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Pearson Edexcel Centre Number Candidate Number

International GCSE

Accounting

Paper 1

Friday 12 May 2017 – 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 neatly in 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 The following information was extracted from the books of Randall for the month of March 2017.

	£
Amount owing by debtors 1 March 2017	4 290
Credit sales	4 800
Cash sales	1 000
Returns inwards	320
Bad debts	253
Discount allowed	66
Customer's cheque dishonoured	210
Receipts from debtors	5 421

(a) Prepare the sales ledger control account for the month of March 2017. Balance the account on 31 March 2017 and bring the balance down to 1 April 2017.

(8)

Sales Ledger Control Account

Date	Narrative	Amount (£)	Date	Narrative	Amount (£)

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Randall purchases goods from several suppliers who all offer him trade discount of 10%. All purchases are subject to VAT at the rate of 20%.

During the month of April 2017 the following transactions took place.

April	Transaction
3	Purchased goods from T Hinds, list price £320
6	Purchased goods from R Tibbs, list price £1 390
10	Returned goods to T Hinds, list price £86
12	Purchased goods from W Brown, list price £890
24	Returned goods to R Tibbs, list price £210
28	Purchased goods from T Hinds, list price £450
30	Purchased goods from W Brown, list price £760

(b) Prepare Randall's purchases book and purchases returns book for the month of April 2017, showing the totals for the month.

(9)

Purchases Book

Date	Name	£	£	£

Purchases Returns Book

Date	Name	£	£	£

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(c) State **three** reasons why Randall's suppliers offer trade discount.

(3)

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(Total for Question 11 = 20 marks)

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Question Number	Answer	Mark																																																
11(a)	<p>Award marks for correct amounts as indicated. Award 1 mark for ALL correct dates and narratives</p> <p style="text-align: center;">Sales ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narrative</th> <th>£</th> <th>Date</th> <th>Narrative</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Mar 1</td> <td>Bal b/f</td> <td>4290 (1)</td> <td>Mar 31</td> <td>Returns inwards</td> <td>320 (1)</td> </tr> <tr> <td>Mar 31</td> <td>Sales</td> <td>4 800 (1)</td> <td></td> <td>Bad debts</td> <td>253 (1)</td> </tr> <tr> <td></td> <td>Bank</td> <td>210 (1)</td> <td></td> <td>Bank</td> <td>5 421 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Discount allowed</td> <td>for both 66</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Bal c/d</td> <td>3 240</td> </tr> <tr> <td></td> <td></td> <td><u>9 300</u></td> <td></td> <td></td> <td><u>9 300</u></td> </tr> <tr> <td>Apr 1</td> <td>Bal b/d</td> <td>3 240 (1) of</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Narrative	£	Date	Narrative	£	Mar 1	Bal b/f	4290 (1)	Mar 31	Returns inwards	320 (1)	Mar 31	Sales	4 800 (1)		Bad debts	253 (1)		Bank	210 (1)		Bank	5 421 (1)					Discount allowed	for both 66					Bal c/d	3 240			<u>9 300</u>			<u>9 300</u>	Apr 1	Bal b/d	3 240 (1) of				(8)
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Question Number	Answer	Mark
11 (b)	Award 1 mark for correct date, details and amounts in combination. Award 1 mark for total line	(9)

Purchases Book

Date	Name	£	£	£
Apr 3	T Hinds	288.00	57.60	345.60 (1)
Apr 6	R Tibbs	1 251.00	250.20	1 501.20 (1)
Apr 12	W Brown	801.00	160.20	961.20 (1)
Apr 28	T Hinds	405.00	81.00	486.00 (1)
Apr 30	W Brown	684.00	136.80	820.80 (1)
	Total for month	<u>3 429.00</u>	<u>685.80</u>	<u>4 114.80</u> (1of)

Purchases Returns Book

Date	Name	£	£	£
Apr 10	T Hinds	77.40	15.48	92.88 (1)
Apr 24	R Tibbs	189.00	37.80	226.80 (1)
	Total for month	<u>266.40</u>	<u>53.28</u>	<u>319.68</u> (1of)

Question Number	Answer	Mark
11 (c)	<p>Award 1 mark for each correctly stated reason (max 3)</p> <p>Sample responses</p> <p>Purchasing large or bulk quantities</p> <p>To encourage repeat business</p> <p>For businesses in the same trade</p>	(3)

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- 12 On 28 February 2017 the following balances remained in the books of R Hopkins after the preparation of the trading and profit and loss account for the year.

	£
Capital	10 000
Cash at bank	3 126
Cash in hand	289
Creditors	5 288
Debtors	7 429
Drawings	5 321
Fixtures and fittings (net book value)	1 900
Motor vehicles (net book value)	15 400
Net profit	23 698
Stock	5 521

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(a) Prepare the balance sheet of R Hopkins as at 28 February 2017.

(4)

R Hopkins

Balance Sheet as at 28 February 2017

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After the preparation of the balance sheet the following errors and omissions were discovered.

1. No entry had been made in the books for goods, costing £350, taken by R Hopkins for his own use.
2. The annual charge for depreciation of fixtures and fittings had been omitted. The policy is to depreciate fixtures and fittings by 25% of the net book value.
3. The purchase of a new motor vehicle on credit from DEF Traders, costing £12 000, had been omitted from the books.
4. One of the debtors had ceased trading on 31 January 2017 owing £876. This should have been written off as a bad debt.
5. Motor vehicle running costs for the year totalling £1 500 had been entered in error in the motor vehicles account.

(b) State the type of error in (5) above.

(1)



(c) Prepare journal entries to correct these errors and omissions. Narratives are **not** required.

(10)

The Journal

	£	£

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R Hopkins' policy is to depreciate motor vehicles at the rate of 25% on a reducing balance basis, with a full year's depreciation being charged in the year of purchase.

(d) Calculate the additional amount of depreciation to be charged on motor vehicles after the above errors and omissions have been corrected.

(3)

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(e) State **two** accounting concepts that are relevant to the calculation of depreciation.

(2)

1

2

(Total for Question 12 = 20 marks)



Question Number	Answer	Mark
11 (c)	<p>Award 1 mark for each correctly stated reason (max 3)</p> <p>Sample responses</p> <p>Purchasing large or bulk quantities</p> <p>To encourage repeat business</p> <p>For businesses in the same trade</p>	(3)

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R Hopkins		
Balance Sheet as at 28 February 2017		
	£	£
Assets		
Non-current assets		
Motor vehicles	15 400	
Fixtures and fittings	<u>1 900</u>	
		17 300 (1)
Current assets		
Stock	5 521	
Debtors	7 429	
Cash at bank	3 126	
Cash in hand	<u>289</u>	
	16 365	16 365
Total assets		<u>33665</u> (1of)
Equity and Liabilities		
Equity		
Opening balance	10 000	
Net profit	23 698	
	<u>33 698</u>	
Drawings	5 321	
		28 377 (1)
Current liabilities		
Creditors		5 288
Total equity and liabilities		<u>33665</u> (1of)

Question Number	Answer	Mark
12 (b)	Principle/principle (1)	(1)

Question Number	Mark	Mark
12 (c)	Award marks for correct details and amounts in combination.	(10)
The Journal		
		Debit Credit
(1)	Drawings	350 (1)
	Purchases	350 (1)
(2)	Profit and loss	475 (1)
	Provision for depreciation	475 (1)
(3)	Motor vehicles	12 000 (1)
	DEF Traders	12 000 (1)
(4)	Bad debts	876 (1)
	Sales ledger control account	876 (1)
(5)	Motor vehicle expenses	1 500 (1)
	Motor vehicle	1 500 (1)
Question Number	Answer	Mark
12 (d)	Award mark for correct figures only New vehicle 12 000 – expenses 1 500 (1) x 25% (1) = 2 625 (1of)	(3)
Question Number	Answer	Mark
12 (e)	Award (1) mark for each correct response Acceptable responses: Consistency/consistency (1) Accruals/accruals / Matching/matching (1)	(2)

13 The following information was extracted from the records of the Bowlers Cricket Club for the year ended 31 March 2017.

	1 April 2016 (£)	31 March 2017 (£)
Subscriptions in arrears	340	480
Subscriptions in advance	200	130
Stock of refreshments	421	389
Creditors for refreshments	152	143
Clubhouse (cost)	5 000	5 000
Equipment (net book value)	3 000	2 800

The treasurer also provided the following summarised receipts and payments account for the year ended 31 March 2017.

Receipts and Payments Account

	£		£
Balance 1 April 2016	1 267	Payments to creditors	3 070
Sale of refreshments	5 433	Equipment	1 500
Donations	5 000	Sundry expenses	3 500
Subscriptions	8 000	Greenkeeper's wages	9 000
		Balance c/d	2 630
	19 700		19 700
Balance b/d	2 630		

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(a) Calculate the accumulated fund on 1 April 2016.

(3)

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(b) Prepare the subscriptions account for the year ended 31 March 2017. Balance the account on that date and bring the balance down on 1 April 2017.

(6)

Subscriptions Account

Date	Narrative	Amount (£)	Date	Narrative	Amount (£)



(c) Prepare the refreshments trading account for the year ended 31 March 2017.

(8)

Bowlers Cricket Club
Refreshments Trading Account
Year ended 31 March 2017

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Area with horizontal dotted lines for writing the trading account.



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(d) Prepare the income and expenditure account for the year ended 31 March 2017.

(8)

Bowlers Cricket Club
Income and Expenditure Account
Year ended 31 March 2017

Area with horizontal dotted lines for writing the Income and Expenditure Account.

(Total for Question 13 = 25 marks)

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Apr 1	Bal b/d	480 (1)	Apr 1	Bal b/d	130 (1)																																				

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14 The following information relates to two businesses in the same trade, at the year ended 31 December 2016.

	Brown £	Blair £
Sales	350 000	430 000
Gross profit	157 500	107 500
Net profit	35 000	64 500
Capital employed	437 500	537 500

(a) Calculate, for the year ended 31 December 2016, the following ratios, for each business. State clearly the formula used.

(9)

Ratio	Formula	Brown	Blair
Gross profit percentage			
Net profit percentage			
Return on capital employed			



(b) Evaluate the profitability of each business for the year ended 31 December 2016, indicating which business is performing better.

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(Total for Question 14 = 14 marks)

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Question Number	Answer	Mark																
14 (a)	<p>Award 1 mark for each correct figure</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Ratio</th> <th>Formula</th> <th>Brown</th> <th>Blair</th> </tr> </thead> <tbody> <tr> <td>Gross profit percentage</td> <td>GP/Sales x 100 (1)</td> <td>45% (1)</td> <td>25 % (1)</td> </tr> <tr> <td>Net profit percentage</td> <td>NP/Sales x 100 (1)</td> <td>10 % (1)</td> <td>15% (1)</td> </tr> <tr> <td>Return on capital employed</td> <td>NP/Capital employed x 100(1)</td> <td>8% (1)</td> <td>12% (1)</td> </tr> </tbody> </table>	Ratio	Formula	Brown	Blair	Gross profit percentage	GP/Sales x 100 (1)	45% (1)	25 % (1)	Net profit percentage	NP/Sales x 100 (1)	10 % (1)	15% (1)	Return on capital employed	NP/Capital employed x 100 (1)	8% (1)	12% (1)	(9)
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Question Number	Answer	Mark																
14 (b)	<p>Award (1) mark for comments on each category of ratio. Comments must relate to both businesses.</p> <p>Award (1) mark for identifying that Blair is the more profitable business with a further (1) mark for justification.</p> <p>Sample answer</p> <p>The gross profit percentage for Brown indicates that he is marking up his goods by a larger percentage than Blair (1). However the net profit percentage for Blair indicates that he has better control of his overheads than Brown (1). This is reflected in the return on capital employed where Blair’s return on capital indicates that he is receiving a better return on the capital invested compared to Brown (1).</p> <p>Overall it would appear that Blair is more profitable (1) than Brown as his net profit as a percentage of sales is higher than Brown and he is receiving a higher return on his capital employed (1)</p>	(5)																

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15 On 1 April 2017 Jones purchased a new packing machine for use in his business. The following table shows the costs associated with this purchase.

(a) Complete the following table to indicate with a tick (✓) whether the transactions are capital expenditure or revenue expenditure.

(6)

Transaction	Capital expenditure	Revenue expenditure
Insurance		
Delivery charge		
Import duty		
Maintenance contract		
Operator training cost		
Installation		

(b) Evaluate, using an appropriate example, the effect on a business's financial statements of the incorrect treatment of capital expenditure and revenue expenditure.

(5)

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(Total for Question 15 = 11 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 100 MARKS



Question Number	Answer	Mark			
15 (a)	Award 1 mark for each correct category	(6)			
			Transaction	Capital expenditure	Revenue expenditure
			Insurance		✓ (1)
			Delivery charge	✓ (1)	
			Import duty	✓ (1)	
			Maintenance contract		✓ (1)
			Operator training cost	✓ (1)	
			Installation	✓ (1)	

Question Number	Answer	Mark
15 (b)	<p>Award (1) mark for comment related to the effect on the profit and loss account and (1) mark for the effect on the balance sheet.</p> <p>Award up to (2) marks for a relevant example.</p> <p>Award (1) mark for a conclusion.</p> <p>Sample response</p> <p>The incorrect treatment of revenue expenditure would result in the net profit being either overstated or understated (1).</p> <p>The incorrect treatment of capital expenditure would result in the fixed assets section of the balance sheet being either overstated or understated (1).</p> <p>If, for example, a business enters the purchase of a motor vehicle in the motor expenses account this would result in the net profit being understated (1) and the value of the motor vehicles in the balance sheet being understated (1).</p> <p>By treating capital expenditure and revenue expenditure incorrectly would result in the financial statements not providing a true and fair view of the business (1).</p>	(5)