

MARK SCHEME for the October/November 2006 question paper

0452 ACCOUNTING

0452/02 Paper 2, maximum raw mark 90

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 instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began.

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.

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- 1 (a) [Sales] invoice. Purchase Invoice × [1]
- (b) Land, buildings, plant, machinery, equipment, fixtures, vehicles etc (any two). [2]
Goodwill ✓
- (c) Profit & Loss account. Not Trading × [1]
Trading & Profit and Loss Account ✓
P & L ✓
- (d) A supplier of goods or services to a business who has not been paid. [1]
Supplier & is owed for 1 mark
- (e) Error of commission. [1]
- (f) (i) Straight line Revaluation ✓ [1]
(ii) Reducing balance Diminishing Balance ✓ [1]
- (g) Current liabilities. [2]
- (h) Cost of goods sold/average stock = stock turnover. [3]
 $45\ 000 (1) / 7\ 500 (1) = 6 \text{ (times)(1)(of)}$
6 = ✓ but not 6 : 1 max of 1 mark if in days
61 days or 2 months ✓ without ×365 or ×12
- (i) Gross profit margin = gross profit (1) / sales. (1) [2]
Net Sales ✓
Turnover ✓
Revenue ✓

[Total 15]

2 (a)

Sales

| | | | | | |
|----------|-----------------|-------------|----------|-------|------------|
| 31 March | Trading a/c | 365 (1)(of) | 4 March | Vanni | 110 (1) |
| | Balance c/d = 0 | | 7 March | Cash | 55 (1) |
| | P & L = ✓ | | 10 March | Saska | 200 (1) |
| | | <u>365</u> | | | <u>365</u> |

Date / Narrative
and number for each mark

Sales Returns

| | | | | | |
|----------|-------|---------------|----------|-----------------|-------------------|
| 15 March | Vanni | <u>30</u> (1) | 31 March | Trading a/c | <u>30</u> (1)(of) |
| | | | | Balance c/d = 0 | |
| | | | | P & L = ✓ | |

Vanni

| | | | | | |
|---------|-------|------------|----------|---------------------|------------|
| 4 March | Sales | 110 (1) | 15 March | Returns inwards = ✓ | |
| | | | 31 March | Returns = ✓ | |
| | | | | Sales Returns | 30 (1) |
| | | | | Balance c/d | <u>80</u> |
| | | <u>110</u> | | | <u>110</u> |

Saska

| | | | | | |
|----------|-------|------------|----------|---------------|---------------|
| 10 March | Sales | 200 (1) | 31 March | Cash | 190 (1) |
| | | | 31 March | Discount alld | <u>10</u> (1) |
| | | <u>200</u> | | | <u>200</u> |

Discount allowed

| | | | | | |
|----------|---------------------------------|---------------|----------|-------------|-------------------|
| 31 March | Total Cash Book ✓ Saska ✓ | <u>10</u> (1) | 31 March | P/L account | <u>10</u> (1)(of) |
|----------|---------------------------------|---------------|----------|-------------|-------------------|

Cash book

| March | Discount Sales = ✓ | Cash | March | Discount | Cash |
|-------|-----------------------|---------------|-------|-------------|------------|
| | Cash = x | | | | |
| 7 | Cash sales | 55(1) | | | |
| 31 | Saska | <u>190(1)</u> | 31 | Balance c/d | <u>245</u> |
| | | <u>245</u> | | | <u>245</u> |

[15]

| | | | |
|---------------|-----------------------------|-----------------|--------------|
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(b)

Tanit
Trading and Profit and Loss Account (extract)

| | | \$ | |
|---------------------|-------|-------|---------|
| Sales | (i) | 365 | (1)(of) |
| Less: sales returns | (ii) | 30 | (1)(of) |
| | | _____ | |
| Net sales | (iii) | 335 | (1)(of) |
| Expenses | | | |
| Discount allowed | (iv) | 10 | (1)(of) |

[4]

Total [19]

| | | | |
|---------------|-----------------------------|-----------------|--------------|
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3 (a) (i) Realisation, prudence, matching (any one) (2)
Accruals ✓

(ii) Prudence, consistency (any one) (2)

[4]

(b)

Morgan
Balance sheet at 31 August 2006

| | Cost \$ | | Provision for depreciation \$ | | Net book value \$ | |
|------------------------------------|--------------|---------|-------------------------------------|---------|----------------------|-------------------------------|
| Fixed assets | | | | | | |
| Machinery | 7 000 | | 1 400 | | 5 600 | |
| Office equipment | <u>2 500</u> | | <u>1 000</u> | | <u>1 500</u> | |
| | <u>9 500</u> | (1) | <u>2 400</u> | (1) | <u>7 100</u> | (1) |
| | | for | | for | | |
| | | both | | both | | |
| | | entries | | entries | | |
| Current assets | | | | | | |
| Stock | | | 3 900 | (1) | | |
| Debtors | | | 3 500) | | | |
| Prepayments | | | 600) | (1) | | |
| Cash | | | 200) | | | |
| | | | 8 200 | for all | | |
| | | | | three | - Description | |
| | | | | entries | needed | |
| Less current liabilities | | | | | | |
| Creditors | 1 800) | | | | | |
| Accrued expenses | 300) | | | | | |
| Bank (overdrawn) | <u>2 200</u> | (1) | | | | |
| | | | <u>4 300</u> | | | |
| Net current assets/working capital | | (1) | | | <u>3 900</u> | (1)(of) |
| Total assets | | | | | 11 000 | narrative |
| | | | | | | needed |
| Long term liability | | | | | <u>5 000</u> | (1) |
| Loan repayable 2011 | | | | | <u>6 000</u> | |
| | | | | | | |
| Financed by | | | | | | |
| Capital at 1 September 2005 | | | | | 9 000 | (1) |
| Add Profit for the year | | | | | <u>18 000</u> | (1) |
| | | | | | 27 000 | |
| Less drawings | | | | | <u>21 000</u> | (1) |
| | | | | | <u>6 000</u> | (1)(of) |
| | | | | | | to agree balances (no aliens) |

[13]

| | | | |
|---------------|-----------------------------|-----------------|--------------|
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- (c) Overdraft may be reduced by collecting debtors, reducing stock, delaying payment of creditors, delaying drawings, increasing capital (any one). [2]

Sell fixed assets ✓
 Long Term Loan ✓
 Reduce expenditure ×

- (d)

| | | Increase | Decrease | No effect |
|-------|---------------------|----------|----------|-----------|
| (i) | Bank overdraft | | ✓ (1) | |
| (ii) | Loan account | ✓ (1) | | |
| (iii) | Working capital | ✓ (1) | | |
| (iv) | Profit for the year | | | ✓ (1) |
| (v) | Capital | | | ✓ (1) |

[5]

Total [24]

| | | | |
|---------------|-----------------------------|-----------------|--------------|
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- 4 (a)** Matching income OR expenditure (1) to the period to which it relates. (1) (2)
 Accrual, prepayments, depreciation (any example). (2)

[4]

(b)

Kalim
Insurance account

| | | | | | | |
|-------|-------------|--------------|-----|---------|--------------------------|-------------------------------------|
| 2005 | | | | | | |
| 1 Oct | Balance b/d | 300 | (1) | | | |
| | Bal c/d x | | | | | |
| 2006 | | | | 2006 | | |
| 1 Jan | Bank | 1 320 | (2) | 30 Sept | Profit & Loss account | 1 290 (2)(of) |
| | | | | | | - only given if on correct side. |
| | | <u>1 620</u> | | 30 Sept | Balance c/d | <u>330 (2)</u> <u>1 620</u> |
| | | | | | | If any alien then (1) of. |

[7]

Date, Narrative and Number for each mark.

Total [11]

| | | | |
|---------------|-----------------------------|-----------------|--------------|
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5 (a)

Smith and Travers
Profit and Loss Appropriation Account
Year ended 30 September 2006

| | | | | |
|----------------------|-------------------|--------------------|----------------------|-----------------------------|
| | | \$ | \$ | |
| Net profit | | | 89 000(1) | |
| Interest on drawings | | | | |
| Smith | 4% × \$35 000 | | 1 400(2) | } must be added |
| Travers | 4% × \$15 000 | | <u>600(2)</u> | |
| | | | <u>91 000</u> | |
| Interest on capital | | | | |
| Smith | 5% × \$30 000 | 1 500(1) | | } must be deducted |
| Travers | 5% × \$40 000 | <u>2 000(1)</u> | | |
| | | <u>3 500</u> | | |
| Salary – Smith (1) | | <u>15 000(1)</u> | | - must be deducted |
| Share of profit | | | | |
| Smith | 2/5(1) × \$72 500 | 29 000(1)of | | |
| Travers | 3/5(1) × \$72 500 | <u>43 500(1)of</u> | | |
| | | <u>72 500</u> | | |
| | | | <u>91 000(1)(of)</u> | - if no aliens appear |
| | | | | for allocating total profit |

[14]

(b)

Smith
Current account calculation, year ended 30 September 2006

| | | | |
|------------------------------|------------------|--------------------|-------------------------------------|
| Balance at 1 October 2005 | | 2 300(1) | |
| Add: | | | |
| Interest on capital | | 1 500(1)of | |
| Salary | | 15 000(1) | |
| Share of net profit | | <u>29 000(1)of</u> | |
| | | 47 800 | |
| Less: | | | |
| Interest on drawings | 1 400(1)of | | |
| Drawings | <u>35 000(1)</u> | | |
| | | <u>36 400</u> | |
| Balance at 30 September 2006 | | <u>11 400(2)</u> | or 0(of) but no aliens or omissions |

[8]

Total [22]