Mark Scheme (Results)

January 2013

International GCSE Accounting (4AC0/01)

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Answer	Mark
1	A	**(1)**

Question Number	Answer	Mark
2	D	**(1)**

Question Number	Answer	Mark
3	B	**(1)**

Question Number	Answer	Mark
4	C	**(1)**

Question Number	Answer	Mark
5	B	**(1)**

Question Number	Answer	Mark
6	C	**(1)**

Question Number	Answer	Mark
7	A	**(1)**

Question Number	Answer	Mark
8	B	**(1)**

Question Number	Answer	Mark
9	A	**(1)**

Question Number	Answer	Mark
10	C	**(1)**

Section B

Question Number	Answer	Mark
11(a)	**Roberto Account**	(8)

Date	**Narration**	**£**	**Date**	**Narration**	**£**
Nov 1	Balance b/d	500 (1 cf)	Nov 12	Sales returns	60 (2 cf)
Nov 4	Sales	450 (1 cf)	Nov 24	Bank	475 (1cf)
			Nov 24	Discount allowed (1)	25 (1cf)
			Nov 30	Balance c/d	390
		950			**950**
Dec 1	Balance b/d	390 (1of)			

Question Number	Answer	Mark
11(b)	Current Assets	**(1)**

Question Number	Answer	Mark
11(c)	**Trade discount** Trade discount is an allowance given to businesses in the same trade (1) and is given either to encourage loyalty (1) or bulk buying (1) (Max 2) **Cash discount** Cash discount is given to customers as an incentive to pay their accounts promptly (1) which may reduce the number of bad debts (1) and improve the cash flow of the business (1) (Max 2)	**(4)**

Question Number	Answer	Mark
11(d)	Debit: Discount allowed (1) Credit: Roberto (accept customer) (1)	**(2)**

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>12(a)</td><td>

Ganchi Limited Appropriation Account
Year ended 31 October 2012

	£000	**£000**
Net profit		125
Transfer to general reserve	10 **(1)**	
Ordinary share dividend:		
Interim paid	50 **(1)**	
Final proposed	25 **(1)**	
		85
Retained profit for the year		40
Profit and loss account balance b/f		175
Retained profit c/f		215 **(1)**

</td><td>**(4)**</td></tr>
</table>

Question Number	Answer	Mark
12(b)	**Ganchi Limited** **Balance Sheet at 31 October 2012**	

	£000	**£000**	**£000**
Fixed Assets	**Cost**	**Total Depreciation**	**Net Book Value**
Land and Buildings	650	-	650
Motor vehicles	65	25	40
	315	**25**	**690(1)**
Current Assets			
Stock		128(1)	
Debtors	40(1)		
Provision for doubtful debts	2(1)		
		38	
Cash in hand		4(1)	
		170	
Current Liabilities			
Creditors	30(1)		
Bank overdraft	10(1)		
Proposed dividend	25(1)		
		65	
Working capital			105
			795
Long term Liabilities			
6% Debentures			50(1)
			745
Capital and Reserves			
Ordinary share capital		500(1)	
General reserve		30 (1)	
Profit and loss		215 (1)	
			745

(12)

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>12(c)</td><td>Current ratio
<table>
<tr><td>Formula

Current assets/Current liabilities (1)</td><td>Calculation

170/65 = 2.62:1 (1 of)</td></tr>
</table>
Quick ratio (acid test)
<table>
<tr><td>Formula

Current assets – stock/Current liabilities (1)</td><td>Calculation

(170 -128)/65 = 0.65:1 (1 of)</td></tr>
</table>
</td><td>(4)</td></tr>
</table>

Question Number	Answer	Mark
12(d)	Award up to (2) marks for an evaluation of each ratio and a further (1) mark for a suggested improvement. (5) **Sample answer** The current ratio is acceptable (1) and indicates that the business is able to meet its short term debts from its current assets(1). The quick ratio is less than an acceptable standard of 1:1 (1) which indicates that the business may have difficulty paying its short term debts (1) unless it is able to reduce its large amount of stock (1).	**(5)**

Question Number	Answer	Mark
13(a)	**The Journal**	

Account	Debit	Credit
Drawings	650 (1)	
Wages and Salaries		650 (1)
Heat and Light	175 (1)	
Accruals		175 (1)
Creditors	720 (1)	
Bank		720 (1)

(6)

Question Number	Answer	Mark
13(b)	**Barack** **Profit and Loss Account** **For year ended 30 November 2012**	

	£	**£**
Gross Profit		22907
Overheads		
Heat and Light	1500 (1 cf)	
Motor Vehicle Repairs	4 322}	
Rent and Rates	7860} (1 cf for both)	
Wages and Salaries	19 000 (1 cf)	
		32 682
Net Loss		9 775 (1 of)

(4)

Question Number	Answer	Mark
13(c)	Identification of the causes (1) Short term remedies (2) Long term remedies (2) **Sample Answer** The reduction in the capital of the business may be due to one of two factors, either the fact that the business is currently making a loss (1) or that the owner's drawings are too high in relation to profits earned (1). In the short term the owner needs to consider either increasing his prices (1) or reducing his overheads (1) In the long term the business owner may need to consider either investing more capital, or look for further external sources of finance such as may be gained through taking on a partner (1) or taking out a bank loan (1) (Max 5)	**(5)**

Question Number	Answer	Mark
14 (a)	**Precious and Little** **Appropriation Account** **Year ended 30 September 2012**	**(6)**

	£	£	£
Net Profit			57250 (1)
Appropriations			
Interest on capitals: Precious Little	2 500 (1) 1 750 (1)		
		4 250	
Salary Little		10 000 (1)	
			<u>14 250</u>
			43 000
Share of Profits: Precious		21 500 (1)	
Little		21 500 (1)	
			<u>43 000</u>

Question Number	Answer	Mark
14 (b)	**Current account - Little**	**(5)**

Date	**Narration**	**£**	**Date**	**Narration**	**£**
Oct 1	Balance b/f	8 700	Sep 30	Interest on capital	1 750 (1 of)
Sep 30	Drawings	21 000 (1 cf)	Sep 30	Salary	10 000 (1 cf)
Sep 30	Balance c/d	3 550	Sep 30	Share of profits	21 500 (1 of)
		33 250			33 250
			Oct 1	Balance b/d	3 550 (1 of)

Question Number	Answer	Mark
14 (c)	1 Accruals/Matching This concept states that the revenue of an accounting period must be matched against the costs of the same period (1) + a further (2) for an appropriate illustration such as payment of rent in advance/arrears. (3) 2 Business entity This concept states that the business is treated as being completely separate from the owner of the business (1) + (2) for an appropriate illustration such as the owner treating personal expenditure as business expenditure, which is not allowed. (3) 3 Going concern This concept states that it is to be assumed that the business will continue to operate for an indefinite period of time and that there is no intention to close down the business or reduce the size of the business by any significant amount (1) + (2) for an appropriate illustration such as valuing the fixed assets as if they are being sold. (3)	**(9)**

Question Number	Answer	Mark
15 (a)	**Bad Debts Account**	**(4)**

Date	Narration	£	Date	Narration	£
Dec 31	Sundry debtors	650 (1 cf)	Dec 31	Profit and Loss (1)	1 100 (1 of)
Dec 31	Thatcher	450 (1 of)			
		1 100			1 100

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

Date	Narration	£	Date	Narration	£
Jan 1	Balance b/d	800 (1)	Dec 31	Bank	350 (1)
			Dec 31	Bad Debts	450 (1)
		800			800

Question Number	Answer	Mark
15 (c)	Capital expenditure is money spent by a business on purchasing fixed assets or improving existing fixed assets (1). These costs will appear in the balance sheet (1) Revenue expenditure is money spent on running a business on a day-to-day basis (1). These costs will appear in the profit and loss account (1).	**(4)**

Question Number	Answer	Mark
15 (d)		**(4)**

Transaction	Capital expenditure	Revenue expenditure
Purchase of new premises	✓ (1)	
Insurance of premises		✓(1)
Installing and testing an air conditioning system	✓(1)	
Repairs to premises roof		✓(1)

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