Centre No.					Pape	r Refer	ence			Surname	Initial(s)
Candidate No.			4	3	0	5	/	0	1	Signature	

Paper Reference(s)

4305/01

London Examinations IGCSE

Accounting

Paper 1

Tuesday 8 June 2010 – Afternoon

Time: 2 hours 30 minutes

Materials required for examination	Items included with question papers
Nil	Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature. Answer ALL the questions in Section A and Section B in the spaces provided in this question paper. The paper reference is shown at the top of this page. Check that you have the correct question paper. Final accounts and balance sheet may be set out in a range of acceptable forms. You may draw up your own ruling for final accounts and balance sheet.

Ledger accounts and books of original entry should be completed (if required) in the format required by the layout given.

Information for Candidates

The total mark for this paper is 100.

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 6 questions in this question paper. Any blank pages are indicated.

There are 4 ruled pages at the end of this question paper which you may use if you cannot fit your answer in the space provided.

Advice to Candidates

You are reminded of the importance of clear English and careful presentation in your answers.

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Turn over

Total

Examiner's use only

Team Leader's use only

Question Number

1

2

3

4

5

6



Section A

	Answer ALL questions	
Qu	estion 1	
For	each question, choose the best answer A, B, C or D and write it in the box.	
(a)	Which of the following accounts always has a debit balance? A Capital B Purchases C Purchase returns D Sales	(1)
(b)	 Which of the following is an intangible fixed asset? A Bank loan B Debtors C Goodwill D Premises 	(1)
(c)	What does the term 'working capital' mean? A Capital invested by the owner(s) B Capital less drawings C Current assets less current liabilities D Fixed assets less current assets	(1)
(d)	A petty cash system operates on the imprest system with a float of £350. If £275 is spent in the period, how much will be reimbursed at the end of the period A £75 B £275 C £350 D £425	d?
(e)	What does a credit balance of £500 in the account of R Jones in the books of T Rimean? A Jones owes Richards £500 B Jones has purchased goods from Richards costing £500 C Richards owes Jones £500 D Richards has paid Jones £500	



(f)	If capital expenditure is treated as revenue expenditure, which of the following will be incorrect? A Bank balance B Creditors C Debtors D Net profit	Leave blank
(g)	A retailer purchases 50 items at £20 each. He is allowed a cash discount of 5%. VAT is charged at 10%. What is the final invoice total? A £1 000 B £1 045 C £1 095 D £1 100	
(h)	The net profit of a business was calculated as £5000 prior to discovering the following errors: • carriage inwards £200 had been debited to the profit and loss account; • carriage outwards £100 had been debited to the trading account. What would the net profit be after correcting these errors? • £4900 • £4900 • £5000	
	C £5 100 D £5 300	
(i)	What is meant by the term 'mark up'? A Gross profit expressed as a percentage of cost of goods sold B Gross profit expressed as a percentage of sales C Net profit expressed as a percentage of cost of goods sold D Net profit expressed as a percentage of the sales (1)	
(j)	What is the formula for the acid test ratio? A Current assets divided by current liabilities B Current assets minus stock divided by current liabilities C Sales divided by fixed assets D Sales divided by stock	Q1
	(Total 10 marks)	

Question 2

Throughout this question, assume VAT is 10%.

Dhopak Shah is a wholesaler of spices. He buys and sells mainly on credit terms. He does not offer cash discount to any of his customers.

On 1 April 2010 his sales ledger contained the following debit balances:

D Rae	£1879
C Small	£2000
B Major	£2 188
A Minor	£3 244

On 1 April 2010 his nominal ledger contained the following balances:

Sales £11 600 Returns Inwards £675

The following were extracts from his books for April 2010.

Sales Journal

Date	Narration	Goods	VAT	Total
April 1	B Major	920	92	1012
April 5	D Rae	360	36	396
April 13	C Small	520	52	572
April 21	A Minor	1 450	145	1 595
April 28	D Rae	600	60	660
	Totals for Month	3850	<u>385</u>	4235

Returns Inwards Journal

Date	Narration	Goods	VAT	Total
April 3	D Rae	90	9	99
April 8	A Minor	260	26	286
	Totals for Month	<u>350</u>	<u>35</u>	<u>385</u>

Cash Book (Debit side)

Date	Narration	Bank
April 1	Balance b/d	4200
April 3	Cash sales (including VAT)	220
April 5	A Minor	3 244
April 8	C Small	2 000
April 15	Cash sales (including VAT)	660
April 21	B Major	2188
April 30	Rent received	500
April 30	D Rae	1 780



The Journal

Date	Narration	Debit	Credit
April 21	D Rae (Purchases Ledger)	450	
	D Rae (Sales Ledger)		450
	Being transfer of balance in purchases ledger off set against balance in the sales ledger		

(a) Prepare the account of D Rae in Dhopak Shah's sales ledger. Balance the account on 30 April 2010 and bring the balance down.

(6)

D Rae Account

Date	Narration	£	Date	Narration	£

(b) Prepare the total debtors account for the month of April 2010. Balance the account on 30 April 2010 and bring the balance down.

(6)

Total Debtors Account

Date	Narration	£	Date	Narration	£

(c) Prepare the sales account and returns inwards account for the month of April 2010. Balance the accounts on 30 April 2010 and bring the balances down.

(6)

Sales Account

Date	Narration	£	Date	Narration	£

Returns Inwards Account

Date	Narration	£	Date	Narration	£

that this could bring to his business.	int to his customers. Explain one benefit
	(3)



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				(4)
			(Total 2:	5 marks)

Question 3

Dipak Patel has been in business for some years but has never maintained a full set of accounting records. The following information is available for the business's most recently completed financial year which ended on 31 December 2009.

On 1 January 2009 the business's assets and liabilities were as follows:

	£
Shop fittings (Net book value)	7 500
Trade debtors	2 0 5 0
Trade creditors	3 200
Stock	12 500
Cash at bank (Dr)	3 500
Electricity owing	350

(a) Calculate Dipak's capital as at 1 January 2009.

(4)



His records also revealed the following for 2009:

- credit customers had paid £45 000 by cheque
- cash takings banked totalled £53 200
- Dipak has withdrawn £21 000 from the cash till for his own use
- trade debtors at the year end totalled £4850.

	rulate the total sales of the business for the year ended 31 December 2009.
	nis suppliers £42 700 by cheque during the year and in addition had rece
count of £	2 300. At the year end he owed his suppliers £5 200.
(c) Calc	culate the total purchases of the business for the year ended 31 December 20



An examination of the business's bank account showed the following items of expenditure had been paid by cheque during the year:

Wages £15 000
 Electricity £1 650
 Rent & rates £4 000

His bank account showed a closing balance of £38350 (Dr).

A stock count at the year end showed that the closing stock was valued at £16000.

Dipak decided not to depreciate his shop fittings.

Dipak still owed £400 for electricity used during the year.

(d) Prepare a trading and profit and loss account for the year ended 31 December 2009.

Dipak Patel Trading and profit and loss account Year ended 31 December 2009

(6)



(e) Prepare the following **extract** from the balance sheet of Dipak Patel as at 31 December 2009 clearly showing current assets, current liabilities and working capital.

(3)

Dipak Patel Balance sheet extract As at 31 December 2009

rrent Assets	
urrent Liabilities	
Vorking Capital	
Torking Capital	
(f) Evaluate the usefulness to Dipak's business of maintaining a full set of account	ınting
records.	
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	· • • • • • • • • • • • • • • • • • • •
	(5)
(Total 25 m	
TOTAL FOR SECTION A: 60 MA	RKS

Section B

Answer ALL questions

Question 4

Korn Manufacturing Ltd makes a range of products. At 30 September 2009 the following balances remained in the company's books.

	£
Stock of raw materials 1 October 2008	30 000
Stock of work in progress 1 October 2008	20 140
Stock of finished goods 1 October 2008	91 530
Purchases of raw materials	568 100
Factory direct wages	352760
Factory indirect wages	75 256
Factory indirect expenses	46 570
Administrative expenses	347 800
Selling and distribution expenses	56 500
Financial expenses	48 250
Sales of finished goods	1808588
Freehold premises (cost)	1 700 000
Plant and machinery (cost)	472 200
Fixtures and fittings (cost)	124 000
Motor vehicles (cost)	90 000
Provision for depreciation – plant and machinery	160 000
Provision for depreciation – fixtures and fittings	56 000
Provision for depreciation – motor vehicles	34 000
Debtors	98300
Creditors	43 412
Bank balance (Dr)	701 076
Ordinary shares of £1 each (fully paid)	2 000 000
8% Preference shares of £1 each (fully paid)	1 200 000
Interim preference dividend paid	48 000
Interim ordinary share dividend paid	40 000
Profit and loss account 1 October 2008	290 150



The following additional information is available on 30 September 2009 and is to be taken into account.

• Stocks were valued at: Raw materials 36 840

Work in progress 17 900 Finished goods 100 480

• Depreciation for the year is to be provided for on a straight line basis:

Plant and machinery 20% Fixtures and fittings 15% Motor vehicles 20%

- Selling and distribution expenses of £4500 were accrued.
- Administrative expenses of £7 800 were prepaid.
- The remaining preference dividend is to be provided for.
- A final ordinary dividend of 2% is to be provided for.
- All the company's authorised capital has been issued.
- (a) Prepare a manufacturing account for the year ended 30 September 2009.

Korn Manufacturing Ltd Manufacturing Account Year ended 30 September 2009

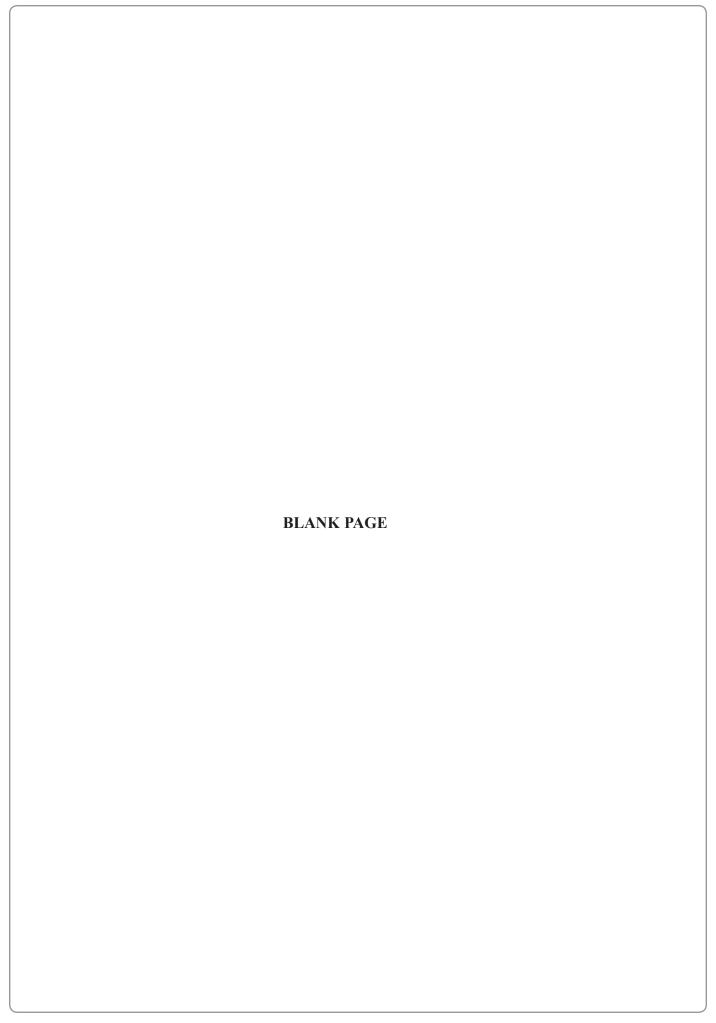
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(b) Prepare a trading and profit and loss appropriation account for the year ended 30 September 2009.

Korn Manufacturing Ltd Trading, profit and loss, and appropriation account Year ended 30 September 2009

Ye	ear ended 30 September 2009	
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	(12	<u>-</u> 2)
	(Total 18 marks	3



Question 5

The following summarised data shows the performance of Asia Minor's business for the past two years:

	Year ended 31 March 2009	Year ended 31 March 2010	
	£000	€000	
Turnover	1 600	2400	
Gross profit	400	600	
Net profit	192	240	
Current assets	240	228	
Current liabilities	100	152	

(a)	Stating clearly the formula used, calculate the gross profit margin for each of the two years.
	Formula
	Gross profit margin for year ended 31 March 2009.
	Gross profit margin for year ended 31 March 2010.
	(2)



Stating clearly the formula used, calculate the net profit margin for each of the two years.
Formula
Net profit margin for year ended 31 March 2009.
Net profit margin for year ended 31 March 2010.
(2)

(b)

(5)

blank The managing director believes that due to the increased turnover and net profit the company must have experienced a very successful year. (c) Using the profitability ratios calculated above, evaluate the profitability over the two years and state, with reasons, whether you agree with the managing director's statement.



Stating clearly the formula used, calculate the working capital ratio (current ratio) for each of the two years.
Formula
Working capital ratio (current ratio) at 31 March 2009.
Working capital ratio (current ratio) at 31 March 2010.
(2)

(d)

	•••••
	•••••
	•••••
	(5)
(Total	16 marks

Question 6

The Happy Days Sports Club had been in existence for a number of years. The club treasurer has provided the following information in respect of membership subscriptions for 2009:

• Annual membership fee:

Senior members £30

Junior members £10.

- At the beginning of 2009, 16 senior members had not paid their subscription for 2008.
- During 2009, 125 senior members had paid their subscriptions, and 45 junior members had paid their subscriptions. These payments included the subscriptions due from 2008, and 4 senior member subscriptions for 2010.
- At the end of 2009, subscriptions from 10 senior members were outstanding.
- There has been no change in the subscription rate for several years.

Prepare the subscriptions account for the year ended 31 December 2009 clearly showing the amount to be transferred to the Club's income and expenditure account. Balance the account on 31 December 2009 and bring the balances down.

(6)

Subscriptions Account

Date	Narration	£	Date	Narration	£

Q6

(Total 6 marks)

TOTAL FOR SECTION B: 40 MARKS

TOTAL FOR PAPER: 100 MARKS

END



	Extra answer space (indicate clearly which question you are answering)	
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