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Mark Scheme (Results)

June 2011

International GCSE
IGCSE Accounting
(4AC0) Paper 01

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June 2011
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Section A

Question Number	Answer	Mark
1	A	(1)

Question Number	Answer	Mark
2	C	(1)

Question Number	Answer	Mark
3	C	(1)

Question Number	Answer	Mark
4	D	(1)

Question Number	Answer	Mark
5	D	(1)

Question Number	Answer	Mark
6	D	(1)

Question Number	Answer	Mark
7	B	(1)

Question Number	Answer	Mark
8	A	(1)

Question Number	Answer	Mark
9	D	(1)

Question Number	Answer	Mark
10	B	(1)

Question Number	Answer	Mark
11(a)	**Trial Balance as at 31 December 2010**	(3)

Account	**Debit**	**Credit**
	£	**£**
Bank balance	59 000	
Capital		87 900
Carriage outwards	350	
Closing stock		3 241
Drawings	27 500 *	
Fixtures and fittings	30 000	
Opening stock	2 623	
Provision for depreciation – fixtures and fittings		2 500*
Purchases	38 950*	
Rent and rates	7 500	
Sales		65 400*
Wages and salaries	10 000*	
Suspense		16 882*

1 mark for every two correct entries

Question Number	Answer	Mark
11(b)		(4)

Date	Narration	Debit	Credit
		£	£
	Suspense	15 000	
	Capital		15 000*
	Fixtures and Fittings	1 500	
	Purchases		1 500*
	Suspense	882	
	Rent and Rates		882*
	Suspense	1 000	
	Wages and Salaries		1 000*

1 Mark for each correct pair of entries – Mark to be awarded for correct figure and account name

Question Number	Answer	Mark
11(c)	**Suspense Account**	(3)

Date	Narration	£	Date	Narration	£
	Capital	15 000		Balance b/f*	1 6882*
	Rent and Rates	882			
	Wages and Salaries	1 000*			
		16 882			16 882

1 Mark for all three entries on debit side

Question Number	Answer	Mark
12(a)	**A Alpa Account**	(6)

Date	Narration	£	Date	Narration	£
Apr 1	**Balance b/f**	**3 000***	**Apr 21**	**Cash Book**	**1 500***
Apr 1	**Sales Book**	**660***	**Apr 28**	**PL Set Off**	**1 000***
Apr 17	**Sales Book**	**1 595***	**Apr 30**	**Balance c/d**	**2 755**
		5 255			**5 255**
May 1	**Balance b/d**	**2 755***			

Question Number	Answer	Mark
12(b)	**Sales Ledger Control (Total Debtors) Account**	(6)

Date	Narration	£	Date	Narration	£
Apr 1	**Balance b/f**	**16 000***	**Apr 28**	**PL set Off**	**1 000***
Apr 30	**Sales Book**	**5 973***	**Apr 30**	**Returns Inwards Book**	**440***
			Apr 30	**Cash Book**	**10 750***
			Apr 30	**Balance c/d**	**9 783**
		21 973			**21 973**
May 1	**Balance b/d**	**9 783***			

Question Number	Answer	Mark
12(c)	**Sales Account**	(8)

Date	Narration	£	Date	Narration	£
			Apr 1	Balance b/f	23 400
			Apr 30	Sales Book	5 430*
			Apr 30	Cash Book	1 250

1 Mark for both entries

Returns Inwards Account

Date	Narration	£	Date	Narration	£
Apr 1	Balance b/f	2 360			
Apr 30	Returns Inwards Book	400*			

VAT Account

Date	Narration	£	Date	Narration	£
Apr 30	Returns Inwards Book	40*	Apr 1	Balance b/f	3200
Apr 30	Purchases Book	320*	Apr 30	Sales Book	543*
Apr 30	Cash Book	70*	Apr 30	Cash Book	125*
			Apr 30	Purchases Returns Book	26*

Question Number	Answer	Mark
12(d)	The key here is does the candidate clearly understand what a sales ledger control account is and what its value is to the running of a business. The following sample answer identifies how you should allocate the 5 marks. **Sample Answer** The balance of the control can be checked against the sum of the individual balances in the sales ledger and discrepancies or errors **(1)** identified. These errors could either be in the day books or in the individual accounts in the sales ledger **(1)**. The balance of the control account can also assist in the preparation of the balance sheet at the year end by providing a total for debtors **(1)**. The control account can also be used to identify and prevent fraud in the business. **(1)** **However** there are some disadvantages to maintaining a sales ledger control account. It may be costly to maintain (1) and there is no certainty that all errors will be located (1). Overall there are several advantages to Rita of maintaining a sales ledger control account but there may also be some disadvantages (1)	(5)

Question Number	Answer	Mark
13(a)	**Omar Bashir** **Trading and profit and loss account** **For year ended 30 April 2011**	(20)

	£	£	£
Sales		506 500(1)	
Returns inwards		6 500(1)	
			500 000
Cost of Sales			
Opening stock		45 000(1)	
Purchases (324 897* – 5 000*)	319 897 (2)		
Returns outwards	4 897(1)		
		315 000	
		360 000	
Closing stock		55 000(1)	
Cost of goods sold			**305 000**
Gross Profit			**195000 (1)**
Expenses			
Bad debts		3 200(1)	
Insurance (4 322* – 322*)		4 000(2)	
Motor expenses		7 690(1)	
Rates (9 500* + 500*)		10 000(2)	
Sundry expenses		42 156(1)	
Provision for depreciation - equipment		1 000(2cf)	
motor vehicles		10 000 (2cf)	
			78 046
Net Profit			**116 954 (1)**

Question Number	Answer	Mark
13(b)(i)	**Sample answer** With additional information 5 I have used the accruals (matching) concept **(1)**, which states that only transactions relating to the year under consideration should be included in the final accounts **(1)**.	(2)

Question Number	Answer	Mark
13(b)(ii)	**Sample answer** With additional information 6 I have used the business entity concept **(1)**, which states that only transactions involving the business should be included in the business books **(1)**. The goods for own use are drawings and as such, they need to be ignored in the calculation of cost of sales. Only the purchases used in the business are recorded **(1)**.	(3)

Question Number	Answer	Mark
14	**Oriental Furniture Ltd** **Balance Sheet** **As at 31 March 2011**	(15)

	£000	**£000**	**£000**
Fixed Assets	**Cost**	**Agg Dep**	**N.B.V.**
Premises	600		600*
Fixtures and Fittings	62	12	50*
	662	12	650
Current Assets			
Stock	60*		
Debtors	55*		
Prepayments	10*		
		125	
Current Liabilities			
Creditors	35*		
Bank overdraft	30*		
Interest accrued	10*		
Proposed dividend	25*		
		100	
Working capital			25*
			675
Long term Liabilities			
Debentures 2020			100*
			575
Financed by:			
Share capital		300*	
General reserve		50*	
Profit and loss account		225*	
Shareholders funds			**575***

Question Number	Answer	Mark
15(a)		(4)

Year	**(i) Gross Profit**	**(ii) Net Profit**
2010	£250 000* (c)	£150 000* (c)
2011	£330 000* (c)	£210 000* (c)

Question Number	Answer	Mark
15(b)	**Formula** Gross Profit/Sales x 100 **Gross profit margin for year ended 31 March 2010** 250 000/500 000 x 100 = 50% **Gross profit margin for year ended 31 March 2011** 330 000/600 000 x 100 = 55% **1 mark for correct formula + 1 mark for both correct percentages (2)**	(2)

Question Number	Answer	Mark
15(c)	**Formula** Net Profit/Sales x 100 **Net profit margin for year ended 31 March 2010** 150 000/500 000 x 100 = 30% **Net profit margin for year ended 31 March 2011** 210 000/600 000 x 100 = 35% **1 mark for correct formula + 1 mark for both correct percentages (2)**	(2)

Question Number	Answer	Mark
15(d)	**Formula** Net Profit/Capital Employed x 100 **Return on capital employed for year ended 31 March 2010** 150 000/750 000 x 100 = 20% **Return on capital employed for year ended 31 March 2011** 210 000/900 000 x 100 = 23.3% **1 mark for correct formula + 1 mark for both correct percentages (2)**	(2)

Question Number	Answer	Mark
15 (e)	The key here is for the candidate to find reasons (identify a strategy) to explain their contention. Reasons must have validity and must be backed up by figures. Evaluation of performance between 2010 and 2011 Comment on profitability **(1)** with figures **(1)** Comment on liquidity **(1)** with figures **(1)** Decision based on evidence **(1)** Max 3 marks if no figures. **Sample answer:** Since Albert has increased his gross profit margin (from 50% to 55%) it may be that he has increased his selling price or negotiated better terms with his suppliers which has lowered his cost of sales. There has been no increase in his overhead ratio over the two years as the only change in the net profit margin was due to the increase in his gross profit margin. This indicates that he is maintaining the same level of overhead expenditure. The return on capital employed also indicates an improving profitability situation with an increase from 20% to 23%. In terms of liquidity the situation has worsened between the two years. His current ratio has diminished from 2.5:1 in 2010 to 1.5:1 in 2011. If this trend continues then he may have difficulty meeting his short term debts. The acid test also shows a diminishing trend, down from 1.5:1 to 0.8:1. Overall although Albert's profitability has shown some signs of improvement between 2010 and 2011 the reduction in his liquidity position would indicate that contrary to his belief his business performance in 2011 is not superior to 2010.	(5)

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