UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the June 2005 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.

CIE is publishing the mark schemes for the June 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses'.

Grade thresholds for Syllabus 0452 (Accounting) in the June 2005 examination.

	Maximum mark available	Minimum mark required for grade:			
		A	C	E	F
Component 3	100	71	44	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.

JUNE 2005

IGCSE

MARK SCHEME
MAXIMUM MARK: 100
SYLLABUS/COMPONENT: 0452/03 ACCOUNTING Paper 3

Question 1

(a)

Current Accounts

		James $	Susan $			James $	S... $
2004				2004			
May 1	Balance b/d	400		May 1	Balance b/d		2 000
2005				2005			
Apl 30	Drawings	6 000	10 000**(1)**	Apl 30	Interest on capital	1 050	600**(1)**
	Interest on drawings	300	500**(1)**		Partner's salary		7 000**(1)**
	Balance c/d		3 350**(1)**		Share of profit	4 250	4 250**(1)**
					Balance c/d	1 400**(1)**	
		6 700	13 850			6 700	13 850
2005				2005			
May 1	Balance b/d	1 400		May 1	Balance b/d		3 350
		(1)O/F					**(1)O/F**

The marks for interest on capital, profit shares, drawings, and interest on drawings are for both figures

Alternatively allow two separate "T" accounts   **[9]**

Alternative presentation

James Current Account

		Debit $	Credit $	Balance $		
2004						
May 1	Balance	400		400	Dr	
2005						
Apl 30	Drawings	6 000		6 400	Dr	
	Interest on drawings	300		6 700	Dr	
	Interest on capital		1 050	5 650	Dr	
	Share of profit		4 250	1 400	Dr	**(2)C/F**
						(1)O/F

Susan Current Account

		Debit $	Credit $	Balance $		
2004						
May 1	Balance		2 000	2 000	Cr	
2005						
Apl 30	Drawings	10 000		8 000	Dr	
	Interest on drawings	500		8 500	Dr	
	Interest on capital		600	7 900	Dr	
	Partner's salary		7 000 **(1)**	900	Dr	
	Share of profit		4 250	3 350	Cr	**(2)C/F**
						(1)O/F

Drawings	**(1) for both figures**
Interest on drawings	**(1) for both figures**
Interest on capital	**(1) for both figures**
Profit shares	**(1) for both figures**

[9]

(b)

Capital Accounts

		James $		Susan $		Anna $				James $		Susan $	
2005								2005					
May 1	Goodwill	8 000	**(1)**	2 000	**(1)**	2 000	**(1)**	May 1	Balance b/d	35 000	**(1)**	20 000	**(1)**
	Balance c/d	33 000	**(1)**	24 000	**(1)**	24 000	**(1)**		Bank				26 000
									Goodwill	6 000	**(1)**	6 000	**(1)**
		41 000		26 000		26 000				41 000		26 000	26 000
								2005					
								May 2	Balance b/d	33 000		24 000	24 000
										(1)O/F		**(1)O/F**	**(1)O/F**

Alternatively allow three separate "T" accounts   **[14]**

Total [23]

Alternative presentation

James Capital Account

		Debit $		Credit $		Balance $		
2005								
May 1	Balance			35 000	**(1)**	35 000	Cr	
	Goodwill			6 000	**(1)**	41 000	Cr	
	Goodwill	8 000	**(1)**			33 000	Cr	**(2)C/F**
								(1)O/F

Susan Capital Account

		Debit $		Credit $		Balance $		
2005								
May 1	Balance			20 000	**(1)**	20 000	Cr	
	Goodwill			6 000	**(1)**	26 000	Cr	
	Goodwill	2 000	**(1)**			24 000	Cr	**(2)C/F**
								(1)O/F

Anna Capital Account

		Debit $		Credit $		Balance $		
2005								
May 1	Bank			26 000	**(1)**	26 000	Cr	
	Goodwill	2 000	**(1)**			24 000	Cr	**(2)C/F**
								(1)O/F

[14]

Total [23]

Question 2

(a) To ensure no transactions are forgotten/overlooked (not relying on human memory)
To enable profit to be calculated
To enable the financial position of the business to be ascertained
Or other suitable point

Any 2 items (1) each [2]

(b) The accounting records of a business are maintained from the viewpoint of the business.
The business and the owner of the business are regarded as being separate entities.
The personal transactions of the owner of the business are not recorded in the accounting
records of the business. **Any 2 items (1) each [2]**

(c) Jane Joda
Trading Account for the year ended 31 March 2005

	$		$		$	
Sales - Credit			10 900	**(1)O/F**		
Cash			6 600	**(1)**	17 500	
Less Cost of sales						
Opening stock	9 500	**(1)**				
Purchases	22 000	**(1)**	31 500			
Less Closing stock			17 500	**(1)**	14 000	**(1)**
Gross Profit					3 500	**(2)C/F**
						(1)O/F

Horizontal format acceptable **[8]**

(d) **(i)** Comparison with the results of other businesses **(1)** of a similar size/type **(1)** **[2]**

(ii) Improve profitability
Increase sales (in total or of certain products)
Review stock levels
Direct investment into new areas
Or other suitable point
Any one point required –
(1) for basic point
(1) for suitable development **[2]**

(iii) **Any two of the following –**
Information must be -
capable of being independently verified
free from bias
free from significant errors
prepared with suitable caution being applied to any judgements and estimates which
are necessary

Any two items (2) each [4]

Total [20]

Question 3

(a) (i) **1** Current ratio

   $22 000 : $14 500 **(1)**   =   1.52 : 1   **(1)**

   2 Quick ratio

   ($22 000 – 12 000) : $14 500 **(1)**   =   0.69 : 1   **(1)**   **[4]**

(ii) Quick ratio   **[1]**

   Stock is not regarded as a liquid asset – a buyer has to be found and then the money collected. Some stock may prove to be unsaleable.

   The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets.

   Any one reason (2) marks   **[2]**

(b) Return on capital employed (using closing capital figure)

   $\dfrac{\$4950}{\$52500} \times \dfrac{100}{1}$ **(1)** = 9.43% **(1)**   **[2]**

(c) (i) Collection period for debtors

   $\dfrac{\$9500}{\$69300} \times \dfrac{365}{1}$ **(1)** = 50.04 days (51 days) **(1)**   **[2]**

(ii) **1** Not satisfied – if **(c)(i)** is more than 30 days
   Or – satisfied if **(c)(i)** is less than 30 days   **[1]**

   2 Debtors are allowed 30 days credit but on average are taking 51 days
   Or suitable explanation based on O/F answer to (c)(i).   **[1]**

(d) (i) Payment period for creditors

   $\dfrac{\$6300}{\$47600} \times \dfrac{365}{1}$ **(1)** = 48.31 days (49 days) **(1)**   **[2]**

(ii) Advantage of paying creditors before due date –

   May be able to take advantage of cash discounts
   Improves the relationship with suppliers
   Or other suitable comment
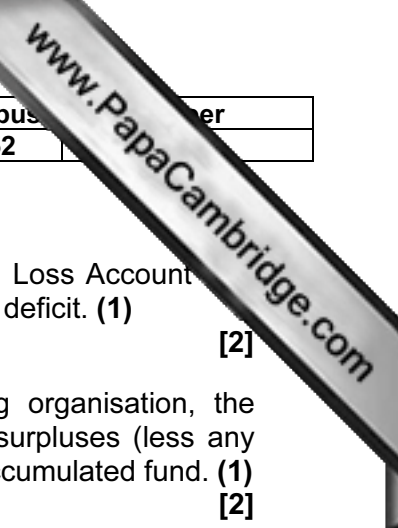   **One advantage required (1)**   **[1]**

(iii) Disadvantage of paying creditors before due date –

   The business is deprived of the use of the money earlier than necessary
   Or other suitable comment
   One disadvantage required (1)   **[1]**

   Total [17]

Question 4

(a) (i) The Income and Expenditure Account is equivalent to a Profit and Loss Account ~~trading~~ trading organisation. **(1)** It is used to calculate the annual surplus or deficit. **(1)**
Or other suitable points [2]

(ii) The accumulated fund is equivalent to the capital of a trading organisation, the difference between the assets and the liabilities. **(1)** The annual surpluses (less any deficits) accumulate within a non-trading organisation to form the accumulated fund. **(1)**
[2]

(b)
<div align="center">

Siltones Music Society
Receipts and Payments Account for the year ended 31 March 2005
</div>

2004		$	2005		$	
Apl 1	Balance	2 210 **(1)**	Mar 31	Concert expenses	1 250	**(1)**
2005				Rent	1 820	**(1)**
Mar 31	Subscriptions	5 800 **(1)**		General expenses	215	**(1)**
	Concert receipts	1 900 **(1)**		Insurance	325	**(1)**
	Proceeds of sale of instruments	700 **(1)**		Purchase of new instruments	3 350	**(1)**
				Balance c/d	3 650	
		10 610			10 610	

2005			
Apl 1	Balance b/d	3 650	**(1)**O/F

[10]

(c)
<div align="center">

Siltones Music Society
Subscriptions account
</div>

2004			$		2005			$	
Apl 1	Balance b/d		1000	**(1)**	Mar 31	Bank		5800	**(1)**
2005									
Mar 31	Balance c/d		800	**(1)**					
	Income and Expenditure	**(1)**	4000	**(1)**					
			5800					5800	
					2005				
					Apl 1	Balance b/d		800	**(1)**

<div align="center">

Dates (1) [7]
</div>

Alternative presentation

<div align="center">

Siltones Music Society
Subscriptions account
</div>

		Debit $		Credit $		Balance $	
2004							
Apl 1	Balance	1000	**(1)**			1000	Dr
2005							
Mar 31	Bank			5800	**(1)**	4800	Cr
	Income and Expenditure	**(1)** 4000	**(1)**			800	Cr **(2)**

<div align="center">

Dates (1)
</div>

[7]

<div align="right">

Total [21]
</div>

Question 5

(a) To make the totals of the trial balance agree **(1)** and so that draft final accounts may. er
prepared. **(1)** [2]

(b)   Ahmed Shafiq
                                                   Journal

		Debit $		Credit $	
1.	Suspense account	390	**(1)**		
	Commission received account			390	**(1)**
2.	Mutua account	400	**(1)**		
	Mutola account	400	**(1)**		
	Suspense account			800	**(1)**
3.	Stationery account	20	**(1)**		
	Purchases account			20	**(1)**
4.	Discount allowed account	15	**(1)**		
	Limo			15	**(1)**
5.	Sales returns account	420	**(1)**		
	Purchases returns account	240	**(1)**		
	Suspense account			660	**(1)**

[12]

(c)   Ahmed Shafik
          Statement of corrected net profit for the year ended 31 January 2005
                                                                                              $
Net profit before corrections   16 000
                   Effect on net profit

		+ $	– $	
Error	1	390		
	2		No effect	**(1)**
	3		No effect	**(1)**
	4		15	**(1)**
	5		660	**(1)**
		390	675	285
		Corrected net profit	15 715	**(1) O/F**

[5]

Total [19]