

Mark Scheme Summer 2008

IGCSE

IGCSE Accounting (4305/01)

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	A	(1)

Question Number	Answer	Mark
1(b)	C	(1)

Question Number	Answer	Mark
1(c)	D	(1)

Question Number	Answer	Mark
1(d)	B	(1)

Question Number	Answer	Mark
1(e)	D	(1)

Question Number	Answer	Mark
1(f)	C	(1)

Question Number	Answer	Mark
1(g)	C	(1)

Question Number	Answer	Mark
1(h)	D	(1)

Question Number	Answer	Mark
1(i)	D	(1)

Question Number	Answer	Mark
1(j)	A	(1)

Question Number	Answer	Mark
2(a)		(4)

Question Number	Answer	Mark
2(b)		(2)

Question Number	Answer	Mark
2(c)		(14)

Question Number	Answer	Mark
2(d)(i)		(1)

General (Main) Ledger

Purchases Account

Date	Narration	£	Date	Narration	£
Apr 1	Balance b/f	80000 ✓			
Apr 30	Sundry Creditors ✓	12400 ✓			

Purchases Returns Account

Date	Narration	£	Date	Narration	£
			Apr 1	Balance b/f	2000 ✓
			Apr 30	Sundry Creditors ✓	250 ✓

Purchase Ledger Control Account

Date	Narration	£	Date	Narration	£
Apr 30	Purchase Returns ✓	275 ✓	Apr 1	Balance b/f	30000 ✓
Apr 5	Bank (Cash Book) ✓	4000 ✓	Apr 30	Purchases ✓	13640 ✓

VAT Account

Date	Narration	£	Date	Narration	£
Apr 30	Sundry Creditors ✓	1240 ✓	Apr 1	Balance b/f	5000 ✓
Apr 10	Bank (Cash Book) ✓	15 ✓	Apr 30	Sundry Creditors ✓	25 ✓
Apr 30	Balance c/d	3990 ✓ C	Apr 30	Bank (Cash Book) ✓	220 ✓
		<u>5245</u>			<u>5245</u>
			May 1	Balance b/d	3990 ✓ O/F

Rent Account

Date	Narration	£	Date	Narration	£
Apr 1	Balance b/f	3000 ✓			
Apr 2	Bank (Cash Book)	250 ✓			

Stationery Account

Date	Narration	£	Date	Narration	£
Apr 1	Balance b/f	2000 ✓			
Apr 10	Bank (Cash Book)	150 ✓			

Bank Loan Account

Date	Narration	£	Date	Narration	£
Apr 22	Bank (Cash Book)	250 ✓	Apr 1	Balance b/f	10000 ✓

+ 1 x ✓ for correct opening narratives

+ Creditors (Purchases) Ledger

Allen & Co Account

Date	Narration	£	Date	Narration	£
Apr 10	Purchase Returns	220 ✓	Apr 1	Balance b/f	4000 ✓
Apr 5	Bank (Cash Book)	4000 ✓	Apr 10	Purchases	1100 ✓
			Apr 23	Purchases	2200 ✓

H Ball Account

Date	Narration	£	Date	Narration	£
			Apr 1	Balance b/f	8000 ✓
			Apr 17	Purchases	3300 ✓

R Charles Ltd Account

Date	Narration	£	Date	Narration	£
Apr 12	Purchase Returns	55 ✓	Apr 1	Balance b/f	6000 ✓
			Apr 12	Purchases	440 ✓

B Davies Account

Date	Narration	£	Date	Narration	£
			Apr 1	Balance b/f	12000 ✓
			Apr 28	Purchases	6600 ✓

42 x ✓ = 21 marks

Question Number	Answer	Mark
2(d)(ii)	Mihai Shah owes ✓ ✓ the government ✓ ✓ £3990 ✓ ✓	(3)

Question Number	Answer	Mark
2(d)(iii)	The figure would be shown as a current liability ✓ ✓	(1)

8 x ✓ = 4 marks

Question Number	Answer	Mark
3(a)		(12)

Sanjoy Patel
Profit and Loss Account
For Year Ended 30 April 2008

	£	£	£
Gross Profit			185652 ✓
Bad Debt Recovered			1250 ✓
Profit on Disposal			500 ✓
			187402
<u>Running Expenses</u>			
Wages (77000 + 7000)		84000 ✓ ✓ ✓	
Rent & Rates		10974 ✓	
Postage and Telephone		2798 ✓	
Advertising		1782 ✓	
Sundry Expenses (13950 - 1500)		12450 ✓ ✓	
Loan Interest (1250 + 250)		1500 ✓ ✓ ✓	
Bad Debts		250 ✓	
Provision for Doubtful Debts		28 ✓ ✓	
Depreciation - Motor Vehicles		3750 ✓ ✓	
Fixtures and Fittings		10000 ✓ ✓	
			127532 ✓ O/F
Net Profit ✓			59870 ✓ O/F

24 x ✓ = 12 marks

Question Number	Answer	Mark
3(b)		(13)

Sanjoy Patel
Balance Sheet
As at 30 April 2008

Fixed Assets	£	£	£
Motor Vehicles	20000 ✓	8750 ✓ ✓ O/F	11250 ✓
Fixtures and Fittings	50000 ✓	35000 ✓ ✓ O/F	15000 ✓
	<u>70000</u>	<u>43750</u>	<u>26250</u>
Current Assets			
Stock	17480 ✓		
Debtors (4260 - 213)	4047 ✓ ✓		
Cash at Bank	19302 ✓		
Cash in Hand (1124 +1250)	2374 ✓ ✓		
		43203	
Current Liabilities			
Creditors	17492 ✓		
Wages and Salaries Accrued	7000 ✓ O/F		
Loan Interest Owing	250 ✓ O/F		
		24742	
Working Capital ✓			18461 ✓ O/F
			44711
Long Term Liabilities			
Bank Loan			15000 ✓
			<u>29711</u>
Financed by:			
Capital		28224 ✓	
Net Profit		59870 ✓ O/F	
		88094	
Drawings (56883 + 1500)		58383 ✓ ✓	
Owner's Capital			<u>29711 ✓ O/F</u>

+ ✓ for all 4 headings - ie FA, CA, CL + LTL

26 x ✓ = 13 marks

Question Number	Answer	Mark
4(a)	A cheque that has been refused payment ✓ by the debtors bank ✓ due to insufficient funds ✓ in the debtors account. ✓ 4 x ✓ = 2 marks	(2)

Question Number	Answer	Mark
4(b)		(3)

Date	Narrative	£	Date	Narrative	£
Apr 1	Balance b/d	8000	Apr 2	F Bashir (10123)	1200
Apr 7	Sales Banked	800	Apr 8	M Tyler (10124)	1300
Apr 13	Sales Banked	550	Apr 15	H Joshi (10125)	1250
Apr 20	Sales Banked	650	Apr 15	DD/ MTC	250 ✓
Apr 30	Sales Banked	750	Apr 20	DD/ Dir Ins.	80 ✓
Apr 22	CT - M Bell	1230 ✓	Apr 28	Bank Charges	120 ✓
			Apr 30	Dishonoured Ch	280 ✓
			Apr 30	Balance c/d	7500 ✓ O/F
		<u>11980</u>			<u>11980</u>
May 1	Balance b/d	7500			

6 x ✓ = 3 marks

Question Number	Answer	Mark
4(c)		(5)

Real Kitchen Suppliers
Bank Reconciliation Statement ✓
As at 30 April 2008 ✓

	£	£
Balance as per cash book ✓		7500 ✓ O/F
Add: Unpresented Cheque - 10125		1250 ✓ ✓
		8750
Less: Outstanding Lodgement		750 ✓ ✓
Balance as per bank statement ✓		<u>8000</u> ✓ C

10 x ✓ = 5 marks

Question Number	Answer	Mark
5(a)		(2)

Plant and Machinery Account

Date	Narrative	£	Date	Narrative	£
May 1	Balance b/f	500000 ✓	Dec 31	Asset Disposal ✓	200000 ✓
			Apr 30	Balance c/d	300000
		<u>500000</u>			<u>500000</u>
May 1	Balance b/d	300000 ✓ O/F			

4 x ✓ = 2 marks

Question Number	Answer	Mark
5(b)		(2)

Motor Vehicles Account

Date	Narrative	£	Date	Narrative	£
May 1	Balance b/f	200000 ✓	Apr 30	Balance c/d	300000
Feb 1	Bank ✓	100000 ✓			
		<u>300000</u>			<u>300000</u>
May 1	Balance b/d	300000 ✓ O/F			

4 x ✓ = 2 marks

Question Number	Answer	Mark
5(c)		(3)

Provision for Depreciation - (Plant and Machinery)

Date	Narrative	£	Date	Narrative	£
Dec 31	Asset Disposal ✓	150000 ✓	May 1	Balance b/f	200000 ✓
Apr 30	Balance c/d	80000	Apr 30	Profit & Loss ✓	30000 ✓
		<u>230000</u>			<u>230000</u>
			May 1	Balance b/d	80000 ✓ O/F

6 x ✓ = 3 marks

Question Number	Answer	Mark
5(d)		(3)

Disposal of Machinery

Date	Narrative	£	Date	Narrative	£
Dec 31	Plant & Machinery	200000 ✓	Dec 31	Provision for Dep	150000 ✓
			Dec 31	Bank	40000 ✓
			Apr 30	Profit & Loss ✓	10000 ✓ ✓ O/F
		<u>200000</u>			<u>200000</u>

6 x ✓ = 3 marks

Question Number	Answer	Mark
5(e)(i)	Concept 1: Consistency ✓ Concept 2: Accruals ✓ <div style="text-align: right;">2 x ✓ = 1 mark</div>	(1)

Question Number	Answer	Mark
5(e)(ii)	Award Up to ✓ ✓ ✓ ✓ ✓ for application of consistency concept Up to ✓ ✓ ✓ ✓ ✓ for application of accruals concept Example Answer In applying the consistency concept the business which decides to make a provision for depreciation on plant and machinery at 10 per cent per annum, using the straight line method should continue to use that percentage and method for future final accounts ✓ ✓ for this class of asset ✓ ✓. By applying the consistency concept direct ✓ ✓ comparison between the final accounts of different years can be made. ✓ ✓ (max 5 ✓) In applying the accruals concept the benefit which a fixed asset provides over its economic life is matched ✓ ✓ with the depreciation ✓ ✓ for the same period. Therefore the cost ✓ ✓ of the fixed asset is spread over the useful life ✓ ✓ of the asset. (max 5 ✓) <div style="text-align: right;">10 x ✓ = 5 marks</div>	(5)

Question Number	Answer	Mark
6(a)	Formula: $\text{Net Profit} \checkmark \div \text{Sales} \checkmark \times 100$ Net Profit Margin for year ended 28 February 2007 $16000 \checkmark \div 35000 \checkmark \times 100 = 46\%$ Net Profit Margin for year ended 28 February 2008 $26000 \checkmark \div 52000 \checkmark \times 100 = 50\%$ $6 \times \checkmark = 3 \text{ marks}$	(3)

Question Number	Answer	Mark
6(b)	Formula $\text{Gross Profit} \checkmark \div \text{Cost of Sales} \checkmark \times 100$ Mark up for year ended 28 February 2007 $21600 \checkmark \div 13400 \checkmark \times 100 = 161\%$ Mark up for year ended 28 February 2008 $35500 \checkmark \div 16500 \checkmark \times 100 = 215\%$ $6 \times \checkmark = 3 \text{ marks}$	(3)

Question Number	Answer	Mark
6(c)	Formula $\text{Cost of Goods Sold} \checkmark \div \text{Average Stock} \checkmark$ Rate of Stock Turnover for year ended 28 February 2007 $13400 \checkmark \div 3450 \checkmark = 4 \text{ times}$ Rate of Stock Turnover for year ended 28 February 2008 $16500 \checkmark \div 5500 \checkmark = 3 \text{ times}$ $6 \times \checkmark = 3 \text{ marks}$	(3)

Question Number	Answer	Mark
6(d)	<p>Award</p> <p>3 x ✓✓✓ for an evaluation of each ratio -(✓ for comment ✓ for figure and ✓ for development point) 1 x ✓ for a relevant conclusion</p> <p>Example answer</p> <p>Over the past two years the net profit margin has increased ✓ from 46% to 50% ✓. This indicates that the business is able to control its overheads/expenses better ✓.</p> <p>The mark up has also increased ✓ from 161% to 215% ✓ indicating that a larger profit percentage is being added to the cost price of the goods ✓.</p> <p>The rate of stock turnover has however declined ✓ from 4 times to 3 times ✓ indicating that stock is being held on average for a longer time before it is sold ✓</p> <p>Overall although the profitability of the business has improved over the two years the business is taking longer to sell their stock ✓</p> <p>All above marks are OF, if comments are consistent with answers to (a) (b) and (c).</p> <p style="text-align: right;">10 x ✓ = 5 marks</p>	(5)

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