

Write your name here

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Pearson Edexcel Centre Number Candidate Number

International GCSE

Accounting

Paper 1

Friday 11 May 2018 – Morning Time: 2 hours 30 minutes	Paper Reference 4AC0/01
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You do not need any other materials.	Total Marks
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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 in neat good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►



SECTION B

Answer ALL questions.

11 Justin Horan, a trader, maintains a full set of accounting books.

On 1 April 2018 he provided the following information.

Sales Ledger Balances	£	Nominal Ledger Balances	£
A Alda	1 321	Sales	21 000
B Shah	2 564	Returns inwards	1 342
C Son	1 800	VAT	8 000 Cr
D Wong	1 789	Bank	4 200

The following are extracts from Justin's books for April 2018. VAT is charged at 10%.

Sales Journal

Date	Narration	Goods £	VAT £	Total £
April 1	B Shah	920	92	1 012
April 5	D Wong	360	36	396
April 13	C Son	520	52	572
April 21	A Alda	1 450	145	1 595
April 28	D Wong	600	60	660
	Totals for Month	<u>3 850</u>	<u>385</u>	<u>4 235</u>

Returns Inwards Journal

Date	Narration	Goods £	VAT £	Total £
April 3	C Son	90	9	99
April 8	A Alda	260	26	286
	Totals for Month	<u>350</u>	<u>35</u>	<u>385</u>

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Cash Book (Debit side)

Date	Narration	Bank £
April 1	Balance b/d	4 200
April 5	A Alda	3 244
April 8	D Wong	2 000
April 15	Cash sales banked (including VAT)	660
April 21	B Shah	2 188
April 30	Commission received	500
April 30	C Son	1 280

The Journal

Date	Narration	Debit £	Credit £
April 21	C Son (Purchases Ledger)	450	
	C Son (Sales Ledger)		450
	Being transfer of balance in purchases ledger offset against the balance in the sales ledger		

(a) Prepare the following accounts in the books of Justin Horan for the month of April 2018. Balance the accounts on 30 April 2018 and bring the balances down to 1 May 2018.

(i)

C Son Account

(6)

Date	Details	£	Date	Details	£



(ii)

Sales Ledger Control Account

(6)

Date	Details	£	Date	Details	£

(iii)

Sales Account

(5)

Date	Details	£	Date	Details	£

(iv)

Returns Inward Account

(3)

Date	Details	£	Date	Details	£

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(b) Evaluate how maintaining a sales ledger control account benefits Justin in the management of his business.

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(Total for Question 11 = 25 marks)

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Section B

Question Number	Answer	Mark																																										
11(ai)	<p>Award marks for correct date, details and amounts in combination.</p> <p style="text-align: center;">C Son Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>£</th> <th>Date</th> <th>Details</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Apr 1</td> <td>Balance b/d</td> <td style="text-align: right;">1800 (1)</td> <td>Apr 3</td> <td>Returns inwards (Book)</td> <td style="text-align: right;">99 (1)</td> </tr> <tr> <td>Apr 13</td> <td>Sales (Book)</td> <td style="text-align: right;">572 (1)</td> <td>Apr 21</td> <td>(PL) Set Off/ Contra</td> <td style="text-align: right;">450 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Apr 30</td> <td>Cash (Book) (Bank)</td> <td style="text-align: right;">1280 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Apr 30</td> <td>Balance c/d</td> <td style="text-align: right;">543</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2372</u></td> <td></td> <td></td> <td style="text-align: right;"><u>2372</u></td> </tr> <tr> <td>May 1</td> <td>Balance b/d</td> <td style="text-align: right;">543 (1of)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	£	Date	Details	£	Apr 1	Balance b/d	1800 (1)	Apr 3	Returns inwards (Book)	99 (1)	Apr 13	Sales (Book)	572 (1)	Apr 21	(PL) Set Off/ Contra	450 (1)				Apr 30	Cash (Book) (Bank)	1280 (1)				Apr 30	Balance c/d	543			<u>2372</u>			<u>2372</u>	May 1	Balance b/d	543 (1of)				(6)
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Question Number	Answer	Mark
11 (b)	<p>Award up to (4) marks for a discussion on the benefits to the business of maintaining a sales ledger control account and a final (1) mark for a conclusion related to the scenario.</p> <p>Sample reasons The maintenance of a sales ledger control account can bring many benefits to Justin as :</p> <ul style="list-style-type: none"> • He will find it easier to identify errors (1) in the sales ledger (1). • He will also find it easier to prepare his financial statements (1) as the total of debtors will be easily available (1). • Fraud should be easier to identify (1) as the control account is usually maintained by a different person (1) <p>Conclusion (1) Therefore the preparation of a sales ledger control account will bring many benefits to Justin’s business.</p>	(5)

12 Sevket Christakos has been in business for some years but has never maintained a full set of accounting records. However, the following information is available for the most recently completed financial year, which ended on 28 February 2018.

Assets and liabilities at 1 March 2017

	£
8% Bank loan 2020	5 000
Bank overdraft	6 500
Creditors	3 200
Debtors	2 000
Electricity outstanding	300
Petty cash	490
Shop fittings (valuation)	20 010
Stock	2 500

(a) Calculate Sevket’s capital at 1 March 2017.

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His records also revealed that during the year ending 28 February 2018:

- credit customers had paid £45 000 by cheque
- cash takings banked totalled £53 200
- Sevket had taken £21 000 from the till for his own use
- the amount owed by credit customers had increased by 50%.

(b) Calculate the total sales for the year ended 28 February 2018.

(6)

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During the year ending 28 February 2018, Sevket paid his suppliers £42 700 by cheque and had received a cash discount of £2 300. The amount owed to credit suppliers on 28 February 2018 had decreased by 20% from the figure at 1 March 2017.

(c) Calculate the total purchases for the year ended 28 February 2018.

(5)

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An examination of the business bank account showed the following items of expenditure had been paid by cheque during the year:

- wages £15 000
- electricity £1 650
- rent and rates £4 000

On 28 February 2018:

- closing stock was valued at £1 860
- Sevket decided not to depreciate his shop fittings
- a payment of £400 for electricity used during the year was outstanding
- loan interest at 8% per annum had not yet been paid.



Question Number	Answer	Mark																				
12(a)	<p>Award 1 mark each for:</p> <ul style="list-style-type: none"> • total assets • total liabilities • capital <p>Assets:</p> <table> <tr> <td>Shop fittings</td> <td>20 010</td> </tr> <tr> <td>Debtors</td> <td>2 000</td> </tr> <tr> <td>Stock</td> <td>2 500</td> </tr> <tr> <td>Petty cash</td> <td>490</td> </tr> <tr> <td></td> <td><u>25 000 (1)</u></td> </tr> </table> <p>Liabilities:</p> <table> <tr> <td>Bank loan (2020)</td> <td>5 000</td> </tr> <tr> <td>Bank overdraft</td> <td>6 500</td> </tr> <tr> <td>Creditors</td> <td>3 200</td> </tr> <tr> <td>Electricity</td> <td>300</td> </tr> <tr> <td></td> <td><u>15 000 (1)</u></td> </tr> </table> <p>Capital:</p> <p>25000 – 15 000 = <u>10 000 (1of)</u></p>	Shop fittings	20 010	Debtors	2 000	Stock	2 500	Petty cash	490		<u>25 000 (1)</u>	Bank loan (2020)	5 000	Bank overdraft	6 500	Creditors	3 200	Electricity	300		<u>15 000 (1)</u>	(3)
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<p>12(d)</p>	<p>Award marks as shown; marks to be awarded for correct figure and treatment with labels.</p> <p>Award revenue and purchases o/f marks only if they match with (b) and (c)</p> <p style="text-align: center;">Sevket Christakos Income statement Year ended 28 February 2018</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">120 200</td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">2 500</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>44 360</u></td> <td></td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">46 860</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>1 860</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>45 000</u></td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">75 200</td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;">2 300</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">77 500</td> <td></td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">15 000</td> <td></td> <td></td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">4 000</td> <td></td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">400</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Electricity*</td> <td style="text-align: right;">1 750</td> <td></td> <td style="text-align: right;">(3)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">21 150</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">56 350</td> <td style="text-align: right;">(1 of)</td> </tr> </tbody> </table> <p>*Electricity 1 650 (1) – 300 (1) + 400 (1) = 1 750</p>		£	£		Revenue		120 200	(1 of)	Opening stock	2 500			Purchases	<u>44 360</u>		(1 of)			46 860		Closing stock	<u>1 860</u>		(1)	Cost of sales		<u>45 000</u>	(1 of)	Gross profit		75 200	(1 of)	Discount received		2 300	(1)			77 500		Expenses				Wages	15 000			Rent and rates	4 000			Loan interest	400		(1)	Electricity*	1 750		(3)			21 150		Profit for the year		56 350	(1 of)	<p>(11)</p>
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13 On 31 March 2018 the financial director of Tavish Ltd provided the following information.

	Year ended 31 March	
	2017	2018
	£000	£000
Turnover	1 600	2 400
Gross profit	400	600
Net profit	192	240
Capital employed	240	320

(a) Stating the formula used, calculate the following ratios for **each** of the two years.

(9)

Ratio	Formula	Year ended 31 March	
		2017	2018
Gross profit margin			
Net profit margin			
Return on capital employed			

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The managing director believes that due to the increased turnover and net profit the company must have experienced a very successful year.

(b) Evaluate the profitability of the company over the two years and state, with reasons, whether you agree with the managing director's statement.

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(c) State **one** ratio that could be used to measure liquidity.

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(Total for Question 13 = 15 marks)



Question Number	Answer	Mark																
<p>13 (a)</p>	<p>Award marks as shown</p> <table border="1" data-bbox="435 241 1275 815"> <thead> <tr> <th>Ratio</th> <th>Formula</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Gross profit margin</td> <td>Gross profit/Sales x 100 (1)</td> <td>25% (1)</td> <td>25% (1)</td> </tr> <tr> <td>Net profit margin</td> <td>Net profit/Sales x 100 (1)</td> <td>12% (1)</td> <td>10% (1)</td> </tr> <tr> <td>Return on capital employed</td> <td>Net profit/Capital employed x 100 (1)</td> <td>80% (1)</td> <td>75% (1)</td> </tr> </tbody> </table> <p>Accept turnover in lieu of sales % notation must be shown</p>	Ratio	Formula	2017	2018	Gross profit margin	Gross profit/Sales x 100 (1)	25% (1)	25% (1)	Net profit margin	Net profit/Sales x 100 (1)	12% (1)	10% (1)	Return on capital employed	Net profit/Capital employed x 100 (1)	80% (1)	75% (1)	<p>(9)</p>
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<p>Question Number</p>	<p>Answer</p>	<p>Mark</p>																
<p>13 (b)</p>	<p>Award</p> <ul style="list-style-type: none"> • 1 mark for a general statement regarding the change in profitability over the two years; • 3 marks for a discussion on the meaning of each individual ratio; • 1 mark for a conclusion related to the managing director’s comment <p>Sample answer</p> <p>The profitability of the business has declined over the two years (1) which is evidenced by the reduction in the net profit ratio and return on capital employed.</p> <p>The gross profit margin is unchanged over the two years indicating no change in either the selling price or cost price (1); the net profit margin indicates that the business is not controlling their expenses adequately; (1) and the return on capital employed indicates that the business is not using the increase in capital employed effectively in generating profit. (1)</p> <p>The managing director is incorrect in assuming that the business has had a successful year as overall profitability has declined. (1)</p>	<p>(5)</p>																

Question Number	Answer	Mark
13 (c)	Award mark for correct response only e.g. Current / current ratio Working capital / working capital ratio Acid test / acid test ratio Quick / quick ratio Accept any appropriate spelling Accept upper or lowercase	(1)

14 On 31 December 2017 Dipesh provided the following information.

Date 2017	Transaction
January 1	Started in business by depositing £5 000 in a business bank account. In addition, he brought into the business a motor vehicle that was valued at £6 000
May 1	He withdrew stock from the business, £500 (selling price), for his own use. Stock is marked up by 25%.
October 1	He withdrew cash, £1 450, for personal use.
Profit for the year ended 31 December 2017 was £25 000	

(a) Prepare the following accounts for the year ended 31 December 2017. Balance the accounts where appropriate on 31 December 2017 and bring the balance down to 1 January 2018.

(i)

Capital Account

(7)

Date	Details	£	Date	Details	£

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(ii)

Drawings Account

(5)

Date	Details	£	Date	Details	£

(b) State which accounting concept has **not** been complied with in **each** of the following situations.

(3)

Situation	Concept
The owner has charged the purchase of a stapler as a fixed asset.	
The owner has changed the method of depreciation of a fixed asset.	
The owner has charged the cost of a family holiday as a business expense.	

(Total for Question 14 = 15 marks)



Question Number	Answer	Mark																																				
14(a) (i)	<p>Award marks for figures on the correct side as shown.</p> <p>Award 1 mark for all correct dates and narratives</p> <p style="text-align: center;">Capital Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 15%;">£</th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 15%;">£</th> </tr> </thead> <tbody> <tr> <td>2017 Dec 31</td> <td>Drawings</td> <td style="text-align: right;">1 850 W1 (2)</td> <td>2017 Jan 1</td> <td>Bank</td> <td style="text-align: right;">5 000 (1)</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td style="text-align: right;">34 150</td> <td></td> <td>Motor vehicle</td> <td style="text-align: right;">6 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Dec 31</td> <td>Income statement</td> <td style="text-align: right;">25 000 (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>36 000</u></td> <td></td> <td></td> <td style="text-align: right;"><u>36 000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018 Jan 1</td> <td>Balance b/d</td> <td style="text-align: right;">34 150 (1of)</td> </tr> </tbody> </table> <p style="text-align: right;">(7)</p> <p>W1 400 (1) + 1450 (1) = 1850</p>	Date	Details	£	Date	Details	£	2017 Dec 31	Drawings	1 850 W1 (2)	2017 Jan 1	Bank	5 000 (1)		Balance c/d	34 150		Motor vehicle	6 000 (1)				Dec 31	Income statement	25 000 (1)			<u>36 000</u>			<u>36 000</u>				2018 Jan 1	Balance b/d	34 150 (1of)	(7)
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Concept						
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Question Number	Answer	Mark
15 (a)	<p>Award up to 2 marks for advantages and up to 2 marks for disadvantages.</p> <p>Advantages</p> <ul style="list-style-type: none"> • additional capital • share the risk • share the workload • new ideas • additional skills <p>Disadvantages</p> <ul style="list-style-type: none"> • receiving less profit • delaying business decisions • possible conflicts • responsible for all debts <p>Accept other appropriate responses</p>	(4)

15 Stavros has been in business for some years as a sole trader. He has recently been approached by a friend who wishes to join him in business and form a partnership.

(a) State **two** advantages and **two** disadvantages for Stavros of forming a partnership.

(4)

Advantages

1

.....

2

.....

Disadvantages

1

.....

2

.....

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Question Number	Answer	Mark
15 (b)	<p>Award 1 mark for identifying the changes to each category with a further 1 mark for each point of development – max 2 marks for each.</p> <p>Sample answer</p> <p>Current accounts (1) will be required which will record drawings , interest on capital etc. (1)</p> <p>The partnership will be required to produce an appropriation account (1) which will show the share of profit/loss for each partner (1)</p> <p>The financed by section of the balance sheet (1) will now include separate balances for each partners capital and current accounts. (1)</p>	(6)