

**MARK SCHEME for the October/November 2010 question paper  
for the guidance of teachers**

**0452 ACCOUNTING**

**0452/11**

Paper 1, 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.

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- 1 (a) D [1]
- (b) B [1]
- (c) B [1]
- (d) A [1]
- (e) C [1]
- (f) D [1]
- (g) D [1]
- (h) C [1]
- (i) B [1]
- (j) A [1]

**[Total: 10]**

- 2 (a) [Sales] invoice ) but only 1 mark for "invoice"  
 [Purchase] invoice )  
 Credit note  
 Debit note  
 Cheque, receipt  
 Petty cash voucher

*NOT: statement, bank statement, cash book, journals, day books*  
 any two, 1 mark each

[2]

(b)

	Income	Expense
Bad debt recovered	✓ (1)	
Interest charged to customers on overdue accounts	✓ (1)	
Discount allowed		✓ (1)

[3]

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(c)

Debit	Credit
✓ (1)	

(d) Reliability / reliable [1]

(e) Commission [1]

(f) A shareholder's liability for a company's debts is limited to the amount they have paid for their shares. [2]  
*Accept: shareholder's assets are not available to pay company debts/losses*

(g) 50 dresses bought, 30 sold, 20 remaining  
 Cost \$13.00, carriage inwards \$1.00 each, total \$14.00  
 Net realisable value \$13.50  
 Value in balance sheet  $20 (1) \times \$13.50 (1) = \$270 (1)$  [3]  
*Correct figures only, not OF total*

(h) (i)  $\$150.00 - \$80.50 = \$69.50 (2)$   
 (ii)  $\$80.50 (2)$  [4]

(i) Rate of stock turnover = Cost of goods sold / Average stock  
 =  $45\,000 (1) / (6000 + 9000) (1) / 2 (1)$   
 = 6 times (1)OF [4]  
 Or: = Average stock / Cost of goods sold  $\times 365$   
 =  $( (6000 + 9000) (1) / 2 (1) ) / 45\,000 (1) \times 365$   
 = 60.83 days (1)OF [4]  
 Accept 61 or 60 days

*Note: calculation mark may be awarded if "times" or "days" not stated but not if any other description shown e.g. %*

[Total: 21]

3 (a) Items on bank statement not shown in cash book  
 (accept individual items, bank charges, bank interest, etc.)  
 Items in cash book not on bank statement  
 (accept individual items, cheques not yet presented, etc.)  
 Errors in cash book or made by bank (accept only one type of error)  
 Dishonoured cheques  
 any two, 2 marks each [4]

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**(b)** Ottoman – Cash Book (bank columns)

Date	Detail	Dr \$	Date	Detail	Cr \$
Sept 30	Balance b/d	850.00 (1)	Sept 30	Bank charges	60.00 (1)
30	Rent	800.00 (2)	30	Balance c/d	1890.00 (2)
13	[Cash] sales ( <i>not to correct error</i> )	<u>300.00</u> (2) <u>1950.00</u> ....		( <i>no aliens, may award if account reversed</i> )	<u>1950.00</u> ....

(Marks are for detail and amount, not date) Balance mark only for reversed cash book. [8]

**(c)** Ottoman  
Bank Reconciliation Statement at 30 September 2010

Either:

	\$
Balance on updated cash book [at 30 September 2010] ( <i>accept updated balance, balance b/d if agrees with (b)</i> )	1890.00 (2) <b>OF</b> ( <i>must agree with (b) above</i> )
Add: cheques issued not yet paid (unpresented cheques)	250.00 (2)
Less: cheque paid in not yet credited by bank ( <i>accept reasonable description</i> )	(480.00) (2)
<i>(marks are for description, amount and correct + or – )</i>	
Balance on bank statement [at 30 September 2010]	1660.00 (1) ( <i>must be correct figure</i> )

[7]

Or:

	\$
Balance on bank statement [at 30 September 2010]	1660.00 (1) ( <i>must be correct figure</i> )
Less: cheques issued not yet paid (unpresented cheques)	(250.00) (2)
Add: cheque paid in [not yet credited by bank] ( <i>accept reasonable description</i> )	480.00 (2)
<i>(marks are for description, amount and correct + or – )</i>	
Balance on updated cash book [at 30 September 2010] ( <i>accept updated balance, balance b/d if agrees with (b)</i> )	1890.00 (2) <b>OF</b> ( <i>must agree with (b) above</i> )

[7]

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- (d) (i) Current assets (2)  
*accept current liabilities if overdrawn on OF*
- (ii) \$1890 (2)OF from (b) above, not (c) if different [4]

[Total: 23]

- 4 (a) To inform or remind the customer of the amount due  
To confirm the settlement terms  
To ensure that no errors have been made by customer or supplier  
Other relevant comment *any one* [2]
- (b) (i) Sam had taken 2% discount (\$8.00) [1]  
*accept any mention of discount taken, whether entitled or not*
- (ii) No, not correct amount (1)  
Sam did not pay the amount due within the 21 days / time limit allowed to earn any discount (2) [3]
- (c) (i) Amount due \$265.00 (1) @ 2% (1) = \$5.30 (1) [3]  
*(correct figures only)*
- (ii) Net amount due \$265.00 (1) – \$5.30 (1) = \$259.70 (1) [3]  
*(correct figures only)*

(d) **Sam Sumo account**

September		\$	September		\$
1	Balance b/d	400.00 (1)	19	[Sales][returns in][Cr note 29]	16.50 (1)
7	[Sales][invoice][301]	56.50 (1)	28	Bank	392.00 (1)
12	[Sales][invoice][330]	217.00 (1)	30	Balance c/d	265.00 (1)
		<u>673.50</u>		<i>(OF if no aliens, may award) if account reversed)</i>	<u>673.50</u>

**Sales account**

September		\$	September		\$
			7	Sam Sumo	56.50 (1)
				<i>not invoice or total sales</i>	
			12	Sam Sumo	217.00 (1)
				<i>not invoice or total sales</i>	

**Sales returns account**

September		\$	September		\$
19	Sam Sumo	16.50 (1)			
	<i>not total sales returns</i>				

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Cash book – bank column

September	\$	September	\$
28 Sam Sumo	392.00 (1)		

(Marks are for detail, correct amount and correct Dr or Cr) [10]

- (d) Pay balance within 21 days / by due date / within terms / on time [2]  
(not pay more quickly, prompt payment, etc.)

[Total: 24]

- 5 (a) To spread the cost of the asset over its useful life [2]  
(not to calculate profit or loss on sale etc.)  
(not **causes** of depreciation, but accept depletion, wear and tear, obsolescence and usage over time as **reasons** for need to depreciate.)

- (b) (i)  $\$3200 (1) - \$700 (1) = \$2500 / 5 (1) = \$500 (1) \text{OF}$   
(Note: if answer then goes on to give NBV, do not award calculation mark, so max 3)

- (ii) Same amount – \$500 (2) [OF only if agrees with (b) (i)]  
(if answer then goes on to give NBV, no marks) [6]

- (c) Martina  
Balance Sheet at 30 September 2010 (extract)

	Cost	Provision for Depreciation	Net book value	
	\$	\$	\$	
Non-current (fixed) assets				
Equipment (machine) (1)	3 200 (1)	1 000 (1)	2 200 (1)OF	[4]
(no mark if other asset classes included)		(accept OF from (b))		

If answer laid out as two years separately, award only 1 mark for asset narrative and 1 mark for correct or OF final NBV

- (d) Disposal of machinery account

October	\$	October	\$
15 Machinery/equipment	3 200 (1)	15 [Provision for] Depreciation	1 000 (1)OF
(accept cost, <b>not</b> price, balance)		(OF from (c))	
		15 Bank/cash ( <b>not</b> cash book)	400 (1)
		( <b>not</b> scrap/disposal)	
		15 Income statement	1 800 (2)OF
		(accept profit/loss acc, loss)	
	<u>3 200</u>		<u>3 200</u>

[5]

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(e) Straight line [method] (1)  
over three years (33⅓%) (1),  
to fully depreciate over that period (1), or [3]

Reducing balance [method] (1) (not reducing method)  
at rate >75% (1)  
to fully depreciate over three years (1) [3]

Revaluation [method] (1) only

[Total: 20]

6 (a) Ricardo – Statement of affairs at 1 November 2009

	\$	\$	
Non-current (fixed) assets		12 000 (1)	
Current assets	110 000 (1)		
Less: current liabilities	<u>26 000 (1)</u>		
		84 000	
Capital (1)		<u>96 000 (2)OF</u>	[6]

(mark for caption and amount, marks for capital amount if no aliens)  
(award marks for acceptable layouts)

(b) Ricardo – Statement of affairs at 31 October 2010

	\$	\$	
Non-current (fixed) assets		14 000 (1)	
Current assets (95 500 (1) – 1 500 (1))		94 000	
(Provision for doubtful debts may be shown elsewhere)			
Less: current liabilities	<u>24 000 (1)</u>		
		70 000	
Capital (1)		<u>84 000 (1)OF</u>	[6]

(mark for caption and amount, marks for capital amount if no aliens)  
(award marks for acceptable layouts)

(c) Ricardo – capital account

2010	\$	2009	\$
Oct 31 Drawings	90 000 (1)	Nov 1 Balance b/fwd	96 000 (1)OF
31 Balance c/d	84 000 (1)OF	(OF mark only if amount from (a))	
		2010	
		Jan 1 Bank[new][capital][cash]	50 000 (1)
		(not Ricardo)	
		Oct 31 Net profit [or OF loss]	28 000 (1)OF
		(no aliens for OF mark)	
	<u>174 000</u>		<u>174 000</u>
		<b>+(1) for all correct dates</b>	

[6]

Mark is for detail and amount. If account reversed, award P/L OF mark only.

(d)

	Increase	Decrease	No change
Current assets	✓ (1)		
Long term liabilities	✓ (1)		
Revenue (sales)			✓ (1)
Working capital	✓ (1)		

[4]

**[Total: 22]**



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**0452/21**

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1 Robbie McDonald  
Income Statement (Trading and Profit and Loss Account) for the year ended  
30 September 2010

	\$	\$	\$
Revenue (sales)			216 000 (1)
Less Cost of sales			
Opening inventory (stock)		19 500 (1)	
Purchases	176 000 (1)		
Less Goods for own use	<u>1 900 (1)</u>	<u>174 100</u>	
		193 600	
Less Closing inventory (stock)		<u>20 800 (2)C/F</u>	
			<u>(1)O/F</u>
			<u>172 800 (1)O/F</u>
Gross profit			43 200 (2)
Bad debts recovered			160 (1)
Decrease in provision for doubtful debts (372 – 352)			<u>20 (2)</u>
			43 380
Less Wages		28 200 (1)	
Property tax and insurance (8900 (1) – 600 (1))		8 300	
Administration expenses		4 410 (1)	
Bank interest		1 550 (1)	
Depreciation Motor vehicles (20% × 4800)		960 (1)	
Equipment (3000 – 2340)		<u>660 (1)</u>	
Loss for the year (Net loss)			<u>44 080</u>
			<u>700 (1)O/F</u>

**Horizontal format acceptable** [20]

[Total: 20]

- 2 (a) Assist in the location of errors  
Provide instant totals of trade receivables (debtors) and trade payables (creditors)  
Proves the arithmetical accuracy of the sales/purchases ledgers  
Enable a balance sheet to be prepared quickly  
Provide a summary of the transactions relating to trade receivables (debtors) and trade payables (creditors)  
Provide an internal check on sales/purchases ledgers – may reduce fraud

**Or other relevant points**

**Any 2 points (1) each** [2]

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(b) Suzie Chow  
Sales ledger control account

		\$				\$	
2010				2010			
Sept 1	Balance	21 976	(1)	Sept 1	Balance	54	(1)
30	Sales	22 800	(1)	30	Bank	21 860	(1)
	Bank (Dis. Chq)	610	(1)		Discount allowed	488	(1)
					Sales returns	391	(1)
					Bad debts	100	(1)
					Contra entry	78	(1)
					Balance c/d	<u>22 415</u>	(1)
		<u>45 386</u>				<u>45 386</u>	
2010							
Oct 1	Balance b/d	22 415	(1)O/F				[11]

**Alternative presentation**

		Sales ledger control account		
		Debit	Credit	Balance
		\$	\$	\$
2010				
Sept 1	Balances	21 976	(1)	54 (1)
30	Sales	22 800	(1)	21 922 Dr
	Bank (Dis. Chq.)	610	(1)	44 722 Dr
	Bank			45 332 Dr
				21 860 (1)
	Discount allowed			23 472 Dr
	Sales returns			488 (1)
	Bad debts			22 984 Dr
	Contra entry			391 (1)
				22 593 Dr
				100 (1)
				22 493 Dr
				78 (1)
				22 415 Dr
				(2) C/F
				(1) O/F
				[11]

(c) A contra entry is when an account in the sales ledger is set against an account in the purchases ledger. (1) Such an entry is made when a supplier is also a customer of the business and has an account in both ledgers. (1) [2]

(d) The sales ledger control account acts as a check on the sales ledger. If there is an error in the sales ledger it will not be revealed by a control account prepared from the individual accounts in that ledger. [2]

(e)  $\frac{22\,415}{275\,000} \times \frac{365}{1} = 29.75 \text{ days} = 30 \text{ days}$  (1)O/F [2]

(f) Offer cash discount for early payment  
Charge interest on overdue accounts  
Improve credit control  
Refuse further supplies on credit until any outstanding balance is paid  
Invoice discounting and debt factoring

**Or other relevant points**

**Any 3 points (1) each**

[3]

[Total: 22]

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- 3 (a) (i) Nominal (general) ledger (1)
- (ii) Purchases ledger (1)
- (iii) Nominal (general) ledger (1) [3]

(b)

		Karnail Singh Rent account			
		\$		\$	
2010				2009	
July 31	Total paid	1430	(1)	Aug 1	Balance b/d
	Balance c/d	420	(1)		
		1850		2010	
				July 31	Income Statement (1)
					(Profit & Loss)
					1590
					(1)
					1850
				2010	
				Aug 1	Balance b/d
					420

(1)O/F [6]

**Alternative presentation**

		Karnail Singh Rent account		
		Debit	Credit	Balance
		\$	\$	\$
2009				
Aug 1	Balance		260	(1) 260 Cr
2010				
July 31	Total paid	1430	(1)	1170 Dr
July 31	Income statement (1)			
	(Profit & Loss)		1590	(1) 420 Cr
				(2)C/F
				(1)O/F

[6]

- (c) The accruals (matching) principle states that revenue of the accounting period must be matched against the costs of the same period. (1)
- The rent relating to the financial year ended 31 July 2010 is transferred to the income statement (profit and loss account). (1) The rent paid during the year relating to the previous year is not included but the rent owing at the end of the year is included. (1) [3]

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- (d) Bank manager  
 Assessment of prospects of any requested loan/overdraft being repaid when due  
 Assessment of prospects of any interest on loan/overdraft being paid when due  
 Assessment of the security available to cover any loan/overdraft

Lenders

- Assessment of prospects of any requested loan being repaid when due  
 Assessment of prospects of any interest on loan being paid when due  
 Assessment of the security available to cover any loan

Creditor for goods

- Assessment of the liquidity position  
 Identifying how long the business takes to pay creditors  
 Identifying future prospects of the business  
 Identifying what credit limit is reasonable

Manager (if any)

- Assessment of past performance  
 Basis of future planning  
 Control the activities of the business  
 Identifying areas where corrective action is required

**Or other suitable interested persons e.g. employees, government bodies, competitors, take-over bidders etc**

**TWO business people to be identified (1) each**

**ONE acceptable reason required in each case (1) each [4]**

- (e) (i) Non-financial aspects  
 Accounts only record information which can be expressed in monetary terms. (1)  
 This means that there are many important factors which influence the performance of a business which will not appear in the financial statements (final accounts) e.g. quality of management, goodwill, skill of workforce etc. (1)

- (ii) Historical cost  
 Transactions are always recorded at the actual cost. (1)  
 This means that it can be difficult to compare transactions which have taken place at different times because of the effect of inflation. (1) [4]

**[Total: 20]**

- 4 (a) Authorised share capital is the maximum amount of share capital a company is allowed to issue. (2)

Paid-up share capital is the total amount of capital a company has received from its shareholders. (2) [4]

(b) (i)  $4\% \times 25\,000$  shares of \$1 each (1) = \$1000 (1)

(ii)  $3\% \times \$15\,000$  (1) = \$450 (1)

(iii)  $5\% \times 60\,000$  shares of \$0.50 (1) = \$1500 (1)

[6]

(c)

	Income Statement Profit & Loss Account	Appropriation Account	Balance Sheet	
Debenture interest payable	✓	No entry	✓	(2)
Ordinary share dividend payable	No entry	✓	✓	(2)

[4]

(d)

	\$	
Ordinary share capital	30 000	
Preference share capital	25 000	
Debentures	<u>15 000</u>	
	<u>70 000</u>	(1)

[1]

(e)  $\frac{11840}{70\,000} \times \frac{100}{1} = 16.91\%$  (1) O/F (1) O/F

[2]

(f) If the return on capital employed increases it indicates that the company is employing its resources more efficiently. (2)

[Total: 19]

5 (a) To compensate for the fact that she does more work than Samuel.

Or

To recognise the work that she does in the partnership.

[2]

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(b) Samuel and Martha Mavuso  
Balance Sheet at 31 October 2010

	\$	\$	\$
Non-current (fixed) assets at cost			105 950
Less Provision for depreciation			<u>9 350</u>
			96 600 (1)
Current assets		23 562	
Less Current liabilities		<u>18 400</u>	
Working capital (net current assets)			<u>5 162 (1)</u>
			<u>101 762</u>
Financed by			
	Samuel	Martha	Total
	Mavuso	Mavuso	
Capital accounts	<u>60 000</u>	<u>40 000 (1)</u>	100 000
Current accounts			
Opening balance	(1 091)	223 (1)	
Interest on capital	2 400	1 600 (1)	
Share of profit	<u>4 122</u>	<u>2 748 (1)</u>	
	<u>5 431</u>	<u>4 571</u>	
Less Drawings	3 100	4 900 (1)	
Interest on drawings	<u>93</u>	<u>147 (1)</u>	
	<u>3 193</u>	<u>5 047</u>	
	<u>2 238</u>	<u>(476) (1)O/Fs</u>	
			<u>1 762</u>
			<u>101 762 (1)O/F</u>

**Horizontal format acceptable**

**Calculation of current account balances outside balance sheet acceptable if presented in the form of ledger accounts [10]**

(c)  $23\,562 : 18\,400 (1) = 1.28 : 1 (1)$  [2]

(d) Injection of capital  
Long term loan  
Sale of surplus non-current (fixed) assets  
Reduction in drawings

**Or other suitable points**

**Any 2 points (1) each [2]**

(e) Does not include inventory (stock) in the calculation. (1)

**Either**

Inventory (stock) is not regarded as a liquid asset – a buyer has to be found and then the money collected. Some goods may prove to be unsaleable. (1)

**Or**

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. (1) [2]

**[Total: 18]**

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6 (a) Gross profit = 247 600 – 163 100 = 84 500 (1)

$$\frac{84\,500}{247\,000} \times \frac{100}{1} = 34.13\% \text{ (1)} \quad [2]$$

- (b) Increase in selling prices  
 Obtaining cheaper supplies  
 Reduction the rate of trade discount allowed to customers  
 Increase in the rate of trade discount received from suppliers  
 Passing on increased costs to customers  
 Different product mix

**Or other suitable reasons**

**Any 2 points (2) each** [4]

(c)

		Waseem Shah Suspense account			
		\$		\$	
2010			2010		
July 31	Bank	1520	July 31	Difference on trial balance	1240 (1)
				Rent	90 (1)
				Balance c/d	<u>190 (1)</u>
		<u>1520</u>			<u>1520</u>
2010					
Aug 1	Balance b/d	190			(1)O/F [5]

**Alternative presentation**

		Waseem Shah Suspense account			
		Debit	Credit	Balance	
		\$	\$	\$	
2010					
July 31	Difference on trial balance		1240 (1)	1240	Cr
	Rent		90 (1)	1330	Cr
	Bank	1520 (1)		190	Dr
					(2)C/F
					(1)O/F [5]

(d) **Either**

Error Number 2 (1)

Explanation This is an error of commission (1) and does not affect the balancing of the trial balance (1)

**Or**

Error Number 3 (1)

Explanation This is an error of principle (1) and does not affect the balancing of the trial balance (1) [3]



(e)

Waseem Shah  
Statement of corrected profit for the year ended 31 July 2010

	\$	
Profit for the year (net profit) before corrections	33 000	
	Increase in profit \$	Decrease in profit \$
Error 1		90
2	No effect (2)	
3		1 150 (2)
4	No effect (2)	
	<u>      </u> <u>      </u>	<u>      </u> <u>1 240</u>
Corrected profit for the year	<u>31 760</u> (1)O/F	<u>1 240</u>

[7]  
[Total: 21]