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**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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# Accounting

## Paper 1

Friday 8 May 2015 – Morning  
**Time: 2 hours 30 minutes**

Paper Reference

**4AC0/01**

**You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

### Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**PEARSON**

**SECTION B****Answer ALL questions.**

- 11** Jali Bergerac maintains a full set of accounting books, including a three column cash book.

On 1 March 2015 Jali's records showed that he had cash in hand of £540 and an overdraft at the bank of £8 970.

During the month of March 2015 he made the following transactions.

<b>Date</b>	<b>Transaction</b>
March 3	Cash sales £500
March 7	Received a cheque from T Lee, a debtor, in settlement of his account of £150 less 2% cash discount.
March 10	Received a cheque from S Teen, a debtor, in full settlement of his account of £350.
March 12	Jali withdrew £300 from the bank for his own personal use.
March 15	Paid R Tong, a creditor, £456 by cheque after deducting 4% cash discount.
March 21	Paid wages and salaries by cheque, £425.
March 25	Cash sales, £1 430 paid directly into the bank.
March 27	The cheque received from S Teen on March 10 2015 is returned by the bank as 'dishonoured'.
March 28	Transferred £800 from the cash account into the bank account.



(a) Enter these transactions in the three column cash book. Balance the cash book on 31 March 2015 and bring the balance down on 1 April 2015.

(16)

Date	Narrative	Discount Allowed	Cash	Bank	Date	Narrative	Discount Received	Cash	Bank
		£	£	£			£	£	£



(b) Make the necessary entries in the discounts accounts of Jali’s ledger.

(2)

**Discount allowed account**

Date	Narrative	£	Date	Narrative	£

**Discount received account**

Date	Narrative	£	Date	Narrative	£

(c) Explain the meaning of the term ‘dishonoured cheque’.

(2)

.....

.....

.....

.....

**(Total for Question 11 = 20 marks)**



**Section B**

Question Number	Answer	Mark
11 (a)	Award mark for correct date, narrative and figure.	<b>(16)</b>

Date	Narrative	Disc. All.	Cash	Bank	Date	Narrative	Disc. Rec.	Cash	Bank
		£	£	£			£	£	£
Mar 1	Bal b/f		540 (1)		Mar 1	Bal b/f			8 970 (1)
Mar 3	Sales		500 (1)		Mar 12	Drawings			300 (1)
Mar 7	T Lee	3 (1)		147 (1)	Mar 15	R Tong	19 (1)		456 (1)
Mar 10	S Teen			350 (1)					
Mar 25	Sales			1 430 (1)	Mar 21	Wages & Salaries			425 (1)
Mar 28	Cash			800 (1)	Mar 27	S Teen (Dis Chq)			350 (1)
					Mar 28	Bank		800 (1)	
Mar 31	Balance c/d			7774	Mar 31	Balance c/d		240	
		<u>3</u>	<u>1</u> <u>040</u>	<u>10</u> <u>501</u>			<u>19</u>	<u>1</u> <u>040</u>	<u>10</u> <u>501</u>
Apr 1	Balance b/d		240 (1)		Apr 1	Balance b/d			7774 (1)

Question Number	Answer	Mark																								
11 (b)	<p style="text-align: center;"><b>Discount allowed account</b></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 31</td> <td>Cash Book</td> <td>3(1 o.f)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center;"><b>Discount received account</b></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></td> <td></td> <td></td> <td>Mar 31</td> <td>Cash book</td> <td>19(1o.f)</td> </tr> </tbody> </table>	Date	Narrative	£	Date	Narrative	£	Mar 31	Cash Book	3(1 o.f)				Date	Narrative	£	Date	Narrative	£				Mar 31	Cash book	19(1o.f)	<b>(2)</b>
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Question Number	Answer	Mark
11 (c)	A dishonoured cheque is a cheque received by a business which the debtor's bank refuses to pay (1). This may be because the debtor does not have enough money in his/her bank account (1).	<b>(2)</b>

**12** Bob and Carol are in partnership sharing profits and losses in the ratio of 2:1 respectively.

Their partnership agreement also provides for interest on capital at the rate of 5% per annum and a salary for Carol of £10 000 per annum.

After the preparation of the trading account for the year ended 31 March 2015, the following balances remained in the books.

	£
Capital accounts: Bob	100 000
Carol	50 000
Current accounts: Bob	5 623 (Cr)
Carol	6 822 (Dr)
Cash at bank	4 500 (Dr)
Cash in hand	632
Closing stock	45 981
Discount allowed	371
Discount received	521
Fixtures and fittings – cost	30 000
Fixtures and fittings – provision for depreciation	10 000
Gross profit	85 321
Heat and light	1 329
Rent	4 500
Trade creditors	3 925
Trade debtors	4 980
Wages and salaries	13 002

### Additional information

Fixtures and fittings are to be depreciated at the rate of 25% per annum on a straight line basis.

On 31 March 2015 wages and salaries, £240, were outstanding, and a payment of rent, £600, for the year ending 31 March 2016 had been made.







Question Number	Answer	Mark																																																																																								
12	<p style="text-align: center;"><b>Bob and Carol</b> <b>Profit and Loss and Appropriation Account</b> <b>Year ended 31 March 2015</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: center;">£</th> <th style="width: 15%; text-align: center;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">85 321</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;"><u>521</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">85 842</td> <td></td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Heat and light</td> <td style="text-align: right;">1 329</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent (4500 - 600)</td> <td style="text-align: right;">3 900</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">371</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Wages and salaries (13 002 + 240)</td> <td style="text-align: right;">13 242</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Provision for depreciation (25% x 30000)</td> <td style="text-align: right;">7 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>26 342</u></td> <td></td> </tr> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;">59 500</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary – Carol</td> <td style="text-align: right;">10 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Interest on capitals – Bob</td> <td style="text-align: right;">5 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carol</td> <td style="text-align: right;">2 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">17 500</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">42 000</td> <td></td> </tr> <tr> <td>Share of profits:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bob</td> <td style="text-align: right;">28 000</td> <td></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Carol</td> <td style="text-align: right;">14 000</td> <td></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>42 000</u></td> <td></td> </tr> </tbody> </table>		£	£		Gross profit		85 321	(1)	Discount received		<u>521</u>	(1)			85 842		Expenses				Heat and light	1 329		(1)	Rent (4500 - 600)	3 900		(2)	Discount allowed	371		(1)	Wages and salaries (13 002 + 240)	13 242		(2)	Provision for depreciation (25% x 30000)	7 500		(1)			<u>26 342</u>		Net profit		59 500	(1of)					Salary – Carol	10 000		(1)	Interest on capitals – Bob	5 000		(1)	Carol	2 500		(1)			17 500				42 000		Share of profits:				Bob	28 000		(1of)	Carol	14 000		(1of)			<u>42 000</u>		<b>(15)</b>
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(b) Calculate the current (working capital) ratio. State clearly the formula used.

(2)

Formula	Current (working capital) ratio

(c) Calculate the acid test (liquid) ratio. State clearly the formula used.

(2)

Formula	Acid test (liquid) ratio





Question Number	Answer				Mark
13 (a)	Current assets				<b>(5)</b>
	Stock	35 000			
	Debtors	35 751			
	Expenses prepaid	990			
	Cash at bank	3 600			
	Cash in hand	<u>259</u>			
			75 600	(2 of 1 of)	
	Current liabilities				
	Creditors	41 200			
	Expenses accrued	<u>800</u>			
			<u>42 000</u>	(2 of 1 of)	
	Working capital		33 600	(1 of)	

Question Number	Answer		Mark
13 (b)	Formula	Working capital (current) ratio	<b>(2)</b>
	Current assets/Current liabilities (1)	$75\ 600/42\ 000 = 1.8:1$ (1)	

Question Number	Answer		Mark
13 (c)	Formula	Liquid (Acid test) ratio	<b>(2)</b>
	Current assets – stock/Current liabilities (1)	$(75\ 600 - 35\ 000)/42\ 000 = 0.97:1$ (1)	

Question Number	Answer	Mark
13 (d)	<p>Award (1) mark for identifying that the business's current ratio is below normal (2: 1) and similarly (1) mark for identifying that the liquid ratio is also below normal (1: 1).</p> <p>Award up to (2) marks for 2 correct suggestions as to how he could improve his working capital position eg: inject more capital; sell surplus fixed asset; reduce drawings; take on a partner; take out long term loans etc. Final (1) mark for suitable conclusion.</p> <p><b>Sample Answer</b></p> <p>The liquidity position of the business has clearly worsened over the past three years as the current ratio is now below that which is considered normal (2: 1) (1) and his liquid ratio is similarly lower than expected (1: 1) (1).</p> <p>In order to improve his working capital position Holmes should consider introducing further capital from his own resources (1), or selling surplus fixed assets (1).</p> <p>If he does not take step to improve on his working capital position he may have problems meeting his short term debts (1).</p>	<b>(5)</b>

14 Rekha and Ali Shah are in partnership. At the end of their financial year on 31 March 2015 their trial balance failed to agree with a difference of £950 on the credit side.

After an investigation by their accountant the following errors and omissions were discovered.

- 1 Rekha had withdrawn goods, costing £250, from the business for her own use. This sum had been debited to her drawings account but no other entry had been made.
- 2 Ali had purchased some items of stationery, costing £86, out of his own personal money, for the business during the year. This transaction had not been recorded in the books of account.
- 3 During the year a bad debt of £350, written off in the previous financial year, had been recovered. This had been debited in both the cash book and bad debts account.
- 4 A debit balance of £3 500 shown in Rekhas’s current account at the start of the year should have been transferred to her capital account. This transfer had not taken place.

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

(9)

	<b>Debit</b>	<b>Credit</b>
	<b>£</b>	<b>£</b>



(b) Prepare the suspense account.

(5)

**Suspense account**

Date	Narrative	£	Date	Narrative	£

Complete the table by putting a cross in the correct box . If you change your mind about an answer, put a line through the box  and then mark your new answer with a cross .

(c) Indicate the effect, if any, on the partnership's net profit following the correction of the errors and omissions.

(4)

Error and omission	Increase	Decrease	No effect
1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Rekha and Ali are concerned that their partnership profitability is decreasing and wish to investigate ways in which this could be improved.

(d) (i) State **one** way in which the gross profit margin could be improved.

(1)

.....

.....

(ii) State **one** way in which the net profit margin could be improved.

(1)

.....

.....





Rekha believes that if the closing stock is valued at selling price, the partnership profit will increase.

(e) Evaluate this statement, making reference to relevant accounting concepts.

(5)

Dotted lines for writing the answer.

(Total for Question 14 = 25 marks)



Question Number	Answer			Mark
14 (a)		<b>Debit</b>	<b>Credit</b>	<b>(9)</b>
		<b>£</b>	<b>£</b>	
	Suspense	250 (1)		
	Purchases		250 (1)	
	Stationery	86 (1)		
	Ali - Current account		86 (1)	
	Suspense	700 (1)		
	Bad debts recovered		350 (1)	
	Bad debts		350 (1)	
	Rekha – Capital account	3 500 (1)		
	Rekha – Current account		3 500 (1)	

Question Number	Answer	Mark																														
14 (b)	<b>Suspense account</b>	<b>(5)</b>																														
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 30%;">Narrative</th> <th style="width: 15%;">£</th> <th style="width: 15%;">Date</th> <th style="width: 30%;">Narrative</th> <th style="width: 15%;">£</th> </tr> </thead> <tbody> <tr> <td>31 March</td> <td>Purchases</td> <td>250(1)</td> <td></td> <td>Balance b/f (1)</td> <td>950(1)</td> </tr> <tr> <td>31 March</td> <td>Bad debts</td> <td>350(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>31 March</td> <td>Bad debts recovered</td> <td>350(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>31 March</td> <td></td> <td style="text-align: center;"><u>950</u></td> <td></td> <td></td> <td style="text-align: center;"><u>950</u></td> </tr> </tbody> </table>	Date	Narrative	£	Date	Narrative	£	31 March	Purchases	250(1)		Balance b/f (1)	950(1)	31 March	Bad debts	350(1)				31 March	Bad debts recovered	350(1)				31 March		<u>950</u>			<u>950</u>	
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31 March		<u>950</u>			<u>950</u>																											

Question Number	Answer				Mark
14 (c)	<b>Error and omission</b>	<b>Increase</b>	<b>Decrease</b>	<b>No effect</b>	<b>(4)</b>
	1	✓ (1)			
	2		✓ (1)		
	3	✓ (1)			
	4			✓ (1)	

Question Number	Answer	Mark
14 (d i)	Increase the selling price of their products without any subsequent increase in the cost price (1) <b>OR</b> Decrease the cost of goods purchased without any subsequent decrease in the selling price. (1)	<b>(1)</b>

Question Number	Answer	Mark
14 (d ii)	Better control of overheads/ reduce expenses (1)	<b>(1)</b>

Question Number	Answer	Mark
14 (e)	Award (1) mark for confirming that this will increase her profits. Award (1) mark for stating how stock should be valued and (1) mark for identifying that this suggestion would be in contravention of the prudence concept. A further (1) mark for stating the effect on both profit and assets and (1) mark for an appropriate conclusion. <b>Sample Answer</b> Rekha is correct in her statement that valuing the closing stock at selling price will increase her profits as the cost of sales will be reduced (1). However, stock should be valued at the lower of cost or net realisable value (1) which is an application of the concept of prudence (1). By over valuing the stock both the profit and the assets will be over-valued (1). Hence Rekha should be advised that her suggestion is not appropriate (1).	<b>(5)</b>

**15** Columbo Manufacturing Limited maintains a full set of accounting records and prepares financial statements at the end of each financial year.

Complete the table below to show, for each item of expenditure, whether the item would be regarded as revenue expenditure or capital expenditure, and in which financial statement the item should appear at the end of the company's financial year.

The first row has been completed for you.

Item of expenditure	Type of expenditure	Financial statement
Payment of administration expenses	Revenue	Profit and loss account
Cost of improvements to factory air conditioning		
Payment of directors' salaries		
Payment of share dividend		
Payment of debenture interest		
Purchase of raw materials		
Purchase of new plant and machinery		
Cost of installing new plant and machinery		
Maintenance charges for new plant and machinery		

**(Total for Question 15 = 16 marks)**

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



Question Number	Answer			Mark
15	<b>Item of expenditure</b>	<b>Type of expenditure</b>	<b>Financial statement</b>	<b>(16)</b>
	Payment of administration expenses	<i>Revenue</i>	<i>Profit and loss account</i>	
	Cost of improvements to factory air conditioning	Capital (1)	Balance sheet (1)	
	Payment of directors' salaries	Revenue (1)	Profit and loss account (1)	
	Payment of share dividend	Revenue (1)	Appropriation account (1)	
	Payment of debenture interest	Revenue (1)	Profit and loss account (1)	
	Purchase of raw materials	Revenue (1)	Manufacturing account (1)	
	Purchase of new plant and machinery	Capital (1)	Balance sheet (1)	
	Cost of installing new plant and machinery	Capital (1)	Balance sheet (1)	
	Maintenance charges for new plant and machinery	Revenue (1)	Manufacturing account (1)	