

MARK SCHEME for the October/November 2006 question paper

0452 ACCOUNTING

0452/02

Paper 2, maximum raw mark 90

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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.

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1 (a)	[Sales] invoice.	Purchase Invoice ×	[1]
(b)	Land, buildings, plant, machinery, equipment, fixtures, vehicles etc (any two).	Goodwill ✓	[2]
(c)	Profit & Loss account.	Not Trading × Trading & Profit and Loss Account ✓ P & L ✓	[1]
(d)	A supplier of goods or services to a business who has not been paid.	Supplier & is owed for 1 mark	[1]
(e)	Error of commission.		[1]
(f)	(i) Straight line	Revaluation ✓	[1]
	(ii) Reducing balance	Diminishing Balance ✓	[1]
(g)	Current liabilities.		[2]
(h)	Cost of goods sold/average stock = stock turnover.		
	45 000 (1) / 7 500 (1) = 6 (times)(1)(of)	6 = ✓ but not 6 : 1 61 days or 2 months ✓	max of 1 mark if in days without ×365 or ×12 [3]
(i)	Gross profit margin = gross profit (1) / sales. (1)	Net Sales ✓ Turnover ✓ Revenue ✓	[2]
			[Total 15]

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2 (a)

Sales

31 March	Trading a/c	365 (1)(of)	4 March	Vanni	110 (1)
	Balance c/d = 0		7 March	Cash	55 (1)
	P & L = ✓		10 March	Saska	200 (1)
		<u>365</u>			<u>365</u>

Date / Narrative
and number for each mark

Sales Returns

15 March	Vanni	<u>30</u> (1)	31 March	Trading a/c	<u>30</u> (1)(of)
				Balance c/d = 0	
				P & L = ✓	

Vanni

4 March	Sales	110 (1)	15 March	Returns inwards = ✓	
			31 March	Returns = ✓	
				Sales Returns	30 (1)
				Balance c/d	<u>80</u>
		<u>110</u>			<u>110</u>

Saska

10 March	Sales	200 (1)	31 March	Cash	190 (1)
			31 March	Discount alld	<u>10</u> (1)
		<u>200</u>			<u>200</u>

Discount allowed

31 March	Total Cash Book ✓ Saska ✓	<u>10</u> (1)	31 March	P/L account	<u>10</u> (1)(of)
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Cash book

March	Discount Sales = ✓	Cash	March	Discount	Cash
	Cash = x				
7	Cash sales	55(1)			
31	Saska	<u>190(1)</u>	31	Balance c/d	<u>245</u>
		<u>245</u>			<u>245</u>

[15]

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(b)

Tanit
Trading and Profit and Loss Account (extract)

		\$	
Sales	(i)	365	(1)(of)
Less: sales returns	(ii)	30	(1)(of)

Net sales	(iii)	335	(1)(of)
Expenses			
Discount allowed	(iv)	10	(1)(of)

[4]

Total [19]

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3 (a) (i) Realisation, prudence, matching (any one) (2)
Accruals ✓

(ii) Prudence, consistency (any one) (2)

[4]

(b)

Morgan
Balance sheet at 31 August 2006

	Cost \$		Provision for depreciation \$		Net book value \$	
Fixed assets						
Machinery	7 000		1 400		5 600	
Office equipment	<u>2 500</u>		<u>1 000</u>		<u>1 500</u>	
	<u>9 500</u>	(1)	<u>2 400</u>	(1)	<u>7 100</u>	(1)
		for		for		
		both		both		
		entries		entries		
Current assets						
Stock			3 900	(1)		
Debtors			3 500)			
Prepayments			600)	(1)		
Cash			200)			
			8 200			
				for all		
				three		
				entries		
					- Description	
					needed	
Less current liabilities						
Creditors	1 800)					
Accrued expenses	300)					
Bank (overdrawn)	<u>2 200</u>	(1)				
			<u>4 300</u>			
Net current assets/working capital		(1)			<u>3 900</u>	(1)(of)
Total assets					11 000	narrative
						needed
Long term liability					<u>5 000</u>	(1)
Loan repayable 2011					<u>6 000</u>	
Financed by						
Capital at 1 September 2005					9 000	(1)
Add Profit for the year					<u>18 000</u>	(1)
					27 000	
Less drawings					<u>21 000</u>	(1)
					<u>6 000</u>	(1)(of)
						to agree balances (no aliens)

[13]

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- (c) Overdraft may be reduced by collecting debtors, reducing stock, delaying payment of creditors, delaying drawings, increasing capital (any one). [2]

Sell fixed assets ✓
 Long Term Loan ✓
 Reduce expenditure ×

- (d)

		Increase	Decrease	No effect
(i)	Bank overdraft		✓ (1)	
(ii)	Loan account	✓ (1)		
(iii)	Working capital	✓ (1)		
(iv)	Profit for the year			✓ (1)
(v)	Capital			✓ (1)

[5]

Total [24]

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- 4 (a)** Matching income OR expenditure (1) to the period to which it relates. (1) (2)
 Accrual, prepayments, depreciation (any example). (2) (2)
[4]

(b)

Kalim
Insurance account

2005							
1 Oct	Balance b/d	300	(1)				
	Bal c/d x						
2006				2006			
1 Jan	Bank	1 320	(2)	30 Sept	Profit & Loss account	1 290	(2)(of) - only given if on correct side.
		<u>1 620</u>		30 Sept	Balance c/d	<u>330</u>	(2) If any alien then (1) of.
						<u>1 620</u>	

Date, Narrative and Number for each mark.

[7]

Total [11]

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5 (a)

Smith and Travers
Profit and Loss Appropriation Account
Year ended 30 September 2006

		\$	\$	
Net profit			89 000(1)	
Interest on drawings				
Smith	4% × \$35 000		1 400(2)	} must be added
Travers	4% × \$15 000		<u>600(2)</u>	
			<u>91 000</u>	
Interest on capital				
Smith	5% × \$30 000	1 500(1)		} must be deducted
Travers	5% × \$40 000	<u>2 000(1)</u>		
		<u>3 500</u>		
Salary – Smith (1)		<u>15 000(1)</u>		- must be deducted
Share of profit				
Smith	2/5(1) × \$72 500	29 000(1)of		
Travers	3/5(1) × \$72 500	<u>43 500(1)of</u>		
		<u>72 500</u>		
			<u>91 000(1)(of)</u>	- if no aliens appear
				for allocating total profit

[14]

(b)

Smith
Current account calculation, year ended 30 September 2006

Balance at 1 October 2005		2 300(1)	
Add:			
Interest on capital		1 500(1)of	
Salary		15 000(1)	
Share of net profit		<u>29 000(1)of</u>	
		47 800	
Less:			
Interest on drawings	1 400(1)of		
Drawings	<u>35 000(1)</u>		
		<u>36 400</u>	
Balance at 30 September 2006		<u>11 400(2)</u>	or 0(of) but no aliens or omissions

[8]

Total [22]