

IGCSE

Accounting

Sample Assessment
Materials (SAMs)

Edexcel IGCSE in Accounting (4AC0)

First examination 2011



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Acknowledgements

This document has been produced by Edexcel on the basis of consultation with teachers, examiners, consultants and other interested parties. Edexcel acknowledges its indebtedness to all those who contributed their time and expertise to its development.

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Introduction

The sample assessment material has been prepared to support the specification.

The aim of the material is to provide students and centres with a general impression and flavour of the actual question paper and mark scheme in advance of the first operational examinations.

Sample question paper

Paper 1: Accounting

7

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 wages account will be found in the

- A private ledger
- B nominal ledger
- C cash book
- D petty cash book

Q1

(Total 1 mark)

2. Which of the following pairs of accounts usually have credit balances b/d?

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

Q2

(Total 1 mark)

3. Where should trade discount be shown?

- A the cash book
- B personal accounts in the ledger
- C a discounts account
- D an invoice

Q3

(Total 1 mark)

4. What is the purpose of preparing a trial balance?

- A to check the arithmetical accuracy of the book-keeping
- B to find the net profit or net loss
- C to check that all transactions have been included in the accounts books
- D to prove that there are no book-keeping errors

Q4

(Total 1 mark)

5. What does a debit balance b/d on the insurance account indicate?

- A A liability and a prepayment
- B A liability and an accrual
- C An asset and an accrual
- D An asset and a prepayment

Q5

(Total 1 mark)

6. A machine costing £5 000 is depreciated at 20% per annum by the straight line method. It is sold after three years for £2 500. Which one of the following statements is true?

- A The firm has made a £500 loss
- B The firm has made a £500 profit
- C The firm has made a £2 500 loss
- D The firm has made a £2 500 profit

Q6

(Total 1 mark)

7. An income and expenditure account has a credit total which exceeds the debit total. This means that the organisation has

- A spent more cash than it has received
- B made a surplus
- C received more cash than it has spent
- D made a deficit

Q7

(Total 1 mark)

8. Subscriptions received this year but relating to next year are shown in this year's accounts as

- A a current asset in the balance sheet
- B an item of income in the income and expenditure account
- C a current liability in the balance sheet
- D an item of expenditure in the income and expenditure account

Q8

(Total 1 mark)

9. Ignoring work in progress, which of the following statements correctly defines factory cost of production?

- A Raw materials purchased plus indirect costs
- B Prime cost plus factory overhead
- C Prime cost minus factory overhead
- D Prime cost plus direct costs

(Total 1 mark)

Q9

10. A proposed final ordinary dividend will be shown on a company's balance sheet as a

- A current asset
- B current liability
- C revenue reserve
- D general reserve

(Total 1 mark)

Q10

TOTAL FOR SECTION A: 10 MARKS

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SECTION B**Answer ALL questions.**

- 11.** In the year ended 31 December 2007, the bookkeeper of Sanchez Palmer, wholesaler, made the following errors.
- (i) An invoice for £460 in respect of goods sold to B Balearic, a supplier, was lost and no entries made in the books.
 - (ii) The book-keeper intended to record a bad debt recovered, £500. He debited £500 to the cash account and credited £50 to the bad debts recovered account.
 - (iii) On 1 July 2007, an insurance premium of £1 200 for the following 12 months was paid; no adjustment was made for the amount paid in advance at 31 December 2007.
 - (iv) The total of the returns inward book was over-cast by £200.
 - (v) The total of the discount allowed column in the cash book, £150, was posted to the credit side of the discount received account.
 - (vi) A cheque for £195 received from T Tramuntana on 24 April 2007, in full settlement of her account, was entered correctly. No cash discount was involved. The cheque was dishonoured on 12 May 2007, but no entry for this was made in the books.

- (a) You are asked to show the effect of each error on:
- the agreement of the trial balance
 - the net profit for the year ended 31 December 2007.

Complete the table below for each of the items (iii) to (vi). The answers to (i) and (ii) have been done to show the layout.

Item	Trial balance	Net profit
(i)	No effect	Lower than it should be by £460
(ii)	Debit side bigger by £450	Lower than it should be by £450
(iii)		
(iv)		
(v)		
(vi)		

(8)

- (b) If a suspense account had been opened to make the trial balance agree, what would have been the suspense account balance and on which side?

.....

.....

.....

.....

(2)

Q11

(Total 10 marks)

Throughout Question 12, assume that the rate of VAT is 10%.

12. Steven Brock is a wholesaler of electrical goods. He buys and sells mainly on credit terms. Currently none of his suppliers offer cash discount.

On the 1 April 2008 his purchases ledger contained the following credit balances.

T Farmer	£1 500
D Poynter	£4 500
H Judd	£6 000
D Jones	£3 000

The following are extracts from his books for April 2008.

Purchases Journal

Date	Narration	Goods	VAT	Total
		£	£	£
April 1	T Farmer	1 250	125	1 375
April 5	H Judd	2 000	200	2 200
April 13	D Poynter	500	50	550
April 21	T Farmer	2 750	275	3 025
April 28	D Jones	750	75	825
	Totals for Month	7 250	725	7 975

Returns Outwards Journal

Date	Narration	Goods	VAT	Total
		£	£	£
April 3	T Farmer	200	20	220
April 8	D Poynter	50	5	55
April 18	D Jones	140	14	154
April 29	H Judd	70	7	77
	Totals for Month	460	46	506

Cash Book (Credit Side)
Bank Column

Date	Narration	Bank
		£
April 1	Balance b/d	3 500
April 3	Purchases (including VAT)	240
April 5	T Farmer	1 500
April 8	D Jones	3 000
April 15	Purchases (including VAT)	600
April 21	H Judd	6 000
April 30	Wages	1 500
April 30	Stationery (including VAT)	120

The Journal

Date	Narration	Debit	Credit
		£	£
April 21	T Farmer (Purchases Ledger)	500	
	T Farmer (Sales Ledger)		500
	Being transfer of balance in sales ledger offset against balance in purchases ledger		

- (a) Prepare the account of T Farmer in Steven Brock's purchases ledger. Balance the account on 30 April 2008 and bring the balance down.

T Farmer Account

Date	Narration	£	Date	Narration	£

(6)

- (b) Prepare the total creditors account for the month of April 2008. Balance the account on 30 April 2008 and bring the balance down.

Purchase Ledger Control Account

Date	Narration	£	Date	Narration	£

(6)

(c) Explain **two** ways in which Steven might find the total creditors account useful in the running of the business.

(i)

.....

.....

.....

(2)

(ii)

.....

.....

.....

(2)

At the end of April, Steven is advised that one of his debtors, A Carter, is unable to pay his outstanding amount of £500. Steven decides to write this off as a bad debt.

(d) Set out the journal entry for this transaction.

The Journal

Date	Narration	Debit	Credit
		£	£

(3)

Steven has experienced problems in the past year in collecting payments from credit customers. He has been advised by his accountant to introduce a provision for doubtful debts at the end of the accounting period.

- (e) State the double entry required to create the provision for doubtful debts at the end of the accounting period.

.....
.....

(1)

- (f) Using the provision for doubtful debts as an example, evaluate the importance of the prudence concept to the preparation of the trading and profit and loss account and the balance sheet.

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(5)

(Total 25 marks)

Q12

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13. The following trial balance was extracted from the books of Kevin Phillips, a retailer, on 31 October 2007. The suspense account was opened when the trial balance failed to agree. The causes of the difference were discovered later and are set out in (i) below the trial balance.

	Debit	Credit
	£	£
Cash at bank	14 000	
Cash in hand	56	
Trade creditors and trade debtors	12 900	8 670
Capital		54 677
Wages of sales assistants	14 500	
Vehicle expenses	5 671	
Vehicles at cost	15 000	
Stock at 1 November 2006	3 500	
Cash discounts	420	540
Drawings	23 000	
Equipment at cost	3 000	
Heating and lighting	900	
Insurance	890	
Purchases and sales	313 000	540 000
General expenses	7 250	
Premises	200 000	
Provision for depreciation (1 November 2006) on equipment		600
Provision for depreciation (1 November 2006) on vehicles		9 000
Business rates	4 400	
Suspense		5 000
	618 487	618 487

You must prepare:

- trading and profit and loss accounts for the year ended 31 October 2007
- the balance sheet at 31 October 2007.

The following should be taken into account.

- (i) The trial balance had failed to agree for these reasons:
- £4 580 cash sales was correctly entered in the cash book but omitted from the sales account
 - discount allowed had been correctly posted to the discount account from the cash book but no entry for discount allowed had been made in the personal accounts.
- (ii) Stock was valued at £3 000 at selling price on 31 October 2007. Kevin Phillips had previously used cost as the most suitable valuation and intends to continue with this approach. Use a margin of 50% to amend the stock valuation.

15. The following information is available about a retail business owned by Monty Pinso.

	For the year ended 31 March	
	2007	2008
Sales	£360 000	£420 000
Return on capital employed	15%	14%
Current ratio	2.5:1	1.5:1
Gross profit mark up	55%	50%
Rate of stock turnover	9 times	10 times
Net profit to turnover	10%	8%

Monty believes the financial results have improved in 2008 compared with 2007.

(a) Give the formula for the:

(i) current ratio

.....

 (1)

(ii) rate of stock turnover

.....

 (1)

(iii) debtors ratio

.....

 (1)

(b) Calculate the:

(i) net profit for the year ended 31 March 2008;

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(3)

(ii) gross profit margin for the year ended 31 March 2008.

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(4)

Sample mark scheme

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Paper 1

Section A

Question Number	Answer	Mark
1	B	1

Question Number	Answer	Mark
2	D	1

Question Number	Answer	Mark
3	D	1

Question Number	Answer	Mark
4	A	1

Question Number	Answer	Mark
5	D	1

Question Number	Answer	Mark
6	B	1

Question Number	Answer	Mark
7	B	1

Question Number	Answer	Mark
8	C	1

Question Number	Answer	Mark
9	B	1

Question Number	Answer	Mark
10	B	1

Section B

Question Number	Answer	Mark
11(a)		8

Item	Trial balance	Net profit
(i)	No effect	Lower than it should be by £460
(ii)	Debit side would exceed credit side by £450	Lower than it should be by £450
(iii)	No effect (1)	Lower than it should be by £600 (1)
(iv)	Debit side would exceed the credit side by £200 (1)	Lower than it should be by £200 (1)
(v)	Credit side would exceed the debit side by £300 (1)	Higher than it should be by £300 (1)
(vi)	No effect (1)	No effect (1)

Question Number	Answer	Mark
11(b)	The suspense account would have needed a credit balance (1) of £350 (1)	2

Question Number	Answer	Mark
12(a)	12 x ✓ = 6 marks	6

T Farmer Account

Date	Narration	£	Date	Narration	£
Apr 3	Returns	220✓✓	Apr1	Balance b/f	1500✓✓
Apr 5	Bank	1500✓✓	Apr1	Purchases	1375✓
Apr21	SL set off	500✓✓	Apr21	Purchases	3025✓
Apr30	Balance c/d	3680✓c			
		<u>5900</u>			<u>5900</u>
			May 1	Balance b/d	3680✓

Question Number	Answer	Mark
12(b)	12 x ✓ = 6 marks	6

Purchase Ledger Control Account

Date	Narration	£	Date	Narration	£
Apr30	Returns	506✓✓	Apr 1	Balance b/f	15000✓✓
Apr30	Bank	10500✓✓	Apr30	Purchases	7975✓✓
Apr30	SL off set	500✓✓			
Apr30	Balance c/d	11469✓c			
		<u>22975</u>			<u>22975</u>
			May 1	Balance b/d	11469✓

Question Number	Answer	Mark
12(c)(i)	(i) The balance of the control can be checked against the sum of the individual balances (1) in the purchases ledger and discrepancies or errors (1) identified. Any other acceptable explanation	2

Question Number	Answer	Mark
12(c)(ii)	(ii) The balance of the control account can assist in the preparation of the balance sheet (1) at the year end by providing a total for creditors. (1) Any other acceptable explanation	2

Question Number	Answer	Mark
12(d)		3

The Journal

Date	Narration	Debit	Credit
Apr 30	Bad Debt	500 (1)	
Apr 30	A Carter		500 (1)
	Being the writing off of a bad debt (1)		

Question Number	Answer	Mark
12(e)	Debit: Profit and Loss Account. Credit: Provision for Doubtful Debts Account.	1

Question Number	Answer	Mark
12(f)	<p>The prudence concept requires that final accounts should always report a conservative figure for profit✓ or the valuation of assets✓. Additionally profits are not to be anticipated✓ and any known liabilities should be provided for✓. This is relevant to the PDD as the debtors have not yet gone bad but if there is a possibility they will then this needs to be provided for in the current period, otherwise both the profit✓ reported in the profit and loss account and the debtors✓ balance reported in the balance sheet will be overstated✓✓. This action will ensure that the final accounts give a true and accurate picture of the business by reducing debtors✓ and profits✓ by the amount of any likely bad debts.</p> <p style="text-align: right;">10 x ✓ = 5 marks</p>	5

Question Number	Answer	Mark
13(a)	26 x ✓ = 13 marks	13

Kevin Phillips

Trading and profit and loss account for year ended 31 October 2007 ✓✓✓

Opening stock	3500	✓					Sales (+4580)	544580	✓
Purchases	313000	✓	316500						
Less cl stock			1500	✓✓ ✓	315000				
Gross Profit					229580	✓ OF			
					544580			544580	

Wages			14500	✓			Gross Profit	229580	✓ OF
Veh Exps			5671	✓			Discount rec	540	✓
Discount allowed			420	✓					
Heat & light			900	✓					
Insurance	890	✓							
Less prepaid	170		720	✓					
General exps			7250	✓					
Prov dep equip	240	✓							
Prov dep veh	1800	✓	2040						
Rates	4400	✓							
Add owing	150		4550	✓	36051				
Net profit					194069	✓✓ OF			
					230120			230120	

Question Number	Answer	Mark
13(b)	24 x ✓ = 13 marks	12

Balance sheet at 31 October 2007

Capital	54677	✓				
Net profit	194069	✓OF	248746			
Less drawings			23000	✓	225746	✓OF
Fixed Assets						
Premises			200000	✓		
Equipment	3000	✓				
Less provision for depreciation	840	✓✓	2160	✓OF		
Vehicles	15000	✓				
Less provision for depreciation	10800	✓✓	4200	✓OF	206360	
Current Assets						
Stock	1500	✓OF				
Debtors (-420)✓	12480	✓				
Insurance prepaid	170	✓				
Bank	14000	✓				
Cash	56	✓	28206	✓OF		
Less Current Liabilities						
Creditors	8670	✓				
Rates unpaid	150	✓	8820	✓OF		
Working capital					19386	✓OF
					225746	

Question Number	Answer	Mark
14(a)	12 x ✓ = 6 marks	6

K Knife and F Fork

Profit and loss Appropriation Account for 8 months ended 31 December 2007

Interest on Capital				Net Profit	90 000✓
K Knife	1 840✓✓ OF			Interest on Drawings	
F Fork	560✓✓ OF	2 400		Knife	300✓
Salary to Fork		24 000✓✓ OF	26 400	Fork	260✓✓
Share of Profit					
K Knife	32 080✓ OF				
F Fork	32 080✓ OF		64 160		
			<u>90 560</u>		<u>90 560</u>

Question Number	Answer	Mark
14(b)	12 x ✓ = 6 marks	6

Current Account of F Fork

Dec 31	Drawings	26 000	✓✓	Dec31	Int on Capital	560	✓✓ OF
Dec 31	Int on drawings	260	OF				
Dec 31	Capital -Fork	25 380	OF	Dec31	Salary	24 000	✓ OF
			✓✓				
Dec 31	Balance c/d	5 000	OF	Dec31	Share of Prft	32 080	✓ OF
		<u>56 640</u>	✓			<u>56 640</u>	
				Jan 1	Balance b/d	5 000	✓

Question Number	Answer	Mark
14(c)	6 x ✓ = 3 marks	3

Capital Account of F Fork

Dec 31	Balance c/d	39 380	✓	Apr 1	Balance b/d	14 000	✓✓
				Dec31	Current -F	25 380	✓✓
		<u>39 380</u>				<u>39 380</u>	
				Jan 1	Balance b/d	39 380	✓

Question Number	Answer	Mark
15(a)(i)	<p>Current ratio = $\frac{\text{current assets}}{\text{current liabilities}}$</p> <p>Accept if expressed as ratio or division sign, eg: Current assets : current liabilities Current assets ÷ current liabilities</p> <p>Accept if described as calculation, eg: Current assets divided by current liabilities</p> <p>Do not accept abbreviation, eg: $\frac{CA}{CL}$</p>	1

Question Number	Answer	Mark
15(a)(ii)	<p>Rate of stock turnover = $\frac{\text{cost of sales}^*}{\text{average stock}}$</p> <p>* accept 'cost of goods sold'</p> <p>Accept 'opening stock + closing stock divided by 2' as alternative to 'average stock' (accept if this phrase is shown as a formula, eg: (Opening Stock + Closing Stock) / 2)</p> <p>Do not accept 'Stock' ('Average Stock' or the above alternative is required).</p>	1

Question Number	Answer	Mark
15(a)(iii)	<p>Debtors ratio = $\frac{\text{debtors}}{\text{sales}} \times \frac{365}{1}$</p> <p>OR $\frac{\text{sales}}{\text{debtors}}$</p>	1

Question Number	Answer	Mark
15(b)(i)	<p>Calculate the net profit for 2008</p> $\text{Net Profit to Sales} = \frac{\text{Net Profit}}{\text{Sales}}$ $\frac{8}{100} = \frac{\text{Net Profit}}{\text{£420 000}}$ $\frac{8 \times \text{£420 000}}{100} = \text{Net Profit}$ $\text{Net Profit} = \text{£33 600}$ <p>3 marks for correct answer of £33600 1 or 2 marks for evidence of correct method (but wrong answer)</p>	3

Question Number	Answer	Mark									
15 (b)(ii)	<p>Calculate the gross profit margin for 2008</p> <p>Mark up is 50% so</p> <table border="1"> <tbody> <tr> <td>Let Cost price =</td> <td>£2</td> <td>Mark up 50%</td> </tr> <tr> <td>So Profit must be</td> <td>£1</td> <td></td> </tr> <tr> <td>And Selling price</td> <td>£3</td> <td>Margin 33.3%</td> </tr> </tbody> </table> <p>Correct answer: 4 marks Correct method (but wrong answer): 2 or 3 marks Selection of mark-up figure 50%: 1 mark</p>	Let Cost price =	£2	Mark up 50%	So Profit must be	£1		And Selling price	£3	Margin 33.3%	4
Let Cost price =	£2	Mark up 50%									
So Profit must be	£1										
And Selling price	£3	Margin 33.3%									

Question Number	Answer	Mark
15 (c)	<p>Example answer:</p> <p>Since Monty has lowered his mark up (from 55% to 50%) it may be that he is in a competitive situation and has lowered his selling price to increase sales volume and rate of stock turnover (up for 9 to 10). Perhaps advertising was increased thus lowering the NP% (from 10% to 8%) but this boosted sales volume.</p> <p>The return on capital employed is a key profitability ratio and this has decreased (from 15% to 14%). The current ratio is tighter at 1.5:1 but this is not critical.</p> <p>Overall I would disagree with Monty that his business performance is substantially better in 2008 in comparison to 2007.</p> <p>The key here is for the candidate to find reasons (identify a strategy) to explain their contention. Reasons must have validity and must be backed up by figures.</p> <p>Evaluation of performance between 2007 and 2008 Comment on profitability (1) with figure (1) Comment on liquidity (1) with figure (1) Decision based on evidence (1)</p>	5

September 2008

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