MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/11   Paper 11, maximum raw mark 120

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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

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MARKING GUIDELINES

- Award marks only in accordance with the mark scheme.

- Where a candidate makes an arithmetical error or selects the wrong figure in an account or a calculation, so that totals or the results of the calculation are wrong but are correct on his own figures, he will lose the mark for selecting the original figure but may earn an own figure (OF) mark for the result, total or calculation.

- Where particular wording is shown on the mark scheme accept any reasonable spelling and abbreviation as long as the meaning is clear.
  For example, for "Balance brought down" accept Balance b/down, Balance b/d, Balance, Bal b/down, Bal b/d, Bal, Brought down, b/down, b/d, but not Bbd, bd, or any variation of "Balance carried down".

- Where a ledger account is to be prepared, each mark is usually for the date, narrative and amount together. If the candidate has correctly prepared the account but not shown some or all of the dates he may earn some marks according to the mark scheme.

- If a ledger account is completely reversed no marks will be awarded for individual entries but there may be marks available for own figure balances carried and brought down

- Where an answer is to be shown as a ratio, it should be shown as xx:1 and not as 1:xx. An answer of just the correct figure xx may be accepted but not if any other description such as %, times, days etc is shown and not if shown as negative when it should be positive.

- Where a calculation is to be shown to two decimal places, an answer rounded up or down may be accepted (e.g. 2.85 or 2.86 if the true answer is 2.853) but not an answer shown to only the nearest whole number or one decimal place (e.g. 2.8 or 3).

- Where dollars and cents are shown in a question and exact cents are required in a calculated answer (e.g. $35.60) many candidates will show $35.6 as their calculators will suppress the final 0. Although wrong this may be accepted. The $ sign is not required.

- Ledger accounts may be accepted in either two sided or the running balance format and the mark scheme will show how marks should be allocated.

- Where a final account is requested, a list of items will not normally earn any marks.

- If candidates are required to prepare a Balance Sheet, either a two sided or a vertical presentation will be accepted and the mark scheme will show how marks are to be awarded.

1

Question Number	Key	Question Number	Key
(a)	**C**	(f)	**D**
(b)	**D**	(g)	**B**
(c)	**B**	(h)	**C**
(d)	**B**	(i)	**A**
(e)	**C**	(j)	**D**

[Total: 10]

2 (a) Property (Land and buildings)*(only one mark)*
Fixtures and fittings
Plant and equipment (machinery)*(only one mark)*
Office equipment
Motor vehicles   Any two [2]

(b)

	Debit entry	Credit entry
Sales returns account	✓ **(1)**	

[1]

(c) Consistency   [1]

(d) Net book value = Cost **(1)** less accumulated depreciation **(1)**   [2]

(e) Income statement (Trading and profit and loss account)   [1]
(must include the word "trading")

(f) Accruals (matching), ***not*** *prudence*   [1]

(g) (i) Percentage of gross profit to sales
= (75 000 **(1)** – 52 500 **(1)**) / 75 000 **(1)** × 100%
= 30.00% **(1)**OF   [4]

(ii) Percentage of net profit to sales
= (22 500 **(1)**OF – 7 500 **(1)**) / 75 000 **(1)** × 100%
= 20.00% **(1)**OF   [4]

(h) Number of shares   = $5 000 **(1)** / $0.50 = 10 000 **(1)**
Total dividend   = 10 000 × $0.15 **(1)**
                      = $1 500 **(1)**OF   [4]
*(For 5000 (1) × 0.50 × 0.15 (1) = 375, award **2** marks as shown)*

[Total: 20]

3 (a)

Sumaru
Cash book, April 2010

April			Cash Dr $	Bank Dr $
3	Ahar	**(1)***		1 500 **(1)**
9	Cash sales	**(1)***	4 000 **(1)**	
12	Bannu	**(1)***		2 000 **(1)**
22	Dooly	**(1)***		1 650 **(1)**
28	Eduardo	**(1)***		900 **(1)**

*Mark is for date and name [10]

(b)

Name of account	Dr $	Cr $
Sales **(1)** *(accept cash sales but not sales ledger)*		4000 **(1)**

[2]

(c)

Date		Dr	Cr
30 April	Suspense **(1)**	360 **(1)**	
	Cash book (bank) **(1)**		360 **(1)**
To correct balance entered at 1 April 2010 **(1)**			

(Award marks for amount only if correctly shown as Dr or Cr with account name.) [5]

(d) Send statement
Offer cash discount *(not trade discount)*
Limit credit (no more credit sales)
Charge interest on overdue amounts
Use debt collection methods (any two, 2 marks each) [4]

[Total: 21]

4 (a) (i) Lower **(1)** of cost **(1)** and net realisable value **(1)**   [3]

(ii) $2 700 **(1)**   [1]

(iii) Reduces profit (**not** *overstated or understated*) **(1)** by $300 **(1)**   [2]

(b)
<div align="center">

Timpani Limited
Balance Sheet at 31 March 2010

</div>

	$	$
Non-current (fixed) assets		
Plant and equipment at cost	20 000 **(1)**	
Accumulated depreciation	12 000 **(1)**	
Net book value		8 000 **(1)**
Current assets		
Inventory (stock)	2 700 **(1)**	
Trade receivables (debtors)	1 000 **(1)**	
Bank	500 **(1)**	
	4 200	
Current Liabilities		
Trade payables (creditors)	700 **(1)**	
Bank loan *(must be shown as current liability)*	2 800 **(1)**	
	3 500	
Net current assets		700
Total assets		8 700
Equity		
Share capital		5 000 **(1)**
Profit for the year		3 700 **(2)**
		8 700

*Note: award marks for acceptable layout, **not** list of balances.*   [11]

(c)

	Successful	Not Successful
Reduce dividend	✓ **(2)**	
Reduce depreciation		✓ **(2)**
Reduce trade payables (creditors)		✓ **(2)**

[6]

(d) (i) Going concern **(1)**

(ii) Expected sale values **(2)**   [3]
     (accept net realisable value)

[Total: 26]

5 **(a)**

	Capital	Revenue
Hire charges		✓ **(2)**
Cash discount received from motor dealer for prompt payment for new car		✓ **(2)**
Part exchange value of used car	✓ **(2)**	

[6]

(b) (i) Cost $12 000 **(1)** @ 30% **(1)** = $3 600 **(1)OF**   [3]
(Award only the component marks but not the mark for $3600 if other calculations are shown, e.g. net book value or for other years.)

(ii) Net book value = $8 400 **(1)OF**   [1]
(Award this mark if correct by reference to answer to **(i)**.)

(c)

Disposal of motor vehicles

2010		$	2010		$
April 1	Motor vehicle*	12 000 **(1)**	April 1	Depreciation*	3 600 **(1)**
				Bank (Insurance)	5 000 **(1)**
				Income statement	3 400 **(2)OF**
				(Profit & loss account)	
		12 000			12 000

(Mark is for reasonable narrative and amount, not date.)
*(*Award **2** marks for "Net book value 8400", but **0** for "Balance b/down 8400".)*   [5]

(d) (i) The rate may be too low as large loss arose on scrapping car.
An increased rate, up to 60%, would reduce loss.   [2]
(Award marks for similar comments.)

(ii) Straight line method **(1)** over life of car, or using scrap value **(1)**
or Based on estimated mileage over three years **(2)**
or other reasonable suggestion and explanation.   [2]

[Total: 19]

6 **(a)**

	$
Deposits to bank	15 270 **(1)**
Less: cash sales	2 680 **(1)**
	12 590
Add: receivables at 31/3/10	4 080 **(1)**
	16 670
Less: receivables at 1/4/09	3 140 **(1)**
Credit sales	13 530 **(1)OF**

(Award total figure only if no aliens, e.g. cash book balance b/fwd shown.)   [5]

(b)

Wilma
Trading account for the year ended 31 March 2010

	$	$
Revenue (sales) – credit		13 530 **(1)OF**
– cash		2 680 **(1)**
		16 210
Inventory (stock) at 1 April 2009	1 780 **(1)**	
Purchases	9 560 **(1)**	
Carriage inwards	280 **(1)**	
	11 620	
Inventory (stock) at 31 March 2010	1 920 **(1)**	
Cost of goods sold		9 700 **(1)OF**
Gross profit		6 510 **(1)OF**

[8]

(c) (i) Rate of inventory (stock) turnover
= Cost of goods sold / average inventory (stock)
= 9 700 **(1)OF** / [(1 780 + 1 920)/2 = 1 850 **(1)OF**]
= 5.24 **(1)OF** times **(1)**   [4]
(Note – a calculation mark may be awarded even if the formula is wrong.)

(ii) Collection period for trade receivables (debtors)
= (Debtors / credit sales) × 365 days
= (4 080 **(1)** / 13 530 **(1)OF**) × 365 days
= 110 **(1)OF** (accept 111) days **(1)**   [4]
(Note – a calculation mark may be awarded even if the formula is wrong.)

(d)

	Increase	Decrease	No change
Gross profit			✓ **(1)**
Percentage of gross profit to sales		✓ **(1)**	
Rate of inventory (stock) turnover	✓ **(1)**		

[3]

[Total: 24]

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/21   Paper 21, maximum raw mark 120

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1 (a) To remove small cash payments from the main cash book.
To reduce the number of entries in the main cash book and the expenses in the ledger.
To allow the chief cashier to delegate some of the work.

Or other suitable reason.
Any 2 reasons (1) each. [2]

(b) The petty cashier starts each period with the same amount of money **(1)**.
At the end of the period the chief cashier will make up the cash remaining so that it is equal to the imprest amount **(1)**. [2]

(c) The chief cashier is aware of exactly how much is spent in each period.
The cash remaining and the total of the vouchers received should always be equal to the imprest amount.

Or other suitable advantage.
Any 1 advantage (1). [1]

(d) The petty cashier will receive $88. [1]

(e) (i) Debit travelling expenses account with $11. [2]

(ii) Debit N Jones account with $21 **(2)**.
Debit W Smith account with $18 **(2)**. [4]

(f) To spread the cost of fixed assets over their useful lives.
To apply the accruals principle – recognising the time difference between payment for the fixed asset and its loss in value.
To provide a more realistic view of the fixed assets.
To record the loss in value of fixed assets – the part of the cost of the fixed asset consumed during the period of use.
The annual depreciation charge represents the cost of using the fixed asset to earn revenue.

Or other acceptable reason.
Any 2 reasons (1). [2]

(g) Where a choice of method is available, the one with the most realistic outcome should be selected and used consistently from one accounting period to the next. [2]

(h) (i) Straight line (equal instalment) method

	$
Cost	8000
Less scrap value	500
	7500

Annual depreciation $\dfrac{7500 \; \textbf{(1)}}{3 \text{ years} \; \textbf{(1)}}$ = $2500 **(1)**   [3]

(ii) Reducing (diminishing) balance method

	$
Cost	8000
Depreciation for year ending 31 January 2011 (60% × 8000)	4800 **(1)**
	3200
Depreciation for year ending 31 January 2012 (60% × 3200)	1920 **(1)**
	1280
Depreciation for year ending 31 January 2013 (60% × 1280)	768 **(1)**
	512

[3]

[Total: 22]

2 (a) To calculate how much it has cost the business to manufacture the goods produced in the financial year. [2]

(b) Production did not meet demand.
It was cheaper to buy the goods rather than make them.
Those particular items could not be made by the business.

Or other suitable reason.
Any 2 reasons (1) each. [2]

(c)   Ahmed Zaki
           Manufacturing Account for the year ended 30 April 2010
                                                    $ $

Opening inventory (stock) of raw materials	33 400 **(1)**	
Purchases of raw materials	408 160 **(1)**	
		441 560
Less Closing inventory (stock) of raw materials		35 230 **(1)**
		406 330
Direct factory wages		325 270 **(1)**
Prime cost		731 600 **(1)**
Factory overheads		
Indirect factory wages (130 200 + 1520)	131 720 **(1)**	
Factory general expenses (198 280 – 400)	197 880 **(1)**	
Depreciation factory machinery		
(162 000 + 19 500 – 150 000)	31 500 **(2)**	361 100
		1 092 700 **(1)O/F**
Add Opening work in progress		14 200 **(1)**
		1 106 900
Less Closing work in progress		13 900 **(1)**
Cost of production		1 093 000 **(1)O/F**

Horizontal format acceptable [13]

[Total: 17]

3 (a) Provision for doubtful debts
2½% × (15 530 – 90) **(1)** = $386 **(1)**   [2]

(b)   Journal

		Debit $	Credit $
(i)	Bad debts	90 **(1)**	
	K Singh		90 **(1)**
	Bad debt written off **(1)**		
(ii)	Income statement (profit and loss)	300 **(1)**	
	Bad debts		300 **(1)**
	Transfer of total bad debts written off to income statement (profit and loss) **(1)**		
(iii)	Income statement (profit and loss)	386 **(1)O/F**	
	Provision for doubtful debts		386 **(1)O/F**
	Creation of provision for doubtful debts **(1)**		

[9]

(c)   Shilpa Gandhi
Extract from Balance Sheet at 31 January 2010

Current Assets	$	$
Trade receivables (trade debtors)	15 440	
Less Provision for doubtful debts	386 **(1)O/F**	15 054 **(1)O/F**

[2]

(d) Calculation of total value of inventory (stock)

	$
Type A 360 units × $23 per unit	8 280 **(2)**
Type B (520 – 40) units × $12 per unit	5 760 **(2)**
	14 040 **(1)O/F**

[5]

(e) Either Prudence
    Or   Consistency   [1]

[Total: 19]

4 **(a)** **(i)** Mark-up is the gross profit measured as a percentage of the cost price. [1]

   (ii) Margin is the gross profit measured as a percentage of the selling price. [1]

(b) **(i)** Cost of sales = (25 200 + 347 200) – 28 000 = 344 400 **(1)**
   Gross profit = 430 500 – 344 400 = 86 100 **(1)**

   Percentage profit mark-up = $\dfrac{86\,100}{344\,400}$ **O/F** $\times \dfrac{100}{1}$ **(1)O/F** = 25% **(1)O/F** [4]

   (ii) Sales = 430 500
   Gross profit = 86 100

   Percentage profit margin = $\dfrac{86\,100 \textbf{ O/F}}{430\,500 \textbf{ O/F}} \times \dfrac{100}{1}$ **(1)O/Fs** = 20% **(1)O/F** [2]

(c) Increase selling prices.
   Obtain cheaper supplies.
   Change mix of sales.

   Or other acceptable point.
   Any 2 points (1) each. [2]

(d) Current assets   = 28 000 + 36 300 + 100 = 64 400 **}**
   Current liabilities = 29 600 + 13 200   = 42 800 **} (1)**

   Current ratio = 64 400 : 42 800 **(1)** = 1.50 : 1 **(1)** [3]

(e) Liquid assets   = 36 300 + 100   = 36 400 **}**
   Current liabilities = 29 600 + 13 200 = 42 800 **} (1)**

   Quick ratio = 36 400 : 42 800 **(1)** = 0.85 : 1 **(1)** [3]

(f) **Answer to be based on O/Fs in (e)**.
   Not satisfied **(1)**

   Immediate liabilities cannot now be met out of liquid assets without selling stock **(2)**.
   Or other suitable comment. [3]

(g) **(ii)** No effect **(1)**

   (iii) Decrease **(1)** [2]

[Total: 21]

5 (a) (i) Preference shares:
Receive a fixed rate of dividend.
The dividend is paid before the ordinary share dividend.
Preference shares do not usually carry voting rights.
Capital is returned before the ordinary share capital in a winding up.

Any 2 points (2) each. [4]

(ii) Ordinary shares:
They are also known as equity shares.
The dividend is paid after the preference share dividend.
The dividend may vary according to profits.
Ordinary shares usually carry voting rights.
Ordinary shares are the last to be repaid in a winding up.

Any 2 points (2) each. [4]

(b)   Ellis Ltd
                   Extract from Balance Sheet at 31 March 2010

	$	
Capital and Reserves		
100 000 5% Preference shares of $1 each	100 000	**(2)**
600 000 Ordinary shares of $.50 each	300 000	**(2)**
Profit and Loss account (retained profits) (10 000 **(1)** + 5000 **(1)**)	15 000	

[6]

(c)   Ellis Ltd
                   Extract from Balance Sheet at 31 March 2010

		$	
Current liabilities			
Other payables –	Debenture interest (4% × 100 000)	4 000	**(2)**
	Preference share dividend (5% × 100 000)	5 000	**(2)**
	Ordinary share dividend ($0.05 × 600 000 shares)	30 000	**(2)**

[6]

[Total: 20]

6 (a) To avoid misunderstandings/disagreements later. [2]

(b) (i) To discourage the partners from making excessive drawings. [2]

(ii) To compensate for an unequal work-load.
OR In recognition of work done in the business. [2]

(c)   Ben and Jane Mwanga
       Profit and Loss Appropriation Account for the year ended 31 March 2010

		$		$	
Profit for the year (net profit)				12 000	**(1)**
Add Interest on drawings –	Ben	320 **(1)**			
	Jane	600 **(1)**		920	
				12 920	
Less Interest on capital –	Ben	3 000 **(1)**			
	Jane	1 800 **(1)**			
		4 800			
Partners' salary –	Jane	10 000 **(1)**		14 800	
				(1 880)	
Share of loss –	Ben	(1 175) **(1)O/F**			
	Jane	(705) **(1)O/F**		(1 880)	

[8]

(d)   Ben and Jane Mwanga
              Statement of corrected profit for the year ended 31 March 2010

	Increase in profit	Decrease in profit		
	$	$	$	
Profit for the year (net profit) before corrections			12 000	
Error 1	1000			
2		30 **(2)**		
3	No effect **(2)**			
4		50 **(2)**		
	1000	80		
			920	
Corrected profit for the year			12 920	**(1)O/F**

[7]

[Total: 21]