

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the May/June 2010 question paper
for the guidance of teachers

0452 ACCOUNTING

0452/11

Paper 11, maximum raw mark 120

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, which would have considered the acceptability of alternative answers.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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

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MARKING GUIDELINES

- Award marks only in accordance with the mark scheme.
- Where a candidate makes an arithmetical error or selects the wrong figure in an account or a calculation, so that totals or the results of the calculation are wrong but are correct on his own figures, he will lose the mark for selecting the original figure but may earn an own figure (OF) mark for the result, total or calculation.
- Where particular wording is shown on the mark scheme accept any reasonable spelling and abbreviation as long as the meaning is clear.
For example, for "Balance brought down" accept Balance b/down, Balance b/d, Balance, Bal b/down, Bal b/d, Bal, Brought down, b/down, b/d, but not Bbd, bd, or any variation of "Balance carried down".
- Where a ledger account is to be prepared, each mark is usually for the date, narrative and amount together. If the candidate has correctly prepared the account but not shown some or all of the dates he may earn some marks according to the mark scheme.
- If a ledger account is completely reversed no marks will be awarded for individual entries but there may be marks available for own figure balances carried and brought down
- Where an answer is to be shown as a ratio, it should be shown as xx:1 and not as 1:xx. An answer of just the correct figure xx may be accepted but not if any other description such as %, times, days etc is shown and not if shown as negative when it should be positive.
- Where a calculation is to be shown to two decimal places, an answer rounded up or down may be accepted (e.g. 2.85 or 2.86 if the true answer is 2.853) but not an answer shown to only the nearest whole number or one decimal place (e.g. 2.8 or 3).
- Where dollars and cents are shown in a question and exact cents are required in a calculated answer (e.g. \$35.60) many candidates will show \$35.6 as their calculators will suppress the final 0. Although wrong this may be accepted. The \$ sign is not required.
- Ledger accounts may be accepted in either two sided or the running balance format and the mark scheme will show how marks should be allocated.
- Where a final account is requested, a list of items will not normally earn any marks.
- If candidates are required to prepare a Balance Sheet, either a two sided or a vertical presentation will be accepted and the mark scheme will show how marks are to be awarded.

| | | | |
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| Question Number | Key | Question Number | Key |
|-----------------|----------|-----------------|----------|
| (a) | C | (f) | D |
| (b) | D | (g) | B |
| (c) | B | (h) | C |
| (d) | B | (i) | A |
| (e) | C | (j) | D |

[Total: 10]

- 2 (a) Property (Land and buildings)(*only one mark*)
 Fixtures and fittings
 Plant and equipment (machinery)(*only one mark*)
 Office equipment
 Motor vehicles

Any two [2]

(b)

| | Debit entry | Credit entry |
|-----------------------|-------------|--------------|
| Sales returns account | ✓ (1) | |

[1]

(c) Consistency

[1]

(d) Net book value = Cost (1) less accumulated depreciation (1)

[2]

(e) Income statement (Trading and profit and loss account)
(must include the word "trading")

[1]

(f) Accruals (matching), **not** prudence

[1]

(g) (i) Percentage of gross profit to sales
 $= (75\,000 (1) - 52\,500 (1)) / 75\,000 (1) \times 100\%$
 $= 30.00\% (1)OF$

[4]

(ii) Percentage of net profit to sales
 $= (22\,500 (1)OF - 7\,500 (1)) / 75\,000 (1) \times 100\%$
 $= 20.00\% (1)OF$

[4]

(h) Number of shares = \$5 000 (1) / \$0.50 = 10 000 (1)
 Total dividend = 10 000 × \$0.15 (1)
 = \$1 500 (1)OF

[4]

(For 5000 (1) × 0.50 × 0.15 (1) = 375, award 2 marks as shown)

[Total: 20]

| | | | |
|---------------|---------------------------------------|-----------------|--------------|
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3 (a)

Sumaru
Cash book, April 2010

| April | | Cash Dr \$ | Bank Dr \$ |
|-------|-----------------|------------------|------------------|
| 3 | Ahar (1)* | | 1 500 (1) |
| 9 | Cash sales (1)* | 4 000 (1) | |
| 12 | Bannu (1)* | | 2 000 (1) |
| 22 | Dooly (1)* | | 1 650 (1) |
| 28 | Eduardo (1)* | | 900 (1) |

*Mark is for date and name

[10]

(b)

| Name of account | Dr \$ | Cr \$ |
|--|----------|----------|
| Sales (1) <i>(accept cash sales but not sales ledger)</i> | | 4000 (1) |

[2]

(c)

| Date | | Dr | Cr |
|--|----------------------|---------|---------|
| 30 April | Suspense (1) | 360 (1) | |
| | Cash book (bank) (1) | | 360 (1) |
| To correct balance entered at 1 April 2010 (1) | | | |

(Award marks for amount only if correctly shown as Dr or Cr with account name.)

[5]

(d) Send statement

Offer cash discount (*not trade discount*)

Limit credit (no more credit sales)

Charge interest on overdue amounts

Use debt collection methods

(any two, 2 marks each) [4]

[Total: 21]

| | | | |
|--------|--------------------------------|----------|-------|
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- 4 (a) (i) Lower (1) of cost (1) and net realisable value (1) [3]
(ii) \$2 700 (1) [1]
(iii) Reduces profit (*not overstated or understated*) (1) by \$300 (1) [2]

(b) Timpani Limited
Balance Sheet at 31 March 2010

| | | |
|---|-------------------|------------------|
| | \$ | \$ |
| <u>Non-current (fixed) assets</u> | | |
| Plant and equipment at cost | 20 000 (1) | |
| Accumulated depreciation | <u>12 000 (1)</u> | |
| Net book value | | 8 000 (1) |
| <u>Current assets</u> | | |
| Inventory (stock) | 2 700 (1) | |
| Trade receivables (debtors) | 1 000 (1) | |
| Bank | <u>500 (1)</u> | |
| | <u>4 200</u> | |
| <u>Current Liabilities</u> | | |
| Trade payables (creditors) | 700 (1) | |
| Bank loan (<i>must be shown as current liability</i>) | <u>2 800 (1)</u> | |
| | <u>3 500</u> | |
| Net current assets | | <u>700</u> |
| Total assets | | <u>8 700</u> |
| <u>Equity</u> | | |
| Share capital | | 5 000 (1) |
| Profit for the year | | <u>3 700 (2)</u> |
| | | <u>8 700</u> |

Note: award marks for acceptable layout, **not** list of balances.

[11]

(c)

| | Successful | Not Successful |
|-----------------------------------|------------|----------------|
| Reduce dividend | ✓ (2) | |
| Reduce depreciation | | ✓ (2) |
| Reduce trade payables (creditors) | | ✓ (2) |

[6]

(d) (i) Going concern (1)

- (ii) Expected sale values (2) [3]
(*accept net realisable value*)

[Total: 26]

| | | | |
|--------|--------------------------------|----------|-------|
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5 (a)

| | Capital | Revenue |
|---|---------|---------|
| Hire charges | | ✓ (2) |
| Cash discount received from motor dealer for prompt payment for new car | | ✓ (2) |
| Part exchange value of used car | ✓ (2) | |

[6]

(b) (i) Cost \$12 000 (1) @ 30% (1) = \$3 600 (1)OF [3]
(Award only the component marks but not the mark for \$3600 if other calculations are shown, e.g. net book value or for other years.)

(ii) Net book value = \$8 400 (1)OF [1]
(Award this mark if correct by reference to answer to (i).)

(c)

Disposal of motor vehicles

| 2010 | \$ | 2010 | \$ |
|------------------------|---------------|-------------------------|---------------|
| April 1 Motor vehicle* | 12 000 (1) | April 1 Depreciation* | 3 600 (1) |
| | | Bank (Insurance) | 5 000 (1) |
| | | Income statement | 3 400 (2)OF |
| | | (Profit & loss account) | |
| | <u>12 000</u> | | <u>12 000</u> |

(Mark is for reasonable narrative and amount, not date.)

*(*Award 2 marks for "Net book value 8400", but 0 for "Balance b/down 8400".)* [5]

(d) (i) The rate may be too low as large loss arose on scrapping car.
 An increased rate, up to 60%, would reduce loss. [2]
(Award marks for similar comments.)

(ii) Straight line method (1) over life of car, or using scrap value (1)
 or Based on estimated mileage over three years (2)
 or other reasonable suggestion and explanation. [2]

[Total: 19]

| | | | |
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| | | | |
|-------|-----------------------------|---------------|-------|
| 6 (a) | | \$ | |
| | Deposits to bank | 15 270 | (1) |
| | Less: cash sales | <u>2 680</u> | (1) |
| | | 12 590 | |
| | Add: receivables at 31/3/10 | <u>4 080</u> | (1) |
| | | 16 670 | |
| | Less: receivables at 1/4/09 | <u>3 140</u> | (1) |
| | Credit sales | <u>13 530</u> | (1)OF |

(Award total figure only if no aliens, e.g. cash book balance b/fwd shown.)

[5]

| | | | |
|-----|--|------------------|--------------------|
| (b) | Wilma | | |
| | Trading account for the year ended 31 March 2010 | | |
| | | \$ | \$ |
| | Revenue (sales) – credit | | 13 530 (1)OF |
| | – cash | | <u>2 680</u> (1) |
| | | | 16 210 |
| | Inventory (stock) at 1 April 2009 | 1 780 (1) | |
| | Purchases | 9 560 (1) | |
| | Carriage inwards | <u>280</u> (1) | |
| | | 11 620 | |
| | Inventory (stock) at 31 March 2010 | <u>1 920</u> (1) | |
| | Cost of goods sold | | <u>9 700</u> (1)OF |
| | Gross profit | | <u>6 510</u> (1)OF |

[8]

- (c) (i) Rate of inventory (stock) turnover
= Cost of goods sold / average inventory (stock)
= 9 700 (1)OF / [(1 780 + 1 920)/2] = 1 850 (1)OF
= 5.24 (1)OF times (1) [4]
- (Note – a calculation mark may be awarded even if the formula is wrong.)
- (ii) Collection period for trade receivables (debtors)
= (Debtors / credit sales) × 365 days
= (4 080 (1) / 13 530 (1)OF) × 365 days
= 110 (1)OF (accept 111) days (1) [4]
- (Note – a calculation mark may be awarded even if the formula is wrong.)

| | | | | |
|-----|-------------------------------------|----------|----------|-----------|
| (d) | | Increase | Decrease | No change |
| | Gross profit | | | ✓ (1) |
| | Percentage of gross profit to sales | | ✓ (1) | |
| | Rate of inventory (stock) turnover | ✓ (1) | | |

[3]

[Total: 24]