UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2008 question paper

0452 ACCOUNTING

0452/03 Paper 3, maximum raw mark 100

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began.

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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UNIVERSITY of CAMBRIDGE International Examinations

1 **(a)** Work can be shared amongst several people
Easier for reference as same type of accounts are kept together
Easier to introduce checking procedures

Or other suitable point

Any 1 point (1) [1]

(b) **(i)** nominal (general) ledger **(1)**

(ii) nominal (general) ledger **(1)**

(iii) sales (debtors) ledger **(1)** [3]

(c)

Paihia Traders account

2008			$		2008			$	
Aug 12	Purchases returns		60	**(1)**	Aug 1	Balance		950	
18	Bank		931	**(1)**	3	Purchases		270	**(1)**
	Discount received		19	**(1)**					
31	Balance	c/d	210	**(1) O/F**					
			1220					1220	
					2008				
					Sept 1	Balance	b/d	210	**(1) O/F**

Awanui Wholesalers account

2008		$		2008		$	
Aug 29	Bank	645	**(1)**	Aug 1	Balance	630	
				22	Interest payable	15	**(1)**
		645				645	

+ (1) dates [9]

Alternative presentation

Paihia Traders account

		Debit	Credit	Balance
2008		$	$	$
Aug 1	Balance		950	950 Cr
3	Purchases		270 **(1)**	1220 Cr
12	Purchases returns	60 **(1)**		1160 Cr
18	Bank	931 **(1)**		229 Cr
	Discount received	19 **(1)**		210 Cr **(2) O/F**

Awanui Wholesalers account

		Debit	Credit	Balance
2008		$	$	$
Aug 1	Balance		630	630 Cr
22	Interest		15 **(1)**	645 Cr
29	Bank	645 **(1)**		0

+ (1) Dates [9]

(d) Payment period for creditors

$\frac{\$10\,500}{\$99\,000} \times \frac{365}{1}$ **(1)** = 38.71 days = 39 days **(1)** [2]

(e) **1** Not satisfied – if **(d)** is more than 1 month
Or Satisfied – if **(d)** is less than 1 month **(1)**

2 Paul is allowed 1 month's credit but is taking 39 days
Or suitable explanation based on O/F answer to (d) **(1)** [2]

(f) Advantage
May be able to take advantage of cash discounts
Improve the relationship with suppliers

Or other suitable comment
Any one point (1) [1]

(g) Disadvantage
The business is deprived of the use of the money earlier than necessary

Or other suitable comment
Any one point (1) [1]

[Total: 19]

2 **(a)** **(i)** Capital expenditure is money spent on acquiring, improving and installing fixed assets. **(1)**
Revenue expenditure is money spend on running a business on a day-to-day basis. **(1)** [2]

(ii) Capital receipts are amounts received from the sale of fixed assets **(1)**
Revenue receipts are sales and other items of income which are recorded in the trading and profit and loss account. **(1)** [2]

(b)

Michael Ong
Statement of corrected net profit for the year ended 30 June 2008

	$		$	
Net profit			15 000	
Add Purchase of motor vehicle (CD 357)	8 000	**(1)**		
Commission received	500	**(1)**	8 500	
			23 500	
Less Sale of motor vehicle (AB 246)	2 000	**(1)**		
Purchases of stationery	200	**(1)**	2 200	
Corrected net profit			21 300	**(1)**

Alternative formats acceptable [5]

(c) To balance the trial balance
To allow draft final accounts to be prepared

Any one point (1) [1]

(d)

	account(s) to be debited	$		account(s) to be credited	$	
2	Suspense	400	**(1)**	Disposal of equipment	400	**(1)**
3	Suspense	200	**(1)**	Purchases	200	**(1)**
4	W Lee	50	**(1)**	Bad debts	50	**(1)**
	Bank/Cash/Cash book	50	**(1)**	Bad debts recovered	50	**(1)**

[8]

[Total: 18]

3 **(a)** **(i)**

	$	
Cheques received from customers	58 114	**(1)**
Discounts allowed	1 186	**(1)**
Bad debts written off	900	**(1)**
Amounts owing on 30 September 2008	4 800	**(1)**
	65 000	
Less Amounts owing on 1 October 2007	5 000	**(1)**
Credit sales	60 000	**(1) O/F**

[6]

(ii)

	$			
Cheques paid to suppliers	45 930	**(1)**		
Discounts received	470	**(1)**		
Amounts owing on 30 September 2008	5 200	**(1)**		
	51 600			
Less Amounts owing on 1 October 2007	4 500	**(1)**		
Credit purchases	47 100	**(1)**	**O/F**	[5]

Alternative presentation

(i) Total debtors account

2007				$		2008				$	
Oct 1	Balance	b/d		5 000	**(1)**	Sept 30	Bank			58 114	**(1)**
2008							Discount allowed			1 186	**(1)**
Sept 30	Sales			* 60 000	**(1)**		Bad debts			900	**(1)**
					O/F		Balance	c/d		4 800	**(1)**
				65 000						65 000	
2008											
Oct 1	Balance	b/d		4 800							

Three column running balance account acceptable [6]

(ii) Total creditors account

2008			$		2007				$	
Sept 30	Bank		45 930	**(1)**	Oct 1	Balance	b/d		4 500	**(1)**
	Discount received		470	**(1)**	2008					
	Balance	c/d	5 200	**(1)**	Sept 30	Purchases			*47 100	**(1)** **O/F**
			51 600						51 600	
					2008					
					Oct 1	Balance	b/d		5 200	

Three column running balance account acceptable [5]

(b) Mark-up is when the gross profit is measured as a percentage of the cost price of the goods **(1)**
Margin is when the gross profit is measured as a percentage of the selling price of the goods **(1)**
[2]

(c) Suzan Hamouda
Trading Account for the year ended 30 September 2008

	$		$		$	
Sales					60 000	**(1) O/F**
Less Cost of sales						
Opening stock			7 800	**(1)**		
Purchases	47 100	**(1) O/F**				
Less goods for own use	200	**(1)**	46 900			
			54 700			
Less closing stock			4 700	**(2) C/F** **(1) O/F**		
					50 000	
Gross profit					10 000	**(2) O/F**

[8]

[Total: 21]

4 (a) (i) B Ngwenya
Explanation cheque previously received from B Ngwenya was returned as dishonoured by the bank **(1)**
Double entry debit B Ngwenya account **(1)**

Sales
Explanation receipts from sales, some paid into bank and some retained in cash **(1)**
Double entry credit Sales account **(1)**

(ii) $120 was transferred from the cash to the bank **(2)**
Or These are contra entries **(1)**

(iii) Discount received **(1)**

$\frac{6}{6 + 234} \times \frac{100}{1} = 2.5\%$ **(1)**

(iv) Balance of $70 This is the cash remaining in the business **(1)**
Balance of $1515 This is the amount owing to the bank (overdraft) **(1)**

(v) Total of column on debit side – debited to discount allowed account **(1)**
Total of column on credit side – credited to discount received account **(1)** [12]

(b) Working capital
(200 + 5020 + 4710) – (3620 + 3280) **(1)**
= 9930 – 6900
= 3030 **(1)** [2]

(c) Injection of capital
Long term loans
Sale of surplus fixed assets
Reduction in drawings

Or other suitable points
Any two points (1) each [2]

(d) May have problems paying debts as they fall due
May not be able to take advantage of cash discounts
Cannot make the most of opportunities as they occur
Difficulties in obtaining further supplies

Or other suitable points
Any two points (1) each [2]

(e) Return on capital employed
$\frac{6465}{41100} \times \frac{100}{1} = 15.73\%$ [1]

(f) **(i)** Unsatisfied – if **(e)** is less than 19.50% **(1)**
Or
Satisfied – if **(e)** is more than 19.50% **(1)**

(ii) The return on capital employed has reduced so the capital is not being employed as effectively **(1)**

Or suitable explanation based on O/F answer to (e) [2]

[Total: 21]

5 (a)

Salim and Rita Jaffer
Balance Sheet at 31 July 2008

	$		$		$	
Fixed assets						
Premises at cost					95 000	
Equipment at book value						
(13 000 – 1500)					11 500	**(1)**
					106 500	**(1) O/F**
Current assets						
Stock			8 200			
Debtors	6 600					
Less provision for						
doubtful debts	330		6 270	**(1)**		
Prepaid expenses			430	**(1)**		
			14 900	**(1) O/F**		
Current liabilities						
Creditors	6 800					
Accrued expenses	620	**(1)**				
Bank	2 900	**(1)**	10 320	**(1) O/F**		
Working capital					4 580	**(1) O/F**
					111 080	
	Salim		Rita		Total	
Capital accounts	40 000		60 000		100 000	**(1)**
Current accounts						
Opening balance	3 400		6 100	**(1)**		
Share of profit	7 750		7 750	**(1)**		
	11 150		13 850			
Less drawings	7 700		6 220	**(1)**		
	3 450		7 630		11 080	**(1)**
					111 080	

Horizontal presentation acceptable
Calculation of current account balances outside balance sheet acceptable. [14]

(b)

Capital accounts

2008	Salim $	Rita $	2008		Salim $	Rita $
Aug 31 Balance c/d	64 000	64 000	Aug 1 Balances	**(1)**	40 000	60 000
			Current a/c	**(1)**		4 000
			31 Bank	**(1)**	24 000	
	64 000	64 000			64 000	64 000
			2008 Sept 1 Balance b/d	**(1) O/F**	64 000	64 000

+ (1) dates [5]

Alternatively allow 2 separate "T" accounts

Alternative presentation

Salim Capital account

2008	Debit $	Credit $	Balance $
Aug 1 Balance		40 000	40 000 Cr
31 Bank		24 000	64 000 Cr

Rita Capital account

2008	Debit $	Credit $	Balance $
Aug 1 Balance		60 000	60 000 Cr
31 Current a/c		4 000	64 000 Cr

Opening balances **(1)** for both figures
Salim amount introduced **(1)**
Rita current account transfer **(1)**
Closing balances **(1) O/F** for both figures

+ (1) dates [5]

(c) Advantage of maintaining separate current accounts
Easier to see profit retained by each partner
Easier to calculate interest on capital (if allowed)

Or other suitable point
Any one point (2) [2]

[Total: 21]