

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the June 2004 question papers

0452 ACCOUNTING

| | |
|---------|-------------------------------------------------------------|
| 0452/01 | Paper 1 (Multiple Choice), maximum mark 40 |
| 0452/02 | Paper 2 (Structured Questions), maximum mark 90 |
| 0452/03 | Paper 3 (Structured Questions – Extended), maximum mark 100 |

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do 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.

CIE is publishing the mark schemes for the June 2004 question papers for most IGCSE and GCE Advanced Level syllabuses.

Grade thresholds taken for Syllabus 0452 (Accounting) in the June 2004 examination.

| | maximum mark available | minimum mark required for grade: | | | |
|-------------|------------------------|----------------------------------|----|----|----|
| | | A | C | E | F |
| Component 1 | 40 | - | 24 | 18 | 15 |
| Component 2 | 90 | 80 | 66 | 46 | 32 |
| Component 3 | 100 | 72 | 48 | - | - |

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 the F threshold as the E threshold is above it.

Grade A* does not exist at the level of an individual component.

June 2004

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 40

SYLLABUS/COMPONENT: 0452/01

**ACCOUNTING
Paper 1 (Multiple Choice)**

| | | | |
|---------------|-------------------------------|-----------------|--------------|
| Page 1 | Mark Scheme | Syllabus | Paper |
| | ACCOUNTING – JUNE 2004 | 0452 | 1 |

| <i>Question Number</i> | <i>Key</i> | <i>Question Number</i> | <i>Key</i> |
|------------------------|------------|------------------------|------------|
| 1 | B | 21 | A |
| 2 | B | 22 | B |
| 3 | B | 23 | B |
| 4 | A | 24 | D |
| 5 | C | 25 | B |
| 6 | B | 26 | A |
| 7 | A | 27 | B |
| 8 | B | 28 | C |
| 9 | C | 29 | A |
| 10 | A | 30 | A |
| 11 | B | 31 | A |
| 12 | A | 32 | A |
| 13 | B | 33 | C |
| 14 | B | 34 | A |
| 15 | B | 35 | A |
| 16 | D | 36 | D |
| 17 | A | 37 | A |
| 18 | B | 38 | C |
| 19 | B | 39 | D |
| 20 | B | 40 | D |

TOTAL 40

June 2004

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 90

SYLLABUS/COMPONENT: 0452/02

**ACCOUNTING
Paper 2 (Structured Questions)**



| | | | |
|--------|------------------------|----------|-------|
| Page 1 | Mark Scheme | Syllabus | Paper |
| | ACCOUNTING – JUNE 2004 | 0452 | 2 |

| Question Number | | Part Mark |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1 (a) | Machinery, equipment, premises, motor vehicles, or acceptable alternatives | 1 |
| (b) (i) | Invoice | 1 |
| (ii) | Purchases Journal/Purchases Day Book/Purchases Book/Purchases | 1 |
| (iii) | Sales Ledger/Sales | 1 |
| (c) (i) | $\begin{array}{r} \$ \\ \text{Cost} \quad 46000 \\ - \text{scrap value} \quad \frac{6000(1)}{5} = \frac{40000}{5} = 8000(1) \end{array}$ | 2 |
| (ii) | $\frac{8000}{40000(1)} \times 100 = \frac{20\%(1)}{OF}$ | 2 |
| (d) | Use of incorrect figure in first place, with double entry carried out correctly for wrong amount. (Suitable example acceptable.) | 1 |
| (e) | Customer is in same type of trade; for bulk purchases, or acceptable alternative. Accept: To enable customer to make profit. | 1 |
| (f) | Suspense account. | 1 |
| (g) | ROCE (or N.P. as %age of capital employed); GP: sales; NP: sales. Gross profit margin, Net profit margin. | 1 |
| (h) | $\begin{array}{r} \$ \\ \text{Paid in year} \quad 18000 \\ + \text{Balance at 31/3/04} \quad 4000 \quad (1) \\ \hline 22000 \\ - \text{Balance at 1/4/03} \quad 3000 \quad (1) \\ \hline \text{P/L charge} \quad 19000 \quad (1) \\ \hline \end{array}$ | 3 |
| | | 15 |

| Question Number | | Part Mark |
|-----------------|---------------------------------------------------|------------------------------|
| 2 (a) (i) | \$25000 (1) | |
| (ii) | Assets (1) | |
| (iii) | \$3000 (1) | |
| (iv) | Creditors (1) | |
| (v) | Capital (1) | |
| (vi) | \$20000 (1) | |
| (vii) | Drawings (1) | 7 |
| (b) (i) | $\frac{40000}{20000} (1) = 2:1 (1)$ | } Must be shown as ratio n:1 |
| (ii) | $\frac{40000 - 24000}{20000 (1)} (1) = 0.8:1 (1)$ | |
| | | 12 |

| | | | |
|--------|------------------------|----------|-------|
| Page 2 | Mark Scheme | Syllabus | Paper |
| | ACCOUNTING – JUNE 2004 | 0452 | 2 |

| Question Number | | Part Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|--|-----------------------------------|-----------|--|-------------------------|--|----|------------------------------|------------------------------|-----------|--|----|--|---------------------------------|----------|--|-------------------|--|---|--|----|--|-------------------------------|-----------|--|-------------------|--|--|--|----|--|---------------------------------|----------|--|-------------------|--|--|---|
| 3 (a) (i) | <p style="text-align: center;"><i>Purchases account</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 45%;"></td> </tr> <tr> <td>30 April 2004 Purchases for month</td> <td style="text-align: right;">50000 (1)</td> <td></td> </tr> <tr> <td>Total/Purchases Journal</td> <td></td> <td></td> </tr> <tr> <td>Purchases Day Book/Creditors</td> <td></td> <td></td> </tr> </table> <p style="text-align: center;"><i>Purchases returns account</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 45%;"></td> </tr> <tr> <td>30 April 2004 Returns for month</td> <td style="text-align: right;">6000 (1)</td> <td></td> </tr> <tr> <td>(accept as above)</td> <td></td> <td></td> </tr> </table> <p style="text-align: center;"><i>Sales account</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 45%;"></td> </tr> <tr> <td>30 April 2004 Sales for month</td> <td style="text-align: right;">85000 (1)</td> <td></td> </tr> <tr> <td>(accept as above)</td> <td></td> <td></td> </tr> </table> <p style="text-align: center;"><i>Sales returns account</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 45%;"></td> </tr> <tr> <td>30 April 2004 Returns for month</td> <td style="text-align: right;">8000 (1)</td> <td></td> </tr> <tr> <td>(accept as above)</td> <td></td> <td></td> </tr> </table> <p>Marks are for details and correct amount in correct column. (Horizontal format also acceptable)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-left: auto; margin-right: auto;">Lose 1 mark for any wrong or missing date</div> | | \$ | | 30 April 2004 Purchases for month | 50000 (1) | | Total/Purchases Journal | | | Purchases Day Book/Creditors | | | | \$ | | 30 April 2004 Returns for month | 6000 (1) | | (accept as above) | | | | \$ | | 30 April 2004 Sales for month | 85000 (1) | | (accept as above) | | | | \$ | | 30 April 2004 Returns for month | 8000 (1) | | (accept as above) | | | 4 |
| | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 April 2004 Purchases for month | 50000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total/Purchases Journal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases Day Book/Creditors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 April 2004 Returns for month | 6000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (accept as above) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 April 2004 Sales for month | 85000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (accept as above) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 30 April 2004 Returns for month | 8000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (accept as above) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (ii) | Nominal (General) Ledger | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (b) | <ol style="list-style-type: none"> 1. Carriage inwards is added to cost of Purchases/Cost of Goods sold (1) in the Trading A/c/Trading and Profit and Loss A/c (1) 2. Carriage outwards is shown as an expense (1) in the P/L A/c/Trading and Profit and Loss A/c (1) | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (c) (i) | Error of principle | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (ii) | Effect on: <ol style="list-style-type: none"> 1. <u>P/L Account</u> Purchases/Cost of Goods sold are overstated (1), so Gross profit/Net Profit/Profit is understated (1) 2. <u>Balance Sheet</u> Office equipment/fixed assets is understated (1) Capital/Net profit/profit is understated (1) | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (iii) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">DR</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">CR</td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td style="text-align: center;">\$</td> <td></td> <td style="text-align: center;">\$</td> <td></td> </tr> <tr> <td>Office equipment (machinery)</td> <td style="text-align: right;">10000 (1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td></td> <td></td> <td style="text-align: right;">10000 (1)</td> <td></td> </tr> </table> | | DR | | CR | | | \$ | | \$ | | Office equipment (machinery) | 10000 (1) | | | | Purchases | | | 10000 (1) | | 2 | | | | | | | | | | | | | | | | | | | |
| | DR | | CR | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ | | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Office equipment (machinery) | 10000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases | | | 10000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | |
|--------|------------------------|----------|-------|
| Page 3 | Mark Scheme | Syllabus | Paper |
| | ACCOUNTING – JUNE 2004 | 0452 | 2 |

| Question Number | | Part Mark | | |
|-----------------------|----------------------------------------------------------|-------------------------------------------------|------------------|------------------|
| 4 | (a) (i) | 10 | | |
| | <u>Debtors</u> | | \$ | \$ |
| | Balances at 1/4/03 | | 8000 (1) | |
| | <u>Add</u> Sales for year | | <u>90000</u> (1) | 98000 |
| | <u>Less</u> Cash received | | 83000 (1) | |
| | Discount allowed | | <u>5000</u> (1) | <u>88000</u> |
| | Balances at 31/3/04 | | | <u>10000</u> (1) |
| | (ii) | | <u>Creditors</u> | |
| | Balances at 1/4/03 | | 6000 (1) | |
| | <u>Add</u> Purchases for year | | <u>77000</u> (1) | 83000 |
| <u>Less</u> Cash paid | 74000 (1) | | | |
| Discount received | <u>3000</u> (1) | <u>77000</u> | | |
| Balances at 31/3/04 | | <u>6000</u> (1) | | |
| (b) | <i>Trading Account for the year ended 31 March, 2004</i> | | | |
| | (1) (1) \$ \$ | | | |
| | Sales (90000 + 10000) | 100000 | | |
| <u>Less</u> | Cost of goods sold | | | |
| | Stock 1/4/03 | 14000 (1) | | |
| | <u>Add</u> Purchases | <u>77000</u> (1) | | |
| | | 91000 | | |
| | Less Stock 31/3/04 | <u>16000</u> (1) | | |
| | | 75000 (1) | | |
| | | <small>Needs words "Cost of Goods Sold"</small> | | |
| | Gross Profit | <u>25000</u> (1)OF | | |
| | (Horizontal format also acceptable) | | | |
| (c) (i) | $\frac{75000}{15000}$ (1) OF = 5 times (1) OF (2) | | | |
| (ii) | Any Profitability aspect | Basic statement = 1 | | |
| | one of: Stock replacement | Suitable development = <u>1</u> | | |
| | Comparisons | Max. mark = <u>2</u> | | |
| | Identifying causes of fluctuations | | | |
| | Remedial/corrective action | | | |
| | | 23 | | |

| | | | |
|--------|------------------------|----------|-------|
| Page 4 | Mark Scheme | Syllabus | Paper |
| | ACCOUNTING – JUNE 2004 | 0452 | 2 |

| Question Number | | Part Mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 5 (a) (i) | <p style="text-align: center;"><i>Wood and Coe</i> <i>Profit and Loss account for the year ended 30 April 2004</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">58000</td> <td></td> </tr> <tr> <td>Add Discount received</td> <td></td> <td style="text-align: right;"><u>1000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">59000</td> <td></td> </tr> <tr> <td>Less Discount allowed</td> <td style="text-align: right;">2000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td> General expenses</td> <td style="text-align: right;">(4500 (1) + 500 (1))</td> <td style="text-align: right;">5000</td> <td></td> </tr> <tr> <td> Rent</td> <td style="text-align: right;">(13000 (1) – 3000 (1))</td> <td style="text-align: right;">10000</td> <td></td> </tr> <tr> <td> Depreciation</td> <td style="text-align: right;">(20% x \$40000)</td> <td style="text-align: right;">8000</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td> Wages and salaries</td> <td style="text-align: right;">(14500 (1) + 1500 (1))</td> <td style="text-align: right;"><u>16000</u></td> <td></td> </tr> <tr> <td>Net profit c/d</td> <td></td> <td style="text-align: right;"><u>41000</u></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">18000</td> <td style="text-align: right;">(1)OF</td> </tr> </table> <p>(Horizontal format also acceptable)</p> <p style="text-align: center;">(ii) <i>Appropriation Account for the year ended 30 April 2004</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Net profit b/d</td> <td></td> <td></td> <td style="text-align: right;">18000</td> <td></td> </tr> <tr> <td>Less Interest on capital:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Wood (10% x \$70000)</td> <td style="text-align: right;">7000</td> <td style="text-align: right;">(2)</td> <td></td> <td></td> </tr> <tr> <td> Coe (10% x \$20000)</td> <td style="text-align: right;"><u>2000</u></td> <td style="text-align: right;">(2)</td> <td style="text-align: right;">9000</td> <td></td> </tr> <tr> <td> Salary – Coe (no mark if shown in P/L A/c)</td> <td></td> <td></td> <td style="text-align: right;"><u>15000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">24000</td> <td style="text-align: right;">(6000)</td> </tr> <tr> <td> Shares of loss:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Wood $\frac{2}{3}$</td> <td></td> <td style="text-align: right;">4000</td> <td></td> <td style="text-align: right;">(2)OF</td> </tr> <tr> <td> Coe $\frac{1}{3}$</td> <td></td> <td style="text-align: right;"><u>2000</u></td> <td></td> <td style="text-align: right;">(2)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>-</u></td> <td></td> </tr> </table> <p>(Horizontal format also acceptable)</p> <p>(b) Interest on drawings discourages large or early cash withdrawals (2) Thus could improve cash/working capital position (2) Also produces additional residual income/profits for division between partners (2) Any 2 from 3, maximum 4.</p> | | \$ | \$ | | Gross profit | | 58000 | | Add Discount received | | <u>1000</u> | (1) | | | 59000 | | Less Discount allowed | 2000 | | (1) | General expenses | (4500 (1) + 500 (1)) | 5000 | | Rent | (13000 (1) – 3000 (1)) | 10000 | | Depreciation | (20% x \$40000) | 8000 | (2) | Wages and salaries | (14500 (1) + 1500 (1)) | <u>16000</u> | | Net profit c/d | | <u>41000</u> | (1)OF | | | 18000 | (1)OF | | \$ | \$ | \$ | | Net profit b/d | | | 18000 | | Less Interest on capital: | | | | | Wood (10% x \$70000) | 7000 | (2) | | | Coe (10% x \$20000) | <u>2000</u> | (2) | 9000 | | Salary – Coe (no mark if shown in P/L A/c) | | | <u>15000</u> | (1) | | | | 24000 | (6000) | Shares of loss: | | | | | Wood $\frac{2}{3}$ | | 4000 | | (2)OF | Coe $\frac{1}{3}$ | | <u>2000</u> | | (2)OF | | | | <u>-</u> | | 11 |
| | \$ | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross profit | | 58000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add Discount received | | <u>1000</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 59000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less Discount allowed | 2000 | | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General expenses | (4500 (1) + 500 (1)) | 5000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rent | (13000 (1) – 3000 (1)) | 10000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation | (20% x \$40000) | 8000 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wages and salaries | (14500 (1) + 1500 (1)) | <u>16000</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit c/d | | <u>41000</u> | (1)OF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 18000 | (1)OF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ | \$ | \$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit b/d | | | 18000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less Interest on capital: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wood (10% x \$70000) | 7000 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Coe (10% x \$20000) | <u>2000</u> | (2) | 9000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary – Coe (no mark if shown in P/L A/c) | | | <u>15000</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | 24000 | (6000) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shares of loss: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wood $\frac{2}{3}$ | | 4000 | | (2)OF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Coe $\frac{1}{3}$ | | <u>2000</u> | | (2)OF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <u>-</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 24 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

June 2004

INTERNATIONAL GCSE

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 0452/03

ACCOUNTING

Paper 3 (Structured Questions – Extended)



Question 1

(a)

| Insurance account | | | |
|---------------------|----------------|----------------------|---------------|
| 2003 | \$ | 2004 | \$ |
| April 1 Balance | 60 (1) | Mar 31 Profit & Loss | 258 (1)O/F |
| July 1 Bank | <u>264 (1)</u> | Balance c/d | <u>66 (1)</u> |
| | <u>324</u> | | <u>324</u> |
| 2004 | | | |
| April 1 Balance b/d | 66 (1) O/F | | |

+ (1) Dates

[6]

Alternative presentation

| Insurance account | | | |
|----------------------|---------|----------------|---------------------------|
| | Debit | Credit | Balance |
| 2003 | \$ | \$ | \$ |
| April 1 Balance | 60 (1) | | 60 Dr |
| July 1 Bank | 264 (1) | | 324 Dr |
| 2004 | | | |
| Mar 31 Profit & Loss | | 258 (1) O/F | 66 Dr (2)C/F (1)O/F |

+ (1) Dates

[6]

(b) (i) A narrative is a brief explanation of why the entry is being made.

[1]

(ii) A narrative is necessary because of the great variety of transactions which are recorded in the journal, so the reason for each entry can be understood in the future.

[2]

(c)

Journal

| | | Debit \$ | Credit \$ |
|----|------------------------------------------------------------------------------------------------------------------|-----------------------|--------------|
| 1. | Drawings Purchases Goods taken for own use (1) | 60 (1) | 60 (1) |
| 2. | Motor vehicles Motor expenses PJ Motors Purchase of new motor on credit and repairs to old motor (1) | 15 000 (1) 600 (1) | 15 600 (1) |
| 3. | Stationery Purchases Correction of error, stationery debited to purchases account (1) | 20 (1) | 20 (1) |

[10]

[Total 19]

Question 2

(a)

Playground Company

Manufacturing Account for the year ended 31 December 2003

| | | |
|----------------------------------------|------------------|------------------------|
| | \$ | \$ |
| Cost of raw material | | |
| Purchases | 48 500 (1) | |
| Less Closing stock of raw material | <u>2 700 (1)</u> | 45 800 |
| Direct factory wages (26900 + 650) | | <u>27 550 (1)</u> |
| Prime Cost (1) | | 73 350 (1) |
| Factory indirect wages | 18 400 | } (1) |
| Factory general expenses | 4 930 | |
| Factory fuel and power (4700 + 150) | 4 850 (1) | |
| Depreciation – Factory machinery | <u>1 450 (1)</u> | <u>29 630</u> |
| | | 102 980 (1) O/F |
| Less Closing stock of work in progress | | <u>1 920 (1)</u> |
| Cost of Production(1) | | <u>101 060 (1) O/F</u> |

[12]

Horizontal format acceptable

(b)

Playground Company

Trading Account for the year ended 31 December 2003

| | | |
|--------------------------------------|------------------|-----------------------|
| | \$ | \$ |
| Sales | | 151 400 (1) |
| Less Cost of sales | | |
| Cost of Production | 101 060 (1) O/F | |
| Less Closing stock of finished goods | <u>4 910 (1)</u> | <u>96 150 (1) O/F</u> |
| Gross Profit | | <u>55 250 (1) O/F</u> |

[5]

Horizontal format acceptable

(c) Reasons why departmental final accounts are required -

- More meaningful than a single set of results
- Identifies the profit of each department
- Enables trading results to be analysed
- Enables overall profitability to be increased
- Poor performance of a department can be identified and investigated

Or other suitable points

Any 2 points (1) each

[2]

[Total 19]

Question 3

(a) When suspense account is required –
When a trial balance fails to balance

[1]

(b) The second error requires a correcting entry in the suspense account (1)

This is required because this error affects the balancing of the trial balance (2)

[3]

(c)

Mary Manake

Balance Sheet as at 30 April 2004

| | \$ | \$ | \$ |
|-----------------------------------------|------------------|---------------------|----------------------|
| Fixed Assets | | | |
| At cost (40000 – 5000) | | 35 000 (1) | |
| Less Depreciation (8000 – 500) | | <u>7 500 (1)</u> | 27 500 |
| Current Assets | | | |
| Stock | | 8 500 | |
| Debtors | | 6 100 | |
| Prepayments | | <u>30 (1)</u> | |
| | | 14 630 (1)O/F | |
| Current Liabilities | | | |
| Creditors | 5 200 | | |
| Bank overdraft (2010 + 70) | <u>2 080 (1)</u> | <u>7 280 (1)O/F</u> | |
| Working Capital | | | <u>7 350 (1)O/F</u> |
| | | | <u>34 850</u> |
| Capital | | | |
| Balance at 1 May 2003 | | | 34 000 |
| Net Profit (8440 + 30 – 70 + 150 – 400) | | | <u>8 150</u> |
| | (1) (1) (1) (2) | | 42 150 |
| Drawings | | | <u>7 300</u> |
| | | | <u>34 850 (1)O/F</u> |

Presentation (1)

Horizontal presentation acceptable

[14]

[Total 18]

Question 4

(a) Reason for providing a provision for doubtful debts –

- Ensures that the profits are not overstated (prudence)
- Ensures that the debtors are shown in the Balance Sheet at a more realistic amount (prudence)
- Application of the matching principle as the amount of sales unlikely to be paid for are treated as an expense of that particular year

Or other suitable reason.

Any one reason (2) marks

[2]

(b) (i)

Ahmed account

| | | | |
|-------------|------------|------------------|--------------|
| 2003 | \$ | 2003 | \$ |
| May 1 Sales | 100(1) | July 31 Bank | 80(1) |
| | | 2004 | |
| | | Jan 31 Bad debts | <u>20(1)</u> |
| | <u>100</u> | | <u>100</u> |

[3]

(ii)

Bad debts account

| | | | |
|--------------|--------------|----------------------|--------------|
| 2004 | \$ | 2004 | \$ |
| Jan 31 Ahmed | <u>20(1)</u> | Mar 31 Profit & Loss | <u>20(1)</u> |
| | <u>20</u> | | <u>20</u> |

[2]

(iii)

Bad debts recovered account

| | | | |
|-----------------------|--------------|---------------|--------------|
| 2004 | \$ | 2003 | \$ |
| Mar 31 Profit & Loss* | <u>50(1)</u> | Sept 1 Cash** | <u>50(1)</u> |
| | <u>50</u> | | <u>50</u> |

*Alternatively transfer to Bad debts account, in which case the transfer from Bad debts account to Profit & Loss Account will be \$30 on the debit side of Bad debts account

** Alternatively allow "Zaki", as may be using method where the amount is credited to customer's account and then debited and transferred to bad debts recovered account

[2]

(iv)

Provision for doubtful debts account

| | | | |
|----------------------|---------------|---------------------|------------|
| 2004 | \$ | 2003 | \$ |
| Mar 31 Profit & Loss | 50(2) | April 1 Balance b/d | 250(1) |
| Balance c/d | <u>200(1)</u> | | <u>250</u> |
| | <u>250</u> | 2004 | |
| | | April 1 Balance b/d | 200(1) |
| | | | O/F |

[5]

[12]

(b) Alternative presentation

(i)

Ahmed account

| | Debit | Credit | Balance |
|------------------|--------|--------|---------|
| | \$ | \$ | \$ |
| 2003 | | | |
| May 1 Sales | 100(1) | | 100 Dr |
| July 31 Bank | | 80(1) | 20 Dr |
| 2004 | | | |
| Jan 31 Bad debts | | 20(1) | 0 |

[3]

(ii)

Bad debts account

| | Debit | Credit | Balance |
|----------------------|-------|--------|---------|
| | \$ | \$ | \$ |
| 2004 | | | |
| Jan 31 Ahmed | 20(1) | | 20 Dr |
| Mar 31 Profit & Loss | | 20(1) | 0 |

[2]

(iii)

Bad debts recovered account

| | Debit | Credit | Balance |
|-----------------------|-------|--------|---------|
| | \$ | \$ | \$ |
| 2003 | | | |
| Sept 1 Cash** | | 50(1) | 50 Cr |
| 2004 | | | |
| Mar 31 Profit & Loss* | 50(1) | | 0 |

*Alternatively transfer to Bad Debts account, in which case the transfer from Bad debts account to Profit & Loss Account will be \$30 on the debit side of Bad debts account

** Alternatively allow "Zaki", as may be using method where the amount is credited to customer's account and then debited and transferred to bad debts recovered account

[2]

(iv)

Provision for doubtful debts account

| | Debit | Credit | Balance |
|----------------------|-------|--------|---------|
| | \$ | \$ | \$ |
| 2003 | | | |
| April 1 Balance | | 250(1) | 250 Cr |
| 2004 | | | |
| Mar 31 Profit & Loss | 50(2) | | 200 Cr |
| | | | (2) C/F |
| | | | (1) O/F |

[5]

[12]

(c)

(i) Write Zanetti's account off as a bad debt (1)

Amount now outstanding for over 1 year with little hope of recovery (1)
Or other acceptable explanation

(ii) No entries in accounting records are necessary (1)

Account is still likely to be paid, there is no evidence yet that it will not be paid by Lim (1)
Or other acceptable explanation

(iii) Create a provision for doubtful debts of \$280 (1)

Must ensure that he does not overstate his net profit for the year (1)
Or other acceptable explanation

[6]

[Total 20]

Question 5

(a) (i) Margin – when the gross profit is expressed as a percentage of the selling price [2]

(ii) Mark-up – when the gross profit is expressed as a percentage of the cost price [2]

(b) (i)

| Year ended 31 January 2004 | | |
|---------------------------------------|------------------------------------------------|-----------------------------|
| Gross profit as a percentage of sales | $\frac{25200}{90000} \times \frac{100}{1} =$ | 28% (1) |
| Net profit as a percentage of sales | $\frac{10800}{90000} \times \frac{100}{1} =$ | 12% (1) |
| Collection period for debtors | $\frac{6300}{66000(1)} \times \frac{365}{1} =$ | 35 days (1) (34.84 days) |
| Payment period for creditors | $\frac{5700}{52000(1)} \times \frac{365}{1} =$ | 40 days (1) |

[6]

(b) (ii) All responses to be based on own figure calculations in (b) (i)

Gross profit as a percentage of sales –
 Purchasing goods more cheaply
 Reducing trade discounts to customers
 Increasing selling prices

Net profit as a percentage of sales-
 Increase in gross profit percentage
 Reduction in expenses
 Differences in types of expenses (fixed/variable)

Collection period for debtors –
 Less efficient credit control
 Allowing longer credit to maintain sales
 Not allowing cash discounts to debtors

Payment period for creditors –
 Shortage of liquid funds
 Knock-on effect of debtors taking longer to pay
 Suppliers not allowing cash discounts

In each case other suitable points acceptable

In each case – any 2 points (1) each

[8]

(c) Interested parties –

Zaraki (Proprietor) -
 Assessment of past performance
 Planning for the future
 Identifying areas where corrective action is required

Manager (if any) –
 Assessment of past performance
 Planning for the future
 Identifying areas where corrective action is required

Bank manager –
 Assessment of prospects of any requested loan/overdraft being repaid when due
 Assessment of prospects of any interest on loan/overdraft being paid when due
 Assessment of the security available to cover any loan/overdraft

Lenders –
 Assessment of prospects of any requested loan being repaid when due
 Assessment of prospects of interest on loan being paid when due
 Assessment of the security available to cover the loan

Creditors for goods –
 Assessment of the liquidity position
 Identifying how long the business normally takes to pay creditors
 Identifying future trading prospects of the business

In each case other suitable reasons acceptable

Three parties to be identified – (1) each giving a total of (3)

One reason required in each case – (1) giving a total of (3)

[6]

[Total 24]