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**Pearson Edexcel
International GCSE**

Centre Number

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Accounting

Paper 1

Friday 11 May 2018 – 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 in neat good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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P 5 2 3 3 3 R A 0 1 2 0



Pearson

SECTION A

Answer ALL questions.

Some questions must be answered with 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 Wong sells goods on credit to Chang. How would Chang record this transaction in his books?

| | Account to be debited | Account to be credited |
|----------------------------|-----------------------|------------------------|
| <input type="checkbox"/> A | sales | Chang |
| <input type="checkbox"/> B | Chang | sales |
| <input type="checkbox"/> C | purchases | Wong |
| <input type="checkbox"/> D | Wong | purchases |

(Total for Question 1 = 1 mark)

- 2 Which of the following is a primary accounting record?

- A general ledger
- B petty cash book
- C sales ledger
- D trial balance

(Total for Question 2 = 1 mark)

- 3 Which of the following pairs of accounts always have credit balances?

- A assets and expenses
- B capital and income
- C income and assets
- D liabilities and expenses

(Total for Question 3 = 1 mark)

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4 Which of the following is an intangible fixed asset?

- A bank loan
- B debtors
- C goodwill
- D premises

(Total for Question 4 = 1 mark)

5 In which section of a balance sheet will a credit balance on a business bank account be shown?

- A current assets
- B current liabilities
- C fixed assets
- D long-term liabilities

(Total for Question 5 = 1 mark)

6 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 business use
- C repair and redecoration of business premises
- D road tax and insurance payments for a delivery van

(Total for Question 6 = 1 mark)

7 If capital expenditure is treated as revenue expenditure, which of the following will be incorrect?

- A bank balance
- B creditors
- C debtors
- D net profit

(Total for Question 7 = 1 mark)

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8 Where should a manufacturing business show the cost of delivering its goods to customers?

- A appropriation account
- B manufacturing account
- C profit and loss account
- D trading account

(Total for Question 8 = 1 mark)

9 In non-profit making organisations, what 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 9 = 1 mark)

10 What is the purpose of liquidity ratios?

- A to analyse how profitable the business has been
- B to assess the level of trading
- C to indicate the business's ability to pay its debt
- D to measure how all the assets contribute to earning profit

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS

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SECTION B

Answer ALL questions.

11 Justin Horan, a trader, maintains a full set of accounting books.

On 1 April 2018 he provided the following information.

| Sales Ledger Balances | £ | Nominal Ledger Balances | £ |
|-----------------------|-------|-------------------------|----------|
| A Alda | 1 321 | Sales | 21 000 |
| B Shah | 2 564 | Returns inwards | 1 342 |
| C Son | 1 800 | VAT | 8 000 Cr |
| D Wong | 1 789 | Bank | 4 200 |

The following are extracts from Justin's books for April 2018. VAT is charged at 10%.

Sales Journal

| Date | Narration | Goods £ | VAT £ | Total £ |
|----------|-------------------------|---------------------|-------------------|---------------------|
| April 1 | B Shah | 920 | 92 | 1 012 |
| April 5 | D Wong | 360 | 36 | 396 |
| April 13 | C Son | 520 | 52 | 572 |
| April 21 | A Alda | 1 450 | 145 | 1 595 |
| April 28 | D Wong | 600 | 60 | 660 |
| | Totals for Month | <u>3 850</u> | <u>385</u> | <u>4 235</u> |

Returns Inwards Journal

| Date | Narration | Goods £ | VAT £ | Total £ |
|---------|-------------------------|-------------------|------------------|-------------------|
| April 3 | C Son | 90 | 9 | 99 |
| April 8 | A Alda | 260 | 26 | 286 |
| | Totals for Month | <u>350</u> | <u>35</u> | <u>385</u> |



Cash Book (Debit side)

| Date | Narration | Bank £ |
|----------|-----------------------------------|--------|
| April 1 | Balance b/d | 4 200 |
| April 5 | A Alda | 3 244 |
| April 8 | D Wong | 2 000 |
| April 15 | Cash sales banked (including VAT) | 660 |
| April 21 | B Shah | 2 188 |
| April 30 | Commission received | 500 |
| April 30 | C Son | 1 280 |

The Journal

| Date | Narration | Debit £ | Credit £ |
|----------|--|---------|----------|
| April 21 | C Son (Purchases Ledger) | 450 | |
| | C Son (Sales Ledger) | | 450 |
| | | | |
| | Being transfer of balance in purchases ledger offset against the balance in the sales ledger | | |

(a) Prepare the following accounts in the books of Justin Horan for the month of April 2018. Balance the accounts on 30 April 2018 and bring the balances down to 1 May 2018.

(i)

C Son Account

(6)

| Date | Details | £ | Date | Details | £ |
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(ii)

Sales Ledger Control Account

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| Date | Details | £ | Date | Details | £ |
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(iii)

Sales Account

(5)

| Date | Details | £ | Date | Details | £ |
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(iv)

Returns Inward Account

(3)

| Date | Details | £ | Date | Details | £ |
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(b) Evaluate how maintaining a sales ledger control account benefits Justin in the management of his business.

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(Total for Question 11 = 25 marks)



- 12 Sevket Christakos has been in business for some years but has never maintained a full set of accounting records. However, the following information is available for the most recently completed financial year, which ended on 28 February 2018.

Assets and liabilities at 1 March 2017

| | £ |
|---------------------------|--------|
| 8% Bank loan 2020 | 5 000 |
| Bank overdraft | 6 500 |
| Creditors | 3 200 |
| Debtors | 2 000 |
| Electricity outstanding | 300 |
| Petty cash | 490 |
| Shop fittings (valuation) | 20 010 |
| Stock | 2 500 |

- (a) Calculate Sevket's capital at 1 March 2017.

(3)

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His records also revealed that during the year ending 28 February 2018:

- credit customers had paid £45 000 by cheque
- cash takings banked totalled £53 200
- Sevket had taken £21 000 from the till for his own use
- the amount owed by credit customers had increased by 50%.

(b) Calculate the total sales for the year ended 28 February 2018.

(6)

Handwriting practice area consisting of 18 horizontal dotted lines.



During the year ending 28 February 2018, Sevket paid his suppliers £42 700 by cheque and had received a cash discount of £2 300. The amount owed to credit suppliers on 28 February 2018 had decreased by 20% from the figure at 1 March 2017.

(c) Calculate the total purchases for the year ended 28 February 2018.

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An examination of the business bank account showed the following items of expenditure had been paid by cheque during the year:

- wages £15 000
- electricity £1 650
- rent and rates £4 000

On 28 February 2018:

- closing stock was valued at £1 860
- Sevket decided not to depreciate his shop fittings
- a payment of £400 for electricity used during the year was outstanding
- loan interest at 8% per annum had not yet been paid.





(d) Prepare an income statement for the year ended 28 February 2018.

(11)

Sevket Christakos
Income Statement For Year Ended 28 February 2018

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(Total for Question 12 = 25 marks)



13 On 31 March 2018 the financial director of Tavish Ltd provided the following information.

| | Year ended 31 March | |
|------------------|---------------------|-------|
| | 2017 | 2018 |
| | £000 | £000 |
| Turnover | 1 600 | 2 400 |
| Gross profit | 400 | 600 |
| Net profit | 192 | 240 |
| Capital employed | 240 | 320 |

(a) Stating the formula used, calculate the following ratios for **each** of the two years.

(9)

| Ratio | Formula | Year ended 31 March | |
|----------------------------|---------|---------------------|------|
| | | 2017 | 2018 |
| Gross profit margin | | | |
| Net profit margin | | | |
| Return on capital employed | | | |

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The managing director believes that due to the increased turnover and net profit the company must have experienced a very successful year.

(b) Evaluate the profitability of the company over the two years and state, with reasons, whether you agree with the managing director's statement.

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(c) State **one** ratio that could be used to measure liquidity.

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(Total for Question 13 = 15 marks)

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14 On 31 December 2017 Dipesh provided the following information.

| Date 2017 | Transaction |
|--|--|
| January 1 | Started in business by depositing £5 000 in a business bank account. In addition, he brought into the business a motor vehicle that was valued at £6 000 |
| May 1 | He withdrew stock from the business, £500 (selling price), for his own use. Stock is marked up by 25%. |
| October 1 | He withdrew cash, £1 450, for personal use. |
| Profit for the year ended 31 December 2017 was £25 000 | |

(a) Prepare the following accounts for the year ended 31 December 2017. Balance the accounts where appropriate on 31 December 2017 and bring the balance down to 1 January 2018.

(i)

Capital Account

(7)

| Date | Details | £ | Date | Details | £ |
|------|---------|---|------|---------|---|
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(ii)

Drawings Account

(5)

| Date | Details | £ | Date | Details | £ |
|------|---------|---|------|---------|---|
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(b) State which accounting concept has **not** been complied with in **each** of the following situations.

(3)

| Situation | Concept |
|---|---------|
| The owner has charged the purchase of a stapler as a fixed asset. | |
| The owner has changed the method of depreciation of a fixed asset. | |
| The owner has charged the cost of a family holiday as a business expense. | |

(Total for Question 14 = 15 marks)

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15 Stavros has been in business for some years as a sole trader. He has recently been approached by a friend who wishes to join him in business and form a partnership.

(a) State **two** advantages and **two** disadvantages for Stavros of forming a partnership.

(4)

Advantages

1

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2

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Disadvantages

1

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2

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(b) Describe the changes that Stavros will need to make to his accounting system if he decides to proceed with forming a partnership.

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(Total for Question 15 = 10 marks)

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

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