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.

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

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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]

(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
		300			300
Nov 1	Balance b/d	150 **(1) OF**			

Alternative presentation
Abdul Anwar
Sameen Atif account

2009		Debit $	Credit $	Balance $
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)**			
		680			680
			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]

(e) Debtors in balance sheet are not overstated **(1)**

Net profit is not overstated **(1)** [2]

[Total: 19]

2 (a)
<div align="center">

Jane Nowka

Balance Sheet at 30 June 2009

</div>

	$	$	$
Fixed assets			
Equipment at valuation			650 **(1)**
Motor vehicle at cost		3000 **(1)**	
Less depreciation to date		<u>450</u>	<u>2550</u> **(1)**
			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)</u> **(1)OF**
			3180
Financed by			
Capital			
Opening balance			
(100 + 800 + 90 + 15 + 2500 – 30)			3475 **(3)**
Plus net profit			<u>900</u> **(1)**
			4375
Less drawings			<u>1195</u> **(1)**
			<u>3180</u>

Horizontal presentation acceptable [14]

(b) $\dfrac{900}{3180 \textbf{ OF}} \times \dfrac{100 \textbf{ (1)}}{1} = 28.30\%$ **(1)OF** [2]

(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	3590			
		8480			8480
			Aug 1	Balance b/d	3590 **(1)OF**

+ (1) Dates

Alternative presentation

Ruth Tembe
Purchases ledger control account

		Debit $	Credit $	Balance $
2009				
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]

(b) $\dfrac{3\,500\ \textbf{OF}}{58\,000} \times \dfrac{365\ \textbf{(1)}}{1} = 22.59 = 23$ 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)
<center>Terry, Candy and Paul Wang
Goodwill account</center>

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)**
		30 000				30 000	

Alternative presentation
<center>Terry, Candy and Paul Wang
Goodwill account</center>

		Debit		Credit		Balance
2009		$		$		$
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]

(ii) Capital accounts

2009		Terry $	Candy $	Paul $	2009		Terry $	Candy $	Paul $
Aug 1	Goodwill *	15000 **(1)OF**	10000 **(1)OF**	5000 **(1)OF**	Aug 1	Balances b/d	60000 **(1)**	40000 **(1)**	
	Balances c/d	63000	42000	15000		Goodwill*	18000 **(1)OF**	12000 **(1)OF**	
						Bank			16000 **(1)**
						Motor vehicle			4000 **(1)**
		78000	52000	20000			78000	52000	20000
					Aug 2	Balances b/d	63000 **(1)OF**	42000 **(1)OF**	15000 **(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

2009		Debit $	Credit $	Balance $
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

2009		Debit $	Credit $	Balance $
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

2009		Debit $	Credit $	Balance $
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]

(c)   Terry, Candy and Paul Wang
                        Balance Sheet extract at 2 August 2009

	Terry Wang $	Candy Wang $	Paul Wang $	Total $	
Capital accounts	63 000 **O/F**	42 000 **O/F**	15 000 **O/F**	120 000 **O/F**	**(1)**
Current accounts	(5 050)	4 950	-	(100)	**(1)**
	57 950	46 950	15 000	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	85 000		48 000		**(1)**
	93 400		51 900		
Less Closing stock	9 100		4 100		**(1)**
		84 300		47 800	**(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	2 000		800		**(1)**
		14 750		11 550	
Net profit		50 950		650	**(1)OF**

Horizontal format acceptable   [11]

(b) Department B
    Percentage of gross profit to sales

$$\frac{12\,200\ \textbf{OF}}{60\,000} \times \frac{100\ \textbf{(1)}}{1} = 20.33\%\ \textbf{(1)OF}$$

    Rate of stock turnover

$$\frac{47\,800\ \textbf{OF}\quad\textbf{(1)}}{3\,900 + 4\,100 \div 2} = 11.95\text{ times }\textbf{(1)OF}$$ [4]

(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]