# MARK SCHEME for the November 2004 question paper

## 0452 ACCOUNTING

### 0452/03 Paper 3, maximum raw mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does 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 November 2004 question papers for most IGCSE and GCE Advanced Level syllabuses.

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

| | Maximum mark available | Minimum mark required for grade: | | | |
|---|---|---|---|---|---|
| | | A | C | E | F |
| Component 3 | 100 | 69 | 51 | N/A | N/A |

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 F threshold as the E threshold is above it.
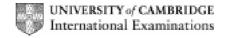Grade A* does not exist at the level of an individual component.

IGCSE

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 0452/03

ACCOUNTING
Paper 3

**Question 1**

**(a)** Reason for using a purchases journal:

- fewer transactions recorded in the purchases account
- bookkeeping can be spread between several people
- can be analysed into products/areas etc.
- to identify credit purchases (can be useful for comparison purposes)
- provides information for the purchases ledger control account.

    **Or other suitable point**

    **Any 1 point (1)**

    **[1]**

**(b)(i)**                                Mendez account

| 2004 | | $ | 2004 | | $ |
|---|---|---|---|---|---|
| Aug | 10 Purchases returns | 160**(1)** | Aug | 4 Purchases | 280**(1)** |
| | 16 Bank | 117**(1)** | | | |
| | Discount received | 3**(1)** | | | |
| | | 280 | | | 280 |

**[4]**

                                Perez account

| 2004 | | $ | 2004 | | $ |
|---|---|---|---|---|---|
| Aug | 24 Bank | 50**(1)** | Aug | 19 Purchases | 115**(1)** |
| | 31 Balance c/d | 65**(1)** | | | |
| | | 115 | | | 115 |
| | | | Sept | 1 Balance b/d | 65**(1)**O/F |

**[4]**

**+ (1) Dates**

**[9]**

**(b)(i)    Alternative presentation**

                                Mendez account

| | Debit $ | Credit $ | Balance $ |
|---|---|---|---|
| 2004 | | | |
| Aug    4 Purchases | | 280**(1)** | 280 Cr |
| 10 Purchases returns | 160**(1)** | | 120 Cr |
| 16 Bank | 117**(1)** | | 3 Cr |
| Discount received | 3**(1)** | | 0 |

**[4]**

                                Perez account

| | Debit $ | Credit $ | Balance $ |
|---|---|---|---|
| 2004 | | | |
| Aug  19 Purchases | | 115**(1)** | 115 Cr |
| 24 Bank | 50**(1)** | | 65 Cr**(2) C/F** |
| | | | **(1) O/F** |

**[4]**

**+ (1) Dates**

**[9]**

**(b)(ii)**

### Purchases account

| 2004 | $ | |
|---|---|---|
| Aug 31 Total from | | |
| purchases journal | 395**(1)** | |
| Cash | 200**(1)** | |

**[2]**

### Purchases returns account

| | 2004 | $ |
|---|---|---|
| | Aug 31 Total from | |
| | returns journal | 160(1) |

**[1]**

**[3]**

**Alternative presentation**

### Purchases account

| | Debit $ | Credit $ | Balance $ |
|---|---|---|---|
| 2004 | | | |
| Aug 31 Total from | | | |
| purchases journal | 395**(1)** | | 395 Dr |
| Cash | 200**(1)** | | 595 Dr |

**[2]**

### Purchases returns account

| | Debit $ | Credit $ | Balance $ |
|---|---|---|---|
| 2004 | | | |
| Aug 31 Total from | | | |
| returns journal | | 160**(1)** | 160 Cr |

**[1]**

**[3]**

**(c)**

### Wakou Capital account

| 2004 | | $ | 2003 | | | $ |
|---|---|---|---|---|---|---|
| Sept 30 | Drawings | 9 100**(1)** | Oct 1 | Balance b/d | | 32 000**(1)** |
| | Net Loss | 1 300**(1)** | 2004 | | | |
| | Balance c/d | 26 100 | Jan 1 | Motor vehicles | | 4 500**(1)** |
| | | 36 500 | | | | 36 500 |
| | | | 2004 | | | |
| | | | Oct 1 | Balance b/d | | 26 100**(1)**O/F |

**+ (1) Dates**

**[6]**

**Alternative presentation**

Wakou Capital account

| | Debit $ | Credit $ | Balance $ |
|---|---|---|---|
| 2003 | | | |
| Oct    1 Balance | | 32 000**(1)** | 32 000 Cr |
| 2004 | | | |
| Jan    1 Motor vehicles | | 4 500**(1)** | 36 500 Cr |
| Sept  30 Drawings | 9 100**(1)** | | 27 400 Cr |
|            Net Loss | 1 300**(1)** | | 26 100 Cr**(1)O/F** |

**+ (1) Dates**

[6]

**Total [19]**

**Question 2**

**(a)**                                                                                      $                              $
          Current Assets –
          Stock                                                                        11 000
          Debtors                                                                      6 100
          Prepaid expenses                                                      200
          Bank                                                                         1 000
          Cash                                                                           100            18 400
          Current Liabilities –
          Creditors                                                                  7 250
          Accrued expenses                                                       150
          Short term loan                                                      5 000            12 400
              Working capital                                                               6 000**(1)O/F**

**Any 2 correct items (1)**

[5]

**(b)**     **1**     Current ratio:

          18 400 **O/F**          :                    12 400 **O/F  (1)** =                    1.48:1   **(1)O/F**

          **2**     Quick ratio:

          7 400 **O/F**          :                    12 400 **O/F  (1)** =                    0.60:1   **(1)O/F**

[4]

**(c)**     Ways to improve working capital:

*   injection of more capital

*   more long-term loans

*   sale of surplus fixed assets

*   reduction of drawing.

          **Or other suitable points**

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

**(d)** Reasons why should not compare with other business:

- different type of business (sole trader/partnership)
- different type of trade (manufacturing/foodstore)
- one run by managers, one run by owner
- one in its first year of trading, one in its fifth year
- different type of sales (cash/credit)
- different types of expenses (rent/cost of maintaining premises)
- different type of fixed assets (machinery/premises, fixtures).

**Or other relevant points**

**Any 4 points (2) each** [8]

**Total [21]**

## Question 3

**(a)**
<center>Sales Ledger Control account</center>

| 2004 | | $ | 2004 | | $ |
|------|--|---|------|--|---|
| Sept | 1 Balance b/d | 5 688**(1)** | Sept | 1 Balance b/d | 194**(1)** |
| | 30 Sales | 7 650**(1)** | | 30 Sales returns | 356**(1)** |
| | Bank (dis. chq) | 280**(1)** | | Bank | 5 430**(1)** |
| | | | | Discount allowed | 264**(1)** |
| | | | | Bad debts | 250**(1)** |
| | | 13 618 | | Balance c/d | 7 124 |
| Oct | 1 Balance b/d | 7 124**(1)**O/F | | | 13 618 |

**+ (1) Dates**

[10]

**Alternative presentation**

<center>Sales Ledger Control account</center>

| | | Debit | Credit | Balance |
|------|--|-------|--------|---------|
| 2004 | | $ | $ | $ |
| Sept | 1 Balances | 5 688**(1)** | 194**(1)** | 5 494 Dr |
| | 30 Sales | 7 650**(1)** | | 13 144 Dr |
| | Sales returns | | 356**(1)** | 12 788 Dr |
| | Bank | | 5 430**(1)** | 7 358 Dr |
| | Bank (dis. chq) | 280**(1)** | | 7 638 Dr |
| | Discount allowed | | 264**(1)** | 7 374 Dr |
| | Bad debts | | 250**(1)** | 7 124 Dr**(1)**O/F |

**+ (1) Dates**

[10]

**(b)** Item appearing in list but not in control account:
Cash sales:
The double entry is sales account and cash book. They do not appear in a debtor's account and so do not appear in the sales ledger control account.

Provision for bad debts:
This is the balance on the provision account at the start of the month to cover any future bad debts. It does not appear in a debtor's account and so does not appear in the sales ledger control account.

**Any 1 item (1) for identifying the item**
                     **(2) for a suitable explanation** **[3]**

**(c)** Total of debtors' balances:
$7 124 **O/F** – $280 = $6 844 **O/F** **[1]**

**(d)** Source of information for items in the purchases ledger control account:
**(i)** purchases journal (1)
**(ii)** cash book (1)
**(iii)** cash book (1)
**[3]**

**(e)** Advantages of control accounts:
- provides instant totals of debtors and creditors
- prove the arithmetical accuracy of the ledgers they control
- enable the Balance Sheet to be prepared quickly
- may be used to identify ledgers in which there are errors when a trial balance does not agree
- provides a summary of the transactions relating to debtors/creditors for the period
- provides an internal check on the appropriate ledgers – may reduce fraud

    **Or other relevant points**

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

**Total [19]**

## Question 4

**(a)** All Stars Sports Club
Snack Bar Trading Account for the year ended 31 July 2004

| | $ | $ |
|---|---|---|
| Sales | | 10 900**(1)** |
| Less Cost of Sales | | |
| Purchases (7 850 + 850) | 8 700**(2)** | |
| Less Closing Stock | 1 200**(1)** | |
| | 7 500 | |
| Snack bar staff wages | 2 100**(1)** | 9 600 |
| Profit on snack bar | | 1 300**(1)**O/F |

**Horizontal presentation acceptable**
**[6]**

**(b)**                                    All Stars Sports Club
             Income and Expenditure Account for the year ended 31 July 2004:

|  | $ | $ |
|---|---|---|
| Income | | |
| Subscriptions (14 600 + 500 – 100) | | 15 000**(3)** |
| Profit on snack bar | | 1 300**(1)O/F** |
| Barbecue – Ticket sales | 1 400 | |
| Less expenses | 750 | 650**(2)** |
| | | 16 950 |
| Expenditure | | |
| General staff wages | 2 430 **(1)** | |
| Rent (2 160 – 80) | 2 080 **(1)** | |
| Insurance | 1 660**}** | |
| Repairs and maintenance | 1 840**}(1)** | |
| General expenses (1 220 + 60) | 1 280 **(1)** | |
| Depreciation of equipment | 900 **(1)** | 10 190 |
| Surplus for the year | | 6 760**(1)O/F** |

**Horizontal presentation acceptable**

[12]

**(c)**    Ways to raise funds:
   - increase subscriptions
   - fundraising activities
   - obtain long-term loans
   - loan/mortgage

   **Or other relevant points**

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

                                                                    **Total [20]**

**Question 5**

**(a)**

Ruth and Lucy Lebengo
Balance Sheet as at 30 September 2004

| | $ Cost | $ Depreciation to Date | $ Net Book Value |
|---|---|---|---|
| Fixed Assets | | | |
| Premises | 35 000 | | 35 000 |
| Motor vehicles | 15 000 | 1 500 | 13 500 |
| Office equipment | 3 000 | 300 | 2 700**(1)** |
| | 53 000 | 1 800 | 51 200**(1)** |
| Current Assets | | | |
| Stock | | 9 300 | |
| Debtors | 5 900 | | |
| Less provision for doubtful debts | 200**(1)** | 5 700 | |
| Cash | | 100**(1)** | |
| | | 15 100**(1)** | |
| Current Liabilities | | | |
| Creditors | 7 400 | | |
| Bank overdraft | 5 300**(1)** | 12 700**(1)** | |
| Working capital | | | 2 400**(1)**O/F |
| | | | 53 600 |

| | Ruth | Lucy | Total |
|---|---|---|---|
| Capital accounts | 30 000 | 20 000 | 50 000**(1)** |
| Current accounts | | | |
| Share of profit | 8 000**(1)** | 4 000**(1)** | |
| Less Drawings | 4 000**(1)** | 4 400**(1)** | |
| | 4 000 | (400) | 3 600**(1)**O/F |
| | | | 53 600 |

**Horizontal presentation acceptable**

[14]

**(b)(i)**

| Account(s) to be debited | $ | Account(s) to be credited | $ |
|---|---|---|---|
| Goodwill | 9 000**(1)** | Ruth  Capital | 6 000**(1)** |
| | | Lucy  Capital | 3 000**(1)** |

[3]

**(ii)**

| Account(s) to be debited | $ | Account(s) to be credited | $ |
|---|---|---|---|
| Ruth  Capital | 4 500**(1)** | Goodwill | 9 000**(1)** |
| Lucy  Capital | 2 250**(1)** | | |
| Paul  Capital | 2 250**(1)** | | |

[4]

[7]

Total [21]