Write your name here

Surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Accounting
Paper 1

Friday 9 May 2014 – 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 ▶

PEARSON

Section A

Answer ALL questions.

Choose an answer A, B, C or D, and put a cross in a 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 Entries in the purchases day book are made from

☐ **A** credit notes

☐ **B** delivery notes

☐ **C** invoices

☐ **D** petty cash vouchers

(Total for Question 1 = 1 mark)

2 Where should trade discount given to a customer be shown?

☐ **A** cash book

☐ **B** discount allowed account

☐ **C** invoice

☐ **D** sales ledger

(Total for Question 2 = 1 mark)

3 Which of the following is an intangible fixed asset?

☐ **A** bank loan

☐ **B** debtors

☐ **C** goodwill

☐ **D** premises

(Total for Question 3 = 1 mark)

4 A business issues an invoice for stock with a list price of £20 000. The invoice was subject to a trade discount of 25% and a cash discount of 5%. VAT is charged at 10%.

How much VAT should be shown on the invoice?

☐ **A** £1 425

☐ **B** £1 500

☐ **C** £1 900

☐ **D** £2 000

(Total for Question 4 = 1 mark)

5 Which of the following would be regarded as an item of capital expenditure for a motor vehicle business?

☒ **A** purchase of a car for resale

☒ **B** purchase of equipment for use in the business

☒ **C** repair and redecoration of business premises

☒ **D** road tax and insurance payments for delivery van

(Total for Question 5 = 1 mark)

6 In a partnership drawings will be debited to which account?

☒ **A** appropriation

☒ **B** bank

☒ **C** capital

☒ **D** current

(Total for Question 6 = 1 mark)

7 In non-profit making organisations, which one of the following is the equivalent of a profit and loss account?

☒ **A** income and expenditure account

☒ **B** receipts and payments account

☒ **C** statement of affairs

☒ **D** subscriptions account

(Total for Question 7 = 1 mark)

8 A social club has received subscriptions totalling £1 040 during the year, of which £80 was received in advance. At the end of the year £120 was outstanding. Which amount for subscriptions should be included in the income and expenditure account?

☒ **A** £960

☒ **B** £1 000

☒ **C** £1 040

☒ **D** £1 080

(Total for Question 8 = 1 mark)

9 Gross profit as a percentage of cost of goods sold is known as the

- ☒ **A** margin
- ☒ **B** mark up
- ☒ **C** rate of stock turnover
- ☒ **D** return on capital employed

(Total for Question 9 = 1 mark)

---

10 The word 'limited' after a business's name indicates

- ☒ **A** the number of shareholders is fixed
- ☒ **B** there is a limit to the number of debentures that can be issued
- ☒ **C** the shareholders' liability for the debts of the business is limited
- ☒ **D** there is a limit to the number of businesses of this type

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS

BLANK PAGE

Section B

Answer ALL questions.

11 Fatima, a sole trader, maintains a sales ledger and a purchases ledger. At the end of each month she prepares a sales ledger control account and a purchases ledger control account.

(a) State **one** benefit of maintaining these control accounts.

(1)

....

....

On 1 December 2013 the balances on the control accounts were:

	£
Sales ledger control account	6 878
Purchases ledger control account	4 932

At the end of December 2013 the following information was obtained from the books.

	£
Credit sales	81 257
Cash sales	6 297
Credit purchases	49 369
Goods returned by credit customers	5 931
Goods returned to credit suppliers	2 497
Bad debts written off	630
Payment to credit suppliers	39 874
Receipts from credit customers	68 975
Discount allowed	3 200
Discount received	4 587
Customer's cheque dishonoured	500
Credit balance in purchases ledger transferred to sales ledger	650

(b) Prepare the sales ledger and purchases ledger control accounts for the month of December 2013. Balance the accounts on 31 December 2013 and bring the balances down on 1 January 2014.

(16)

Sales Ledger Control Account

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

Purchases Ledger Control Account

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

On 31 December 2013 the balance on the purchases ledger control account agreed with the sum of the balances in the purchases ledger. Fatima's suppliers allow her 30 days credit.

(c) (i) Using the closing balance calculated in (b) for the purchases ledger control account, calculate the creditors' payment period in days. State clearly the formula used.

(3)

Formula	Creditors' payment period

(ii) Comment on the creditors' payment period stating whether Fatima's suppliers will be satisfied with this figure.

(5)

(Total for Question 11 = 25 marks)

12 C Shaw provided the following information for the year ended 30 November 2013 after the preparation of the profit and loss account.

	£
Fixtures and fittings – cost	50 000
Fixtures and fittings – accumulated depreciation	16 000
Motor vehicles – cost	32 000
Motor vehicles – accumulated depreciation	10 000
Bank loan – November 2020	20 000
Closing stock	41 289
Creditors	24 367
Debtors	48 521
Petty cash	400
Cash at bank	5 703 (Cr)
Capital	60 000
Drawings	17 500
Profit for the year	53 640

(a) Prepare the balance sheet for C Shaw as at 30 November 2013.

(12)

C Shaw
Balance Sheet
as at 30 November 2013

(b) Calculate the working capital (current) ratio. State clearly the formula used.

(3)

Formula	Working capital ratio

(c) Evaluate the working capital (current) ratio, stating whether C Shaw will be satisfied with this figure.

(5)

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(Total for Question 12 = 20 marks)

BLANK PAGE

TURN OVER FOR QUESTION 13

13 The following information was extracted from the books of Ajit Manufacturing on 31 March 2014.

	1 April 2013	**31 March 2014**
Stocks:		
Raw materials	£26 000	£31 000
Work in progress	£15 000	£12 000
Finished goods	£186 000	£217 500

For the year ended 31 March 2014

Purchases of raw materials	£134 000
Carriage inwards	£1 000
Factory wages:	
Direct	£70 000
Indirect	£22 000

(a) Explain the difference between direct and indirect factory wages.

(2)

....

....

....

....

....

....

(b) Calculate the prime cost.

(6)

....

....

....

....

....

....

....

On 31 March 2014 Ajit's Manufacturing's trial balance failed to agree and the difference was entered into a suspense account. The following errors and omissions were later discovered.

1 An invoice from a supplier for £500 had not been entered in the books.

2 Stock valued at £360, taken by Ajit, had been debited to both the drawings account and the purchases account.

3 A sale of goods, £245, had been entered correctly in the bank account but no other entries had been made.

4 The total of discount received, £68, recorded correctly in the cash book, had been debited to discount allowed.

(c) Complete the following table to show the necessary entries to correct these errors and omissions.

(8)

Errors/ omissions	Account(s) to be debited	Amount (£)	Account(s) to be credited	Amount (£)
1				
2				
3				
4				

(Total for Question 13 = 16 marks)

14 The following account appeared in the ledger of Rekha, a bookseller.

Insurance Account

Date	Narrative	Amount (£)	Date	Narrative	Amount (£)
Oct 12	Cash book	3 300	Oct 1	Balance b/d	678
Oct 12	Discount	200	Oct 31	Profit and loss	2 393
			Oct 31	Balance c/d	429
		3 500			3 500

(a) Explain each entry in the above account stating clearly where the other part of the double entry for each transaction would have been made. The first row has been completed for you.

(8)

Date	Transaction	Narrative	Double Entry
Oct 1	Balance b/d	The value of insurance accrued/ owing at the end of the previous period	Debit side of the insurance account
Oct 12	Cash book		
Oct 12	Discount		
Oct 31	Profit and loss		
Oct 31	Balance c/d		

Rekha is considering investing in a computerised accounting package.

(b) (i) Evaluate the advantages of this proposal.

(5)

(ii) Evaluate the disadvantages of this proposal.

(5)

(Total for Question 14 = 18 marks)

15 Barat, a trader, is experiencing late payments from debtors.

(a) Explain **two** ways in which he can encourage his debtors to pay their accounts on time.

(4)

1 ....

....

....

2 ....

....

....

Barat maintains a provision for doubtful debts of 5% of debtors. His debtors amounted to £35 000 on 1 April 2013 and £40 000 on 31 March 2014.

(b) Prepare the provision for doubtful debts account for the year ended 31 March 2014. Balance the account at that date and bring the balance down on 1 April 2014.

(5)

Provision for doubtful debts account

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

(c) Explain the effect on the net profit for the year ended 31 March 2014 if Barat's debtors had decreased and his provision for doubtful debts was maintained at 5%.

(2)

....

....

....

....

(Total for Question 15 = 11 marks)

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

BLANK PAGE