

MARK SCHEME for the June 2005 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 June 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses'.



Grade thresholds for Syllabus 0452 (Accounting) in the June 2005 examination.

	Maximum mark available	Minimum mark required for grade:			
		A	C	E	F
Component 3	100	71	44	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.

JUNE 2005

IGCSE

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 0452/03

ACCOUNTING
Paper 3



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Question 1

(a)

Current Accounts					
	James	Susan		James	Susan
	\$	\$		\$	\$
2004			2004		
May 1 Balance b/d	400		May 1 Balance b/d		2 000
2005			2005		
Apl 30 Drawings	6 000	10 000(1)	Apl 30 Interest on capital	1 050	600(1)
Interest on drawings	300	500(1)	Partner's salary		7 000(1)
Balance c/d		3 350(1)	Share of profit	4 250	4 250(1)
			Balance c/d	1 400(1)	
	<u>6 700</u>	<u>13 850</u>		<u>6 700</u>	<u>13 850</u>
2005			2005		
May 1 Balance b/d	1 400		May 1 Balance b/d		3 350
	(1)O/F				(1)O/F

The marks for interest on capital, profit shares, drawings, and interest on drawings are for both figures

Alternatively allow two separate "T" accounts

[9]

Alternative presentation

James Current Account					
	Debit	Credit	Balance		
	\$	\$	\$		
2004					
May 1 Balance	400		400	Dr	
2005					
Apl 30 Drawings	6 000		6 400	Dr	
Interest on drawings	300		6 700	Dr	
Interest on capital		1 050	5 650	Dr	
Share of profit		4 250	1 400	Dr	(2)C/F (1)O/F
Susan Current Account					
	Debit	Credit	Balance		
	\$	\$	\$		
2004					
May 1 Balance		2 000	2 000	Cr	
2005					
Apl 30 Drawings	10 000		8 000	Dr	
Interest on drawings	500		8 500	Dr	
Interest on capital		600	7 900	Dr	
Partner's salary		7 000 (1)	900	Dr	
Share of profit		4 250	3 350	Cr	(2)C/F (1)O/F
Drawings	(1) for both figures				
Interest on drawings	(1) for both figures				
Interest on capital	(1) for both figures				
Profit shares	(1) for both figures				

[9]

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(b)

		Capital Accounts							
		James	Susan	Anna			James	Susan	Anna
		\$	\$	\$			\$	\$	\$
2005					2005				
May 1	Goodwill	8 000 (1)	2 000 (1)	2 000 (1)	May 1	Balance b/d	35 000 (1)	20 000 (1)	
	Balance c/d	33 000 (1)	24 000 (1)	24 000 (1)		Bank			26 000 (1)
						Goodwill	6 000 (1)	6 000 (1)	
		<u>41 000</u>	<u>26 000</u>	<u>26 000</u>			<u>41 000</u>	<u>26 000</u>	<u>26 000</u>
					2005				
					May 2	Balance b/d	33 000	24 000	24 000
							(1)O/F	(1)O/F	(1)O/F

Alternatively allow three separate "T" accounts

[14]

Total [23]

Alternative presentation

		James Capital Account		
		Debit	Credit	Balance
		\$	\$	\$
2005				
May 1	Balance		35 000 (1)	35 000 Cr
	Goodwill		6 000 (1)	41 000 Cr
	Goodwill	8 000 (1)		33 000 Cr
				(2)C/F
				(1)O/F

		Susan Capital Account		
		Debit	Credit	Balance
		\$	\$	\$
2005				
May 1	Balance		20 000 (1)	20 000 Cr
	Goodwill		6 000 (1)	26 000 Cr
	Goodwill	2 000 (1)		24 000 Cr
				(2)C/F
				(1)O/F

		Anna Capital Account		
		Debit	Credit	Balance
		\$	\$	\$
2005				
May 1	Bank		26 000 (1)	26 000 Cr
	Goodwill	2 000 (1)		24 000 Cr
				(2)C/F
				(1)O/F

[14]

Total [23]

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Question 2

- (a) To ensure no transactions are forgotten/overlooked (not relying on human memory)
 To enable profit to be calculated
 To enable the financial position of the business to be ascertained
Or other suitable point

Any 2 items (1) each [2]

- (b) The accounting records of a business are maintained from the viewpoint of the business.
 The business and the owner of the business are regarded as being separate entities.
 The personal transactions of the owner of the business are not recorded in the accounting records of the business.

Any 2 items (1) each [2]

- (c) Jane Joda
 Trading Account for the year ended 31 March 2005

	\$		\$		\$
Sales - Credit			10 900	(1)O/F	
Cash			6 600	(1)	17 500
Less Cost of sales					
Opening stock	9 500	(1)			
Purchases	22 000	(1)	31 500		
Less Closing stock			17 500	(1)	14 000 (1)
Gross Profit					3 500 (2)C/F
					(1)O/F

Horizontal format acceptable [8]

- (d) (i) Comparison with the results of other businesses (1) of a similar size/type (1) [2]

- (ii) Improve profitability
 Increase sales (in total or of certain products)
 Review stock levels
 Direct investment into new areas

Or other suitable point

Any one point required –

(1) for basic point

(1) for suitable development

[2]

- (iii) **Any two of the following –**

Information must be -

capable of being independently verified

free from bias

free from significant errors

prepared with suitable caution being applied to any judgements and estimates which are necessary

Any two items (2) each [4]

Total [20]

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Question 3

(a) (i) 1 Current ratio

$$\$22\,000 : \$14\,500 \quad (1) = 1.52 : 1 \quad (1)$$

2 Quick ratio

$$(\$22\,000 - 12\,000) : \$14\,500 \quad (1) = 0.69 : 1 \quad (1) \quad [4]$$

(ii) Quick ratio [1]

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

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.

Any one reason (2) marks [2]

(b) Return on capital employed (using closing capital figure)

$$\frac{\$4950}{\$52500} \times \frac{100}{1} \quad (1) = 9.43\% \quad (1) \quad [2]$$

(c) (i) Collection period for debtors

$$\frac{\$9500}{\$69300} \times \frac{365}{1} \quad (1) = 50.04 \text{ days (51 days)} \quad (1) \quad [2]$$

(ii) 1 Not satisfied – if (c)(i) is more than 30 days
Or – satisfied if (c)(i) is less than 30 days [1]

2 Debtors are allowed 30 days credit but on average are taking 51 days
Or suitable explanation based on O/F answer to (c)(i). [1]

(d) (i) Payment period for creditors

$$\frac{\$6300}{\$47600} \times \frac{365}{1} \quad (1) = 48.31 \text{ days (49 days)} \quad (1) \quad [2]$$

(ii) Advantage of paying creditors before due date –

May be able to take advantage of cash discounts
Improves the relationship with suppliers

Or other suitable comment

One advantage required (1) [1]

(iii) Disadvantage of paying creditors before due date –

The business is deprived of the use of the money earlier than necessary

Or other suitable comment

One disadvantage required (1) [1]

Total [17]

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Question 4

(a) (i) The Income and Expenditure Account is equivalent to a Profit and Loss Account of a trading organisation. (1) It is used to calculate the annual surplus or deficit. (1)
Or other suitable points [2]

(ii) The accumulated fund is equivalent to the capital of a trading organisation, the difference between the assets and the liabilities. (1) The annual surpluses (less any deficits) accumulate within a non-trading organisation to form the accumulated fund. (1)
[2]

(b)

Siltones Music Society							
Receipts and Payments Account for the year ended 31 March 2005							
		\$		2005	\$		
2004							
Apl 1	Balance	2 210	(1)	Mar 31	Concert expenses	1 250	(1)
2005					Rent	1 820	(1)
Mar 31	Subscriptions	5 800	(1)		General expenses	215	(1)
	Concert receipts	1 900	(1)		Insurance	325	(1)
	Proceeds of sale of instruments	700	(1)		Purchase of new instruments	3 350	(1)
		10 610			Balance c/d	3 650	
						10 610	
2005							
Apl 1	Balance b/d					3 650	(1)O/F

[10]

(c)

Siltones Music Society							
Subscriptions account							
		\$		2005	\$		
2004							
Apl 1	Balance b/d	1000	(1)	Mar 31	Bank	5800	(1)
2005							
Mar 31	Balance c/d	800	(1)				
	Income and Expenditure	(1) 4000	(1)				
		5800				5800	
				2005			
				Apl 1	Balance b/d	800	(1)

Dates (1)

[7]

Alternative presentation

Siltones Music Society							
Subscriptions account							
		Debit		Credit	Balance		
		\$		\$	\$		
2004							
Apl 1	Balance	1000	(1)		1000	Dr	
2005							
Mar 31	Bank			5800	(1)	4800	Cr
	Income and Expenditure	(1) 4000	(1)			800	Cr (2)

Dates (1)

[7]

Total [21]

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Question 5

- (a) To make the totals of the trial balance agree **(1)** and so that draft final accounts may be prepared. **(1)** **[2]**

(b)

Ahmed Shafiq
Journal

		Debit \$		Credit \$
1.	Suspense account	390	(1)	
	Commission received account			390 (1)
2.	Mutua account	400	(1)	
	Mutola account	400	(1)	
	Suspense account			800 (1)
3.	Stationery account	20	(1)	
	Purchases account			20 (1)
4.	Discount allowed account	15	(1)	
	Limo			15 (1)
5.	Sales returns account	420	(1)	
	Purchases returns account	240	(1)	
	Suspense account			660 (1)

[12]

(c)

Ahmed Shafik

Statement of corrected net profit for the year ended 31 January 2005

		\$							
Net profit before corrections									16 000
Effect on net profit									
		+		-					
		\$		\$					
Error	1	390							
	2		No effect					(1)	
	3		No effect					(1)	
	4			15				(1)	
	5			660				(1)	
		390		660					
			Corrected net profit			285			(1) O/F
						15 715			

[5]

Total [19]