Mark Scheme (Results)

Summer 2018

Pearson Edexcel International GCSE
In Accounting (4AC0) Paper 1

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Section A: multiple choice

Question Number	Answer	Mark
1	*The correct Answer is C* *A is wrong because this is a purchase and not a sale.* *B is wrong because this is a purchase and not a sale.* *D is wrong because purchases are always debited when goods are purchased.*	**(1)**

Question Number	Answer	Mark
2	*The correct Answer is B* *A is wrong because this is a ledger – not a primary accounting record* *C is wrong because this is a ledger – not a primary accounting record* *D is wrong because this is a statement – not a primary accounting record.*	**(1)**

Question Number	Answer	Mark
3	*The correct Answer is B* *A is wrong because both accounts always have debit balances.* *C is wrong because assets always have debit balances.* *D is wrong because expenses always have debit balances.*	**(1)**

Question Number	Answer	Mark
4	*The correct Answer is C* *A is wrong because bank loan is a liability.* *B is wrong because debtors are a current asset.* *D is wrong because premises are a tangible fixed asset.*	**(1)**

Question Number	Answer	Mark
5	*The correct Answer is B* *A is wrong because a bank overdraft is a liability not an asset.* *C is wrong because a bank overdraft is a liability not an asset* *D is wrong because a bank overdraft is a current liability not a long-term liability.*	**(1)**

Question Number	Answer	Mark
6	*The correct Answer is B* *A is wrong because this is a purchase of inventory which is revenue expenditure* *C is wrong because this is an item of revenue expenditure* *D is wrong because this is an item of revenue expenditure*	**(1)**

Question Number	Answer	Mark
7	*The correct Answer is D* *A is wrong because both capital and revenue expenditure are treated in the same way in the cash book.* *B is wrong because creditors are not affected by this error.* *C is wrong because debtors are not affected by this error.*	**(1)**

Question Number	Answer	Mark
8	*The correct Answer is C* *A is wrong because an appropriation account is used to show how profit is shared which comes after this transaction.* *B is wrong because the transaction is not a manufacturing cost.* *D is wrong as the transaction would not be included in the trading account.*	**(1)**

Question Number	Answer	Mark
9	*The correct Answer is A* *B is wrong because a receipts and payments account is the same as a cash book.* *C is wrong because a statement of affairs is the same as a balance sheet.* *D is wrong as a subscriptions account is the same as a sales account.*	**(1)**

Question Number	Answer	Mark
10	*The correct Answer is C*	**(1)**
	A is wrong because profitability is measured using profitability ratios not liquidity ratios.	
	B is wrong because profitability ratios are used to assess the level of trading not liquidity ratios.	
	D is wrong as the measurement relates to profitability not liquidity.	

Section B

Question Number	Answer	Mark
11(ai)	**Award marks for correct date, details and amounts in combination.**	

C Son Account

Date	Details	£	Date	Details	£
Apr 1	Balance b/d	1800 **(1)**	Apr 3	Returns inwards (Book)	99 **(1)**
Apr 13	Sales (Book)	572 **(1)**	Apr 21	(PL) Set Off/ Contra	450 **(1)**
			Apr 30	Cash (Book) (Bank)	1280 **(1)**
			Apr 30	Balance c/d	543
		2372			2372
May 1	Balance b/d	543 **(1of)**			

(6)

Question Number	Answer	Mark
11(aii)	**Award marks for correct date, details and amounts in combination.**	

Sales Ledger Control Account

Date	Details	£	Date	Details	£
Apr 1	Balance b/d	7474 **(1)**	Apr 30	(PL) set off/Contra	450**(1)**
Apr 30	Sales (Book)	4 235 **(1)**		Returns inwards (Book)	385**(1)**
				Cash (Book) (Bank)	8712 **(1)**
				Balance c/d	2162
		<u>11709</u>			<u>11709</u>
May 1	Balance b/d	2162 **(1of)**			

(6)

Question Number	Answer	Mark
11(aiii)	**Award marks for correct date, details and amounts in combination.**	

Sales Account

Date	Details	£	Date	Details	£
Apr 30	Balance c/d	25450	Apr 1	Balance b/d	21 000 **(1)**
			Apr 15	Cash (Book) (Bank)	600/660 **(2/1)**
			Apr 30	Sales (Book)	3 850 **(1)**
		<u>25450</u>			<u>25 450</u>
			May 1	Balance b/d	25 450 **(1of)**

(5)

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Question Number	Answer	Mark
11 (aiv)	**Award marks for correct date, details and amounts in combination.** **(iv) Returns Inwards Account**	

Date	Narration	£	Date	Narration	£
Apr 1	Balance b/d	1342 **(1)**	Apr 30	Balance c/d	1692
Apr 30	Returns inwards (Book)	350 **(1)**			
		<u>1692</u>			<u>1692</u>
May 1	Balance b/d	1692 **(1of)**			

(3)

Question Number	Answer	Mark
11 (b)	**Award up to (4) marks for a discussion on the benefits to the business of maintaining a sales ledger control account and a final (1) mark for a conclusion related to the scenario.** **Sample reasons** The maintenance of a sales ledger control account can bring many benefits to Justin as : • He will find it easier to identify errors **(1)** in the sales ledger **(1).** • He will also find it easier to prepare his financial statements **(1)** as the total of debtors will be easily available **(1).** • Fraud should be easier to identify **(1)** as the control account is usually maintained by a different person **(1)** **Conclusion (1)** Therefore the preparation of a sales ledger control account will bring many benefits to Justin's business.	**(5)**

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Question Number	Answer	Mark
12(a)	**Award 1 mark each for:** • **total assets** • **total liabilities** • **capital** **Assets:** Shop fittings 20 010 Debtors 2 000 Stock 2 500 Petty cash 490 <u>25 000</u> **(1)** **Liabilities:** Bank loan (2020) 5 000 Bank overdraft 6 500 Creditors 3 200 Electricity 300 <u>15 000</u> **(1)** **Capital:** 25000 – 15 000 = <u>10 000</u> **(1of)**	**(3)**

Question Number	Answer	Mark
12(b)	**Award marks as shown; marks to be awarded for correct figure and treatment.**	

	£
Opening debtors	(2 000) **(1)**
Receipts from debtors	45 000 **(1)**
Receipts from cash sales	53 200 **(1)**
Cash drawings	21 000 **(1)**
Closing debtors	3 000 **(1)**
Total sales	120 200 **(1of)**

(6)

Question Number	Answer	Mark
12(c)	**Award marks as shown; marks to be awarded for correct figure and treatment.**	
	<table><tr><td></td><td>**£**</td></tr><tr><td>Opening creditors</td><td>(3 200) **(1)**</td></tr><tr><td>Payments to creditors</td><td>42 700 **(1)**</td></tr><tr><td>Discount received</td><td>2 300 **(1)**</td></tr><tr><td>Closing creditors</td><td>2 560 **(1)**</td></tr><tr><td>Total purchases</td><td>44 360 **(1of)**</td></tr></table>	**(5)**

Question Number	Answer	Mark
12(d)	**Award marks as shown; marks to be awarded for correct figure and treatment with labels.** **Award revenue and purchases o/f marks only if they match with (b) and (c)**	

Sevket Christakos
Income statement
Year ended 28 February 2018

	£	£	
Revenue		120 200	**(1 of)**
Opening stock	2 500		
Purchases	44 360		**(1 of)**
	46 860		
Closing stock	1 860		**(1)**
Cost of sales		45 000	**(1 of)**
Gross profit		75 200	**(1 of)**
Discount received		2 300	**(1)**
		77 500	
Expenses			
Wages	15 000		
Rent and rates	4 000		
Loan interest	400		**(1)**
Electricity*	1 750		**(3)**
		21 150	
Profit for the year		56 350	**(1 of)**

*Electricity 1 650 **(1)** − 300 **(1)** + 400 **(1)** = **1 750**

(11)

Question Number	Answer				Mark
13 (a)	**Award marks as shown**				

Ratio	Formula	2017	2018
Gross profit margin	Gross profit/Sales x 100 **(1)**	25% **(1)**	25% **(1)**
Net profit margin	Net profit/Sales x 100 **(1)**	12% **(1)**	10% **(1)**
Return on capital employed	Net profit/Capital employed x 100 **(1)**	80% **(1)**	75% **(1)**

Accept turnover in lieu of sales
% notation must be shown **(9)**

Question Number	Answer	Mark
13 (b)	**Award** • **1 mark for a general statement regarding the change in profitability over the two years;** • **3 marks for a discussion on the meaning of each individual ratio;** • **1 mark for a conclusion related to the managing director's comment** **Sample answer** The profitability of the business has declined over the two years **(1)** which is evidenced by the reduction in the net profit ratio and return on capital employed. The gross profit margin is unchanged over the two years indicating no change in either the selling price or cost price **(1);** the net profit margin indicates that the business is not controlling their expenses adequately; **(1)** and the return on capital employed indicates that the business is not using the increase in capital employed effectively in generating profit. **(1)** The managing director is incorrect in assuming that the business has had a successful year as overall profitability has declined. **(1)**	**(5)**

Question Number	Answer	Mark
13 (c)	**Award mark for correct response only** e.g. Current / current ratio Working capital / working capital ratio Acid test / acid test ratio Quick / quick ratio Accept any appropriate spelling Accept upper or lowercase	**(1)**

Question Number	Answer	Mark
14(a) (i)	**Award marks for figures on the correct side as shown.** **Award 1 mark for all correct dates and narratives**	

Capital Account

Date	Details	£	Date	Details	£
2017 Dec 31	Drawings	1 850 **W1 (2**)	2017 Jan 1	Bank	5 000 **(1)**
	Balance c/d	34 150		Motor vehicle	6 000 (**1**)
			Dec 31	Income statement	25 000 **(1)**
		36 000			36 000
			2018 Jan 1	Balance b/d	34 150 **(1of)**

(7)

W1 400 **(1)** + 1450 **(1)** = 1850

Question Number	Answer	Mark
14 (a) (ii)	**Award marks for figures on the correct side as shown.** **Award 1 mark for all correct dates and narratives**	

Drawings Account

Date	Details	£	Date	Details	£
2017 May 1	Purchases	400 **W1(2)**	2017 Dec 31	Capital	1 850 **(1of)**
Oct 1	Cash (Bank)	1 450 **(1)**			
		1 850			1 850

W1 500 **(1)** x 80%**(1)** = 400

(5)

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Question Number	Answer	Mark
14 (b)	**Award 1 mark for each correct concept** 	**Concept**
Materiality **(1)**
Consistency **(1)**
Business entity/ entity **(1)**	 Accept any appropriate spelling	**(3)**

Question Number	Answer	Mark
15 (a)	**Award up to 2 marks for advantages and up to 2 marks for disadvantages.** **Advantages** • additional capital • share the risk • share the workload • new ideas • additional skills **Disadvantages** • receiving less profit • delaying business decisions • possible conflicts • responsible for all debts **Accept other appropriate responses** bizuz.com	**(4)**

Question Number	Answer	Mark
15 (b)	**Award 1 mark for identifying the changes to each category with a further 1 mark for each point of development – max 2 marks for each.** **Sample answer** Current accounts **(1)** will be required which will record drawings , interest on capital etc. **(1)** The partnership will be required to produce an appropriation account **(1)** which will show the share of profit/loss for each partner **(1)** The financed by section of the balance sheet **(1)** will now include separate balances for each partners capital and current accounts**. (1)**	**(6)**

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