

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

0452 ACCOUNTING

0452/03

Paper 3, maximum raw mark 100

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]

| | | | |
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(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 | 640 (1) | | <u>680</u> |
| | <u>680</u> | | |
| | | 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] |

| | | | |
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- (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 | | | |
| (100 + 800 + 90 + 15 + 2500 – 30) | | | 3475 (3) |
| Plus net profit | | | <u>900 (1)</u> |
| | | | 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]

| | | | |
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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]

| | | | |
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(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) |
| | | | | | Paul capital | 5 000 (1) |
| | | <u>30 000</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]

| | | | |
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(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]

| | | | |
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(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]