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**Pearson Edexcel
International GCSE**

Centre Number

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Accounting

Paper 1

Tuesday 23 January 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 neatly in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL questions.

Some questions must be answered with a cross . If you change your mind about an answer, put a line through the box and then mark your new answer with a cross .

- 1 R Rogers sells goods for cash. How would the purchaser record this transaction in their books?

| | Account to be debited | Account to be credited |
|----------------------------|-----------------------|------------------------|
| <input type="checkbox"/> A | cash | purchases |
| <input type="checkbox"/> B | cash | R Rogers |
| <input type="checkbox"/> C | purchases | cash |
| <input type="checkbox"/> D | R Rogers | cash |

(Total for Question 1 = 1 mark)

- 2 Which of the following pairs of accounts always have debit balances?

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

(Total for Question 2 = 1 mark)

- 3 Where would a trader show trade discount?

- A cash book
- B discounts account
- C invoice
- D purchases ledger

(Total for Question 3 = 1 mark)

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- 4 A sole trader has included the purchase of a motor vehicle for private use as a business asset.

Which double entry would correct this error?

| | Account to be debited | Account to be credited |
|----------------------------|-----------------------|------------------------|
| <input type="checkbox"/> A | capital | motor expenses |
| <input type="checkbox"/> B | drawings | motor vehicles |
| <input type="checkbox"/> C | motor expenses | capital |
| <input type="checkbox"/> D | motor vehicles | drawings |

(Total for Question 4 = 1 mark)

- 5 A trader records purchases of £250 in his books as £520.

What type of error is this?

- A commission
- B compensating
- C original entry
- D principle

(Total for Question 5 = 1 mark)

- 6 Which of the following transactions would affect a business's profit?

- A sale of a fixed asset at book value
- B settlement of a business debt with discount
- C settlement of a business debt in full
- D transfer of cash to the bank account

(Total for Question 6 = 1 mark)



- 7 At the end of the financial year a trader added monies outstanding for rent to the rent amount paid during the year to obtain the total rent for the year.

Which accounting concept was being adhered to?

- A accruals
- B business entity
- C going concern
- D materiality

(Total for Question 7 = 1 mark)

- 8 To whom do the reserves in a limited company belong?

- A creditors
- B debenture holders
- C directors
- D ordinary shareholders

(Total for Question 8 = 1 mark)

- 9 Where on a balance sheet would a proposed dividend be shown?

- A current asset
- B current liability
- C fixed asset
- D long-term liability

(Total for Question 9 = 1 mark)



10 The following information was extracted from the accounts of Simba Ltd.

| | Year ended 31 December | |
|-------------------------|------------------------|----------|
| | 2016 | 2017 |
| Sales | £120 000 | £140 000 |
| Gross profit percentage | 20% | 25% |
| Net profit percentage | 10% | 8% |

What conclusion can you reach about Simba Ltd?

- A closing stock has increased
- B expenses have increased
- C purchase prices have increased but selling prices have not
- D the company has paid a large dividend

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS



SECTION B

Answer ALL questions.

11 Selina Gomez owns a wholesale electrical supplies business. She buys and sells mainly on credit terms.

(a) Complete the following table to show the book of original entry in which **each** transaction would be entered.

(5)

| Transaction | Book of original entry |
|---|------------------------|
| Sold goods on credit | |
| Sold goods for cash | |
| Purchased a fixed asset on credit | |
| Returned goods to a credit supplier | |
| Paid a credit supplier by bank transfer | |

On the 1 September 2017 her purchases ledger contained the following credit balances:

| | |
|----------|--------|
| A Alder | £1 266 |
| B Brown | £3 478 |
| N Carter | £2 188 |
| D Davis | £1 068 |

At the end of September 2017 she extracted the following information from her records.

| | £ |
|--------------------------------------|--------|
| Purchases on credit | 21 786 |
| Payments to credit suppliers | 15 422 |
| Returns to credit suppliers | 1 731 |
| Interest charged by credit suppliers | 184 |
| Sales ledger balance set off | 650 |



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(b) Prepare the purchases ledger control account for the month of September 2017. Balance the account on 30 September 2017 and bring the balance down to 1 October 2017.

(8)

Purchases Ledger Control Account

| Date | Details | £ | Date | Details | £ |
|------|---------|---|------|---------|---|
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(c) Explain **one** error that would **not** be identified by preparing a purchases ledger control account.

(2)

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(Total for Question 11 = 15 marks)



12 Devon Sawa maintains a full set of accounting books including a petty cash book, which is kept using the imprest system with a float of £250.

On 1 November 2017 the balance of the petty cash book was £186. On that day the float was restored.

During the month of November 2017 Devon made the following petty cash transactions.

| November | Voucher Number | Transaction | £ |
|-----------------|-----------------------|--|----------|
| 1 | 101 | Paid sales manager's travel expenses for October 2017. | 28 |
| 6 | 102 | Purchased postage stamps. | 8 |
| 10 | 103 | Paid window cleaner. | 19 |
| 14 | 104 | Paid for taxi fare to the train station for client. | 21 |
| 22 | 105 | Purchased photocopy paper. | 12 |
| 26 | | Sold stamps to a member of staff. | 4 |
| 29 | 106 | Paid office cleaner's wages. | 25 |
| 30 | 107 | Paid Peters, a credit supplier. | 35 |

On 1 November 2017 the balance on the postage and stationery account was £57.

- (b) Prepare the postage and stationery account for the month of November 2017 to show the transfers from the petty cash book. Balance the account on 30 November 2017 and bring the balance down to 1 December 2017.

(4)

Postage and Stationery Account

| Date | Details | £ | Date | Details | £ |
|------|---------|---|------|---------|---|
| | | | | | |
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(c) State in which section of the balance sheet the petty cash balance on 30 November 2017 will appear.

(1)

On 30 November 2017 Devon Sawa provided the following information.

| Year ended 30 November | Current ratio | Quick ratio (acid test) |
|---------------------------|------------------|----------------------------|
| 2016 | 2.5:1 | 1.4:1 |
| 2017 | 1.3:1 | 0.9:1 |

(d) Evaluate the change in the liquidity of the business over the two years and the implications of this for the business's creditors.

(5)

(Total for Question 12 = 25 marks)



13 At the close of business on 30 September 2017 the business bank account of Finn Bar showed a balance of £2 314.73 (Dr).

On the same date he received a bank statement that showed a balance of £2 795.73 (Cr).

On investigation he identified the following reasons for the difference.

- Bank charges for the month of September 2017 of £84 had been debited directly by the bank but had not yet been recorded in the cash book.
- An error had occurred when balancing the cash book: the bookkeeper had overcast the total of the debit entries by £160.
- The bank statement included a direct debit for insurance of £750, which had not been recorded in the cash book.
- Cash takings of £1 485.55 banked on 30 September 2017 had not yet appeared on the bank statement.
- Two cheques sent to suppliers during the month of September 2017 had not yet been presented for payment:
 - Cheque No: 196 B Hope £261.55
 - Cheque No: 199 F Faith £399.00
- A customer, S King, had paid his account of £2 300 by credit transfer directly into Finn Bar's bank account. This had not yet been recorded in the cash book.

(a) Prepare the updated bank account for the month of September 2017 and bring down the corrected balance on 1 October 2017.

(5)

Bank Account

| Date | Details | £ | | Date | Details | £ |
|------|---------|---|--|------|---------|---|
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(b) Prepare a bank reconciliation statement at 30 September 2017.

(5)

**Finn Bar
Bank Reconciliation Statement
At 30 September 2017**

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(c) Evaluate Finn Bar’s decision to purchase accounting software to help him run his business.

(5)

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(Total for Question 13 = 15 marks)

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- 14 Tornby, a manufacturer of children's toys, provided the following information for the year ended 31 October 2017.

| | £ |
|------------------------------|---------|
| Stock 1 November 2016 | |
| Finished goods | 68 000 |
| Raw materials | 45 000 |
| Work in progress | 13 650 |
| Stock 31 October 2017 | |
| Finished goods | 62 000 |
| Raw materials | 50 600 |
| Work in progress | 16 105 |
| Factory machinery | |
| Cost | 350 000 |
| Accumulated depreciation | 200 000 |
| Office equipment | |
| Cost | 75 000 |
| Accumulated depreciation | 25 000 |
| | |
| Direct factory wages | 78 600 |
| Heat and light | 26 000 |
| Indirect factory wages | 28 930 |
| Insurance | 1 750 |
| Purchases of finished goods | 22 000 |
| Purchases of raw materials | 245 000 |
| Rent and rates | 8 000 |
| Revenue | 563 000 |



Additional information

- On 31 October 2017 insurance paid in advance amounted to £250 and direct factory wages owing were £1 400.
 - Heat and light, insurance, and rent and rates are to be apportioned $\frac{3}{4}$ to the factory and $\frac{1}{4}$ to the administration building.
 - Factory machinery is depreciated at the rate of 25% on the reducing balance basis.
 - Office equipment is depreciated at the rate of 20% on a straight line basis.
- (a) Prepare the manufacturing account for the year ended 31 October 2017.

(10)

Tornby

Manufacturing Account For The Year Ended 31 October 2017

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15 (a) Explain the difference between a bad debt and a provision for doubtful debts.

(2)

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At the end of their financial year on 30 November 2017, Baker and Butcher provided the following information related to its debtors.

| Balance | Amount (£) |
|------------------|------------|
| 1 December 2016 | 5 870 |
| 30 November 2017 | 7 000 |

On 30 November 2017 Baker and Butcher decided to write off a bad debt of £300 and create a provision for doubtful debts of 2% of remaining debtors.

(b) Prepare the journal entries to record **both** of these transactions. Narratives are required.

(6)

| Date | Account | Debit (£) | Credit (£) |
|------|---------|-----------|------------|
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(c) State **two** ways in which a business could ensure that the debtors pay on time.

(2)

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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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