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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

**MARK SCHEME for the October/November 2009 question paper
for the guidance of teachers**

0452/03	0452 ACCOUNTING Paper 3, maximum raw mark 100
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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, which would have considered the acceptability of alternative answers.

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1 (a) Abdul Anwar Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
2009		\$	\$	\$	2009		\$	\$	\$
May 1	Balance b/d		100		May 1	Balance b/d			490
6	Sales (1)		80	200	18	Mohsin Ali (1)	8		312
13	Sameen Atif (1)			150	24	Sameen Atif (dishonoured cheque)(1)			150
30	Cash (1)			130	30	Bank (1)		130	
31	Balance c/d			472	31	Balance c/d		50	
			180	952			8	180	952
June 1	Balance b/d (1)OF		50		June 1	Balance b/d (1)OF			472

[8]

(b)

Abdul Anwar
Sameen Atif account

2009	\$	2009	\$
May 1 Balance b/d	150 (1)	May 13 Bank	150 (1)
24 Bank (dishonoured cheque)	150 (1)	Oct 31 Balance c/d	150
	<u>300</u>		<u>300</u>
Nov 1 Balance b/d	150 (1) OF		

Alternative presentation

Abdul Anwar
Sameen Atif account

	Debit	Credit	Balance	
2009	\$	\$	\$	
May 1 Balance	150 (1)		150 Dr	
13 Bank		150 (1)	0	
24 Bank (dishonoured cheque)	150 (1)		150 Dr (1) OF	[4]

- (c) Obtain reference 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 basis only
Refuse further supplies until outstanding account is paid

Or other suitable points

Any 2 points (1) each

[2]

(d)

Abdul Anwar
Provision for doubtful debts account

2009	\$	2008	\$
Oct 31 Profit & loss	40 (1)	Nov 1 Balance b/d	680
Balance c/d	<u>640 (1)</u>		<u>680</u>
	680	2009	
		Nov 1 Balance b/d	640 (1)OF

Alternative presentation

Abdul Anwar
Provision for doubtful debts account

	Debit	Credit	Balance	
2008	\$	\$	\$	
Nov 1 Balance		680	680 Cr	
2009				
Oct 31 Profit & loss	40 (1)		640 Cr (2)C/F	
			(1)OF	[3]

- (e) Debtors in balance sheet are not overstated (1)
Net profit is not overstated (1)

[2]

[Total: 19]

2 (a)

Jane Nowka
Balance Sheet at 30 June 2009

	\$	\$	\$
Fixed assets			
Equipment at valuation			650 (1)
Motor vehicle at cost		3000 (1)	
Less depreciation to date		<u>450</u>	<u>2550 (1)</u>
			3200
Current assets			
Stock of consumables (100 + 20)		120 (1)	
Debtors (90 + 16)	106 (1)		
Less provision for doubtful debts	<u>10</u>	96 (1)	
Prepaid expenses		<u>15</u>	
		231	
Current liabilities			
Creditors (30 – 12)	18 (1)		
Bank (2500 – 2720)	220 (1)		
Accrued expenses	<u>13</u>	<u>251</u>	
Working capital			<u>(20) (1) OF</u>
			<u>3180</u>
Financed by			
Capital			
Opening balance			3475 (3)
(100 + 800 + 90 + 15 + 2500 – 30)			<u>900 (1)</u>
Plus net profit			4375
Less drawings			<u>1195 (1)</u>
			<u>3180</u>

Horizontal presentation acceptable

[14]

(b) $\frac{900}{3180} \text{ OF} \times \frac{100 (1)}{1} = 28.30\% (1) \text{ OF}$

[2]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
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- (c) (i) Bank manager
 To assess prospects of bank overdraft being repaid when due
 To assess prospects of any interest on overdraft being paid when due
 To assess the prospects of any requested loan being repaid when due
 To assess the security available to cover any loan/overdraft

Any 1 point (1) mark

- (ii) Creditor
 To assess the liquidity position
 To identify how long the business takes to pay creditors
 To identify what credit limit is reasonable
 To identify future prospects of the business

Any 1 point (1) mark

[2]

- (d) Must be capable of being independently verified
 Must be free from bias
 Must be free from significant errors
 Must be prepared with suitable caution being applied to any judgements and estimates

Any 2 points (1) each

[2]

[Total: 20]

3 (a)

Ruth Tembe
 Purchases ledger control account

2009	\$	2009	\$
July 1 Balance b/d	15 (1)	July 1 Balance b/d	3680 (1)
31 Bank	4650 (1)	31 Purchases	4800 (1)
Discount received	90 (1)		
Purchases returns	30 (1)		
Inter-ledger transfer	105 (1)		
Balance c/d	<u>3590</u>		
	<u>8480</u>		<u>8480</u>
		Aug 1 Balance b/d	3590 (1)OF

+ (1) Dates

Alternative presentation

Ruth Tembe
 Purchases ledger control account

2009	Debit	Credit	Balance
	\$	\$	\$
July 1 Balances	15 (1)	3680 (1)	3665 Cr
31 Purchases		4800 (1)	8465 Cr
Bank	4650 (1)		3815 Cr
Discount received	90 (1)		3725 Cr
Purchases returns	30 (1)		3695 Cr
Inter-ledger transfer	105 (1)		3590 Cr (1)OF

+ (1) Dates

[9]

(b) $\frac{3\,500}{58\,000} \times \frac{365}{1} = 22.59 = 23 \text{ days}$ (1) OF [2]

- (c) Refusal of further supplies
 Loss of cash discount
 Good relationship with suppliers may be damaged
 Suppliers may insist on cash purchases only

Or other acceptable points

Any two points (1) each [2]

- (d) 2008
 Sept 30 Bank \$1490
 Explanation This is the total amount paid by cheque for business rates (1)
 Double entry Credit bank account (1)
- July 31 Profit & loss \$1200
 Explanation This is the business rates relating to the year ended 31 July 2009 (1)
 Double entry Debit profit & loss account (1) [4]

- (e) (i) This is the amount paid in advance for business rates for the following financial year (2)
 (ii) Current asset (1) [3]

[Total: 20]

- 4 (a) (i) Terry, Candy and Paul Wang
 Goodwill account

2009		\$		2009		\$
Aug 1	Terry capital	18 000 (1)		Aug 1	Terry capital	15 000 (1)
	Candy capital	12 000 (1)			Candy capital	10 000 (1)
		<u>30 000</u>			Paul capital	<u>5 000 (1)</u>
						<u>30 000</u>

Alternative presentation

Terry, Candy and Paul Wang
 Goodwill account

2009		Debit \$		Credit \$		Balance \$
Aug 1	Terry capital	18 000 (1)				18 000 Dr
	Cindy capital	12 000 (1)				30 000 Dr
	Terry capital			15 000 (1)		15 000 Dr
	Cindy capital			10 000 (1)		5 000 Dr
	Paul capital			5 000 (1)		0

[5]

(ii)

Capital accounts

		Terry	Candy	Paul			Terry	Candy	Paul
2009		\$	\$	\$	2009		\$	\$	\$
Aug 1	Goodwill *	15000	10000	5000	Aug 1	Balances b/d	60000	40000	
		(1)OF	(1)OF	(1)OF			(1)	(1)	
	Balances c/d	63000	42000	15000		Goodwill*	18000	12000	
							(1)OF	(1)OF	
						Bank			16000
									(1)
						Motor vehicle			4000
									(1)
		<u>78000</u>	<u>52000</u>	<u>20000</u>			<u>78000</u>	<u>52000</u>	<u>20000</u>
					Aug 2	Balances b/d	63000	42000	15000
							(1)OF	(1)OF	(1)OF

* Allow (2) if a net figure of \$3000 (or O/F) is credited to Terry Wang a/c
Allow (2) if a net figure of \$2000 (or O/F) is credited to Candy Wang a/c

Alternatively allow three separate "T" accounts

[12]

Alternative presentation

Terry Wang capital account

	Debit	Credit	Balance
2009	\$	\$	\$
Aug 1	Balance	60 000 (1)	60 000 Cr
	Goodwill*	18 000 (1)OF	78 000 Cr
	Goodwill*	15 000 (1)OF	63 000 Cr (1)OF

* Allow (2) if a net figure of \$3000 (or O/F) is credited

Candy Wang capital account

	Debit	Credit	Balance
2009	\$	\$	\$
Aug 1	Balance	40 000 (1)	40 000 Cr
	Goodwill	12 000 (1)OF	52 000 Cr
	Goodwill	10 000 (1)OF	42 000 Cr (1)OF

* Allow (2) if a net figure of \$2000 (or OF) is credited

Paul Wang capital account

	Debit	Credit	Balance
2009	\$	\$	\$
Aug 1	Bank	16 000 (1)	16 000 Cr
	Motor vehicle	4 000 (1)	20 000 Cr
	Goodwill	5 000 (1)OF	15 000 Cr (1)OF

[12]

- (b) The new partner will benefit from the goodwill built up by the existing partners (1) who must be compensated for this (1). [2]

(c)

Terry, Candy and Paul Wang
Balance Sheet extract at 2 August 2009

	Terry Wang \$	Candy Wang \$	Paul Wang \$	Total \$	
Capital accounts	63 000	42 000	15 000	120 000	(1)
	O/F	O/F	O/F	O/F	
Current accounts	(5 050)	4 950	-	(100)	(1)
	<u>57 950</u>	<u>46 950</u>	<u>15 000</u>	119 900	(1)
				O/F	

[3]

[Total: 22]

5 (a)

Raminder Singh
Departmental Trading and Profit and Loss Account for the year ended 31 October 2009

	Department A		Department B		
	\$	\$	\$	\$	
Sales		150 000		60 000	(1)
Less Cost of sales					
Opening stock	8 400		3 900		(1)
Purchases	<u>85 000</u>		<u>48 000</u>		(1)
	93 400		51 900		
Less Closing stock	<u>9 100</u>		<u>4 100</u>		(1)
		<u>84 300</u>		<u>47 800</u>	(1)
Gross profit		65 700		12 200	(1) OF
Less Business rates	4 000		2 000		(1)
Staff salaries	6 500		6 500		(1)
General expenses	2 250		2 250		(1)
Depreciation – fittings	<u>2 000</u>		<u>800</u>		(1)
		<u>14 750</u>		<u>11 550</u>	
Net profit		<u>50 950</u>		<u>650</u>	(1) OF

Horizontal format acceptable

[11]

(b) Department B

Percentage of gross profit to sales

$$\frac{12\,200}{60\,000} \times \frac{100}{1} = 20.33\% \text{ (1) OF}$$

Rate of stock turnover

$$\frac{47\,800}{3\,900 + 4\,100 \div 2} = 11.95 \text{ times (1) OF}$$

[4]

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- (c) Different type of goods
 Different rates of trade discount from suppliers
 Not passing on increased costs to customers
 Allowing customers higher trade discount for bulk buying
 Holding seasonal "sales"
 Selling at cut prices

Or other acceptable reason

Any 2 reasons (1) each

[2]

- (d) Reduce stock levels
 Generate more sales activity

Or other acceptable point

Any 2 points (1) each

[2]

[Total: 19]