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Pearson Edexcel
International GCSE

Centre Number

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Accounting

Paper 1

Friday 12 May 2017 – 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 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 Which document should a business issue on receipt of returned goods?

- A credit note
- B debit note
- C purchase invoice
- D receipt

(Total for Question 1 = 1 mark)

2 Which type of accounts are found in the purchases ledger?

- A creditors
- B debtors
- C purchases
- D sales

(Total for Question 2 = 1 mark)

3 Bad debts written off would be entered in which book of original entry?

- A cash book
- B journal
- C purchases book
- D sales book

(Total for Question 3 = 1 mark)

4 Where is the balance of the bad debts account transferred to at the end of the year?

- A profit and loss account
- B purchases ledger control account
- C sales ledger control account
- D trading account

(Total for Question 4 = 1 mark)

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5 Which is not recorded on the debit side of a purchases ledger control account?

- A discount received
- B interest charged
- C returns outwards
- D sales ledger set offs

(Total for Question 5 = 1 mark)

6 A business decides to include the cost of small items of office equipment as expenses in the profit and loss account.

Which accounting concept is being applied?

- A accruals
- B business entity
- C materiality
- D prudence

(Total for Question 6 = 1 mark)

7 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 machinery
- D manufacturing wages

(Total for Question 7 = 1 mark)



8 A manufacturing company provided the following information:

| | £ |
|--------------------------|---------|
| Closing work in progress | 3 300 |
| Factory overheads | 83 000 |
| Opening work in progress | 2 600 |
| Prime cost | 121 000 |

What was the production cost?

- A £203 300
- B £204 000
- C £204 700
- D £209 900

(Total for Question 8 = 1 mark)

9 How is interest on drawings treated in the final accounts of a partnership?

| | Account to be debited | Account to be credited |
|----------------------------|-----------------------|------------------------|
| <input type="checkbox"/> A | appropriation | current |
| <input type="checkbox"/> B | current | appropriation |
| <input type="checkbox"/> C | current | profit and loss |
| <input type="checkbox"/> D | profit and loss | current |

(Total for Question 9 = 1 mark)



10 Tom and Jerry are in partnership sharing profits and losses in the ratio of 3:2. Their partnership provides a salary for Tom of £5 000 per annum. During the year their net profit was £25 000.

What would Tom's share of the profit be?

- A** £10 000
- B** £12 000
- C** £12 500
- D** £18 000

(Total for Question 10 = 1 mark)

TOTAL FOR SECTION A = 10 MARKS



SECTION B

Answer ALL questions.

11 The following information was extracted from the books of Randall for the month of March 2017.

| | £ |
|--------------------------------------|-------|
| Amount owing by debtors 1 March 2017 | 4 290 |
| Credit sales | 4 800 |
| Cash sales | 1 000 |
| Returns inwards | 320 |
| Bad debts | 253 |
| Discount allowed | 66 |
| Customer's cheque dishonoured | 210 |
| Receipts from debtors | 5 421 |

(a) Prepare the sales ledger control account for the month of March 2017. Balance the account on 31 March 2017 and bring the balance down to 1 April 2017.

(8)

Sales Ledger Control Account

| Date | Narrative | Amount (£) | Date | Narrative | Amount (£) |
|------|-----------|------------|------|-----------|------------|
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Randall purchases goods from several suppliers who all offer him trade discount of 10%. All purchases are subject to VAT at the rate of 20%.

During the month of April 2017 the following transactions took place.

| April | Transaction |
|-------|---|
| 3 | Purchased goods from T Hinds, list price £320 |
| 6 | Purchased goods from R Tibbs, list price £1 390 |
| 10 | Returned goods to T Hinds, list price £86 |
| 12 | Purchased goods from W Brown, list price £890 |
| 24 | Returned goods to R Tibbs, list price £210 |
| 28 | Purchased goods from T Hinds, list price £450 |
| 30 | Purchased goods from W Brown, list price £760 |

- (b) Prepare Randall's purchases book and purchases returns book for the month of April 2017, showing the totals for the month.

(9)

Purchases Book

| Date | Name | £ | £ | £ |
|------|------|---|---|---|
| | | | | |
| | | | | |
| | | | | |
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Purchases Returns Book

| Date | Name | £ | £ | £ |
|------|------|---|---|---|
| | | | | |
| | | | | |
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(c) State **three** reasons why Randall's suppliers offer trade discount.

(3)

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12 On 28 February 2017 the following balances remained in the books of R Hopkins after the preparation of the trading and profit and loss account for the year.

| | £ |
|--|--------|
| Capital | 10 000 |
| Cash at bank | 3 126 |
| Cash in hand | 289 |
| Creditors | 5 288 |
| Debtors | 7 429 |
| Drawings | 5 321 |
| Fixtures and fittings (net book value) | 1 900 |
| Motor vehicles (net book value) | 15 400 |
| Net profit | 23 698 |
| Stock | 5 521 |

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After the preparation of the balance sheet the following errors and omissions were discovered.

1. No entry had been made in the books for goods, costing £350, taken by R Hopkins for his own use.
2. The annual charge for depreciation of fixtures and fittings had been omitted. The policy is to depreciate fixtures and fittings by 25% of the net book value.
3. The purchase of a new motor vehicle on credit from DEF Traders, costing £12 000, had been omitted from the books.
4. One of the debtors had ceased trading on 31 January 2017 owing £876. This should have been written off as a bad debt.
5. Motor vehicle running costs for the year totalling £1 500 had been entered in error in the motor vehicles account.

(b) State the type of error in (5) above.

(1)



(c) Prepare journal entries to correct these errors and omissions. Narratives are **not** required.

(10)

The Journal

| | £ | £ |
|--|---|---|
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R Hopkins' policy is to depreciate motor vehicles at the rate of 25% on a reducing balance basis, with a full year's depreciation being charged in the year of purchase.

(d) Calculate the additional amount of depreciation to be charged on motor vehicles after the above errors and omissions have been corrected.

(3)

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(e) State **two** accounting concepts that are relevant to the calculation of depreciation.

(2)

1

2

(Total for Question 12 = 20 marks)



- 13 The following information was extracted from the records of the Bowlers Cricket Club for the year ended 31 March 2017.

| | 1 April 2016 (£) | 31 March 2017 (£) |
|----------------------------|---------------------|----------------------|
| Subscriptions in arrears | 340 | 480 |
| Subscriptions in advance | 200 | 130 |
| Stock of refreshments | 421 | 389 |
| Creditors for refreshments | 152 | 143 |
| Clubhouse (cost) | 5 000 | 5 000 |
| Equipment (net book value) | 3 000 | 2 800 |

The treasurer also provided the following summarised receipts and payments account for the year ended 31 March 2017.

Receipts and Payments Account

| | £ | | £ |
|----------------------|--------|-----------------------|--------|
| Balance 1 April 2016 | 1 267 | Payments to creditors | 3 070 |
| Sale of refreshments | 5 433 | Equipment | 1 500 |
| Donations | 5 000 | Sundry expenses | 3 500 |
| Subscriptions | 8 000 | Greenkeeper's wages | 9 000 |
| | | Balance c/d | 2 630 |
| | 19 700 | | 19 700 |
| Balance b/d | 2 630 | | |



(a) Calculate the accumulated fund on 1 April 2016.

(3)

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(b) Prepare the subscriptions account for the year ended 31 March 2017. Balance the account on that date and bring the balance down on 1 April 2017.

(6)

Subscriptions Account

| Date | Narrative | Amount (£) | Date | Narrative | Amount (£) |
|------|-----------|------------|------|-----------|------------|
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(c) Prepare the refreshments trading account for the year ended 31 March 2017.

(8)

Bowlers Cricket Club
Refreshments Trading Account
Year ended 31 March 2017

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Dotted lines for writing the trading account.



(d) Prepare the income and expenditure account for the year ended 31 March 2017.

(8)

Bowlers Cricket Club
Income and Expenditure Account
Year ended 31 March 2017

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(Total for Question 13 = 25 marks)

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14 The following information relates to two businesses in the same trade, at the year ended 31 December 2016.

| | Brown £ | Blair £ |
|------------------|----------------|----------------|
| Sales | 350 000 | 430 000 |
| Gross profit | 157 500 | 107 500 |
| Net profit | 35 000 | 64 500 |
| Capital employed | 437 500 | 537 500 |

(a) Calculate, for the year ended 31 December 2016, the following ratios, for each business. State clearly the formula used.

(9)

| Ratio | Formula | Brown | Blair |
|----------------------------|----------------|--------------|--------------|
| Gross profit percentage | | | |
| Net profit percentage | | | |
| Return on capital employed | | | |



(b) Evaluate the profitability of each business for the year ended 31 December 2016, indicating which business is performing better.

(5)

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15 On 1 April 2017 Jones purchased a new packing machine for use in his business. The following table shows the costs associated with this purchase.

- (a) Complete the following table to indicate with a tick (✓) whether the transactions are capital expenditure or revenue expenditure.

(6)

| Transaction | Capital expenditure | Revenue expenditure |
|------------------------|---------------------|---------------------|
| Insurance | | |
| Delivery charge | | |
| Import duty | | |
| Maintenance contract | | |
| Operator training cost | | |
| Installation | | |

- (b) Evaluate, using an appropriate example, the effect on a business's financial statements of the incorrect treatment of capital expenditure and revenue expenditure.

(5)

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(Total for Question 15 = 11 marks)

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



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