

Write your name here

Surname		Other names	
Edexcel		Centre Number	Candidate Number
International GCSE		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<h1>Accounting</h1> <h2>Paper 1</h2>			
Wednesday 11 January 2012 – Afternoon 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 ►

P40718RA

©2012 Pearson Education Ltd.

1/1/1/2



PEARSON

SECTION B**Answer ALL questions.**

- 11 (a) Asha Burat has been in business for some years. During December 2011 the following transactions took place. Complete the table by stating the correct source document for each transaction.

(6)

Transaction	Source Document
Purchased stock on credit from H Kumar	
Paid for stamps in cash	
Returned stock to a supplier which had previously been bought on credit	
Deposited takings into his bank account	
Payment received from a customer by credit transfer	
Sent a customer a request for payment for work completed in November 2011	

The following information has been extracted from the books of account of Asha Burat for the month ended 31 December 2011. VAT is charged at 10%.

	£
Balance on VAT account – 1 December 2011	3 400 (Cr)
Cash sales (including VAT)	9 350
Payments to Revenue and Customs	3 400
VAT on credit purchases	867
VAT on credit sales	965
VAT on petty cash expenditure	34
VAT on returns inwards	89
VAT on returns outwards	54
Balance on VAT account – 31 December 2011	To be calculated



Section B

Question Number	Answer	Mark
11(a)	Purchase invoice Petty cash voucher Credit note Paying in book/slip/counterfoil Bank statement Sales invoice	(6)

Question Number	Answer	Mark																																																																
11(b)	<p>VAT Account</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Narration</th> <th></th> <th>£</th> <th>Date</th> <th>Narration</th> <th></th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Dec 31</td> <td>Cash Book</td> <td>(1)</td> <td>3400</td> <td>Dec 1</td> <td>Balance b/f</td> <td>(1)</td> <td>3400</td> </tr> <tr> <td>Dec 31</td> <td>Purchases Book</td> <td>(1)</td> <td>867</td> <td>Dec 31</td> <td>Cash Book</td> <td>(2)</td> <td>850</td> </tr> <tr> <td>Dec 31</td> <td>Petty Cash Book</td> <td>(1)</td> <td>34</td> <td>Dec 31</td> <td>Sales Book</td> <td>(1)</td> <td>965</td> </tr> <tr> <td>Dec 31</td> <td>Returns In Book</td> <td>(1)</td> <td>89</td> <td>Dec 31</td> <td>Returns Out Book</td> <td>(1)</td> <td>54</td> </tr> <tr> <td>Dec 31</td> <td>Balance c/d</td> <td></td> <td>879</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>5269</td> <td></td> <td></td> <td></td> <td>5269</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Jan 1</td> <td>Balance b/d</td> <td>(1)</td> <td>879</td> </tr> </tbody> </table> <p>(Award mark for correct figure and appropriate narrative)</p>	Date	Narration		£	Date	Narration		£	Dec 31	Cash Book	(1)	3400	Dec 1	Balance b/f	(1)	3400	Dec 31	Purchases Book	(1)	867	Dec 31	Cash Book	(2)	850	Dec 31	Petty Cash Book	(1)	34	Dec 31	Sales Book	(1)	965	Dec 31	Returns In Book	(1)	89	Dec 31	Returns Out Book	(1)	54	Dec 31	Balance c/d		879								5269				5269					Jan 1	Balance b/d	(1)	879	(10)
Date	Narration		£	Date	Narration		£																																																											
Dec 31	Cash Book	(1)	3400	Dec 1	Balance b/f	(1)	3400																																																											
Dec 31	Purchases Book	(1)	867	Dec 31	Cash Book	(2)	850																																																											
Dec 31	Petty Cash Book	(1)	34	Dec 31	Sales Book	(1)	965																																																											
Dec 31	Returns In Book	(1)	89	Dec 31	Returns Out Book	(1)	54																																																											
Dec 31	Balance c/d		879																																																															
			5269				5269																																																											
				Jan 1	Balance b/d	(1)	879																																																											

Question Number	Answer	Mark
11(c)	The closing balance will appear in the current liabilities section (1) as it represents money owing to Revenue and Customs (1) (accept government)	(2)

Question Number	Answer	Mark
11(d)	<p><u>Error of omission</u> (1) where a transaction is completely omitted from the records (1).</p> <p><u>Compensating error</u> (1) where equal and opposite errors cancel each other out (1).</p> <p><u>Error of commission</u> (1) where an amount is posted to an incorrect account of the correct type (1).</p> <p><u>Error of original entry</u> (1) where an error is made transferring an amount from the source document into the books of original entry (1).</p> <p><u>Error of principle</u> (1) where the correct entry is made but in the wrong type of account (1)</p>	(2)

Question Number	Answer	Mark
11(e)	<p data-bbox="384 465 1260 566">Award up to 2 marks for points in favour and 2 marks for points against the effectiveness of control accounts. A further one mark for an appropriate conclusion.</p> <p data-bbox="384 600 595 633">Sample answer</p> <p data-bbox="384 667 1270 902">The uses of control accounts can enable businesses to improve the management of their business as it can verify the arithmetical accuracy of the ledgers (1) and also provide management with a total figure for debtors and creditors (1) which can help in the preparation of the balance sheet (1) they can also assist in the prevention of fraud as they are normally prepared independently of the sales and purchase ledger (1).</p> <p data-bbox="384 936 1190 1081">However the preparation of control accounts can be time consuming (1) and there may be some errors in the accounts which remain undetected by the preparation of the control accounts (1).</p> <p data-bbox="384 1115 1265 1216">Overall although there are many advantages to a business of using a control account these may be outweighed by some of the disadvantages (1).</p>	(5)

- 12** Hinge and Bracket are in partnership sharing profits and losses in the ratio 2:1. Their partnership agreement allows for interest on capital at 5% per annum and a partnership salary to Hinge of £10 000 per annum.

The following trial balance was extracted from the books of the partnership on 31 December 2011.

	Dr	Cr
	£	£
Bank	9 400	
Capital accounts: Hinge		200 000
Bracket		70 000
Current accounts: Hinge		13 750
Bracket	1 500	
Creditors		14 700
Debtors	29 000	
Drawings: Hinge	14 000	
Bracket	17 500	
Land and buildings at cost	250 000	
Motor expenses	13 850	
Motor vehicles at cost	36 000	
Provision for depreciation – Motor vehicles		6 000
Purchases	196 000	
Rent, rates and insurance	16 800	
Sales		320 000
Stock at 1 January 2011	13 900	
Wages and salaries	26 500	
	<u>624 450</u>	<u>624 450</u>

The following additional information at 31 December 2011 should be taken into account:

1. Stock at 31 December 2011 was valued at £16 200.
2. Wages and salaries of £3 500 were accrued at 31 December 2011.
3. A provision for doubtful debts of 3% of debtors at 31 December 2011 is to be created.
4. Motor vehicles are to be depreciated by 20% per annum using the diminishing (reducing) balance method. No depreciation is to be charged on land and buildings.



(b) Prepare the current accounts of Hinge and Bracket for the year ended 31 December 2011. Balance the accounts and bring the balance down on 1 January 2012.

(8)

Current Account – Hinge

Date	Narration	£	Date	Narration	£

Current Account – Bracket

Date	Narration	£	Date	Narration	£



Question Number	Answer	Mark																																																																																																								
12(a)	<p style="text-align: center;">Hinge and Bracket Trading, profit and loss, and appropriation accounts For year ended 31 December 2011</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td style="text-align: right;">(1cf)</td> <td></td> <td style="text-align: right;">320 000</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td></td> <td style="text-align: right;">13 900</td> <td></td> </tr> <tr> <td>Purchases</td> <td></td> <td style="text-align: right;">196 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">209 900</td> <td></td> </tr> <tr> <td>Closing stock</td> <td></td> <td style="text-align: right;">16 200</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">(1cf)</td> <td></td> <td style="text-align: right;">193 700</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">(1of)</td> <td></td> <td style="text-align: right;">126 300</td> </tr> <tr> <td>Running expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Motor expenses</td> <td></td> <td style="text-align: right;">13 850</td> <td></td> </tr> <tr> <td>Rent, rates and Insurance</td> <td></td> <td style="text-align: right;">16 800</td> <td></td> </tr> <tr> <td>Wages and salaries (26 500 + 3 500)</td> <td style="text-align: right;">(1cf)</td> <td style="text-align: right;">30 000</td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">(1cf)</td> <td style="text-align: right;">870</td> <td></td> </tr> <tr> <td>Depreciation - motor vehicles</td> <td style="text-align: right;">(1cf)</td> <td style="text-align: right;">6 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">67 520</td> </tr> <tr> <td>Net profit</td> <td style="text-align: right;">(1of)</td> <td></td> <td style="text-align: right;">58 780</td> </tr> <tr> <td>Appropriations</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary: Hinge</td> <td style="text-align: right;">(1cf)</td> <td style="text-align: right;">10 000</td> <td></td> </tr> <tr> <td>Interest on capital: Hinge</td> <td style="text-align: right;">(1cf)</td> <td style="text-align: right;">10 000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(1cf)</td> <td style="text-align: right;">3 500</td> <td></td> </tr> <tr> <td>Bracket</td> <td></td> <td></td> <td style="text-align: right;">23 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">35 280</td> </tr> <tr> <td>Share of profits: Hinge</td> <td style="text-align: right;">(1of)</td> <td style="text-align: right;">23 520</td> <td></td> </tr> <tr> <td style="text-align: right;">Bracket</td> <td style="text-align: right;">(1of)</td> <td style="text-align: right;">11 760</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">35280</td> </tr> </tbody> </table>			£	£	Sales	(1cf)		320 000	Cost of sales				Opening stock		13 900		Purchases		196 000				209 900		Closing stock		16 200		Cost of sales	(1cf)		193 700	Gross profit	(1of)		126 300	Running expenses				Motor expenses		13 850		Rent, rates and Insurance		16 800		Wages and salaries (26 500 + 3 500)	(1cf)	30 000		Provision for doubtful debts	(1cf)	870		Depreciation - motor vehicles	(1cf)	6 000					67 520	Net profit	(1of)		58 780	Appropriations				Salary: Hinge	(1cf)	10 000		Interest on capital: Hinge	(1cf)	10 000			(1cf)	3 500		Bracket			23 500				35 280	Share of profits: Hinge	(1of)	23 520		Bracket	(1of)	11 760					35280	(12)
		£	£																																																																																																							
Sales	(1cf)		320 000																																																																																																							
Cost of sales																																																																																																										
Opening stock		13 900																																																																																																								
Purchases		196 000																																																																																																								
		209 900																																																																																																								
Closing stock		16 200																																																																																																								
Cost of sales	(1cf)		193 700																																																																																																							
Gross profit	(1of)		126 300																																																																																																							
Running expenses																																																																																																										
Motor expenses		13 850																																																																																																								
Rent, rates and Insurance		16 800																																																																																																								
Wages and salaries (26 500 + 3 500)	(1cf)	30 000																																																																																																								
Provision for doubtful debts	(1cf)	870																																																																																																								
Depreciation - motor vehicles	(1cf)	6 000																																																																																																								
			67 520																																																																																																							
Net profit	(1of)		58 780																																																																																																							
Appropriations																																																																																																										
Salary: Hinge	(1cf)	10 000																																																																																																								
Interest on capital: Hinge	(1cf)	10 000																																																																																																								
	(1cf)	3 500																																																																																																								
Bracket			23 500																																																																																																							
			35 280																																																																																																							
Share of profits: Hinge	(1of)	23 520																																																																																																								
Bracket	(1of)	11 760																																																																																																								
			35280																																																																																																							

Question Number	Answer							Mark
12(b)	Current Account - Hinge							(8)
	Date	Narration		£	Date	Narration	£	
	Dec 31	Drawings (1cf)		14 000	Dec 31	Balance b/f (1cf)	13750	
	Dec 31	Balance c/d		43 270	Dec 31	Salary (1cf)	10 000	
					Dec 31	Interest on capital (1of)	10 000	
					Dec 31	Share of profits (1of)	23 520	
				<u>57270</u>			<u>57270</u>	
					Jan 1	Balance b/d (1of)	43270	
Current Account - Bracket								
	Date	Narration		£	Date	Narration	£	
	Dec 31	Balance b/f (1cf)		1 500	Dec 31	Interest on capital	3 500	
	Dec 31	Drawings		17 500	Dec 31	Share of profits	11760	
					Dec 31	Balance c/d	<u>3 740</u>	
				<u>19 000</u>			<u>19000</u>	
	Jan 1	Balance b/d (1of)		3740				
Award 1 mark for salary, and 1 mark each for interest on capital, share of profits and drawings only if both items shown on correct partner's account.								

Question Number	Answer	Mark
12(c)	<p>Award up to 2 marks for advantages of this proposal, a further 2 marks for any disadvantages and a one mark for a conclusion or advice etc.</p> <p>Sample Answer</p> <p>If the partners decide to change their business structure to a limited liability company they will find that there are several advantages and disadvantages to this. Firstly both partners will become shareholders of the business and as such will have limited liability which means that the extent of their liability for business debts will be limited to the amount of money they have invested in the business (1). The partners may also become employees of this new business as directors and as such will receive a directors salary as opposed to just one of them receiving a salary as at present (1). They may be able to attract more investment from outside agencies such as banks who are more likely to lend money where the ownership of the business is wider (1).</p> <p>However they may find that they have less control over the day to day operations of the business as they may have other shareholders who have a say in the running of the business (1). There will also be a change to the way in which the accounts are prepared and to the type of taxation paid on the business profits (1). They will also have to ensure that they abide by all the legislation which relates to the management and administration of companies (1).</p> <p>Although there are many advantages to the partnership of this proposal, Hinge and Bracket will be well advised to seek professional advice before embarking on this change as they need to be aware of the disadvantages too (1).</p>	(5)

Question Number	Answer	Mark																																								
13(a)	<p style="text-align: center;">Rent Received Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narration</th> <th></th> <th>£</th> <th>Date</th> <th>Narration</th> <th></th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Nov 30</td> <td>Profit and Loss (1)</td> <td>(1of)</td> <td>24000</td> <td>Nov 20</td> <td>Balance b/f</td> <td></td> <td>22 000</td> </tr> <tr> <td>Nov 30</td> <td>Balance c/d</td> <td></td> <td>2 000</td> <td>Nov 30</td> <td>Cash Book</td> <td>(1cf)</td> <td>4 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>26 000</td> <td></td> <td></td> <td></td> <td>26 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Dec 1</td> <td>Balance b/d</td> <td>(1of)</td> <td>2 000</td> </tr> </tbody> </table>	Date	Narration		£	Date	Narration		£	Nov 30	Profit and Loss (1)	(1of)	24000	Nov 20	Balance b/f		22 000	Nov 30	Balance c/d		2 000	Nov 30	Cash Book	(1cf)	4 000				26 000				26 000					Dec 1	Balance b/d	(1of)	2 000	(4)
Date	Narration		£	Date	Narration		£																																			
Nov 30	Profit and Loss (1)	(1of)	24000	Nov 20	Balance b/f		22 000																																			
Nov 30	Balance c/d		2 000	Nov 30	Cash Book	(1cf)	4 000																																			
			26 000				26 000																																			
				Dec 1	Balance b/d	(1of)	2 000																																			

Question Number	Answer	Mark
13(b)	<p>Award 1 mark for identifying 'Accruals/Matching as the concept and a further 2 marks for stating that the rent in advance will be shown as income in next year's profit and loss account (1) and will be shown as a current liability on this year's balance sheet (1).</p>	(3)

Question Number	Answer	Mark
12(c)	<p>Award up to 2 marks for advantages of this proposal, a further 2 marks for any disadvantages and a one mark for a conclusion or advice etc.</p> <p>Sample Answer</p> <p>If the partners decide to change their business structure to a limited liability company they will find that there are several advantages and disadvantages to this. Firstly both partners will become shareholders of the business and as such will have limited liability which means that the extent of their liability for business debts will be limited to the amount of money they have invested in the business (1). The partners may also become employees of this new business as directors and as such will receive a directors salary as opposed to just one of them receiving a salary as at present (1). They may be able to attract more investment from outside agencies such as banks who are more likely to lend money where the ownership of the business is wider (1).</p> <p>However they may find that they have less control over the day to day operations of the business as they may have other shareholders who have a say in the running of the business (1). There will also be a change to the way in which the accounts are prepared and to the type of taxation paid on the business profits (1). They will also have to ensure that they abide by all the legislation which relates to the management and administration of companies (1).</p> <p>Although there are many advantages to the partnership of this proposal, Hinge and Bracket will be well advised to seek professional advice before embarking on this change as they need to be aware of the disadvantages too (1).</p>	(5)

Question Number	Answer	Mark																																								
13(a)	<p style="text-align: center;">Rent Received Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narration</th> <th></th> <th>£</th> <th>Date</th> <th>Narration</th> <th></th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Nov 30</td> <td>Profit and Loss (1)</td> <td>(1of)</td> <td>24000</td> <td>Nov 20</td> <td>Balance b/f</td> <td></td> <td>22 000</td> </tr> <tr> <td>Nov 30</td> <td>Balance c/d</td> <td></td> <td>2 000</td> <td>Nov 30</td> <td>Cash Book</td> <td>(1cf)</td> <td>4 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>26 000</td> <td></td> <td></td> <td></td> <td>26 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Dec 1</td> <td>Balance b/d</td> <td>(1of)</td> <td>2 000</td> </tr> </tbody> </table>	Date	Narration		£	Date	Narration		£	Nov 30	Profit and Loss (1)	(1of)	24000	Nov 20	Balance b/f		22 000	Nov 30	Balance c/d		2 000	Nov 30	Cash Book	(1cf)	4 000				26 000				26 000					Dec 1	Balance b/d	(1of)	2 000	(4)
Date	Narration		£	Date	Narration		£																																			
Nov 30	Profit and Loss (1)	(1of)	24000	Nov 20	Balance b/f		22 000																																			
Nov 30	Balance c/d		2 000	Nov 30	Cash Book	(1cf)	4 000																																			
			26 000				26 000																																			
				Dec 1	Balance b/d	(1of)	2 000																																			

Question Number	Answer	Mark
13(b)	<p>Award 1 mark for identifying 'Accruals/Matching as the concept and a further 2 marks for stating that the rent in advance will be shown as income in next year's profit and loss account (1) and will be shown as a current liability on this year's balance sheet (1).</p>	(3)

Question Number	Answer	Mark																								
13(c)	<p style="text-align: center;">Sunil Khan Account</p> <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 20</td> <td>Balance b/f</td> <td style="text-align: right;">3500</td> <td>Nov30</td> <td>Bad Debts (1)</td> <td style="text-align: right;">3500</td> </tr> </tbody> </table> <p style="text-align: center;">Bad Debts Account</p> <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 30</td> <td>Sunil Khan</td> <td style="text-align: right;">(1) 3500</td> <td>Nov 30</td> <td>Profit and Loss(1)</td> <td style="text-align: right;">3500</td> </tr> </tbody> </table>	Date	Narration	£	Date	Narration	£	Nov 20	Balance b/f	3500	Nov30	Bad Debts (1)	3500	Date	Narration	£	Date	Narration	£	Nov 30	Sunil Khan	(1) 3500	Nov 30	Profit and Loss(1)	3500	(5)
Date	Narration	£	Date	Narration	£																					
Nov 20	Balance b/f	3500	Nov30	Bad Debts (1)	3500																					
Date	Narration	£	Date	Narration	£																					
Nov 30	Sunil Khan	(1) 3500	Nov 30	Profit and Loss(1)	3500																					

Question Number	Answer	Mark
13(d)	Award 1 mark for identifying 'Prudence' as the concept and a further 2 marks for stating that as the amount was irrecoverable the correct approach is to write it off in this years profit and loss account (1) and to reduce debtors in order not to overstate the value of the assets (1).	(3)

Question Number	Answer	Mark
14(a)	Award one mark for each correct answer up to three marks. Items could include bank charges, dishonoured cheques, standing order.	(3)

Question Number	Answer	Mark																														
14(b)	<p style="text-align: center;">Cash Book (Bank Columns)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narration</th> <th>Bank (£)</th> <th>Date</th> <th>Narration</th> <th>Bank (£)</th> </tr> </thead> <tbody> <tr> <td>Aug 31</td> <td>Balance b/f</td> <td style="text-align: right;">1003 (1)</td> <td>Aug 10</td> <td>DD Council</td> <td style="text-align: right;">125 (1)</td> </tr> <tr> <td>Aug 21</td> <td>CT - customer</td> <td style="text-align: right;">200 (1)</td> <td>Aug 31</td> <td>Balance c/d</td> <td style="text-align: right;">1078</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>1203</u></td> <td></td> <td></td> <td style="text-align: right;"><u>1203</u></td> </tr> <tr> <td>Sep 1</td> <td>Balance b/d</td> <td style="text-align: right;">1078 (1 of)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Narration	Bank (£)	Date	Narration	Bank (£)	Aug 31	Balance b/f	1003 (1)	Aug 10	DD Council	125 (1)	Aug 21	CT - customer	200 (1)	Aug 31	Balance c/d	1078			<u>1203</u>			<u>1203</u>	Sep 1	Balance b/d	1078 (1 of)				(4)
Date	Narration	Bank (£)	Date	Narration	Bank (£)																											
Aug 31	Balance b/f	1003 (1)	Aug 10	DD Council	125 (1)																											
Aug 21	CT - customer	200 (1)	Aug 31	Balance c/d	1078																											
		<u>1203</u>			<u>1203</u>																											
Sep 1	Balance b/d	1078 (1 of)																														

14 On 31 August 2011 Mr Wong received his bank statement, which stated that he owed his bank £650 on that date. He checked this against his cash book which showed a balance on his bank account of £1 003 Dr. On comparing the bank statement with his cash book, he identified several differences.

His bank statement showed a direct debit on 10 August for £125 in favour of the local council and a credit transfer from a customer for £200 on 21 August, neither of which had been entered in the cash book.

He also discovered that his bank had not taken account of monies which he had paid in the previous day totalling some £1 926 and that a cheque for £198 had not yet been presented to the bank for payment. Both these items had been entered in his cash book.

(a) State three other items that could be recorded in the bank statement before they are entered in the cash book.

(3)

(i)

(ii)

(iii)

(b) Starting with the balance in the cash book on 31 August 2011 update the cash book with the outstanding items. Balance the cash book at that date and bring the balance down on 1 September 2011.

(4)

Cash Book (Bank Columns)

Date	Narration	Bank (£)	Date	Narration	Bank (£)



(c) Draw up the bank reconciliation statement at 31 August 2011.

(4)

**Mr Wong
Bank Reconciliation Statement
As at 31 August 2011**

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(d) Explain **two** advantages to Mr Wong of drawing up a bank reconciliation statement.

(4)

Advantage 1

.....
.....
.....

Advantage 2

.....
.....
.....

(Total for Question 14 = 15 marks)



Question Number	Answer	Mark																								
13(c)	<p style="text-align: center;">Sunil Khan Account</p> <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 20</td> <td>Balance b/f</td> <td style="text-align: right;">3500</td> <td>Nov30</td> <td>Bad Debts (1)</td> <td style="text-align: right;">3500</td> </tr> </tbody> </table> <p style="text-align: center;">Bad Debts Account</p> <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 30</td> <td>Sunil Khan</td> <td style="text-align: right;">(1) 3500</td> <td>Nov 30</td> <td>Profit and Loss(1)</td> <td style="text-align: right;">3500</td> </tr> </tbody> </table>	Date	Narration	£	Date	Narration	£	Nov 20	Balance b/f	3500	Nov30	Bad Debts (1)	3500	Date	Narration	£	Date	Narration	£	Nov 30	Sunil Khan	(1) 3500	Nov 30	Profit and Loss(1)	3500	(5)
Date	Narration	£	Date	Narration	£																					
Nov 20	Balance b/f	3500	Nov30	Bad Debts (1)	3500																					
Date	Narration	£	Date	Narration	£																					
Nov 30	Sunil Khan	(1) 3500	Nov 30	Profit and Loss(1)	3500																					

Question Number	Answer	Mark
13(d)	Award 1 mark for identifying 'Prudence' as the concept and a further 2 marks for stating that as the amount was irrecoverable the correct approach is to write it off in this years profit and loss account (1) and to reduce debtors in order not to overstate the value of the assets (1).	(3)

Question Number	Answer	Mark
14(a)	Award one mark for each correct answer up to three marks. Items could include bank charges, dishonoured cheques, standing order.	(3)

Question Number	Answer	Mark																														
14(b)	<p style="text-align: center;">Cash Book (Bank Columns)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narration</th> <th>Bank (£)</th> <th>Date</th> <th>Narration</th> <th>Bank (£)</th> </tr> </thead> <tbody> <tr> <td>Aug 31</td> <td>Balance b/f</td> <td style="text-align: right;">1003 (1)</td> <td>Aug 10</td> <td>DD Council</td> <td style="text-align: right;">125 (1)</td> </tr> <tr> <td>Aug 21</td> <td>CT - customer</td> <td style="text-align: right;">200 (1)</td> <td>Aug 31</td> <td>Balance c/d</td> <td style="text-align: right;">1078</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>1203</u></td> <td></td> <td></td> <td style="text-align: right;"><u>1203</u></td> </tr> <tr> <td>Sep 1</td> <td>Balance b/d</td> <td style="text-align: right;">1078 (1 of)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Narration	Bank (£)	Date	Narration	Bank (£)	Aug 31	Balance b/f	1003 (1)	Aug 10	DD Council	125 (1)	Aug 21	CT - customer	200 (1)	Aug 31	Balance c/d	1078			<u>1203</u>			<u>1203</u>	Sep 1	Balance b/d	1078 (1 of)				(4)
Date	Narration	Bank (£)	Date	Narration	Bank (£)																											
Aug 31	Balance b/f	1003 (1)	Aug 10	DD Council	125 (1)																											
Aug 21	CT - customer	200 (1)	Aug 31	Balance c/d	1078																											
		<u>1203</u>			<u>1203</u>																											
Sep 1	Balance b/d	1078 (1 of)																														

Question Number	Answer	Mark																					
14(c)	<p style="text-align: center;">Mr Wong Bank Reconciliation Statement As at 31 August 2011</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Balance as per cash book</td> <td style="text-align: right;">1078</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Outstanding lodgements</td> <td style="text-align: right;">(1926)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">(848)</td> <td></td> </tr> <tr> <td>Unpresented cheque</td> <td style="text-align: right;">198</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Balance as per bank statement</td> <td style="text-align: right;">(650)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td colspan="3">(Award mark for figure and correct label only)</td> </tr> </tbody> </table>		£		Balance as per cash book	1078	(1)	Outstanding lodgements	(1926)	(1)		(848)		Unpresented cheque	198	(1)	Balance as per bank statement	(650)	(1)	(Award mark for figure and correct label only)			(4)
	£																						
Balance as per cash book	1078	(1)																					
Outstanding lodgements	(1926)	(1)																					
	(848)																						
Unpresented cheque	198	(1)																					
Balance as per bank statement	(650)	(1)																					
(Award mark for figure and correct label only)																							
Question Number	Answer	Mark																					
14 (d)	<p style="text-align: center;">Award up to two marks for each advantage.</p> <p>Sample answers:</p> <ul style="list-style-type: none"> (i) Enables errors in the cash book to be identified (1) and corrected(1) (ii) Enables errors in the bank statement to be identified (1) and notified to the bank for correction(1) (iii) Acts as a deterrent to fraud (1) as the bank statement is prepared by the bank (1) (iv) Enables missing entries in the cash book to be identified (1) and accounted for(1) 	(4)																					

Question Number	Answer	Mark																												
15	<p style="text-align: center;">Award two marks for each correct response only</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Increase</th> <th style="text-align: center;">Decrease</th> <th style="text-align: center;">No effect</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;"><i>£680</i></td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">£250 (2)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td></td> <td style="text-align: center;">£500 (2)</td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td></td> <td></td> <td style="text-align: center;">No effect (2)</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">£1700 (2)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">6</td> <td></td> <td></td> <td style="text-align: center;">No effect (2)</td> </tr> </tbody> </table>		Increase	Decrease	No effect	1		<i>£680</i>		2	£250 (2)			3		£500 (2)		4			No effect (2)	5	£1700 (2)			6			No effect (2)	(10)
	Increase	Decrease	No effect																											
1		<i>£680</i>																												
2	£250 (2)																													
3		£500 (2)																												
4			No effect (2)																											
5	£1700 (2)																													
6			No effect (2)																											

15 The trainee accountant of Mozart and Son produced a draft profit and loss account which showed a net profit for the year ended 31 November 2011 of £56 900.

During the following month several errors and omissions were identified. These were:

1. The cost of repairs to a delivery van of £680 had been debited to the motor vehicles account.
2. The sales day book had been undercast by £250.
3. A payment of £500 for insurance had been completely omitted from the accounts.
4. A cheque for £300 received from T Jones, a debtor, had been credited to the account of T Bones.
5. Discount received of £850 had been charged as an expense in the profit and loss account.
6. A payment of £890 for rates had been debited to the rent account.

Complete the following table to show clearly the effect on net profit **after these errors and omissions have been corrected**. If there is no effect, write 'no effect' in the correct column.

The first one has been completed as an example.

	Increase	Decrease	No effect
1		£680	
2			
3			
4			
5			
6			

(Total for Question 15 = 10 marks)

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



Question Number	Answer	Mark																					
14(c)	<p style="text-align: center;">Mr Wong Bank Reconciliation Statement As at 31 August 2011</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Balance as per cash book</td> <td style="text-align: right;">1078</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Outstanding lodgements</td> <td style="text-align: right;">(1926)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">(848)</td> <td></td> </tr> <tr> <td>Unpresented cheque</td> <td style="text-align: right;">198</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Balance as per bank statement</td> <td style="text-align: right;">(650)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td colspan="3">(Award mark for figure and correct label only)</td> </tr> </tbody> </table>		£		Balance as per cash book	1078	(1)	Outstanding lodgements	(1926)	(1)		(848)		Unpresented cheque	198	(1)	Balance as per bank statement	(650)	(1)	(Award mark for figure and correct label only)			(4)
	£																						
Balance as per cash book	1078	(1)																					
Outstanding lodgements	(1926)	(1)																					
	(848)																						
Unpresented cheque	198	(1)																					
Balance as per bank statement	(650)	(1)																					
(Award mark for figure and correct label only)																							
Question Number	Answer	Mark																					
14 (d)	<p style="text-align: center;">Award up to two marks for each advantage.</p> <p>Sample answers:</p> <ul style="list-style-type: none"> (i) Enables errors in the cash book to be identified (1) and corrected(1) (ii) Enables errors in the bank statement to be identified (1) and notified to the bank for correction(1) (iii) Acts as a deterrent to fraud (1) as the bank statement is prepared by the bank (1) (iv) Enables missing entries in the cash book to be identified (1) and accounted for(1) 	(4)																					

Question Number	Answer	Mark																												
15	<p style="text-align: center;">Award two marks for each correct response only</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Increase</th> <th style="text-align: center;">Decrease</th> <th style="text-align: center;">No effect</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;"><i>£680</i></td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">£250 (2)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td></td> <td style="text-align: center;">£500 (2)</td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td></td> <td></td> <td style="text-align: center;">No effect (2)</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">£1700 (2)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">6</td> <td></td> <td></td> <td style="text-align: center;">No effect (2)</td> </tr> </tbody> </table>		Increase	Decrease	No effect	1		<i>£680</i>		2	£250 (2)			3		£500 (2)		4			No effect (2)	5	£1700 (2)			6			No effect (2)	(10)
	Increase	Decrease	No effect																											
1		<i>£680</i>																												
2	£250 (2)																													
3		£500 (2)																												
4			No effect (2)																											
5	£1700 (2)																													
6			No effect (2)																											