

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
**International General Certificate of Secondary Education**

**MARK SCHEME for the October/November 2010 question paper**  
**for the guidance of teachers**

**0452 ACCOUNTING**

**0452/21**

Paper 2, maximum raw mark 120

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2010	0452	21

1

Robbie McDonald

Income Statement (Trading and Profit and Loss Account) for the year ended  
30 September 2010

	\$	\$	\$
Revenue (sales)			216 000 (1)
Less Cost of sales			
Opening inventory (stock)		19 500 (1)	
Purchases	176 000 (1)		
Less Goods for own use	<u>1 900 (1)</u>	<u>174 100</u>	
		193 600	
Less Closing inventory (stock)		<u>20 800 (2)C/F</u>	
		(1)O/F	
			<u>172 800 (1)O/F</u>
Gross profit			43 200 (2)
Bad debts recovered			160 (1)
Decrease in provision for doubtful debts (372 – 352)			<u>20 (2)</u>
			43 380
Less Wages		28 200 (1)	
Property tax and insurance (8900 (1) – 600 (1))		8 300	
Administration expenses		4 410 (1)	
Bank interest		1 550 (1)	
Depreciation Motor vehicles (20% × 4800)		960 (1)	
Equipment (3000 – 2340)		<u>660 (1)</u>	<u>44 080</u>
Loss for the year (Net loss)			<u>700 (1)O/F</u>

Horizontal format acceptable

[20]

[Total: 20]

- 2 (a) Assist in the location of errors  
 Provide instant totals of trade receivables (debtors) and trade payables (creditors)  
 Proves the arithmetical accuracy of the sales/purchases ledgers  
 Enable a balance sheet to be prepared quickly  
 Provide a summary of the transactions relating to trade receivables (debtors) and trade payables (creditors)  
 Provide an internal check on sales/purchases ledgers – may reduce fraud

Or other relevant points

Any 2 points (1) each

[2]

<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>21</b>

(b)

Suzie Chow  
Sales ledger control account  
\$

2010			2010		
Sept 1	Balance	21 976 (1)	Sept 1	Balance	54 (1)
30	Sales	22 800 (1)	30	Bank	21 860 (1)
	Bank (Dis. Chq)	610 (1)		Discount allowed	488 (1)
				Sales returns	391 (1)
				Bad debts	100 (1)
				Contra entry	78 (1)
				Balance c/d	<u>22 415 (1)</u>
		<u>45 386</u>			<u>45 386</u>
Oct 1	Balance b/d	22 415 (1) O/F			

[11]

**Alternative presentation**

2010			2010		
Debit			Credit		
\$			\$		
Sept 1	Balances	21 976 (1)	54 (1)		21 922 Dr
30	Sales	22 800 (1)			44 722 Dr
	Bank (Dis. Chq.)	610 (1)			45 332 Dr
	Bank		21 860 (1)		23 472 Dr
	Discount allowed		488 (1)		22 984 Dr
	Sales returns		391 (1)		22 593 Dr
	Bad debts		100 (1)		22 493 Dr
	Contra entry		78 (1)		22 415 Dr
					(2) C/F
					(1) O/F

[11]

(c) A contra entry is when an account in the sales ledger is set against an account in the purchases ledger. (1) Such an entry is made when a supplier is also a customer of the business and has an account in both ledgers. (1) [2]

(d) The sales ledger control account acts as a check on the sales ledger. If there is an error in the sales ledger it will not be revealed by a control account prepared from the individual accounts in that ledger. [2]

(e)  $\frac{22\,415}{275\,000} \times \frac{365}{1} = 29.75 \text{ days} = 30 \text{ days}$  (1) O/F [2]

(f) Offer cash discount for early payment  
Charge interest on overdue accounts  
Improve credit control  
Refuse further supplies on credit until any outstanding balance is paid  
Invoice discounting and debt factoring

**Or other relevant points****Any 3 points (1) each**

[3]

**[Total: 22]**

<b>Page 4</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>21</b>

3 (a) (i) Nominal (general) ledger (1)

(ii) Purchases ledger (1)

(iii) Nominal (general) ledger (1)

[3]

(b)

Karnail Singh Rent account			
	\$		\$
2010		2009	
July 31 Total paid	1430 (1)	Aug 1 Balance b/d	260 (1)
Balance c/d	420 (1)	2010	
		July 31 Income Statement (1)	
		(Profit & Loss)	1590 (1)
	<u>1850</u>		<u>1850</u>
		2010	
		Aug 1 Balance b/d	420 (1)O/F

[6]

#### Alternative presentation

Karnail Singh Rent account			
	Debit	Credit	Balance
	\$	\$	\$
2009			
Aug 1 Balance		260 (1)	260 Cr
2010			
July 31 Total paid	1430 (1)		1170 Dr
July 31 Income statement (1)			
(Profit & Loss)		1590 (1)	420 Cr
			(2)C/F
			(1)O/F

[6]

(c) The accruals (matching) principle states that revenue of the accounting period must be matched against the costs of the same period. (1)

The rent relating to the financial year ended 31 July 2010 is transferred to the income statement (profit and loss account). (1) The rent paid during the year relating to the previous year is not included but the rent owing at the end of the year is included. (1)

[3]

<b>Page 5</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>21</b>

**(d) 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 any interest on loan being paid when due  
 Assessment of the security available to cover any loan

**Creditor for goods**

Assessment of the liquidity position  
 Identifying how long the business takes to pay creditors  
 Identifying future prospects of the business  
 Identifying what credit limit is reasonable

**Manager (if any)**

Assessment of past performance  
 Basis of future planning  
 Control the activities of the business  
 Identifying areas where corrective action is required

**Or other suitable interested persons e.g. employees, government bodies, competitors, take-over bidders etc**

**TWO business people to be identified (1) each**

**ONE acceptable reason required in each case (1) each [4]**

**(e) (i) Non-financial aspects**

Accounts only record information which can be expressed in monetary terms. **(1)**  
 This means that there are many important factors which influence the performance of a business which will not appear in the financial statements (final accounts) e.g. quality of management, goodwill, skill of workforce etc. **(1)**

**(ii) Historical cost**

Transactions are always recorded at the actual cost. **(1)**  
 This means that it can be difficult to compare transactions which have taken place at different times because of the effect of inflation. **(1)** **[4]**

**[Total: 20]**

**4 (a) Authorised share capital is the maximum amount of share capital a company is allowed to issue. (2)**

Paid-up share capital is the total amount of capital a company has received from its shareholders. **(2)** **[4]**

<b>Page 6</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>21</b>

(b) (i)  $4\% \times 25\,000$  shares of \$1 each (1) = \$1000 (1)

(ii)  $3\% \times \$15\,000$  (1) = \$450 (1)

(iii)  $5\% \times 60\,000$  shares of \$0.50 (1) = \$1500 (1)

[6]

(c)

	Income Statement Profit & Loss Account	Appropriation Account	Balance Sheet	
Debenture interest payable	✓	No entry	✓	(2)
Ordinary share dividend payable	No entry	✓	✓	(2)

[4]

(d)

	\$
Ordinary share capital	30 000
Preference share capital	25 000
Debentures	<u>15 000</u>
	<u>70 000</u> (1)

[1]

(e)  $\frac{11840}{70\,000} \times \frac{100}{1} = 16.91\%$  (1) O/F

[2]

(f) If the return on capital employed increases it indicates that the company is employing its resources more efficiently. (2)

[Total: 19]

5 (a) To compensate for the fact that she does more work than Samuel.

Or

To recognise the work that she does in the partnership.

[2]

<b>Page 7</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>21</b>

**(b)**

Samuel and Martha Mavuso  
Balance Sheet at 31 October 2010

	\$	\$	\$
Non-current (fixed) assets at cost			105 950
Less Provision for depreciation			<u>9 350</u>
			96 600 (1)
Current assets		23 562	
Less Current liabilities		<u>18 400</u>	
Working capital (net current assets)			<u>5 162 (1)</u>
			<u>101 762</u>
Financed by			
	Samuel Mavuso	Martha Mavuso	Total
Capital accounts	<u>60 000</u>	<u>40 000 (1)</u>	100 000
Current accounts			
Opening balance	(1 091)	223 (1)	
Interest on capital	2 400	1 600 (1)	
Share of profit	<u>4 122</u>	<u>2 748 (1)</u>	
	<u>5 431</u>	<u>4 571</u>	
Less Drawings	3 100	4 900 (1)	
Interest on drawings	<u>93</u>	<u>147 (1)</u>	
	<u>3 193</u>	<u>5 047</u>	
	<u>2 238</u>	<u>(476) (1)O/Fs</u>	
			1 762
			<u>101 762 (1)O/F</u>

**Horizontal format acceptable**

**Calculation of current account balances outside balance sheet acceptable if presented in the form of ledger accounts** [10]

**(c)**  $23\,562 : 18\,400 (1) = 1.28 : 1 (1)$  [2]

- (d)** Injection of capital  
Long term loan  
Sale of surplus non-current (fixed) assets  
Reduction in drawings

**Or other suitable points**

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

**(e)** Does not include inventory (stock) in the calculation. (1)

**Either**

Inventory (stock) is not regarded as a liquid asset – a buyer has to be found and then the money collected. Some goods may prove to be unsaleable. (1)

**Or**

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. (1) [2]

**[Total: 18]**

Page 8	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2010	0452	21

- 6 (a) Gross profit = 247 600 – 163 100 = 84 500 (1)

$$\frac{84\,500}{247\,000} \times \frac{100}{1} = 34.13\% \text{ (1)} \quad [2]$$

- (b) Increase in selling prices  
Obtaining cheaper supplies  
Reduction the rate of trade discount allowed to customers  
Increase in the rate of trade discount received from suppliers  
Passing on increased costs to customers  
Different product mix

**Or other suitable reasons**

**Any 2 points (2) each** [4]

(c)

Waseem Shah Suspense account			
	\$		\$
2010		2010	
July 31 Bank	1520 (1)	July 31 Difference on trial balance	1240 (1)
		Rent	90 (1)
		Balance c/d	<u>190 (1)</u>
	<u>1520</u>		<u>1520</u>
2010			
Aug 1 Balance b/d	190 (1)O/F		

[5]

**Alternative presentation**

Waseem Shah Suspense account			
	Debit	Credit	Balance
	\$	\$	\$
2010			
July 31 Difference on trial balance		1240 (1)	1240 Cr
Rent		90 (1)	1330 Cr
Bank	1520 (1)		190 Dr
			(2)C/F
			(1)O/F

[5]

- (d) **Either**

Error Number 2 (1)

Explanation This is an error of commission (1) and does not affect the balancing of the trial balance (1)

**Or**

Error Number 3 (1)

Explanation This is an error of principle (1) and does not affect the balancing of the trial balance (1) [3]



<b>Page 9</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>21</b>

(e)

Waseem Shah

Statement of corrected profit for the year ended 31 July 2010

			\$	
Profit for the year (net profit) before corrections			33 000	
	Increase in profit \$	Decrease in profit \$		
Error 1		90		
2	No effect (2)			
3		1 150 (2)		
4	No effect (2)			
	<u>      </u>	<u>      </u>	<u>1 240</u>	<u>1 240</u>
Corrected profit for the year			<u>31 760</u> (1)O/F	[7]
				[Total: 21]