

# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

## MARK SCHEME for the May/June 2006 question paper

### 0452 ACCOUNTING

0452/03

Paper 3, maximum raw mark 100

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do 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*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

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1 (a)

Tarek Wahid  
Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
		\$	\$	\$			\$	\$	\$
2006					2006				
April 1	Balances b/d		125	6 750	April 5	Asmaa El Zein (dishonoured cheque)	(1)		230
10	Mohammed Riyas	(1) 12		468	16	Motor vehicle	(1)		9 900
29	Sales	(1)	2 150			Motor expenses	(1)		80
30	Cash	(1)		2 175	24	Salma Abbas	(1) 14		546
	Balance c/d			1 363	30	Bank Balance c/d	(1)	2 175 100	
		12	2 275	10 756			14	2 275	10 756
May 1	Balance b/d	(1) O/F	100		May 1	Balance b/d	(1) O/F		1 363

+ (1) Totalling discount columns

[11]

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- (b) The bank statement is a copy of the account of the business as it appears in the books of the bank. This is from the viewpoint of the bank – the business depositing money is a creditor of the bank.

The bank account in the cash book is prepared from the viewpoint of the business – the bank is a debtor of the business which has deposited the money. [2]

(c)

Tarek Wahid  
Calculation of bank statement balance at 30 April 2006

	\$	
Balance as per cash book	(1363)	(1) O/F
Plus cheque not yet presented – Salma Abbas	<u>546</u>	(1)
	(817)	
Less amount not yet credited	<u>2175</u>	(1) O/F
Balance as per bank statement	<u>(2992)</u>	(1) O/F

**Alternative presentation acceptable**

[4]

- (d) \$1363 (1) O/F  
Liability (1) O/F

[2]

[Total 19]

2 (a)

Susan Sawka  
Purchases Ledger Control account

2006		\$		2006		\$	
Mar 1	Balance b/d	120	(1)	Mar 1	Balance b/d	9 500	(1)
31	Purchases returns	135	(1)	31	Purchases	7 420	(1)
	Bank	8 780	(1)				
	Discount received	20	(1)				
	Contra item	380	(1)				
	Balance c/d	<u>7 485</u>	(1) O/F				
		<u>16 920</u>				<u>16 920</u>	
				April 1	Balance b/d	7 485	(1) O/F

**+ (1) for dates**

[10]

**Alternative presentation**

Susan Sawka  
Purchases Ledger Control account

		Debit		Credit		Balance	
2006		\$		\$		\$	
Mar 1	Balances	120	(1)	9 500	(1)	9 380	Cr
31	Purchases			7 420	(1)	16 800	Cr
	Purchases returns	135	(1)			16 665	Cr
	Bank	8 780	(1)			7 885	Cr
	Discount received	20	(1)			7 865	Cr
	Contra item	380	(1)			7 485	Cr (2) O/F

**+ (1) for dates**

[10]

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(b) Reasons for a debit balance

Overpayment of amount due  
Cash discount not deducted before payment made  
Returned goods after payment of amount due  
Payment made to creditor in advance

**Or other suitable point**

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

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

(d) Payment period for creditors

$$\frac{7\,485 \text{ O/F from (a)}}{89\,400 \text{ (1)}} \times \frac{365}{1} = 30.56 \text{ days} = 31 \text{ days (1) O/F}$$

[2]

(e) 1 Not satisfied – if (d) is more than 14 days (1)  
Or – satisfied – if (d) is less than 14 days

2 Susan is allowed 14 days credit but is taking an average of 31 days (1)  
**Or suitable explanation based on O/F answer to (d)** [2]

[Total 18]

3 (a)

Safat Judo Club			
Income and Expenditure Account for the year ended 31 January 2006			
	\$	\$	
<b>Income</b>			
Subscriptions (10 650 – 250 (1) – 400 (1))		10 000	
Competition – entrance fees	800		
less cost of prizes	<u>210</u>	<u>590</u>	(2)
		10 590	
<b>Expenditure</b>			
General expenses	2 645}		(1)
Travelling expenses	830}		
Rent (2 600 – 50 (1) – 100 (1))	2 450		
Loss on sale of motor vehicle (2 000 – 1 750)	250		(1)
Depreciation – motor vehicle (10 000 – 8 500)	<u>1 500</u>		(1)
Surplus for the year		<u>7 675</u>	(1) O/F
		<u>2 915</u>	

**Horizontal presentation acceptable** [10]

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(b)

Safat Judo Club  
Balance Sheet at 31 January 2006

	\$		\$	
Fixed Assets				
Motor vehicle at valuation			8 500	(1)
Current Assets				
Rent prepaid	100	(1)		
Bank (3 150 + 13 200 - 16 285)	<u>65</u>	(2)		
	165			
Current Liabilities				
Subscriptions prepaid	<u>400</u>	(1)	<u>(235)</u>	
			<u>8 265</u>	
Accumulated Fund				
Opening balance (3 150 + 2 000 + 250 – 50)			5 350	(2)
Surplus for the year			<u>2 915</u>	(1) O/F
			<u>8 265</u>	

**Horizontal presentation acceptable**

**[8]**

(c) Reasons why bank balance does not equal surplus/deficit –

- R & P A/c shows total money paid and received
- I & E A/c adjusts figures for accruals and prepayments
- I & E A/c includes non-monetary items such as depreciation
- I & E A/c includes only revenue items

**Or other relevant points**

**Any 2 acceptable points (1) each**

**[2]**

**[Total 20]**

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4 (a)

John Chan  
Sales Ledger

Wan Tan account

2006		\$	2006		\$
April 1	Balance b/d	880	April 17	Bank	858 (1)
11	Sales	320 (1)		Discount	22 (1)
		<u>1 200</u>	30	Balance c/d	<u>320 (1)</u>
					<u>1 200</u>
2006					
May 1	Balance b/d	320 (1) O/F			

Carol Lee account

2006		\$	2006		\$
April 1	Balance b/d	270	April 21	Returns	72 (1)
6	Sales	168 (1)	28	Cash	300 (1)
		<u>438</u>	29	Bad Debts	<u>66 (1)</u>
					<u>438</u>

+ (1) for dates

[10]

Alternative presentation

John Chan  
Sales Ledger

Wan Tan account

		Debit	Credit	Balance	
2006		\$	\$	\$	
April 1	Balance b/d	880		880	Dr
11	Sales	320 (1)		1 200	Dr
17	Bank		858 (1)	342	Dr
	Discount		22 (1)	320	Dr (2) O/F

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Carol Lee account

		Debit	Credit	Balance	
		\$	\$	\$	
2006					
April 1	Balance	270		270	Dr
6	Sales	168 (1)		438	Dr
21	Returns		72 (1)	366	Dr
28	Cash		300 (1)	66	Dr
29	Bad debts		66 (1) O/F	0	

**+ (1) for dates**

**[10]**

**(b) (i) Matching OR Prudence**

**[1]**

**(ii) Matching**

To ensure that the amount of sales for the year which are unlikely to be paid are treated as an expense of that particular year.

**OR**

Prudence

To ensure that the profit is not overstated and that the asset of debtors in the Balance Sheet shows a more realistic amount. **[2]**

**(c) (i) The \$80 transferred to the Profit and Loss Account is the difference between the provision for doubtful debts at the start of the year and the provision required to carry forward to next year. In this case it is the amount of surplus provision not required. (2)**

**(ii) This amount will be credited to the Profit and Loss Account. (1)**

**[3]**

**(d) Collection period for debtors –**

$$\frac{7\,190}{83\,500} \times \frac{365 (1)}{1} = 31.43 \text{ days} = 32 \text{ days (1)}$$

**[2]**

**(e) Ways of improving the collection period for debtors**

Offer cash discount for prompt payment

Charge interest on overdue accounts

Improve credit control

Refuse further supplies on credit until any outstanding balance is paid

**Or other relevant points**

**Any 3 acceptable points (1) each**

**[3]**

**[Total 21]**

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5 (a)

David and Janet Szabo  
Capital accounts

		David	Janet			David	Janet	
		\$	\$	2005		\$	\$	
2006				Mar 1	Balance b/d	(1)	19 000	14 000
Jan 1	Current a/c (1)	3 000		2006				
Feb 28	Balance c/d	16 000	16 000	Feb 1	Cash	(1)		2 000
		<u>19 000</u>	<u>16 000</u>				<u>19 000</u>	<u>16 000</u>
				2006				
				Mar 1	Balance b/d	(1)	16 000	16 000

+ (1) for dates

Alternatively allow 2 separate "T" accounts

[5]

Alternative presentation

David Capital account

		Debit	Credit	Balance	
		\$	\$	\$	
2005					
Mar 1	Balance		19 000	19 000	Cr
2006					
Jan 1	Current account	3 000		16 000	Cr

Janet Capital account

		Debit	Credit	Balance	
		\$	\$	\$	
2005					
Mar 1	Balance		14 000	14 000	Cr
2006					
Feb 1	Cash		2 000	16 000	Cr

Opening balances (1) for both figures

David current account transfer (1)

Janet cash introduced (1)

Closing balances (1) for both figures

+ (1) for dates

[5]



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(b)

David and Janet Szabo  
Departmental Trading and Profit and Loss Account for the year ended 28 February 2006

	Men's Clothing Department		Ladies' Clothing Department		
	\$	\$	\$	\$	
Sales		16 000		32 000	(2)
Less Cost of sales					
Opening stock	1 000		2 200		(1)
Purchases	12 000		26 700		(1)
Carriage inwards	<u>50</u>		<u>150</u>		(1)
	13 050		29 050		
Less Closing stock	<u>1 500</u>		<u>1 800</u>		(1)
		<u>11 550</u>		<u>27 250</u>	(1)
Gross Profit		4 450		4 750	(1)O/F
Less expenses		<u>1 420</u>		<u>2 840</u>	(2)
Net Profit		<u>3 030</u>		<u>1 910</u>	(1)O/F

**Horizontal format acceptable**

[11]

(c) A new partner joining an existing partnership will benefit from the Goodwill built up by the existing partners, who must be compensated for this.

[2]

(d) (i) Explanation of –  
Will have a share in the profits  
Can take part in decision-making  
Prospects for the future

**Or other relevant points**

**Any 2 points (1) each**

[2]

(ii) Explanation of –  
Will be personally liable for the debts of the firm  
Will have greater responsibility  
Will probably have to invest capital

**Or other relevant points**

**Any 2 points (1) each**

[2]

[Total 22]