Write your name here

| Surname | Other names |
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**Edexcel**
**International GCSE**

Centre Number | | | | | |

Candidate Number | | | | |

# Accounting

## Paper 1

Wednesday 11 January 2012 – Afternoon
**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.

*Turn over* ▶

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PEARSON

## 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** A business maintains a full set of books of account. Where will the purchases account appear?

☒ **A** general journal

☒ **B** general ledger

☒ **C** purchases journal

☒ **D** purchases ledger

**(Total for Question 1 = 1 mark)**

**2** A business buys goods for resale, paying cash. What are the entries in the business's books?

| | | **account debited** | **account credited** |
|---|---|---|---|
| ☒ | **A** | cash | purchases |
| ☒ | **B** | cash | supplier |
| ☒ | **C** | purchases | cash |
| ☒ | **D** | supplier | cash |

**(Total for Question 2 = 1 mark)**

**3** The totals of the discount columns in a trader's cash book were £350 debit and £100 credit. What entry will the trader make in the discount received account?

☒ **A** £100 credit

☒ **B** £350 credit

☒ **C** £100 debit

☒ **D** £350 debit

**(Total for Question 3 = 1 mark)**

**4** Which of the following transactions represents capital expenditure to a sole trader?

☒ **A** additional capital invested by the owner

☒ **B** cash withdrawn by the owner

☒ **C** expenditure on the improvement of fixed assets

☒ **D** expenditure to finance day-to-day expenses

**(Total for Question 4 = 1 mark)**

**5** Which of the following statements **best** describes a balance sheet?

☒ **A** a statement of the assets, liabilities and capital of a business on a certain date

☒ **B** a list of balances remaining on a business's books on a certain date

☒ **C** a summary of a business's transactions for the year

☒ **D** an account showing the financial position of a business at the year end

**(Total for Question 5 = 1 mark)**

**6** In a manufacturing business, which of the following is a factory overhead?

☒ **A** carriage inwards on raw materials

☒ **B** factory supervisor's salary

☒ **C** hiring of special production machinery

☒ **D** manufacturing wages

**(Total for Question 6 = 1 mark)**

**7** What will be the effect on a sole trader's balance sheet of the writing off of a bad debt?

☒ **A** capital reduced and assets reduced

☒ **B** liabilities increased and assets reduced

☒ **C** liabilities reduced and assets increased

☒ **D** no effect on assets or liabilities

**(Total for Question 7 = 1 mark)**

**8** Which of the following categories of ratios measures the ability of a company to pay its obligations as they become due?

☒ **A** capital structure

☒ **B** efficiency

☒ **C** liquidity

☒ **D** profitability

**(Total for Question 8 = 1 mark)**

**9** Senga and Sara are in partnership. They provide the following information:

| | |
|---|---|
| Capital account – Senga | 12 000 |
| Capital account – Sara | 16 000 |
| Current account – Senga | 4 800 Cr |
| Current account – Sara | 4 000 Dr |

What is the total of the capital section in the balance sheet?

☒ **A** £ 27 200

☒ **B** £ 28 000

☒ **C** £ 28 800

☒ **D** £ 36 800

**(Total for Question 9 = 1 mark)**

**10** A trader always uses the straight line method of depreciation for all motor vehicles. Which accounting concept is he applying?

☒ **A** accrual

☒ **B** consistency

☒ **C** dual aspect

☒ **D** going concern

**(Total for Question 10 = 1 mark)**

**TOTAL FOR SECTION A = 10 MARKS**



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## SECTION B

**Answer ALL questions.**

**11** (a) Asha Burat has been in business for some years. During December 2011 the following transactions took place. Complete the table by stating the correct source document for each transaction.

**(6)**

| Transaction | Source Document |
|---|---|
| Purchased stock on credit from H Kumar | |
| Paid for stamps in cash | |
| Returned stock to a supplier which had previously been bought on credit | |
| Deposited takings into his bank account | |
| Payment received from a customer by credit transfer | |
| Sent a customer a request for payment for work completed in November 2011 | |

The following information has been extracted from the books of account of Asha Burat for the month ended 31 December 2011. VAT is charged at 10%.

| | £ |
|---|---|
| Balance on VAT account – 1 December 2011 | 3 400 (Cr) |
| Cash sales (including VAT) | 9 350 |
| Payments to Revenue and Customs | 3 400 |
| VAT on credit purchases | 867 |
| VAT on credit sales | 965 |
| VAT on petty cash expenditure | 34 |
| VAT on returns inwards | 89 |
| VAT on returns outwards | 54 |
| Balance on VAT account – 31 December 2011 | To be calculated |

(b) Prepare the VAT account for the month of December 2011. Balance the account and bring the balance down on 1 January 2012.

**(10)**

**VAT Account**

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| | | | | | |
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(c) State, with reasons, which section of the balance sheet the closing balance of the VAT account will appear.

**(2)**

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(d) State and explain one error that would not be identified by preparing a sales ledger control account.

**(2)**

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.....

(e) Evaluate the way in which the use of control accounts can enable a business to manage its sales and purchase ledgers more effectively.

**(5)**

**(Total for Question 11 = 25 marks)**

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**12** Hinge and Bracket are in partnership sharing profits and losses in the ratio 2:1. Their partnership agreement allows for interest on capital at 5% per annum and a partnership salary to Hinge of £10 000 per annum.

The following trial balance was extracted from the books of the partnership on 31 December 2011.

| | | Dr | Cr |
|---|---|---|---|
| | | £ | £ |
| Bank | | 9 400 | |
| Capital accounts: | Hinge | | 200 000 |
| | Bracket | | 70 000 |
| Current accounts: | Hinge | | 13 750 |
| | Bracket | 1 500 | |
| Creditors | | | 14 700 |
| Debtors | | 29 000 | |
| Drawings: | Hinge | 14 000 | |
| | Bracket | 17 500 | |
| Land and buildings at cost | | 250 000 | |
| Motor expenses | | 13 850 | |
| Motor vehicles at cost | | 36 000 | |
| Provision for depreciation – Motor vehicles | | | 6 000 |
| Purchases | | 196 000 | |
| Rent, rates and insurance | | 16 800 | |
| Sales | | | 320 000 |
| Stock at 1 January 2011 | | 13 900 | |
| Wages and salaries | | 26 500 | |
| | | 624 450 | 624 450 |

The following additional information at 31 December 2011 should be taken into account:

1. Stock at 31 December 2011 was valued at £16 200.
2. Wages and salaries of £3 500 were accrued at 31 December 2011.
3. A provision for doubtful debts of 3% of debtors at 31 December 2011 is to be created.
4. Motor vehicles are to be depreciated by 20% per annum using the diminishing (reducing) balance method. No depreciation is to be charged on land and buildings.

(a) Prepare the trading, profit and loss and appropriation accounts of Hinge and Bracket for the year ended 31 December 2011.

**(12)**

**Hinge and Bracket**
**Trading, profit and loss, and appropriation accounts**
**For year ended 31 December 2011**

(b) Prepare the current accounts of Hinge and Bracket for the year ended 31 December 2011. Balance the accounts and bring the balance down on 1 January 2012.

**(8)**

**Current Account – Hinge**

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| | | | | | |
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**Current Account – Bracket**

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| | | | | | |
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The partners are currently looking to expand their operations and are considering converting their business to a limited liability company.

(c) Evaluate this proposed change to their business structure.

**(5)**

**(Total for Question 12 = 25 marks)**

**13** Raj Patel had the following balance in his books on 20 November 2011.

Rent received £22 000 Cr

Raj's financial year ends on 30 November 2011 and during the final week of November his tenant paid a further £2 000 to cover the outstanding rent for November and a further £2 000 to cover the rent for December 2011.

(a) Prepare the rent received account for the month of November, clearly showing any transfers to the profit and loss account. Balance the account on 30 November 2011 and bring the balance down to 1 December 2011.

**(4)**

**Rent Received Account**

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
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(b) Explain the accounting concept Raj has applied.

**(3)**

On 30 November Sunil Khan owed the business £3 500. Raj was advised that Sunil was unable to pay his outstanding debt and it was agreed to write this off as a bad debt.

(c) Prepare the account of Sunil Khan and the bad debts account for the month of November, clearly showing any transfers to the profit and loss account.

**(5)**

**Sunil Khan Account**

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |

**Bad Debts Account**

| Date | Narration | £ | Date | Narration | £ |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |

(d) Explain which accounting concept Raj has applied.

**(3)**

**(Total for Question 13 = 15 marks)**

**14** On 31 August 2011 Mr Wong received his bank statement, which stated that he owed his bank £650 on that date. He checked this against his cash book which showed a balance on his bank account of £1 003 Dr. On comparing the bank statement with his cash book, he identified several differences.

His bank statement showed a direct debit on 10 August for £125 in favour of the local council and a credit transfer from a customer for £200 on 21 August, neither of which had been entered in the cash book.

He also discovered that his bank had not taken account of monies which he had paid in the previous day totalling some £1 926 and that a cheque for £198 had not yet been presented to the bank for payment. Both these items had been entered in his cash book.

(a) State three other items that could be recorded in the bank statement before they are entered in the cash book.

**(3)**

(i) .....

(ii) .....

(iii) .....

(b) Starting with the balance in the cash book on 31 August 2011 update the cash book with the outstanding items. Balance the cash book at that date and bring the balance down on 1 September 2011.

**(4)**

**Cash Book (Bank Columns)**

| Date | Narration | Bank (£) | Date | Narration | Bank (£) |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
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(c) Draw up the bank reconciliation statement at 31 August 2011.

**(4)**

**Mr Wong**
**Bank Reconciliation Statement**
**As at 31 August 2011**

(d) Explain **two** advantages to Mr Wong of drawing up a bank reconciliation statement.

**(4)**

Advantage 1

Advantage 2

**(Total for Question 14 = 15 marks)**

**15** The trainee accountant of Mozart and Son produced a draft profit and loss account which showed a net profit for the year ended 31 November 2011 of £56 900.

During the following month several errors and omissions were identified. These were:

1. The cost of repairs to a delivery van of £680 had been debited to the motor vehicles account.
2. The sales day book had been undercast by £250.
3. A payment of £500 for insurance had been completely omitted from the accounts.
4. A cheque for £300 received from T Jones, a debtor, had been credited to the account of T Bones.
5. Discount received of £850 had been charged as an expense in the profit and loss account.
6. A payment of £890 for rates had been debited to the rent account.

Complete the following table to show clearly the effect on net profit **after these errors and omissions have been corrected**. If there is no effect, write 'no effect' in the correct column.

The first one has been completed as an example.

| | Increase | Decrease | No effect |
|---|---|---|---|
| 1 | | *£680* | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |

**(Total for Question 15 = 10 marks)**

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

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