

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the October/November 2008 question paper

<p>0452/03</p>	<p>0452 ACCOUNTING</p> <p>Paper 3, maximum raw mark 100</p>
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This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began.

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.

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Page 2	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

- 1 (a) Work can be shared amongst several people
Easier for reference as same type of accounts are kept together
Easier to introduce checking procedures

Or other suitable point

Any 1 point (1)

[1]

(b) (i) nominal (general) ledger (1)

(ii) nominal (general) ledger (1)

(iii) sales (debtors) ledger (1)

[3]

(c)

Paihia Traders account

2008	\$		2008	\$	
Aug 12 Purchases returns	60	(1)	Aug 1 Balance	950	
18 Bank	931	(1)	3 Purchases	270	(1)
Discount received	19	(1)			
31 Balance c/d	<u>210</u>	(1)			
		O/F			
	<u>1220</u>			<u>1220</u>	
			2008		
			Sept 1 Balance b/d	210	(1)
					O/F

Awanui Wholesalers account

2008	\$		2008	\$	
Aug 29 Bank	645	(1)	Aug 1 Balance	630	
	<u>645</u>		22 Interest payable	<u>15</u>	(1)
				<u>645</u>	

+ (1) dates

[9]

Page 3	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

Alternative presentation

Paihia Traders account

	Debit	Credit	Balance
2008	\$	\$	\$
Aug 1 Balance		950	950 Cr
3 Purchases		270 (1)	1220 Cr
12 Purchases returns	60 (1)		1160 Cr
18 Bank	931 (1)		229 Cr
Discount received	19 (1)		210 Cr (2) O/F

Awanui Wholesalers account

	Debit	Credit	Balance
2008	\$	\$	\$
Aug 1 Balance		630	630 Cr
22 Interest		15 (1)	645 Cr
29 Bank	645 (1)		0

+ (1) Dates

[9]

(d) Payment period for creditors

$$\frac{\$10\,500}{\$99\,000} \times \frac{365}{1} (1) = 38.71 \text{ days} = 39 \text{ days (1)}$$

[2]

(e) 1 Not satisfied – if (d) is more than 1 month

Or Satisfied – if (d) is less than 1 month (1)

2 Paul is allowed 1 month's credit but is taking 39 days

Or suitable explanation based on O/F answer to (d) (1)

[2]

(f) Advantage

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

Or other suitable comment

Any one point (1)

[1]

(g) Disadvantage

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

Or other suitable comment

Any one point (1)

[1]

[Total: 19]

Page 4	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

- 2 (a) (i) Capital expenditure is money spent on acquiring, improving and installing fixed assets. Revenue expenditure is money spend on running a business on a day-to-day basis.
- (ii) Capital receipts are amounts received from the sale of fixed assets (1)
 Revenue receipts are sales and other items of income which are recorded in the trading and profit and loss account. (1) [2]

(b)

Michael Ong
 Statement of corrected net profit for the year ended 30 June 2008

	\$		\$
Net profit			15 000
Add Purchase of motor vehicle (CD 357)	8 000	(1)	
Commission received	<u>500</u>	(1)	<u>8 500</u>
			23 500
Less Sale of motor vehicle (AB 246)	2 000	(1)	
Purchases of stationery	<u>200</u>	(1)	<u>2 200</u>
Corrected net profit			<u>21 300</u> (1)

Alternative formats acceptable [5]

- (c) To balance the trial balance
 To allow draft final accounts to be prepared

Any one point (1) [1]

(d)

	account(s) to be debited	\$		account(s) to be credited	\$
2	Suspense	400	(1)	Disposal of equipment	400 (1)
3	Suspense	200	(1)	Purchases	200 (1)
4	W Lee	50	(1)	Bad debts	50 (1)
	Bank/Cash/Cash book	50	(1)	Bad debts recovered	50 (1)

[8]

[Total: 18]

3 (a) (i)

	\$
Cheques received from customers	58 114 (1)
Discounts allowed	1 186 (1)
Bad debts written off	900 (1)
Amounts owing on 30 September 2008	<u>4 800</u> (1)
	65 000
Less Amounts owing on 1 October 2007	<u>5 000</u> (1)
Credit sales	<u>60 000</u> (1) O/F

[6]

Page 5	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

(ii)		\$			
	Cheques paid to suppliers	45 930	(1)		
	Discounts received	470	(1)		
	Amounts owing on 30 September 2008	<u>5 200</u>	(1)		
		51 600			
	Less Amounts owing on 1 October 2007	<u>4 500</u>	(1)		
	Credit purchases	<u>47 100</u>	(1)	O/F	[5]

Alternative presentation

(i) Total debtors account

2007		\$		2008		\$	
Oct 1	Balance b/d	5 000	(1)	Sept 30	Bank	58 114	(1)
2008					Discount allowed	1 186	(1)
Sept 30	Sales	* 60 000	(1)		Bad debts	900	(1)
			O/F		Balance c/d	<u>4 800</u>	(1)
		<u>65 000</u>				<u>65 000</u>	
2008							
Oct 1	Balance b/d	4 800					

Three column running balance account acceptable [6]

(ii) Total creditors account

2008		\$		2007		\$	
Sept 30	Bank	45 930	(1)	Oct 1	Balance b/d	4 500	(1)
	Discount received	470	(1)	2008			
	Balance c/d	<u>5 200</u>	(1)	Sept 30	Purchases	*47 100	(1)
		<u>51 600</u>					O/F
						<u>51 600</u>	
2008				2008			
Oct 1	Balance b/d	5 200		Oct 1	Balance b/d	5 200	

Three column running balance account acceptable [5]

- (b) Mark-up is when the gross profit is measured as a percentage of the cost price of the goods (1)
 - Margin is when the gross profit is measured as a percentage of the selling price of the goods (1)
- [2]

Page 6	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

(c) Suzan Hamouda
Trading Account for the year ended 30 September 2008

	\$	\$	\$
Sales			60 000 (1) O/F
Less Cost of sales			
Opening stock		7 800 (1)	
Purchases	47 100 (1) O/F		
Less goods for own use	<u>200 (1)</u>	<u>46 900</u>	
		54 700	
Less closing stock		<u>4 700 (2) C/F</u>	
		(1) O/F	
			<u>50 000</u>
Gross profit			<u>10 000 (2) O/F</u>

[8]

[Total: 21]

4 (a) (i) B Ngwenya
Explanation cheque previously received from B Ngwenya was returned as dishonoured by the bank (1)
Double entry debit B Ngwenya account (1)

Sales
Explanation receipts from sales, some paid into bank and some retained in cash (1)
Double entry credit Sales account (1)

(ii) \$120 was transferred from the cash to the bank (2)
Or These are contra entries (1)

(iii) Discount received (1)

$$\frac{6}{6 + 234} \times \frac{100}{1} = 2.5\% (1)$$

(iv) Balance of \$70 This is the cash remaining in the business (1)
Balance of \$1515 This is the amount owing to the bank (overdraft) (1)

(v) Total of column on debit side – debited to discount allowed account (1)
Total of column on credit side – credited to discount received account (1) [12]

(b) Working capital
(200 + 5020 + 4710) – (3620 + 3280) (1)
= 9930 – 6900
= 3030 (1) [2]

Page 7	Mark Scheme	Syllabus	er
	IGCSE – October/November 2008	0452	

- (c) Injection of capital
Long term loans
Sale of surplus fixed assets
Reduction in drawings

Or other suitable points

Any two points (1) each

[2]

- (d) May have problems paying debts as they fall due
May not be able to take advantage of cash discounts
Cannot make the most of opportunities as they occur
Difficulties in obtaining further supplies

Or other suitable points

Any two points (1) each

[2]

- (e) Return on capital employed

$$\frac{6465}{41100} \times \frac{100}{1} = 15.73\%$$

[1]

- (f) (i) Unsatisfied – if (e) is less than 19.50% (1)

Or

Satisfied – if (e) is more than 19.50% (1)

- (ii) The return on capital employed has reduced so the capital is not being employed as effectively (1)

Or suitable explanation based on O/F answer to (e)

[2]

[Total: 21]

Page 8	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

5 (a)

Salim and Rita Jaffer
Balance Sheet at 31 July 2008

	\$	\$	\$	
Fixed assets				
Premises at cost			95 000	
Equipment at book value (13 000 – 1500)			<u>11 500</u>	(1)
			106 500	(1) O/F
Current assets				
Stock		8 200		
Debtors	6 600			
Less provision for doubtful debts	<u>330</u>	6 270		(1)
Prepaid expenses		<u>430</u>		(1)
		14 900		(1) O/F
Current liabilities				
Creditors	6 800			
Accrued expenses	620			(1)
Bank	<u>2 900</u>	10 320		(1) O/F
Working capital			<u>4 580</u>	(1) O/F
			<u>111 080</u>	
Capital accounts	Salim <u>40 000</u>	Rita <u>60 000</u>	Total 100 000	(1)
Current accounts				
Opening balance	3 400	6 100		(1)
Share of profit	<u>7 750</u>	<u>7 750</u>		(1)
	11 150	13 850		
Less drawings	<u>7 700</u>	<u>6 220</u>		(1)
	<u>3 450</u>	<u>7 630</u>	<u>11 080</u>	(1)
			<u>111 080</u>	

Horizontal presentation acceptable**Calculation of current account balances outside balance sheet acceptable.**

[14]

(b)

Capital accounts

	Salim \$	Rita \$		Salim \$	Rita \$
2008 Aug 31 Balance c/d	64 000	64 000	2008 Aug 1 Balances	40 000	60 000
			Current a/c	(1)	4 000
			31 Bank	(1)	24 000
	<u>64 000</u>	<u>64 000</u>		64 000	64 000
			2008 Sept 1 Balance b/d	64 000	64 000
			(1) O/F		

+ (1) dates

[5]

Alternatively allow 2 separate "T" accounts

Page 9	Mark Scheme	Syllabus
	IGCSE – October/November 2008	0452

Alternative presentation

Salim Capital account

	Debit	Credit	Balance
2008	\$	\$	\$
Aug 1 Balance		40 000	40 000 Cr
31 Bank		24 000	64 000 Cr

Rita Capital account

	Debit	Credit	Balance
2008	\$	\$	\$
Aug 1 Balance		60 000	60 000 Cr
31 Current a/c		4 000	64 000 Cr

Opening balances **(1)** for both figures

Salim amount introduced **(1)**

Rita current account transfer **(1)**

Closing balances **(1) O/F** for both figures

+ (1) dates

[5]

(c) Advantage of maintaining separate current accounts

Easier to see profit retained by each partner

Easier to calculate interest on capital (if allowed)

Or other suitable point

Any one point (2)

[2]

[Total: 21]