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)

Question Number	*Key*	*Question Number*	*Key*
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)

Question Number				
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)	Cost \$ 46000 - scrap value $\frac{6000(1)}{} = \frac{40000}{5} = 8000(1)$	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)		Paid in year \$18000 + Balance at 31/3/04 4000 (1) 22000 - Balance at 1/4/03 3000 (1) P/L charge 19000 (1)	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	2
		(ii)	$\$\frac{40000 - 24000}{20000\ (1)}(1) = 0.8:1\ (1)$ — Must be shown as ratio n:1	3
				12

Question Number		Mark
3 (a) (i)		

Purchases account

	$			$
30 April 2004 Purchases for month Total/Purchases Journal Purchases Day Book/Creditors	50000 (1)			

Purchases returns account

	$			$
			30 April 2004 Returns for month (accept as above)	6000 (1)

Sales account

	$			$
			30 April 2004 Sales for month (accept as above)	85000 (1)

Sales returns account

	$			$
30 April 2004 Returns for month (accept as above)	8000 (1)			

4

Marks are for details and correct amount in correct column.
(Horizontal format also acceptable)

Lose 1 mark for any wrong or missing date

(ii) Nominal (General) Ledger — 1

(b)

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:

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)

	DR $	CR $
Office equipment (machinery)	10000 (1)	
Purchases		10000 (1)

2

16

Question Number						Mark
4 (a) (i)	Debtors	$		$		
	Balances at 1/4/03	8000	(1)			
	Add Sales for year	90000	(1)	98000		
	Less Cash received	83000	(1)			
	Discount allowed	5000	(1)	88000		
	Balances at 31/3/04			10000	(1)	
(ii)	Creditors					
	Balances at 1/4/03	6000	(1)			
	Add Purchases for year	77000	(1)	83000		
	Less Cash paid	74000	(1)			
	Discount received	3000	(1)	77000		
	Balances at 31/3/04			6000	(1)	10
(b)	*Trading Account for the year ended 31 March, 2004*					
	(1) (1)	$		$		
	Sales (90000 + 10000)			100000		
	Less Cost of goods sold					
	Stock 1/4/03	14000	(1)			
	Add Purchases	77000	(1)			
		91000				
	Less Stock 31/3/04	16000	(1)	75000	(1) Needs words "Cost of Goods Sold"	
	Gross Profit			25000	(1)OF	7
	(Horizontal format also acceptable)					
(c) (i)	$\frac{75000}{15000}$ (1) OF = 5 times (1) OF (2)					
(ii)	Any one of: Profitability aspect; Stock replacement; Comparisons; Identifying causes of fluctuations; Remedial/corrective action			Basic statement = 1; Suitable development = 1; Max. mark 2		2
						23

Question Number		Mark
5 (a) (i)		

Wood and Coe
Profit and Loss account for the year ended 30 April 2004

			$		$		
Gross profit					58000		
Add	Discount received				1000	(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))	16000		41000		
Net profit c/d					18000	(1)OF	11

(Horizontal format also acceptable)

(ii) *Appropriation Account for the year ended 30 April 2004*

		$		$		$	
Net profit b/d						18000	
Less	Interest on capital:						
	Wood (10% x $70000)	7000	(2)				
	Coe (10% x $20000)	2000	(2)	9000			
	Salary – Coe			15000	(1)	24000	
	(no mark if shown in P/L A/c)					(6000)	
	Shares of loss:						
	Wood $\frac{2}{3}$			4000	(2)OF		
	Coe $\frac{1}{3}$			2000	(2)OF	6000	
						-	9

(Horizontal format also acceptable)

(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. — 4

Total: 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</u>	**(1)**	Balance c/d	<u>66</u>	**(1)**
	<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	2 700 **(1)**	45 800
Direct factory wages (26900 + 650)		27 550 **(1)**
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	1 450 **(1)**	29 630
		102 980 **(1) O/F**
Less Closing stock of work in progress		1 920 **(1)**
Cost of Production**(1)**		101 060 **(1) O/F**

[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	4 910 **(1)**	96 150 **(1) O/F**
Gross Profit		55 250 **(1) O/F**

[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)		7 500 **(1)**	27 500
Current Assets			
Stock		8 500	
Debtors		6 100	
Prepayments		30 **(1)**	
		14 630 **(1)O/F**	
Current Liabilities			
Creditors	5 200		
Bank overdraft (2010 + 70)	2 080 **(1)**	7 280 **(1)O/F**	
Working Capital			7 350 **(1)O/F**
			34 850
Capital			
Balance at 1 May 2003			34 000
Net Profit (8440 + 30 – 70 + 150 – 400)			8 150
(1) (1) (1) (2)			42 150
Drawings			7 300
			34 850 **(1)O/F**

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	20**(1)**
	100		100

[3]

(ii)

Bad debts account

2004	$	2004	$
Jan 31 Ahmed	20**(1)**	Mar 31 Profit & Loss	20**(1)**
	20		20

[2]

(iii)

Bad debts recovered account

2004	$	2003	$
Mar 31 Profit & Loss*	50**(1)**	Sept 1 Cash**	50**(1)**
	50		50

*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	200**(1)**		
	250		250
		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	$\frac{6300}{66000\textbf{(1)}} \times \frac{365}{1}$ =	35 days **(1)** (34.84 days)
Payment period for creditors	$\frac{5700}{52000\textbf{(1)}} \times \frac{365}{1}$ =	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]