaining amount outstanding being received the club has decided to write this off as a bad debt.
- At the end of February 2012 there were subscriptions owing of £190. There were no subscriptions received in advance.



(11)

Lazy Days Social Club
Income and Expenditure Account
For year ended 29 February 2012

[illegible]

(4)

[illegible]

This image shows a single sheet of white paper with ten horizontal dashed lines spaced evenly apart, typical of primary-ruled notebook paper. The lines extend across the entire width of the page. There are no margins, text, or other markings on the paper.

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



Question Number	Answer	Mark																																																								
15(a)	<div><p style="text-align: center;">Lazy Days Social club Income and Expenditure Account For year ended 29 February 2012</p><table><tr><td></td><td></td><td>£</td><td>£</td></tr><tr><td>Income</td><td></td><td></td><td></td></tr><tr><td>Subscriptions (5 000 (1) – 200 (1) + 190 (1))</td><td>(3)</td><td>4 990</td><td></td></tr><tr><td>Social event profit (4 390 (1) – 1 739 (1))</td><td>(2)</td><td>2 651</td><td></td></tr><tr><td></td><td></td><td></td><td>7 641</td></tr><tr><td>Expenditure</td><td></td><td></td><td></td></tr><tr><td>Stamps</td><td></td><td>342</td><td></td></tr><tr><td>Sundry expenses</td><td></td><td>139</td><td></td></tr><tr><td>Rates and insurances</td><td>(1cf)</td><td>2 474</td><td></td></tr><tr><td>Lighting and heating</td><td>(1cf)</td><td>2 300</td><td></td></tr><tr><td>Bad debt</td><td>(1cf)</td><td>145</td><td></td></tr><tr><td>Depreciation of equipment (8000 x 10%)</td><td>(1cf)</td><td>800</td><td></td></tr><tr><td></td><td></td><td></td><td>6 200</td></tr><tr><td>Surplus of income over expenditure</td><td>(2cf) (1of)</td><td></td><td>1 441</td></tr></table></div>			£	£	Income				Subscriptions (5 000 (1) – 200 (1) + 190 (1))	(3)	4 990		Social event profit (4 390 (1) – 1 739 (1))	(2)	2 651					7 641	Expenditure				Stamps		342		Sundry expenses		139		Rates and insurances	(1cf)	2 474		Lighting and heating	(1cf)	2 300		Bad debt	(1cf)	145		Depreciation of equipment (8000 x 10%)	(1cf)	800					6 200	Surplus of income over expenditure	(2cf) (1of)		1 441	(11)
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15 (b)	<p>Award two marks per difference up to a maximum of 4 marks</p> <p>Sample answers</p> <table><tr><th>Receipts and Payments Account</th><th>Income and Expenditure Account</th></tr><tr><td>Does not include accruals/prepayments</td><td>Does include accruals/prepayments</td></tr><tr><td>Shows the cash position at the end of the period</td><td>Shows the surplus/deficit at the end of the period</td></tr><tr><td>Does not differentiate between capital and revenue expenditure</td><td>Shows only revenue expenditure</td></tr><tr><td>Similar to a cash book in a trading concern</td><td>Similar to a profit and loss account in a trading concern</td></tr></table> <p>Candidates must clearly state a difference to be awarded the marks</p>	Receipts and Payments Account	Income and Expenditure Account	Does not include accruals/prepayments	Does include accruals/prepayments	Shows the cash position at the end of the period	Shows the surplus/deficit at the end of the period	Does not differentiate between capital and revenue expenditure	Shows only revenue expenditure	Similar to a cash book in a trading concern	Similar to a profit and loss account in a trading concern	(4)
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