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CAMBRIDGE
INTERNATIONAL EXAMINATIONS

JUNE 2002

INTERNATIONAL GCSE

MARK SCHEME

SYLLABUS/COMPONENT : 0452/3

ACCOUNTING

Question One
Part (a)

(i)

Equipment account			
2000	\$	2001	\$
April 1 AB Ltd.	10 000 (1)	Oct 1 Disposals	5 000 (1)
		2002	
		Mar 31 Balance c/d	5 000 (1)
	<u>10 000</u>		<u>10 000</u>
2002			
April 1 Balance b/d	5 000 (1) O/F		

[4]

(ii)

Provision for Depreciation of Equipment account			
2001	\$	2001	\$
Mar 31 Balance c/d	2 000 (1)	Mar 31 Profit & Loss	2 000 (1)
	<u>2 000</u>		<u>2 000</u>
2001		2001	
Oct 1 Disposals	1 000 (2)	April 1 Balance b/d	2 000 (1) O/F
2002		2002	
Mar 31 Balance c/d	2 000 (1)	Mar 31 Profit & Loss	1 000 (1)
	<u>3 000</u>		<u>3 000</u>
		2002	
		April 1 Balance b/d	2 000 (1) O/F

[8]

(iii)

Disposal of Equipment account			
2001	\$	2001	\$
Oct 1 Equipment	5 000 (1)	Oct 1 Prov for Dep	1 000 (1)
		Zeta Ltd	3 500 (1)
		2002	
		Mar 31 Profit &	
		Loss (1)	500 (1)
	<u>5 000</u>		<u>5 000</u>

[5]

+ (1) for dates

[18]

Question One Continued

Part (a) – Alternative presentation

(i)

Equipment account			
	Debit	Credit	Balance
2000	\$	\$	\$
April 1 AB Ltd	10 000 (1)		10 000 Dr.
2001			
Oct 31 Disposals		5 000 (1)	5 000 Dr. (2) C/F (1) O/F

[4]

(ii)

Provision for Depreciation of Equipment account			
	Debit	Credit	Balance
2001	\$	\$	\$
Mar 31 Profit & Loss		2 000 (1)	2 000 Cr. (2) C/F (1) O/F
2001			
Oct 1 Disposals	1 000 (2)		1 000 Cr.
2002			
Mar 31 Profit & Loss		1 000 (1)	2 000 Cr. (2) C/F (1) O/F

[8]

(iii)

Disposal of Equipment account			
	Debit	Credit	Balance
2001	\$	\$	\$
Oct 1 Equipment	5 000 (1)		5 000 Dr.
Prov for Dep		1 000 (1)	4 000 Dr.
Zeta Ltd		3 500 (1)	500 Dr.
2002			
Mar 31 Profit & Loss (1)		500 (1) O/F	0

[5]

+ (1) for dates

[18]

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Question One Continued

Part (b)

Against the concept of consistency

Should spread the cost as fairly as possible to each period benefiting from the use of the asset

Should not change simply to manipulate profits

Or other suitable points

Any 2 points (2) each

{4}

[Total 22]

Question 2

Part (a)

April 10 Bank

Kadwani paid a cheque to Hassan (1)

Debit – Bank account (Cash book) (1)

10 Discount

Hassan allowed Kadwani a cash discount (1)

Debit – Discount allowed column in Cash Book

Or Discount Allowed account (1)

21 Goods

Hassan sold goods (1) on credit (1) to Kadwani

Credit – Sales account (1)

21 Delivery charge

Hassan charged Kadwani for delivering the goods to Kadwani's premises (2)

Credit – Carriage Outwards account

Or Cash Book (1)

25 Returns

Kadwani returned goods to Hassan (1)

Debit – Sales Returns account (1)

Significance of \$325

Difference between the two sides (the balance), representing the amount still outstanding (1)

The amount Kadwani owes Hassan (1)

[14]

Question Two Continued
Part (b)

Rent Received account			
2001	\$	2001	\$
May 1 Balance	60 (1)	July 1 Bank	900 (1)
2002			
April 30 Profit & Loss	720 (2)		
Balance c/d	<u>120</u>		
	900		<u>900</u>
		2002	
		May 1 Balance b/d	120 (1) O/F

+ (1) for dates

[6]

Alternative presentation

Rent Received account			
	Debit	Credit	Balance
2001	\$	\$	\$
May 1 Balance	60 (1)		60 Dr.
July 1 Bank		900 (1)	840 Cr
2002			
April 30 Profit & Loss	720 (2)		120 Cr. (1) O/F

+ (1) for dates

[6]

[Total 20]

Question Three

Part (a)

Departmental Trading Account for the year ended 31 March 2002

	Department A		Department B		
	\$	\$	\$	\$	
Sales		22 000		66 400	(1)
Less Returns inwards				400	(1)
		<u>22 000</u>		<u>66 000</u>	
Less Cost of Sales (1)					
Opening stock	1 100		3 900		(1)
Purchases	12 300		43 200		(1)
Carriage inwards	<u>200</u>		<u></u>		(1)
	13 600		47 100		
Less Closing stock	<u>800</u>		<u>4 800</u>		(1)
		<u>12 800</u>		<u>42 300</u>	(1)
Gross Profit		<u>9 200</u>		<u>23 700</u>	(1) O/F

Horizontal format acceptable

[9]

Part (b)

More meaningful than a single Trading Account

Identifies Gross Profit of each department

Enables trading results to be analysed

Enables overall profitability to be increased

Poor performance of a department can be identified and investigated

Or other suitable points

Any 2 points (1) each

[2]

Part (c)

Cannot compare Gross Profit in \$ as each department had different amounts of sales.

Gross Profit must be related to the sales.

[2]

Part (d)

Effect on staff morale

Effect on customers

Effect on reputation of the business

Effect on suppliers

Or other suitable points

Any 2 points (2) each

[4]

[Total 17]

Question Four

Part (a)

(i) Debts previously written off as irrecoverable which are subsequently paid. [2]

(ii) Estimate by a business of the likely amount of debtors who will not pay their accounts. [2]

Part (b)

(i)

Patsy Peacock account

2000			2000		
Jan 21	Sales	170 (1)	Feb 28	Bank	170 (1)
May 4	Sales	<u>90 (1)</u>	Dec 30	Bad debts	<u>90 (1)</u>
		260			260

[4]

(ii)

Bad Debts account

2000			2000		
Dec 30	P. Peacock	<u>90 (1)</u>	Dec 31	Profit & Loss	<u>90 (1)</u>
		90			90
2001			2001		
July 31	B. Bruno	<u>115 (1)</u>	Dec 31	Profit & Loss	<u>115 (1)</u>
		115			115

[4]

(iii)

Bad Debts Recovered account

2001			2001		
Dec 31	Profit & Loss*	<u>90 (1)</u>	Nov 7	Bank	<u>90 (1)</u>
		90			90

[2]

+ (1) for dates

*Alternatively transfer to Bad Debts account. In which case the transfer from Bad Debts account to Profit and Loss Account will be \$25.

[11]

Question Four Continued
Part (a) – Alternative presentation

(i)

Patsy Peacock account

	Debit	Credit	Balance
2000	\$	\$	\$
Jan 21 Sales	170 (1)		170 Dr.
Feb 28 Bank		170 (1)	0
May 4 Sales	90 (1)		90 Dr.
Dec 30 Bad debts		90 (1)	0

[4]

(ii)

Bad Debts account

	Debit	Credit	Balance
2000	\$	\$	\$
Dec 30 P. Peacock	90 (1)		90 Dr.
31 Profit & Loss		90 (1)	0
2001			
July 31 B. Bruno	115 (1)		115 Dr.
Dec 31 Profit & Loss		115 (1)	0

[4]

(iii)

Bad Debts Recovered account

	Debit	Credit	Balance
2001	\$	\$	\$
Nov 7 Bank		90 (1)	90 Cr.
Dec 31 Profit & Loss *	90 (1)		0

[2]

+ (1) for dates

*Alternatively transfer to Bad Debts account. In which case the transfer from Bad Debts account to Profit and Loss Account will be \$25.

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Question Four Continued

Part (b)

Obtain references from new credit customers

Fix a credit limit for each customer

Issue invoices and statements promptly

Follow up overdue accounts promptly

Supply goods on a cash only basis

Refuse further supplies until outstanding account is paid

Or other suitable points

Any 3 points (1) each [3]

[Total 18]

Question Five

Part (a)

- | | | |
|---|-----|-----|
| (i) Avoid disagreements/misunderstandings later | [2] | |
| (ii) Interest on capital Or interest on drawings | [1] | |
| (iii) Partner's salary | [1] | |
| | | [4] |

Part (b)

Statement of Corrected Net Profit for the year ended 30 April 2002

			\$
Net Profit before corrections			6 220
	Effect on Net Profit		
	+	-	
	\$	\$	
Error 1		500	
2		900 (1)	
3	30 (1)		
4		50 (1)	
	<u>30</u>	<u>1 450</u>	<u>1 420</u>
	Corrected Net Profit		<u>4 800 (2) C/F</u> <u>(1) O/F</u>
			[5]

Part (c)

Division of corrected Net Profit – Mark	\$2 400 (1) O/F	
John	\$2 400 (1) O/F	
		[2]

Question Five Continued
Part (d)

Balance Sheet as at 30 April 2002

	\$	\$	\$
<u>Fixed Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Book Value</u>
Machinery	22 200	2 220	19 980
Fixtures & Fittings	4 500	900 (1)	3 600
Motor vehicles	12 000	2 000	10 000
	<u>38 700</u>	<u>5 120</u>	<u>33 580 (1)</u>
<u>Current Assets</u>			
Stock (5 200 – 500)	4 700 (1)		
Debtors	5 500		
Bank (3 420 – 50)	<u>3 370 (1)</u>	13 570 (1) O/F	
<u>Less Current Liabilities</u>			
Creditors	4 200		
Accruals	<u>150</u>	<u>4 350 (1)</u>	
Working Capital			<u>9 220 (1) O/F</u>
			<u>42 800</u>
<u>Capital Accounts</u>	<u>Mark</u>	<u>John</u>	<u>Total</u>
	25 000	17 000	42 000
<u>Current Accounts</u>			
Share of profit	2 400 O/F	2 400 O/F	
Less Drawings	<u>1 500</u>	<u>2 500</u>	
	<u>900 (1) O/F</u>	<u>(100) (1) O/F</u>	<u>800</u>
			<u>42 800 (1) O/F</u>

+ (1) Presentation

[12]

Horizontal format acceptable

[Total 23]

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

JUNE 2002

INTERNATIONAL GCSE

**MARK SCHEME
ADDITIONAL NOTES**

MARK SCHEME/MARKING GUIDE

SYLLABUS/COMPONENT : 0452/3

ACCOUNTING



UNIVERSITY of CAMBRIDGE
Local Examinations Syndicate

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QUESTION ONE

Part (a)

Complete reversal of any or all accounts – **no** marks.

Basically the marks are for a suitable description, correct amount (or correct O/F) on correct side of account

Allow 'Bal' or 'B/c' – but **not** 'B bd'/'B cd', and **not** 'bd'/'cd'. Accept 'Balance'/'Bal'/'B/c' without 'b/d'/'c/d'.

Allow 'P & L' for 'Profit and Loss'.

In Equipment account balance must be brought down on debit side to gain O/F mark.

Where Provision account is not balanced on 31 March 2001 - allow (2) for Balance carried down on 31 March 2002 and (2) for Balance brought down on 1 April 2002. Balance must be brought down on credit side to gain O/F mark.

In Disposal account –

Need words Profit and Loss (or P & L) – not just 'profit' or 'loss'.

Allow transfer to P & L Account on debit side if correct on O/Fs.

Must transfer amount to P & L at end of year to gain the wording mark.

Allow 'Depreciation'/'Dep'/'Prov for Dep'/'Provision'.

Where running balance method is used, make sure that the figure is in the correct column before awarding the mark.

In running balance account it is not necessary to indicate Dr/Cr after every entry, but -

Balance on Equipment account must be a debit to gain the marks

Balance on Provision account must be a credit to gain the marks

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QUESTION TWO

Part (a)

Accept any reasonable explanation for the description of each transaction, so long as it is clear who is selling/buying/paying etc.

Need **both** the name of the account and on which side the entry will appear to gain the mark for the 'double entry' part of each item.

Part (b)

Complete reversal – no marks.

Basically the marks are for a suitable description, correct amount (or correct O/F) on the correct side of account.

Allow 'Bal' or 'B/c' – but **not** 'B bd'/'B cd', and **not** 'bd'/'cd'. Accept 'Balance'/'Bal'/'B/c' without 'b/d'/'c/d'.

Accept 'P & L' for 'Profit and Loss'.

Allow 'Cash Book' for 'Bank' – but **not** 'Cash' and **not** 'Cheque'.

Allow 'Accrual'/'Accrued' in place of 'Balance' on 1 May 2001.

Allow 'Prepayment'/'Prepaid' in place of 'Balance' on 1 May 2002.

Balance brought down on 1 May 2002 – allow on either side of the account so long as it is correct on the candidate's account.

Where running balance method is used, make sure that the figure is in the correct column before awarding the mark.

In running balance account it is not necessary to indicate Dr/Cr after every entry.

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QUESTION THREE

Part (a)

Items require suitable wording and to be correctly treated to gain the marks.

Accept 'Sales returns' for 'Returns inward'.

Accept stocks with appropriate dates, or 'stock at start'/'stock at end', or 'opening stock'/'closing stock'.

In horizontal version – allow closing stock on credit side, provided is added to sales.

Need words 'Cost of sales' or 'Cost of goods sold' (in a suitable position) to gain the mark – **not** 'C of S'.

Need words 'Gross Profit' to gain the mark for the appropriate figures – **not** 'GP'.

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QUESTION FOUR

Part (a) (i)

Important that they indicate that debt has actually been written off, and is paid by the debtor at some time later.

Part (b)

Complete reversal or any or all accounts – **no marks**.

Basically the marks are for a suitable description, correct amount on correct side of account.

Accept 'Cash Book' for 'Bank'.

Allow 'P & L' for 'Profit and Loss'.

Where running balance method is used, make sure that the figure is in the correct column before awarding the mark.

In running balance account it is not necessary to indicate Dr/Cr after every transaction.

Take care to give the appropriate marks where the Bad Debts Recovered account is transferred to the Bad Debts account rather than directly to Profit & Loss Account.

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QUESTION FIVE

Part (d)

Allow any acceptable Balance Sheet format.

Need words 'Working Capital' or 'Net Current Assets' plus a correct O/F to gain the mark.

Current Assets – only award O/F Mark if there are no errors and no omissions.

Presentation mark – only award if all the section headings are present and items are shown in the correct section.