

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the November 2005 question paper

ACCOUNTING

0452/02

Paper 2

maximum raw mark 90

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*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the *Report on the Examination* for this session.

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

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| Question Number | Question (including any source details) | Part mark | | | | | | | | | | | | | | | |
|--------------------------------------|---|---------------------|---------------------|---------------------|------------------------|--------------|--|--------------------------|--|--------------|--------------------------------------|--------------|--|-----------------------------------|--|--------------|------------|
| 1 | (a) Cash book | [1] | | | | | | | | | | | | | | | |
| | (b) A reduction in price allowed for bulk purchases or to a regular customer | [1] | | | | | | | | | | | | | | | |
| | (c) Current liabilities | [1] | | | | | | | | | | | | | | | |
| | (d) Imprest system | [1] | | | | | | | | | | | | | | | |
| | (e) The net amount for which the stock may be sold | [1] | | | | | | | | | | | | | | | |
| | (f) (i) Trading Account | [1] | | | | | | | | | | | | | | | |
| | (ii) Profit and Loss Account | [1] | | | | | | | | | | | | | | | |
| | (g) | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th></th> <th>Capital Expenditure</th> <th>Revenue Expenditure</th> </tr> </thead> <tbody> <tr> <td>Purchase of motor van.</td> <td>√ (1)</td> <td></td> </tr> <tr> <td>New tyres for motor van.</td> <td></td> <td>√ (1)</td> </tr> <tr> <td>Painting business name on motor van.</td> <td>√ (1)</td> <td></td> </tr> <tr> <td>Cost of oil for motor van engine.</td> <td></td> <td>√ (1)</td> </tr> </tbody> </table> | | Capital Expenditure | Revenue Expenditure | Purchase of motor van. | √ (1) | | New tyres for motor van. | | √ (1) | Painting business name on motor van. | √ (1) | | Cost of oil for motor van engine. | | √ (1) | [4] |
| | Capital Expenditure | Revenue Expenditure | | | | | | | | | | | | | | | |
| Purchase of motor van. | √ (1) | | | | | | | | | | | | | | | | |
| New tyres for motor van. | | √ (1) | | | | | | | | | | | | | | | |
| Painting business name on motor van. | √ (1) | | | | | | | | | | | | | | | | |
| Cost of oil for motor van engine. | | √ (1) | | | | | | | | | | | | | | | |
| | (h) Gross profit (\$45 000) less expenses (\$30 000) = net profit (\$15 000) ROCE = 15 000 (1) /150 000 (1) = 10% (1) . | [3] | | | | | | | | | | | | | | | |
| | (i) “Current” (1) assets less “Current” (1) liabilities. | [2] | | | | | | | | | | | | | | | |

[Total 16]

| | | | |
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|------------------------|--|------------------|
| 2 (a) | (i) 3 000 | [1] |
| | (ii) \$100.00 | [1] |
| | (iii) \$1 300.00 | [1] |
| | (iv) Cash discount | [1] |
| (b) | (i) \$75.00 | [1] |
| | (ii) \$2 425.00 | [1] |
| | (iii) Nil | [1] |
| | (iv) \$1 300.00 | [1] |

(c) General Supply Company Account

| Date 2005 | | \$ | Date 2005 | | \$ |
|--------------|-------------|--------------------|--------------|-------------|-----------------------|
| 5 September | Bank | 2 425 (1)OF | 1 September | Balance b/d | 2 500 (1) |
| | Discount | 75 (1)OF | 25 September | Purchases | 1 300 (1)OF |
| 30 September | Balance c/d | 1 300 | | | |
| | | 3 800 | | | 3 800 |
| 30 October | Bank | 1 300 (1)OF | 1 October | Balance b/d | 1 300 (1)OF |
| | | 1 300 | | | 1 300 |

Running balance acceptable.

[6]

[Total 14]

| | | | |
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| Question Number | Question (including any source details) | Part mark |
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|-----------------|---|-----------|

3 (a)

| Smith | | |
|--|------------------|--------------------------------------|
| Trading and Profit and Loss Account | | |
| Year ended 30 June 2005 | | |
| | \$ | \$ |
| Sales | | 102 000 (1) |
| Opening stock | 8 400 (1) | |
| Purchases (75,600 + 4,000) | 79 600 (2) | |
| Carriage inwards | <u>700 (1)</u> | |
| | 88 700 | |
| less: closing stock | <u>7 100 (1)</u> | |
| Cost of sales (1) | | <u>81 600 (1)</u> |
| Gross profit | | 20 400 (1) OF |
| Advertising | 400 (1) | |
| Provision for depreciation of fixed assets | 700 (1) | |
| General expenses | 390) | |
| Insurance | 420)(1) | |
| Lighting and heating | 600) | |
| Motor expenses (860 + 350) | 1 210 (1) | |
| Office expenses | 280) | |
| Rent | 720)(1) | |
| Postage and stationery | 180) | |
| Wages and salaries | <u>5 250 (1)</u> | |
| Net profit | | <u>10 150</u> <u>10 250 (1)OF</u> |

(Horizontal presentation acceptable) [16]

| | | |
|--|--|--------------|
| (b) (i) Gross profit percentage | = gross profit/sales = 20 400 / 102 000 x 100 = 20.00% | (1)OF (1) |
|--|--|--------------|

| | | |
|-----------------------------------|--|--------------|
| (ii) Net profit percentage | = net profit/sales = 10 250 / 102 000 x 100 = 10.05% | (1)OF (1) |
|-----------------------------------|--|--------------|

| | | | |
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(c) Jones may charge higher prices for his goods, possibly because they are in high demand

Jones can buy his goods more cheaply, take advantage of trade discount

Other similar points up to 2 marks each [4]

[Total 24]

4 (a) To charge the cost of the capital expenditure to profits earned over the useful life of the asset (or similar acceptable answer) [2]

(b)

| Year ended 30 September | | Straight line method \$ | Reducing balance method \$ |
|----------------------------|--|-------------------------------|----------------------------------|
| 2005 | | 3 600 (1) | 8 000 (1) |
| 2006 | | 3 600 | 6 400 (1)OF |
| 2007 | | 3 600 (1) | 5 120 (1)OF |

[5]

| | | | |
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Question Number **Question (including any source details)**

Part mark

(c)

| Date 2005 | | \$ | Date 2005 | | \$ |
|--------------|-------------|--------|--------------|----------------------------|------------------------|
| 30 September | Balance c/d | 8 000 | 30 September | Profit and loss account | 8 000 (1)OF |
| | | 8 000 | | | 8 000 |
| | | | 1 October | Balance b/d | 8 000 (1)OF |
| 2006 | | | 2006 | | |
| 30 September | Balance c/d | 14 400 | 30 September | Profit and loss account | 6 400 (1)OF |
| | | 14 400 | | | 14 400 |
| | | | 1 October | Balance b/d | 14 400 (1)OF |
| 2007 | | | 2007 | | |
| 30 September | Balance c/d | 19 520 | 30 September | Profit and loss account | 5 120 (1)OF |
| | | 19 520 | | | 19 520 |
| | | | 1 October | Balance b/d | 19 520 (1)OF |

+ **(1)** for all dates correct.

[7]

[Total 14]

| | | | |
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| | | |
|------------------------|--|------------------|
| Question Number | Question (including any source details) | Part mark |
|------------------------|--|------------------|

5 (a)

Anvil
Balance Sheet at 31 August 2005

| Fixed assets | Cost | Depreciation | Net Book Value |
|--------------------------------------|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| Plant and machinery | 45 000 (1) | 12 000 (1) | 33 000 (1) |
| Motor cars | <u>22 000 (1)</u> | <u>5 400 (1)</u> | <u>16 600 (1)</u> |
| | <u>67 000</u> | <u>17 400</u> | 49 600 |
| Current assets | | | |
| Stock | | 16 000 (1) | |
| Debtors | | 52 000 (1) | |
| Prepayments | | 1 800 (1) | |
| Bank and cash | | <u>22 400 (1)</u> | |
| | | 92 200 | |
| less: Current liabilities | | | |
| Accruals | 3 300 (1) | | |
| Creditors | <u>32 000 (1)</u> | | |
| | | <u>35 300</u> | |
| Net current assets (working capital) | | | <u>56 900</u> |
| | | | 106 500 |
| Long term liability – Bank loan | | | <u>15 000 (1)</u> |
| | | | <u>91 500</u> |
| Capital | | | |
| Balance at 1 September 2004 | | 91 000 (1) | |
| Net profit | | <u>30 500 (1)</u> | |
| | | 121 500 | |
| less: drawings | | <u>30 000 (1)</u> | |
| | | | <u>91 500</u> |

[16]

| | | | |
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| Question Number | Question (including any source details) | Part mark |
|-----------------|---|------------|
| (b) | (i) <u>Bank + Debtors + Prepayments + Stock</u> Accruals + Creditors | |
| | $22\,400 + 52\,000 + 1\,800 + 16\,000 = 92\,200$ (1) | |
| | $3\,300 + 32\,000 = 35\,300$ (1) | |
| | Current ratio = 2.61:1 (1)OF | [3] |
| | (ii) As above without stock | |
| | $76\,200$ (1)/ $35\,300$ (1) | |
| | Quick ratio = 2.16:1 (1)OF | [3] |
| | | [Total 22] |