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Edexcel

International GCSE

Centre Number

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Accounting

Paper 1

Thursday 10 May 2012 – 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.*

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.

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Turn over ►

PEARSON

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Section A

Answer ALL questions

Choose an answer A, B, C or D, and put a cross in the box ☒.
If you change your mind about an answer, put a line through the box ☒
and then mark your new answer with a cross ☒.

1 Mr Patel buys goods for resale from Mr Singh on credit. The goods are unsuitable and Mr Patel returns them without paying for them. Which document should Mr Singh issue on receipt of the returned goods?

- A credit note
- B debit note
- C purchase invoice
- D receipt

(Total for Question 1 = 1 mark)

2 A business buys goods for cash. What are the entries in its books for this transaction?

account debited account credited

- A cash purchases
- B cash supplier
- C purchases cash
- D supplier cash

(Total for Question 2 = 1 mark)

3 Which of the following is a source of information for a debtors control account?

- A petty cash book
- B purchases book
- C returns outwards book
- D sales book

(Total for Question 3 = 1 mark)

4 Which of the following is recorded on the credit side of a creditors control account?

- A credit purchases
- B discount received
- C payments to creditors
- D purchases returns

(Total for Question 4 = 1 mark)



5 Hanif provides the following information for the month of March 2012.

	£
Balance on debtors control account 1 March 2012	54 000
Balance on debtors control account 31 March 2012	36 000
Receipts from debtors	120 000
Discounts allowed	1 800

What is the amount of his credit sales for March 2012?

- A £102 000
- B £103 800
- C £121 800
- D £139 800

(Total for Question 5 = 1 mark)

6 A sole trader has included a private car repairs bill as a business expense. Which double entry would correct this error?

- | | account debited | account credited |
|--|-----------------|------------------|
|--|-----------------|------------------|

(Total for Question 6 = 1 mark)

7 A trader records purchases of £250 in his books as £520. What type of error is this?

- A commission
- B compensating
- C original entry
- D principle

(Total for Question 7 = 1 mark)



8 A trader instructs his bank to make a payment of £100 to the electricity company every month. Which term describes this instruction?

- A credit transfer
- B direct debit
- C personal cheque
- D standing order

(Total for Question 8 = 1 mark)

9 A manufacturing company provides the following information:

	£
Closing work in progress	3 000
Factory overheads	45 000
Opening work in progress	3 600
Prime cost	66 000

What is the production cost?

- A £111 000
- B £111 600
- C £114 000
- D £117 600

(Total for Question 9 = 1 mark)

10 At the end of the financial year a business owed one month's rent. This was added to rent paid during the year to calculate the total rent for the year. Which accounting concept is being followed?

- A accruals
- B business entity
- C money measurement
- D prudence

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS



SECTION B

Answer ALL questions.

11 Ashak Solona maintains a full set of accounting records and provides the following information for the month of March 2012.

	£
Total debtors on 1 March 2012	12 800
Totals for the month of March 2012	
Credit sales	26 780
Credit purchases	15 432
Returns from credit customers	2 453
Returns to credit suppliers	1 659
Bad debts written off	350
Dishonoured cheque	125
Receipts from credit customers	11 450
Payments to credit suppliers	8 760
Discount allowed	589
Discount received	357
Contra entry (set off)	350

(a) Select the relevant figures and prepare the sales ledger (total debtors) control account for the month of March 2012. Balance the account and bring down the balance on 1 April 2012.

(10)

Sales ledger (total debtors) control account

Date	Narration	£	Date	Narration	£



(b) Explain how a contra entry (set off) between the sales ledger and purchases ledger can arise.

(3)

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(c) State **two** advantages of preparing a sales ledger (total debtors) control account.

(2)

Advantage 1

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Advantage 2

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(Total for Question 11 = 15 marks)



12 James Ford, a sole trader, repairs and sells used motor vehicles. On 31 March 2012 his books of account contained the following balances after the preparation of his final accounts.

	£
Equipment (net book value)	5 000
Motor vehicles (net book value)	12 500
Stock of vehicles	45 000
Stock of materials	2 250
Debtors	560
Creditors	430
Capital	64 880

(a) (i) State the accounting equation.

(3)

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(ii) Using the figures above, state the accounting equation for James Ford's business.

(3)

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(iii) James is considering creating a provision for doubtful debts of £100. Explain the effect that this would have on the accounting equation.

(3)

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(b) (i) Explain how capital expenditure differs from revenue expenditure.

(6)

Capital expenditure

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Revenue expenditure

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(ii) Complete the following table, clearly showing whether the transaction represents capital expenditure, revenue expenditure or neither.

(5)

Item	Capital/Revenue/Neither
Purchase of vehicle for resale	
Repairs to workshop roof	
Payment of staff wages	
Additional capital invested by the owner	
Purchase of new workshop lift	

(c) Evaluate the effects of the incorrect treatment of capital and revenue expenditure on a business.

(5)

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(Total for Question 12 = 25 marks)



13 The following balances were extracted from the accounting records of Twilight Ltd on 31 March 2012.

	£ 000
Sales	940
Purchases	472
Stock – 1 April 2011	125
Salaries and wages	64
Directors' remuneration	10
Audit fees	4
Heat and light	28
Debenture interest	10
Interim ordinary dividend	50
Communication expenses	20
Buildings – Cost	500
Buildings – Accumulated depreciation	50
Fixtures and fittings – Cost	100
Fixtures and fittings – Accumulated depreciation	20
10% Debentures – 2020	200
Ordinary share capital (Fully paid)	1 000
Creditors	80
Debtors	120
Bank	467
Profit and loss account – 1 April 2011	326
General reserve	25

The following additional information at 31 March 2012 should be taken into account.

- Closing stock was valued at £127 000
- Audit fees of £1 000 were outstanding
- The outstanding debenture interest is to be provided for
- Depreciation is to be charged on buildings at 5% on a straight line basis and on fixtures and fittings at 20% per annum on a reducing balance basis.

On 31 March 2012 the directors decide to:

- Transfer the sum of £50 000 to the general reserve account
- Pay a final ordinary share dividend of 10%



(b) Prepare the appropriation account of Twilight Ltd for the year ended 31 March 2012.

(5)

**Twilight Ltd
Appropriation Account
For Year Ended 31 March 2012**

(c) Stating clearly the formula used, calculate the gross profit margin for the year ended 31 March 2012.

(2)

Formula	Gross profit margin

(d) Stating clearly the formula used, calculate the net profit margin for the year ended 31 March 2012.

(2)

Formula	Net profit margin

(Total for Question 13 = 20 marks)



14 Sue Tang maintains a full set of accounting records and extracts a trial balance at the end of each month.

(a) State the purpose of a trial balance.

(2)

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(b) Identify **two** types of errors which are **not** identified by a trial balance.

(2)

Error 1

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Error 2

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(c) Describe **two** errors that could cause a trial balance **not** to balance.

(2)

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Sue Tang extracted the following trial balance from her books on 30 April 2012.

Account	Debit	Credit
	£	£
Bank	2 300	
Capital		28 000
Cash	450	
Creditors		2 354
Debtors	3 288	
Drawings	5 220	
Fixtures – cost	40 000	
Fixtures – accumulated depreciation		5 000
Loan – 2013		2 500
Loan – 2015		7 500
Opening stock	2 000	
Purchases	45 000	
Rent rates and insurance	12 096	
Sales		65 000
	110 354	110 354

The following additional information at 30 April 2012 should be taken into account.

- Stock was valued at £2 500
- Rent of £500 was prepaid.
- Rates of £250 were accrued.
- Depreciation is to be charged on fixtures at 20% per annum on a straight line basis.

(d) State the formula for calculating working capital.

(1)

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(e) Calculate the working capital at 30 April 2012.

(3)

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(f) Evaluate the effects on Sue Tang's business of poor working capital management. In your answer, you should make reference to how Sue might improve her working capital situation.

(5)

(Total for Question 14 = 15 marks)



15 The Lazy Days Social Club had the following balances in the books on 1 March 2011.

	£
Bank balance	1 600 (Dr)
Equipment (Net Book Value)	6 000
Premises (Net Book Value)	50 000
Subscriptions owing	345

The following information for the year ended 29 February 2012 was provided.

Receipts and Payments Account

Narration	£	Narration	£
Balance b/f	1 600	Purchase of new equipment	2 000
Subscriptions	5 000	Stamps	342
Social event income	4 390	Sundry expenses	139
		Rates and insurances	2 654
		Lighting and heating	2 190
		Social event expenditure	1 739
		Balance c/d	1 926
	<u>10 990</u>		<u>10 990</u>
Balance b/d	1 926		

The club treasurer also provided the following additional information on 29 February 2012.

- All equipment is to be depreciated using the straight line method at a rate of 10% per annum.
- Lighting and heating owing amounted to £110.
- Rates paid in advance amounted to £180.
- The figure for subscriptions in the receipts and payment account includes £200 owing from the previous year. As there is no prospect of the remaining amount outstanding being received the club has decided to write this off as a bad debt.
- At the end of February 2012 there were subscriptions owing of £190. There were no subscriptions received in advance.



(a) Prepare the income and expenditure account for the year ended 29 February 2012.

(11)

**Lazy Days Social Club
Income and Expenditure Account
For year ended 29 February 2012**



(b) Identify **two** differences between a receipts and payments account and an income and expenditure account.

(4)

Difference 1

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Difference 2

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(Total for Question 15 = 15 marks)

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



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