Write your name here

Surname	Other names

Pearson Edexcel International GCSE

Centre Number ☐☐☐☐☐

Candidate Number ☐☐☐☐

Accounting

Paper 1

Friday 13 May 2016 – 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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SECTION B

Answer ALL questions.

11 Marley sells goods on credit and allows all his customers trade discount of 25%.

(a) State **two** reasons why he offers trade discount.

(2)

1 ....

....

2 ....

....

During the month of April 2016 the following transactions took place. On 1 April 2016 Marley was owed £350 by B Cratchit and £780 by C Brown.

April	
2	Sold goods on credit to B Cratchit, list price £240
5	Sold goods on credit to C Brown, list price £761
9	Sold goods on credit to B Cratchit, list price £400
15	B Cratchit returned goods, list price £60
21	B Cratchit paid the amount owing on his account on 1 April 2016 by cheque
30	C Brown returned goods, list price £32

(b) State the source document Marley would have used to record the transactions on April 2 2016 and April 15 2016.

(2)

April	**Document**
2	
15	

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(c) Prepare the account of B Cratchit for the month of April 2016. Balance the account on 30 April 2016 and bring the balance down on 1 May 2016.

(9)

B Cratchit Account

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

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Marley supplied the following information relating to his credit purchases for the month of April 2016.

Name of Supplier	Balance on 1 April 2016	Credit purchases	Purchases returns	Payments to credit suppliers	Cash Discount
	£	£	£	£	£
E Burgh	480	890	100	456	24
L Ondon	642	208	–	608	34
S Windon	327	793	80	400	16
M Chester	300	630	30	576	24

Marley had sold goods on credit, £200, to M Chester on 23 March 2016. During April 2016 Chester agreed to set this off against the amount owed to him by Marley.

(d) Prepare the purchases ledger control account for April 2016. Balance the account on 30 April 2016 and bring the balance down on 1 May 2016.

(10)

Purchases Ledger Control Account

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

(e) State what the closing balance of the purchases ledger control account represents and where it would be shown in the financial statements.

(2)

....

....

(Total for Question 11 = 25 marks)

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Section B

Question Number	Answer	Mark
11(a)	To encourage repeat business/customer loyalty (1) Bulk buying (1)	**(2)**

Question Number	Answer	Mark
11(b)	Invoice (1) Credit note (1)	**(2)**

Question Number	Answer	Mark
11(c)	**Award 1 mark for correct date, narrative and amount.**	**(9)**

B Cratchit Account

Date	Narrative	£	Date	Narrative	£
Apr 1	Balance b/d	350 (1)	Apr 15	Returns in	45 (2cf 1of)
Apr 2	Sales	180 (2cf 1of)	Apr 21	Bank	350 (1)
Apr 9	Sales	300 (2cf 1of)	Apr 30	Balance c/d	435
		830			**830**
May 1	Balance b/d	435 (1of for both)			

Question Number	Answer	Mark
11(d)	**Award 1 mark for correct dates, 1 mark for correct narratives and 1 mark for each correct amount on the correct side.**	**(10)**

Purchases Ledger Control Account

Date	Narrative	£	Date	Narrative	£
Apr 30	Returns Out	210 (1)	Apr 1	Balance b/d	1 749 (1)
Apr 30	Bank	2 040 (1)	Apr 30	Purchases	2 521(1)
Apr 30	Discount Received	98 (1)			
Apr 30	SL set off	200 (1)			
Apr 30	Balance c/d	1 722			
		4 270			4 270
			May 1	Balance b/d	1 722 (2cf/1of for both)

Question Number	Answer	Mark
11 (e)	The balance represents the creditors of the business (1) This would be shown as a current liability (on the balance sheet) (1)	**(2)**

Question Number	Answer	Mark
12 (a)	**Aaron Crow** **Trial Balance at 30 April 2016**	**(12)**

	Debit (£)	**Credit (£)**
Gross profit		240 000 (1)
General expenses	50 000(1)	
Furniture and fittings - cost	35 000 (1)	
Furniture and fittings – provision for depreciation		5 000 (1)
Stock – 30 April 2016	12 500(1)	
Long term bank loan		10 000 (1)
Premises	360 000 (1)	
Debtors	42 000 (1)	
Creditors		18 750 (1)
Cash in hand	500 (1)	
Bank overdraft		8 325 (1)
Capital		217 925 (1of)
	<u>500 000</u>	<u>500 000</u>

Question Number	Answer	Mark
12 (b i)	240 000 x 125/25 (1) = £1 200 000 (1)	**(2)**

Question Number	Answer	Mark
12 (b ii)	GP 240 000 – (50 000 + 10 000) (1) = NP £180 000 (1of)	**(2)**

Question Number	Answer	Mark
12 (b iii)	£180 000/1 200 000 (1of) x 100 = 15% (1of)	**(2)**

12 The following balances remained in the books of Aaron Crow, a sole trader, after the preparation of his trading account for the year ended 30 April 2016.

	£
Gross profit	240 000
General expenses	50 000
Furniture and fittings - cost	35 000
Furniture and fittings – provision for depreciation	5 000
Stock – 30 April 2016	12 500
Long term bank loan	10 000
Premises	360 000
Debtors	42 000
Creditors	18 750
Cash in hand	500
Bank overdraft	8 325

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(a) Prepare a trial balance at 30 April 2016 to calculate the capital at that date.

(12)

Aaron Crow

Trial Balance at 30 April 2016

	Debit **(£)**	**Credit** **(£)**
Gross profit		
General expenses		
Furniture and fittings – cost		
Furniture and fittings – provision for depreciation		
Stock – 30 April 2016		
Long term bank loan		
Premises		
Debtors		
Creditors		
Cash in hand		
Bank overdraft		
Capital		

Aaron has advised you that he marks up his cost of sales by 25%; and that the depreciation charge for the year ended 30 April 2016, £10 000, has not yet been taken into account.

(b) Calculate for the year ended 30 April 2016:

(i) the sales for the year

(2)

(ii) the net profit for the year

(2)

(iii) the net profit percentage

(2)

(iv) the return on capital employed

(2)

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Aaron has advised you that for the year ended 30 April 2015 his profitability ratios were as follows:

Mark up	30%
Net profit percentage	20%
Return on capital employed	65%

(c) Evaluate the profitability of the business for the year ended 30 April 2016.

(5)

(Total for Question 12 = 25 marks)

Question Number	Answer	Mark
11 (e)	The balance represents the creditors of the business (1) This would be shown as a current liability (on the balance sheet) (1)	**(2)**

Question Number	Answer	Mark
12 (a)	**Aaron Crow** **Trial Balance at 30 April 2016**	**(12)**

	Debit (£)	**Credit (£)**
Gross profit		240 000 (1)
General expenses	50 000(1)	
Furniture and fittings - cost	35 000 (1)	
Furniture and fittings – provision for depreciation		5 000 (1)
Stock – 30 April 2016	12 500(1)	
Long term bank loan		10 000 (1)
Premises	360 000 (1)	
Debtors	42 000 (1)	
Creditors		18 750 (1)
Cash in hand	500 (1)	
Bank overdraft		8 325 (1)
Capital		217 925 (1of)
	500 000	500 000

Question Number	Answer	Mark
12 (b i)	240 000 x 125/25 (1) = £1 200 000 (1)	**(2)**

Question Number	Answer	Mark
12 (b ii)	GP 240 000 – (50 000 + 10 000) (1) = NP £180 000 (1of)	**(2)**

Question Number	Answer	Mark
12 (b iii)	£180 000/1 200 000 (1of) x 100 = 15% (1of)	**(2)**

Question Number	Answer	Mark
12 (b iv)	£180 000 (1of) /217 925 x 100 = 82.60% (1of)	**(2)**

Question Number	Answer	Mark
12 (c)	Award up to 2 marks for an appropriate comment on **each** profitability ratio (Max 4 marks). Award 1 mark for a concluding statement Sample answers The mark-up has decreased from 30% to 25%. This indicates that Aaron is either selling his goods at a lower price (1) and/or purchasing his goods at a higher price (1) than the previous year. The net profit percentage had decreased from 20% to 15%. This indicates that Aaron may be spending more money on his overheads this year than previously (1). However this may be due to the decrease in his mark up rather than any increase in overhead costs (1) The return on capital employed has increased from 65% to 82.6% which indicates that Aaron is earning more profit from his capital this year than the previous year (1). This may be due to improved efficiency is his business operations (1) In spite of a decrease in his mark up Aaron's business's profitability is improving which is evident from the increase in the capital employed (1)	**(5)**

Question Number	Answer	Mark
13 (a)	Raw materials stock is the stock of crude or processed material that can be converted by manufacture into a saleable good (1). Work in progress stock is goods which have started their manufacturing process so are no longer included in the raw materials stock, but have not yet reached a stage where they are fit to be sold (1) Finished goods stock is goods which have completed the manufacturing process and are available to be sold (1)	**(3)**

13 Sohal, a manufacturer of footwear, provided the following information for the year ended 31 March 2016.

	At 1 April 2015	**At 31 March 2016**
	£	**£**
Raw materials	3 600	4 000
Work-in-progress	5 800	6 100
Finished goods	19 600	26 600

(a) Explain the difference between each of these types of stock.

(3)

....

....

....

....

In addition the following information was provided for the year ended 31 March 2016.

	£
Purchases of raw materials	390 600
Direct wages	110 000
Salary of factory supervisor	45 000
Carriage on raw materials	9 800
Sales and administration costs	159 000
Depreciation of factory machinery	33 000
Rent	30 000
Power	5 000
Insurance	8 000

The costs of rent, power and insurance are apportioned 60% to the factory and 40% to the office.

(b) Prepare the manufacturing account for the year ended 31 March 2016.

(12)

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Sohal

Manufacturing Account Year ended 31 March 2016

(Total for Question 13 = 15 marks)

Question Number	Answer	Mark
12 (b iv)	£180 000 (1of) /217 925 x 100 = 82.60% (1of)	**(2)**

Question Number	Answer	Mark
12 (c)	Award up to 2 marks for an appropriate comment on **each** profitability ratio (Max 4 marks). Award 1 mark for a concluding statement Sample answers The mark-up has decreased from 30% to 25%. This indicates that Aaron is either selling his goods at a lower price (1) and/or purchasing his goods at a higher price (1) than the previous year. The net profit percentage had decreased from 20% to 15%. This indicates that Aaron may be spending more money on his overheads this year than previously (1). However this may be due to the decrease in his mark up rather than any increase in overhead costs (1) The return on capital employed has increased from 65% to 82.6% which indicates that Aaron is earning more profit from his capital this year than the previous year (1). This may be due to improved efficiency is his business operations (1) In spite of a decrease in his mark up Aaron's business's profitability is improving which is evident from the increase in the capital employed (1)	**(5)**

Question Number	Answer	Mark
13 (a)	Raw materials stock is the stock of crude or processed material that can be converted by manufacture into a saleable good (1). Work in progress stock is goods which have started their manufacturing process so are no longer included in the raw materials stock, but have not yet reached a stage where they are fit to be sold (1) Finished goods stock is goods which have completed the manufacturing process and are available to be sold (1)	**(3)**

Question Number	Answer	Mark
13 (b)	**Sohal** **Manufacturing Account** **Year ended 31 March 2016**	**(12)**

	£	**£**	**£**	
Opening stock RM	3 600			(1 for both**)**
Purchases RM	390 600			
	394 200			
Carriage inwards	9 800			(1)
	404 000			
Closing stock RM	4 000			
Cost of raw materials consumed		400 000		**(1)**
Direct wages		110 000		**(1)**
Prime cost			510 000	(1of)
Overheads				
Factory supervisor salary		45 000		(1)
Factory machinery dep		33 000		(1)
Rent		18 000		(1)
Power		3 000		(1)
Insurance		4 800		(1)
			103 800	
			613 800	
Opening stock WIP		5 800		(1for both)
Closing stock WIP		(6 100)		
Production cost			613 500	(1of)

14 The following balances remained in the books of Rekha Limited after the preparation of the profit and loss account for the year ended 31 December 2015.

	£
Bank overdraft	17 832
Cash in hand	2 378
Closing stock	85 765
Creditors	24 598
6% Debentures (2020)	50 000
Debtors	32 879
General reserve	20 000
Ordinary share capital – (0.50p each fully paid)	300 000
Plant and equipment (accumulated depreciation)	50 000
Plant and equipment (cost)	125 000
Premises	490 000
Profit and loss account balance 1 January 2015	98 378
Provision for doubtful debts	592

The following additional information was provided at 31 December 2015.

1 The net profit for the year before any financial charges was £174 622.

2 Debenture interest for the year is to be accrued.

3 The directors have proposed to transfer £10 000 to the general reserve and pay a final dividend on ordinary shares of £0.10 per share.

(a) Calculate the retained profit to be shown in the balance sheet at 31 December 2015.

(4)

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(b) Prepare the balance sheet of Rekha Limited at 31 December 2015.

(6)

Rekha Limited

Balance Sheet At 31 December 2015

The directors of Rekha Limited are considering an expansion of the business and are considering raising the necessary capital either through issuing additional shares or increasing their debentures.

(c) Evaluate these two methods of raising this additional capital.

(5)

(Total for Question 14 = 15 marks)

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Question Number	Answer	Mark
14 (a)	<table><tr><td></td><td>£</td><td>£</td></tr><tr><td>Net profit</td><td></td><td>174 622</td></tr><tr><td>Debenture interest</td><td></td><td><u>3 000 (1)</u></td></tr><tr><td>Net profit after financial charges</td><td></td><td>171 622</td></tr><tr><td>Appropriations</td><td></td><td></td></tr><tr><td>Transfer to general reserve</td><td>10 000 (1)</td><td></td></tr><tr><td>Ordinary dividend proposed</td><td><u>60 000 (1)</u></td><td></td></tr><tr><td></td><td></td><td><u>70 000</u></td></tr><tr><td></td><td></td><td>101 622</td></tr><tr><td>Profit and loss account balance 1 January 2015</td><td></td><td>98 378</td></tr><tr><td>Retained profit at 31 December 2015</td><td></td><td><u>200 000 (1of)</u></td></tr></table> Accept £200 000 for 4 marks. Accept any format.	**(4)**

Question Number	Answer	Mark
14 (b)	**Rekha Limited** **Balance Sheet** **At 31 December 2015**	**(6)**

Fixed assets	**Cost**	Total dep.	Net book value
Premises	490 000	-	490 000
Plant and equipment	125 000	50 000	75 000
	615 000	50 000	565 000(1)
Current assets			
Stock		85 765	
Debtors	32 879		
Provision for doubtful debts	592 (1)	32 287	
Cash in hand		**2 378**	
		120 430 (1of)	
Current liabilities			
Creditors	24 598		
Debenture interest	3 000		
Bank overdraft	17 832		
Proposed dividend	60 000	105 430 (1of)	
			15 000
			580 000
Long term liabilities			
6% debentures			50 000 (1)
			530 000
Financed by			
Share capital : ordinary shares at 0.50p each		300 000	
General reserve		30 000	
Profit and loss		200 000	
			530 000 (1)

Question Number	Answer	Mark
14 (c)	Award up to 2 marks for comments on **each** method of raising additional finance. (Max 4 marks). Award 1 mark for a concluding statement Sample answers By issuing additional share capital they would have access to new capital but may have to pay additional dividends (1). However it is likely that these additional dividends would be compensated by the extra profit that this expansion is likely to generate (1). By issuing debentures they would have to pay additional interest (1) which would decrease her profit for the year (1). Some form of security may have to be offered which could affect the stability of the business (1). When considering which method to use the directors should consult with their existing shareholders before making any commitments (1).	**(5)**

Question Number	Answer	Mark
15 (a)	**Award 1 mark for correct date, narrative and amount.**	**(7)**

Rent Received Account

Date	**Narrative**	**£**	**Date**	**Narrative**	**£**
Jan 1	Balance b/d	200 (1)	Jan 1	Balance b/d	800 (1)
Dec 31	Profit and Loss (1)	13 850 (1 of)	Dec 31	Bank	13 600 (1)
Dec 31	Balance c/d	700	Dec 31	Balance c/d	350
		14 750			14 750
Jan 1	Balance b/d	350 (1)	Jan 1	Balance b/d	700 (1)

Question Number	Answer	Mark
15 (b)		**(3)**

	Increase	Decrease	No effect
1	*£450*		
2		£732 (1)	
3	£640 (1)		

15 Ellen sublets parts of her premises to several tenants.

On January 1 2015 she had received rent in advance from a tenant, £800, and was owed rent by another tenant, £200.

During the year she received £13 600 in total from her tenants.

On 31 December 2015 she had received rent in advance from a tenant, £700, and was owed rent by another tenant, £350.

(a) Prepare the rent received account for the year ended 31 December 2015 showing the amount transferred to the profit and loss account. Balance the account on that date and bring the balance down on 1 January 2016.

(7)

Rent Received Account

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

After the preparation of the financial statements for the year ended 31 December 2015, Ellen discovered the following errors and omissions.

1 The purchases day book had been overcast by £450.

2 A payment of £732 for staff wages had been completely omitted from the accounts.

3 Ellen had withdrawn goods, £640, for her own use.

4 The purchase of a new machine, £5 000, had been debited to the motor vehicles account.

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(b) Complete the following table to show clearly the effect on net profit after these errors and omissions have been corrected.

(3)

The first one has been completed as an example.

	Increase	**Decrease**	**No effect**
1	*£450*		
2			
3			
4			

(Total for Question 15 = 10 marks)

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

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Question Number	Answer	Mark
14 (c)	Award up to 2 marks for comments on **each** method of raising additional finance. (Max 4 marks). Award 1 mark for a concluding statement Sample answers By issuing additional share capital they would have access to new capital but may have to pay additional dividends (1). However it is likely that these additional dividends would be compensated by the extra profit that this expansion is likely to generate (1). By issuing debentures they would have to pay additional interest (1) which would decrease her profit for the year (1). Some form of security may have to be offered which could affect the stability of the business (1). When considering which method to use the directors should consult with their existing shareholders before making any commitments (1).	**(5)**

Question Number	Answer	Mark
15 (a)	**Award 1 mark for correct date, narrative and amount.**	**(7)**

Rent Received Account

Date	**Narrative**	**£**	**Date**	**Narrative**	**£**
Jan 1	Balance b/d	200 (1)	Jan 1	Balance b/d	800 (1)
Dec 31	Profit and Loss (1)	13 850 (1 of)	Dec 31	Bank	13 600 (1)
Dec 31	Balance c/d	700	Dec 31	Balance c/d	350
		14 750			14 750
Jan 1	Balance b/d	350 (1)	Jan 1	Balance b/d	700 (1)

Question Number	Answer	Mark
15 (b)		**(3)**

	Increase	Decrease	No effect
1	*£450*		
2		£732 (1)	
3	£640 (1)		

		4			_ **(1)**		