

## MARK SCHEME for the November 2004 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.

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**Grade thresholds** taken for Syllabus 0452 (Accounting) in the November 2004 examination

	Maximum mark available	Minimum mark required for grade:			
		A	C	E	F
Component 3	100	69	51	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.

**NOVEMBER 2004**

**IGCSE**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 0452/03**

**ACCOUNTING  
Paper 3**

**Question 1**

(a) Reason for using a purchases journal:

- fewer transactions recorded in the purchases account
- bookkeeping can be spread between several people
- can be analysed into products/areas etc.
- to identify credit purchases (can be useful for comparison purposes)
- provides information for the purchases ledger control account.

**Or other suitable point**

**Any 1 point (1)**

**[1]**

(b)(i)

**Mendez account**

2004	\$	2004	\$
Aug 10 Purchases returns	160(1)	Aug 4 Purchases	280(1)
16 Bank	117(1)		
Discount received	<u>3(1)</u>		
	<u>280</u>		<u>280</u>

**[4]**

**Perez account**

2004	\$	2004	\$
Aug 24 Bank	50(1)	Aug 19 Purchases	115(1)
31 Balance c/d	<u>65(1)</u>		
	<u>115</u>		<u>115</u>
		Sept 1 Balance b/d	65(1)O/F

**[4]**

**+ (1) Dates**

**[9]**

(b)(i) **Alternative presentation**

**Mendez account**

2004	Debit	Credit	Balance
	\$	\$	\$
Aug 4 Purchases		280(1)	280 Cr
10 Purchases returns	160(1)		120 Cr
16 Bank	117(1)		3 Cr
Discount received	3(1)		0

**[4]**

**Perez account**

2004	Debit	Credit	Balance
	\$	\$	\$
Aug 19 Purchases		115(1)	115 Cr
24 Bank	50(1)		65 Cr(2) C/F
			(1) O/F

**[4]**

**+ (1) Dates**

(b)(ii)

Purchases account

2004	\$	
Aug 31 Total from purchases journal	395(1)	
Cash	200(1)	

[2]

Purchases returns account

	2004	\$
	Aug 31 Total from returns journal	160(1)

[1]

[3]

Alternative presentation

Purchases account

	Debit	Credit	Balance
	\$	\$	\$
2004			
Aug 31 Total from purchases journal	395(1)		395 Dr
Cash	200(1)		595 Dr

[2]

Purchases returns account

	Debit	Credit	Balance
	\$	\$	\$
2004			
Aug 31 Total from returns journal		160(1)	160 Cr

[1]

[3]

(c)

Wakou Capital account

2004	\$	2003	\$
Sept 30 Drawings	9 100(1)	Oct 1 Balance b/d	32 000(1)
Net Loss	1 300(1)	2004	
Balance c/d	<u>26 100</u>	Jan 1 Motor vehicles	<u>4 500(1)</u>
	<u>36 500</u>		<u>36 500</u>
		2004	
		Oct 1 Balance b/d	26 100(1)O/F

+ (1) Dates

[6]

**Alternative presentation**

Wakou Capital account			
	Debit	Credit	Balance
	\$	\$	\$
2003			
Oct 1 Balance		32 000(1)	32 000 Cr
2004			
Jan 1 Motor vehicles		4 500(1)	36 500 Cr
Sept 30 Drawings	9 100(1)		27 400 Cr
Net Loss	1 300(1)		26 100 Cr(1)O/F

+ (1) Dates

[6]

Total [19]

**Question 2**

(a)		\$	\$
	Current Assets –		
	Stock	11 000	
	Debtors	6 100	
	Prepaid expenses	200	
	Bank	1 000	
	Cash	<u>100</u>	18 400
	Current Liabilities –		
	Creditors	7 250	
	Accrued expenses	150	
	Short term loan	<u>5 000</u>	<u>12 400</u>
	Working capital		<u>6 000(1)O/F</u>

**Any 2 correct items (1)**

[5]

(b)	1	Current ratio:		
		18 400 O/F	:	12 400 O/F (1) = 1.48:1 (1)O/F
	2	Quick ratio:		
		7 400 O/F	:	12 400 O/F (1) = 0.60:1 (1)O/F

[4]

(c) Ways to improve working capital:

- injection of more capital
- more long-term loans
- sale of surplus fixed assets
- reduction of drawing.

**Or other suitable points**

**Any 2 points (2) each**

[4]

- (d) Reasons why should not compare with other business:
- different type of business (sole trader/partnership)
  - different type of trade (manufacturing/foodstore)
  - one run by managers, one run by owner
  - one in its first year of trading, one in its fifth year
  - different type of sales (cash/credit)
  - different types of expenses (rent/cost of maintaining premises)
  - different type of fixed assets (machinery/premises, fixtures).

**Or other relevant points**

**Any 4 points (2) each**

**[8]**

**Total [21]**

**Question 3**

(a)

**Sales Ledger Control account**

2004		\$	2004		\$
Sept	1 Balance b/d	5 688(1)	Sept	1 Balance b/d	194(1)
	30 Sales	7 650(1)		30 Sales returns	356(1)
	Bank (dis. chq)	280(1)		Bank	5 430(1)
				Discount allowed	264(1)
				Bad debts	250(1)
		<u>13 618</u>		Balance c/d	<u>7 124</u>
Oct	1 Balance b/d	7 124(1)O/F			<u>13 618</u>

**+ (1) Dates**

**[10]**

**Alternative presentation**

**Sales Ledger Control account**

2004		Debit	Credit	Balance
		\$	\$	\$
Sept	1 Balances	5 688(1)	194(1)	5 494 Dr
	30 Sales	7 650(1)		13 144 Dr
	Sales returns		356(1)	12 788 Dr
	Bank		5 430(1)	7 358 Dr
	Bank (dis. chq)	280(1)		7 638 Dr
	Discount allowed		264(1)	7 374 Dr
	Bad debts		250(1)	7 124 Dr(1)O/F

**+ (1) Dates**

**[10]**

- (b) Item appearing in list but not in control account:  
 Cash sales:  
 The double entry is sales account and cash book. They do not appear in a debtor's account and so do not appear in the sales ledger control account.
- Provision for bad debts:  
 This is the balance on the provision account at the start of the month to cover any future bad debts. It does not appear in a debtor's account and so does not appear in the sales ledger control account.

**Any 1 item (1) for identifying the item  
 (2) for a suitable explanation** [3]

- (c) Total of debtors' balances:  
 \$7 124 **O/F** – \$280 = \$6 844 **O/F** [1]

- (d) Source of information for items in the purchases ledger control account:  
 (i) purchases journal (1)  
 (ii) cash book (1)  
 (iii) cash book (1) [3]

- (e) Advantages of control accounts:
- provides instant totals of debtors and creditors
  - prove the arithmetical accuracy of the ledgers they control
  - enable the Balance Sheet to be prepared quickly
  - may be used to identify ledgers in which there are errors when a trial balance does not agree
  - provides a summary of the transactions relating to debtors/creditors for the period
  - provides an internal check on the appropriate ledgers – may reduce fraud

**Or other relevant points**

**Any 2 points (1) each** [2]

**Total [19]**

**Question 4**

- (a) All Stars Sports Club  
 Snack Bar Trading Account for the year ended 31 July 2004

	\$	\$
Sales		10 900(1)
Less Cost of Sales		
Purchases (7 850 + 850)	8 700(2)	
Less Closing Stock	<u>1 200(1)</u>	
	7 500	
Snack bar staff wages	<u>2 100(1)</u>	<u>9 600</u>
Profit on snack bar		<u>1 300(1)O/F</u>

**Horizontal presentation acceptable**

**[6]**



(b)

All Stars Sports Club  
Income and Expenditure Account for the year ended 31 July 2004:

	\$	\$
Income		
Subscriptions (14 600 + 500 – 100)		15 000(3)
Profit on snack bar		1 300(1)O/F
Barbecue – Ticket sales	1 400	
Less expenses	<u>750</u>	<u>650(2)</u>
		16 950
Expenditure		
General staff wages	2 430 (1)	
Rent (2 160 – 80)	2 080 (1)	
Insurance	1 660}	
Repairs and maintenance	1 840}(1)	
General expenses (1 220 + 60)	1 280 (1)	
Depreciation of equipment	<u>900 (1)</u>	<u>10 190</u>
Surplus for the year		<u>6 760(1)O/F</u>

**Horizontal presentation acceptable**

[12]

(c)

Ways to raise funds:

- increase subscriptions
- fundraising activities
- obtain long-term loans
- loan/mortgage

**Or other relevant points**

**Any 2 points (1) each**

[2]

**Total [20]**

**Question 5**

(a)

Ruth and Lucy Lebengo  
Balance Sheet as at 30 September 2004

	\$ Cost	\$ Depreciation to Date	\$ Net Book Value
Fixed Assets			
Premises	35 000		35 000
Motor vehicles	15 000	1 500	13 500
Office equipment	<u>3 000</u>	<u>300</u>	<u>2 700(1)</u>
	<u>53 000</u>	<u>1 800</u>	<u>51 200(1)</u>
Current Assets			
Stock		9 300	
Debtors	5 900		
Less provision for doubtful debts	<u>200(1)</u>	5 700	
Cash		<u>100(1)</u>	
		<u>15 100(1)</u>	
Current Liabilities			
Creditors	7 400		
Bank overdraft	<u>5 300(1)</u>	<u>12 700(1)</u>	
Working capital			<u>2 400(1)O/F</u>
			<u>53 600</u>
Capital accounts	Ruth 30 000	Lucy 20 000	Total 50 000(1)
Current accounts			
Share of profit	8 000(1)	4 000(1)	
Less Drawings	<u>4 000(1)</u>	<u>4 400(1)</u>	
	<u>4 000</u>	<u>(400)</u>	<u>3 600(1)O/F</u>
			<u>53 600</u>

**Horizontal presentation acceptable**

[14]

(b)(i)

Account(s) to be debited	\$	Account(s) to be credited	\$
Goodwill	9 000(1)	Ruth Capital	6 000(1)
		Lucy Capital	3 000(1)

[3]

(ii)

Account(s) to be debited	\$	Account(s) to be credited	\$
Ruth Capital	4 500(1)	Goodwill	9 000(1)
Lucy Capital	2 250(1)		
Paul Capital	2 250(1)		

[4]

[7]

Total [21]

