

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**MARK SCHEME for the June 2005 question paper**

**0452 ACCOUNTING**  
**0452/03 Paper 3, maximum raw mark 100**

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

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**Grade thresholds** for Syllabus 0452 (Accounting) in the June 2005 examination.

	Maximum mark available	Minimum mark required for grade:			
		A	C	E	F
Component 3	100	71	44	N/A	N/A

The threshold (minimum mark) for B is set halfway between those for Grades A and C.  
The threshold (minimum mark) for D is set halfway between those for Grades C and E.  
The threshold (minimum mark) for G is set as many marks below F threshold as the E threshold is above it.  
Grade A\* does not exist at the level of an individual component.

JUNE 2005

IGCSE

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 0452/03

ACCOUNTING  
Paper 3

Page 1	Mark Scheme	Syllabus	
	IGCSE – JUNE 2005	0452	

**Question 1**

(a)

Current Accounts					
	James	Susan		James	Susan
	\$	\$		\$	\$
2004			2004		
May 1 Balance b/d	400		May 1 Balance b/d		2 000
2005			2005		
Apl 30 Drawings	6 000	10 000(1)	Apl 30 Interest on capital	1 050	600(1)
Interest on drawings	300	500(1)	Partner's salary		7 000(1)
Balance c/d		3 350(1)	Share of profit	4 250	4 250(1)
			Balance c/d	1 400(1)	
	<u>6 700</u>	<u>13 850</u>		<u>6 700</u>	<u>13 850</u>
2005			2005		
May 1 Balance b/d	1 400		May 1 Balance b/d		3 350
	<b>(1)O/F</b>				<b>(1)O/F</b>

The marks for interest on capital, profit shares, drawings, and interest on drawings are for both figures

Alternatively allow two separate "T" accounts [9]

**Alternative presentation**

James Current Account				
	Debit	Credit	Balance	
	\$	\$	\$	
2004				
May 1 Balance	400		400	Dr
2005				
Apl 30 Drawings	6 000		6 400	Dr
Interest on drawings	300		6 700	Dr
Interest on capital		1 050	5 650	Dr
Share of profit		4 250	1 400	Dr <b>(2)C/F</b> <b>(1)O/F</b>

Susan Current Account				
	Debit	Credit	Balance	
	\$	\$	\$	
2004				
May 1 Balance		2 000	2 000	Cr
2005				
Apl 30 Drawings	10 000		8 000	Dr
Interest on drawings	500		8 500	Dr
Interest on capital		600	7 900	Dr
Partner's salary		7 000 (1)	900	Dr
Share of profit		4 250	3 350	Cr <b>(2)C/F</b> <b>(1)O/F</b>

Drawings **(1) for both figures**  
 Interest on drawings **(1) for both figures**  
 Interest on capital **(1) for both figures**  
 Profit shares **(1) for both figures**

[9]

Page 2	Mark Scheme	Syllabus	
	IGCSE – JUNE 2005	0452	

(b)

		Capital Accounts						
		James	Susan	Anna			James	Susan
		\$	\$	\$			\$	\$
2005					2005			
May 1	Goodwill	8 000 (1)	2 000 (1)	2 000 (1)	May 1	Balance b/d	35 000 (1)	20 000 (1)
	Balance c/d	33 000 (1)	24 000 (1)	24 000 (1)		Bank		26 000 (1)
						Goodwill	6 000 (1)	6 000 (1)
		<u>41 000</u>	<u>26 000</u>	<u>26 000</u>			<u>41 000</u>	<u>26 000</u>
					2005			
					May 2	Balance b/d	33 000	24 000
							(1)O/F	(1)O/F
								24 000
								(1)O/F

Alternatively allow three separate "T" accounts

[14]

**Total [23]**

**Alternative presentation**

		James Capital Account		
		Debit	Credit	Balance
		\$	\$	\$
2005				
May 1	Balance		35 000 (1)	35 000 Cr
	Goodwill		6 000 (1)	41 000 Cr
	Goodwill	8 000 (1)		33 000 Cr
				(2)C/F
				(1)O/F

		Susan Capital Account		
		Debit	Credit	Balance
		\$	\$	\$
2005				
May 1	Balance		20 000 (1)	20 000 Cr
	Goodwill		6 000 (1)	26 000 Cr
	Goodwill	2 000 (1)		24 000 Cr
				(2)C/F
				(1)O/F

		Anna Capital Account		
		Debit	Credit	Balance
		\$	\$	\$
2005				
May 1	Bank		26 000 (1)	26 000 Cr
	Goodwill	2 000 (1)		24 000 Cr
				(2)C/F
				(1)O/F

[14]

**Total [23]**

Page 3	Mark Scheme	Syllabus	er
	IGCSE – JUNE 2005	0452	

**Question 2**

- (a) To ensure no transactions are forgotten/overlooked (not relying on human memory)  
 To enable profit to be calculated  
 To enable the financial position of the business to be ascertained  
**Or other suitable point**

**Any 2 items (1) each [2]**

- (b) The accounting records of a business are maintained from the viewpoint of the business.  
 The business and the owner of the business are regarded as being separate entities.  
 The personal transactions of the owner of the business are not recorded in the accounting records of the business.

**Any 2 items (1) each [2]**

- (c) Jane Joda  
Trading Account for the year ended 31 March 2005

	\$		\$		\$	
Sales - Credit			10 900	(1)O/F		
Cash			6 600	(1)	17 500	
Less Cost of sales						
Opening stock	9 500	(1)				
Purchases	22 000	(1)	31 500			
Less Closing stock			17 500	(1)	14 000	(1)
Gross Profit					3 500	(2)C/F (1)O/F

Horizontal format acceptable [8]

- (d) (i) Comparison with the results of other businesses (1) of a similar size/type (1) [2]
- (ii) Improve profitability  
 Increase sales (in total or of certain products)  
 Review stock levels  
 Direct investment into new areas  
**Or other suitable point**  
**Any one point required –**  
**(1) for basic point**  
**(1) for suitable development** [2]

- (iii) **Any two of the following –**  
 Information must be -  
 capable of being independently verified  
 free from bias  
 free from significant errors  
 prepared with suitable caution being applied to any judgements and estimates which are necessary

**Any two items (2) each [4]**

**Total [20]**

Page 4	Mark Scheme	Syllabus	Number
	IGCSE – JUNE 2005	0452	

### Question 3

(a) (i) 1 Current ratio

$$\$22\,000 : \$14\,500 \quad (1) = 1.52 : 1 \quad (1)$$

2 Quick ratio

$$(\$22\,000 - 12\,000) : \$14\,500 \quad (1) = 0.69 : 1 \quad (1) \quad [4]$$

(ii) Quick ratio [1]

Stock is not regarded as a liquid asset – a buyer has to be found and then the money collected. Some stock may prove to be unsaleable.

The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets.

**Any one reason (2) marks [2]**

(b) Return on capital employed (using closing capital figure)

$$\frac{\$4950}{\$52500} \times \frac{100}{1} \quad (1) = 9.43\% \quad (1) \quad [2]$$

(c) (i) Collection period for debtors

$$\frac{\$9500}{\$69300} \times \frac{365}{1} \quad (1) = 50.04 \text{ days (51 days)} \quad (1) \quad [2]$$

(ii) 1 Not satisfied – if (c)(i) is more than 30 days  
Or – satisfied if (c)(i) is less than 30 days [1]

2 Debtors are allowed 30 days credit but on average are taking 51 days  
**Or suitable explanation based on O/F answer to (c)(i).** [1]

(d) (i) Payment period for creditors

$$\frac{\$6300}{\$47600} \times \frac{365}{1} \quad (1) = 48.31 \text{ days (49 days)} \quad (1) \quad [2]$$

(ii) Advantage of paying creditors before due date –

May be able to take advantage of cash discounts  
Improves the relationship with suppliers

**Or other suitable comment**

**One advantage required (1) [1]**

(iii) Disadvantage of paying creditors before due date –

The business is deprived of the use of the money earlier than necessary

**Or other suitable comment**

**One disadvantage required (1) [1]**

**Total [17]**

Page 5	Mark Scheme	Syllabus	Number
	IGCSE – JUNE 2005	0452	

## Question 4

- (a) (i) The Income and Expenditure Account is equivalent to a Profit and Loss Account of a trading organisation. (1) It is used to calculate the annual surplus or deficit. (1)  
**Or other suitable points** [2]
- (ii) The accumulated fund is equivalent to the capital of a trading organisation, the difference between the assets and the liabilities. (1) The annual surpluses (less any deficits) accumulate within a non-trading organisation to form the accumulated fund. (1)  
[2]

(b)

		Siltones Music Society					
		Receipts and Payments Account for the year ended 31 March 2005					
2004		\$		2005	\$		
Apl 1	Balance	2 210	(1)	Mar 31	Concert expenses	1 250	(1)
2005					Rent	1 820	(1)
Mar 31	Subscriptions	5 800	(1)		General expenses	215	(1)
	Concert receipts	1 900	(1)		Insurance	325	(1)
	Proceeds of sale of instruments	700	(1)		Purchase of new instruments	3 350	(1)
		<u>10 610</u>			Balance c/d	<u>3 650</u>	
						<u>10 610</u>	
2005							
Apl 1	Balance b/d					3 650	(1)O/F

[10]

(c)

		Siltones Music Society					
		Subscriptions account					
2004		\$		2005	\$		
Apl 1	Balance b/d	1000	(1)	Mar 31	Bank	5800	(1)
2005							
Mar 31	Balance c/d	800	(1)				
	Income and Expenditure	(1) 4000	(1)			<u>5800</u>	
		<u>5800</u>				<u>5800</u>	
				2005			
				Apl 1	Balance b/d	800	(1)

Dates (1)

[7]

Alternative presentation

		Siltones Music Society					
		Subscriptions account					
		Debit			Credit		
		\$			\$		
2004							
Apl 1	Balance	1000	(1)			1000	Dr
2005							
Mar 31	Bank			5800	(1)	4800	Cr
	Income and Expenditure	(1) 4000	(1)			800	Cr (2)

Dates (1)

[7]

Total [21]



Page 6	Mark Scheme	Syllabus	er
	IGCSE – JUNE 2005	0452	

### Question 5

- (a) To make the totals of the trial balance agree (1) and so that draft final accounts may be prepared. (1) [2]

- (b) Ahmed Shafiq  
Journal

		Debit \$		Credit \$	
1.	Suspense account	390	(1)		
	Commission received account			390	(1)
2.	Mutua account	400	(1)		
	Mutola account	400	(1)		
	Suspense account			800	(1)
3.	Stationery account	20	(1)		
	Purchases account			20	(1)
4.	Discount allowed account	15	(1)		
	Limo			15	(1)
5.	Sales returns account	420	(1)		
	Purchases returns account	240	(1)		
	Suspense account			660	(1)

[12]

- (c) Ahmed Shafiq  
Statement of corrected net profit for the year ended 31 January 2005

				\$	
	Net profit before corrections			16 000	
	Effect on net profit				
		+	-		
		\$	\$		
Error	1	390			
	2		No effect		(1)
	3		No effect		(1)
	4		15		(1)
	5		660		(1)
		<u>390</u>	<u>675</u>	<u>285</u>	
			Corrected net profit	<u>15 715</u>	(1) O/F

[5]

Total [19]