Centre No.			Paper Reference					Surname	Initial(s)		
Candidate No.			4	3	0	5	/	0	1	Signature	

Paper Reference(s)

4305/01

London Examinations IGCSE

Accounting

Paper 1

Wednesday 17 June 2009 - Morning

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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Question Number

Section A

Answer ALL questions

- **Question 1** For each question, choose the best answer A, B, C or D and write it in the box. (a) A business purchases a new machine on credit for use in the business. In which book will this transaction be entered? A Cash book B Journal C Purchase book Sales book (b) Entries in the purchases day book are made from A credit notes B delivery notes C invoices petty cash vouchers (c) In which section of its balance sheet will a credit balance on a firm's bank account be shown? A Current assets B Current liabilities C Fixed assets **D** Long term liabilities (d) Which of the following would be regarded as an item of capital expenditure for a motor vehicle business? **A** Purchase of a car for resale **B** Purchases of equipment for use in the business C Repair and redecoration of business premises **D** Road tax and insurance payments for delivery van (e) Where should trade discount allowed to a customer be shown? A Cash book В Discount allowed account Sales day book \mathbf{C}
 - Sales ledger



(f)	In a manufacturing business, where should the cost of delivering the goods to customers be shown? A Appropriation account B Manufacturing account C Profit and loss account D Trading account (1)	Leave blank
(g)	In non-profit making organisations, which one of the following is the same as a profit and loss account of a profit making organisation? A Income and expenditure account B Receipts and payments account C Statement of affairs D Subscriptions account (1)	
(h)	In a partnership, drawings will be debited to which account? A Appropriation B Bank C Capital D Current (1)	
(i)	Gross profit as a percentage of cost of goods sold is known as the A margin B mark up C rate of stock turnover D return on capital employed (1)	
(j)	A company calculates its liquidity ratios in order to A analyse how profitable the company has been B assess the level of trading C indicate the ability to pay its debts D measure how all the assets contribute to earning profit (1)	Q1
	(Total 10 marks)	

Question 2

Throughout this question, assume that the rate of VAT is 10%.

Harsha Bhanu is the owner of 'Tasty Treats', a wholesale food business which supplies retailers in the local area.

All stock is purchased and sold on credit terms only, and throughout this question you may assume that VAT at 10% applies to all stock transactions. Harsha does not maintain any control accounts.

Harsha offers a cash discount to some of her regular customers.

The accounting records for the period of 1 February -21 February 2009 have already been prepared as shown on pages 4-8.

(a) Record the following transactions in the books of original entry. Total the day books and make the necessary postings to the sales, purchases and nominal ledgers. Do **not** balance off any of the accounts.

(22)

Transactions for the period 22 February 2009 – 28 February 2009

Date	Transaction
February 22	Paid administration expenses £478 by cheque.
February 23	Sold goods to Gozi Foods £4500 list price, less trade discount £900 + VAT (no cash discount available).
February 23	Received a credit note from Oriental Supplies Ltd for £440 plus VAT.
February 24	Paid Oriental Supplies Ltd by cheque £2730 in full settlement of the account balance on 1 February 2009.
February 24	Received a cheque from Spiceworld Ltd for £2522 in full settlement of the account balance on 1 February 2009.
February 25	Paid staff wages by cash £650.
February 26	Issued a credit note to Gozi Foods for goods with a list price of £300. This was part of the order invoiced on February 23.
February 27	Received an invoice from New World Foods Ltd for £2200 (this figure included VAT).
February 28	Harsha withdrew £500 by cheque for her own personal use.

Sales Day Book

Date	Narrative	Net	VAT	Total
Feb 8	Spiceworld Ltd	3 000	300	3 3 0 0



Purchases Day Book

Date	Narrative	Net	VAT	Total
Feb 16	Oriental Supplies Ltd	6500	650	7150

Returns Inwards Day Book

Date	Narrative	Net	VAT	Total
Feb 9	Spiceworld Ltd	200	20	220

Returns Outwards Day Book

Date	Narrative	Net	VAT	Total

Cash Book

Date	Narrative	Discount	Cash	Bank	Date	Narrative	Discount	Cash	Bank
Feb 1	Bal b/f		432	3216	Feb 2	Administration expenses		33	
Feb 5	Gozi Foods			4400	Feb 9	New World Foods Ltd	254		3 5 6 0
					Feb 11	Wages		650	
					Feb 16	Drawings			500

Sales Ledger

Gozi Foods

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	4400	Feb 5	Cash Book	4400

Spiceworld Ltd

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	2750	Feb 10	Returns Inwards Book	330
Feb 8	Sales Book	3 3 0 0			

Purchases Ledger

New World Foods Limited

Date	Narrative	£	Date	Narrative	£
Feb 9	Cash Book	3 5 6 0	Feb 1	Balance b/f	3814
Feb 9	Discount received	254			

Oriental Supplies Limited

Date	Narrative	£	Date	Narrative	£
			Feb 1	Balance b/f	3 000
			Feb 15	Purchases Book	7150

Nominal Ledger

Administration Expenses

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	9800			
Feb 2	Cash Book	33			

Discount Allowed

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	2800			

Discount Received

Date	Narrative	£	Date	Narrative	£
			Feb 1	Balance b/f	3 000

Drawings

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	9000			
Feb 16	Cash Book	500			

Purchases

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	76 000			

Returns Inwards

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	560			

Returns Outwards

Date	Narrative	£	Date	Narrative	£
			Feb 1	Balance b/f	242

Sales

Date	Narrative	£	Date	Narrative	£
			Feb 1	Balance b/f	107890

VAT

Date	Narrative	£	Date	Narrative	£
			Feb 1	Balance b/f	2981

Wages

Date	Narrative	£	Date	Narrative	£
Feb 1	Balance b/f	9807			
Feb 11	Cash Book	650			



	2009 and the balance brought down on 1 March 2009.
	(1)
(c)	Explain fully what the closing balance on the VAT account represents.
	(2)
	(Total 25 marks)

Question 3

After preparing the draft trading and profit and loss account for Aidan Davis for the year ended 31 March 2009, several errors and omissions have been discovered. These are:

- 1. Drawings of £15000 taken from the business's bank account during the year have been credited to the bank account but debited to the wages account in error.
- 2. The balance of £1350 on the account of a debtor, A Patel, who had gone into liquidation should have been written off as a bad debt.
- 3. It was decided to create a provision for doubtful debts equal to 2% of debtors as at 31 March 2009. Debtors at the year end totalled £30000 (including the balance stated in 2 above).
- 4. The purchase of a new vehicle on 1 April 2008, for use in the business, at a cost of £10 000 had been posted in error to the purchases account. This item has not been included in the current depreciation total for the year. Depreciation is provided on motor vehicles on a 25% straight line basis.
- 5. A rates bill for £600 covering the period 1 January 2009 to 30 June 2009 was paid on 31 December 2008. No adjustment has been made for this in the accounts.
- 6. An electric bill for £250 was outstanding on 31 March 2009. No adjustment has been made for this in the accounts.

(a) Prepare journal entries for all the items opposite. Date your entries 31 March 2009 and include suitable narratives.

(12)

Date	Narrative	Debit (£)	Credit (£)

Answer space continued on page 12

Date	Narrative	Debit (£)	Credit (£)



The draft trading and profit and loss account for the year ended 31 March 2009 is as follows:

Aidan Davis

Draft trading and profit and loss account

Year ended 31 March 2009

	£	£	£
Sales			430 000
Cost of goods sold			
Opening stock		35 000	
Purchases		<u>255 000</u>	
		290 000	
Closing stock		40 000	
Cost of goods sold			<u>250 000</u>
Gross profit			180 000
Expenses			
Salaries and wages		105 000	
Motor vehicle expenses		4500	
Rent and rates		1 800	
Insurance		7 000	
Heat and light		12 000	
Depreciation – Equipment		3 000	
Depreciation – Motor Vehicles		<u>5 000</u>	
			138300
Net Profit			<u>41 700</u>



(b) Prepare the amended trading and profit and loss account for the year ended 31 March 2009.

(8)

Aidan Davis

Trading and profit and loss account

Year ended 31 March 2009

£	£	£

		Leave blank
(c)	Using the adjustments for accruals and prepayments as examples, evaluate the importance of the prudence concept in the preparation of the final accounts.	Olalik
	(5)	Q3
	(5) (Total 25 marks)	
	TOTAL FOR SECTION A: 60 MARKS	
	TOTAL FOR SECTION A. 00 WARKS	



Section B

Answer ALL questions

Question 4

At the end of December 2008 the sales ledger of Ravi Singh showed total debtors to be £78 540. Ravi believes this figure may be incorrect and obtains the following figures from his books for the period 1 January 2008 to 31 December 2008:

	£
Opening balance in the sales ledger at 1 January 2008	65 000
Credit sales	453 900
Returns inwards	6430
Receipts from debtors	432 000
Discount allowed	7 5 4 0
Bad debts	650
Purchases ledger balance set off	1 650
Customer's cheque returned by bank	750

(a) Prepare the sales ledger control account for the period 1 January – 31 December 2008 showing clearly the closing balance.

(6)

Sales Ledger Control Account

Narrative	£	Date	Narrative	£
	Narrative	Narrative £	Narrative £ Date	Narrative £ Date Narrative



	(2)
(c)	Explain, with reasons, where the closing balance of the sales ledger control account would appear in the final accounts of Ravi Singh.
	(2)
	(Total 10 marks)

Question 5

The following trial balance has been extracted from the books of Wayland Limited after the production of the profit and loss account for the year ended 31 December 2008.

Account	Debit (£000)	Credit (£000)
Ordinary shares of £1 each		750
6% preference shares of £1 each		250
5% Debentures (2012)		250
Land and buildings (cost)	1 500	
Fixtures and fittings (cost)	50	
Fixtures and fittings (accumulated depreciation)		10
Motor vehicles (cost)	85	
Motor vehicles (accumulated depreciation)		15
Closing stock	165	
Interim ordinary dividend – paid	20	
Share premium		100
General reserve		50
Net profit for the year		250
Profit and loss account balance – 1 January 2008		195
Bank	107	
Debtors and creditors	103	135
Value added tax		25
	2 030	2 030

The following additional information is available on 31 December 2008 and is to be taken into account.

- £25 000 is to be transferred to the general reserve.
- The preference dividend is to be provided for.
- A final ordinary dividend of 8% should be provided for.

(a) Prepare the profit and loss appropriation account for Wayland Limited for the year ended 31 December 2008.

Wayland Limited Profit and loss appropriation account Year ended 31 December 2008

(5)

(b) Prepare the balance sheet for Wayland Limited as at 31 December 2008, showing fixed assets, current assets, current liabilities, working capital and shareholders' funds.

Wayland Limited Balance sheet As at 31 December 2008

	Leave blank
(14)	Q5
(Total 19 marks)	

Question 6

Amit owns a garden maintenance business called 'Blades Garden Services'. His cousin Jayesh owns a similar business called 'Express Landscaping'.

The results of the two businesses for the year ended 31 March 2009 are summarised below.

	Blades Garden Services £	Express Landscaping £
Turnover	75 000	139 000
Net profit	30 000	34750
Capital as at 1 April 2008	150 000	173 750
Current Assets	8 5 0 0	12 000
Current Liabilities	4250	24 000

(a)	Stating clearly the formula used, calculate the net profit margin for each of the two businesses.
	Formula
	Net profit margin for Blades Garden Services.
	Net profit margin for Express Landscaping.
	(2)



Stating clearly the two business	the formula used, calculatesses.	e the return on capital	employed for each
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ove, evaluate the profitability and liquidity of both s performing better than the other.
 (5)
(Total 11 marks)
TOTAL FOR SECTION B: 40 MARKS
TOTAL FOR PAPER: 100 MARKS
END



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