

MARK SCHEME for the May/June 2009 question paper
for the guidance of teachers

| | |
|----------------|---|
| 0452/03 | 0452 ACCOUNTING 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.

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1 (a)

(i)

Tony and Alice Mundondo
Motor vehicles account

| | | | | | | |
|-------|---------------|---------------|-----|--------|-------------|---------------|
| 2007 | | \$ | | 2008 | | \$ |
| Mar 1 | Valley Motors | <u>9 500</u> | (1) | Feb 29 | Balance c/d | <u>9 500</u> |
| | | <u>9 500</u> | | | | <u>9 500</u> |
| 2008 | | | | 2009 | | |
| Mar 1 | Balance b/d | 9 500 | | Feb 28 | Balance c/d | 20 300 |
| 2008 | | | | | | |
| Jul 1 | Bank | <u>10 800</u> | (1) | | | <u>20 300</u> |
| | | <u>20 300</u> | | | | <u>20 300</u> |
| 2009 | | | | | | |
| Mar 1 | Balance b/d | 20 300 | (1) | | | |

(ii)

Provision for depreciation of motor vehicles account

| | | | | | | |
|--------|-------------|--------------|--|--------|---------------|------------------|
| 2008 | | \$ | | 2008 | | \$ |
| Feb 28 | Balance c/d | <u>1 900</u> | | Feb 29 | Profit & loss | <u>1 900</u> (1) |
| | | <u>1 900</u> | | | | <u>1 900</u> |
| 2009 | | | | 2008 | | |
| Feb 28 | Balance c/d | 5 240 | | Mar 1 | Balance b/d | 1 900 (1)O/F |
| | | | | 2009 | | |
| | | | | Feb 28 | Profit & loss | 1 900 (1) |
| | | | | | | <u>1 440</u> (1) |
| | | <u>5 240</u> | | | | <u>3 340</u> |
| | | | | | | <u>5 240</u> |
| | | | | 2009 | | |
| | | | | Mar 1 | Balance b/d | 5 240 (1)O/F |

+ (1) dates

[9]

(a) Alternative presentation

(i)

Tony and Alice Mundondo
Motor vehicles account

| | | | | | | |
|--------|---------------|--------|-----|--------|--|---------------|
| 2007 | | Debit | | Credit | | Balance |
| Mar 1 | Valley Motors | \$ | | \$ | | \$ |
| | | 9 500 | (1) | | | 9 500 Dr |
| 2008 | | | | | | |
| July 1 | Bank | 10 800 | (1) | | | 20 300 Dr (1) |

(ii)

Provision for depreciation of motor vehicles account

| | | | | | | |
|--------|---------------|-------|-----|--------|-----|-----------------|
| 2008 | | Debit | | Credit | | Balance |
| Feb 29 | Profit & loss | \$ | | \$ | | \$ |
| | | | | 1 900 | (1) | 1 900 Cr (1)O/F |
| 2009 | | | | | | |
| Feb 28 | Profit & loss | 1 900 | (1) | | | |
| | | 1 440 | (1) | 3 340 | | 5 240 Cr (1)O/F |

+ (1) dates

[9]

| | | | |
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(b) Tony and Alice Mundondo
Extract from Balance Sheet at 28 February 2009

| Fixed assets | Cost | Depreciation to date | Net book value |
|----------------|---------------|-------------------------|-------------------|
| | \$ | \$ | \$ |
| Motor vehicles | 20 300 | 5 240 | 15 060 |
| | (1)O/F | (1)O/F | (1)O/F |

[3]

(c)

| | transaction | account to be debited | account to be credited |
|-------|---|--------------------------------|-------------------------------|
| (i) | eliminating original cost of motor vehicle from ledger | disposal of motor vehicle (1) | motor vehicles (1) |
| (ii) | eliminating accumulated depreciation from ledger | provision for depreciation (1) | disposal of motor vehicle (1) |
| (iii) | recording part exchange allowance made by Valley Motors | Valley Motors (1) | disposal of motor vehicle (1) |

[6]

(d) (i) Fixed assets are valued at the end of each financial year. (1)
This value is compared with the previous valuation (or the cost if it is the first year of ownership) and the amount by which the asset has fallen in value is the depreciation for the year. (1)

[2]

(ii) Hand tools
Packing cases

Or other suitable example

Any 1 example (1) mark

[1]

[Total: 21]

| | | | |
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2 (a)

Morag MacDonald

Profit and Loss Account for the year ended 31 December 2008

| | | | | |
|--|--------------|---|---------------|--------|
| | \$ | | \$ | |
| Fees from clients (75 050 + 9 000) | | | 84 050 | (1) |
| Rent received (2 750 – 150) | | | 2 600 | (1) |
| Reduction in provision for doubtful debts (250 – 225) | | | <u>25</u> | (1) |
| | | | <u>86 675</u> | |
| Less Property tax | 1 800 | } | | (1) |
| Repairs and maintenance | 2 930 | | | |
| Wages (45 000 + 2 000) | 47 000 | | | (1) |
| Stationery and office supplies (1 790 – 35) | 1 755 | | | (1) |
| Insurance (1 680 – 240) | 1 440 | | | (1) |
| Depreciation – Office equipment (50% × (10 800 – 8 100)) | <u>1 350</u> | | <u>56 275</u> | |
| Net profit | | | <u>30 400</u> | (1)O/F |

Horizontal format acceptable

[9]

- (b) To be able to meet debts when they fall due
 To be able to take advantage of cash discounts
 To be able to take advantage of business opportunities as they arise
 To ensure that there is no difficulty in obtaining further supplies

Or other suitable explanation

Any 1 point (2) marks

[2]

- (c) Introduce further capital
 Reduce drawings
 Sell surplus fixed assets
 Obtain long term loans

Any two points (1) each

[2]

- (d) (ii) Effect Working capital decreases by \$40 (1)
 Explanation Current assets decrease by \$50 as net debtors decreases.
 There is no change in the current liabilities. (1)
- (iii) Effect Working capital does not change (1)
 Explanation The current assets do not change as the cash increases and the debtors decrease by \$200. There is no change in the current liabilities. (1)
- (iv) Effect Working capital increases by \$4 (1)
 Explanation Current assets decrease by \$96 and the current liabilities decrease by \$100. (1)

[6]

[Total: 19]

3 (a)

Mohammed Hanif
Sales ledger control account

| | | | | | | | | |
|------|----|-----------------|-------------|--------|------|-----------------------|-------------|-------------|
| 2009 | | | \$ | | 2009 | | | \$ |
| Apl | 1 | Balance b/d | 4100 | (1) | Apl | 1 | Balance b/d | 72 |
| | | | | | 30 | Sales returns | | 320 |
| | 30 | Sales | 5300 | (1) | | Bank | | 3850 |
| | | Bank (dis.chq.) | 65 | (1) | | Discount allowed | | 150 |
| | | | | | | Inter-ledger transfer | | 240 |
| | | | | | | Balance c/d | | <u>4833</u> |
| | | | | | | | | <u>9465</u> |
| | | | <u>9465</u> | | | | | <u>9465</u> |
| 2009 | | | | | | | | |
| May | 1 | Balance b/d | 4833 | (1)O/F | | | | |

+ (1) Dates

Alternative presentation

Mohammed Hanif
Sales ledger control account

| | | | Debit | | Credit | | Balance |
|------|----|-----------------------|-------|-----|--------|-----|----------------|
| | | | \$ | | \$ | | \$ |
| 2009 | | | | | | | |
| Apl | 1 | Balances | 4100 | (1) | 72 | (1) | 4028 Dr |
| | 30 | Sales | 5300 | (1) | | | 9328 Dr |
| | | Bank (dis.chq) | 65 | (1) | | | 9393 Dr |
| | | Sales returns | | | 320 | (1) | 9073 Dr |
| | | Bank | | | 3850 | (1) | 5223 Dr |
| | | Discount allowed | | | 150 | (1) | 5073 Dr |
| | | Inter-ledger transfer | | | 240 | (1) | 4833 Dr (1)O/F |

+ (1) Dates

[10]

- (b) Overpayment of amount due by debtor
Cash discount not deducted by debtor before payment made
Goods returned by debtor after payment of amount due
Payment made in advance by debtor

Or other suitable point

Any 1 reason (1) mark

[1]

| (c) | Item | Entry in purchases ledger control account |
|-------|---|---|
| (ii) | Cash purchases | No entry (1) |
| (iii) | Discount received | Debit (1) |
| (iv) | Interest charged by supplier on overdue account | Credit (1) |

[3]

(d) Financial information is only relevant if it can be used –

- To correct or confirm prior expectations about past events
- To assist in forming, revising or confirming expectations about the future
- As a basis for financial decisions
- In time to be able to influence decisions

Explanation of any 1 point (2)

[2]

(e) (ii) Money measurement

- Accounts only record information which can be expressed in monetary terms. (1)
- This means that many factors which affect the performance of a business will not appear in the accounting records. (1)

[2]

(iii) Time factor

- Accounting statements are a record of what has happened in the past. (1)
- Either** They are not necessarily a guide to future performance (1)
- Or** Significant events can occur between the end of the financial period and the time when the accounting statements are available. (1)

[2]

[Total: 20]

| | | | |
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4 (a) Lobatse Rugby Club
Subscriptions account

| | | | | | |
|--------|--------------------------|-----------------|--------|-------------|-------------|
| 2008 | | \$ | 2008 | | \$ |
| Apl 1 | Balance b/d | 50 (1) | Apl 1 | Balance b/d | 100 (1) |
| 2009 | | | 2009 | | |
| Mar 31 | Income & expenditure (1) | <u>2500</u> (1) | Mar 31 | Bank | 2250 (1) |
| | | <u>2550</u> | | Balance c/d | <u>200</u> |
| | | | | | <u>2550</u> |
| 2009 | | | | | |
| Apl 1 | Balance b/d | 200 (1) | | | |

+ (1) Dates

Alternative presentation

Lobatse Rugby Club
Subscriptions account

| | Debit | Credit | Balance |
|--------------------------|----------|----------|------------|
| 2008 | \$ | \$ | \$ |
| Ap 1 Balances | 50 (1) | 100 (1) | 50 Cr |
| 2009 | | | |
| Mar 31 Bank | | 2250 (1) | 2300 Cr |
| Income & expenditure (1) | 2500 (1) | | 200 Dr (1) |

+ (1) Dates

[7]

(b) Lobatse Rugby Club
Income and Expenditure Account for the year ended 31 March 2009

| | \$ | \$ |
|---|----------------|-------------------|
| Income | | |
| Subscriptions | | 2500 (1)O/F |
| Sports day – entrance fees | 520 | |
| less expenses | <u>370</u> | 150 (2) |
| Interest received | | <u>100</u> (1) |
| | | 2750 |
| Expenditure | | |
| Secretarial expenses | 210 | } (1) |
| Advertising | 40 | |
| General expenses (490 – 20) | 470 (1) | |
| Rent (1530 + 30) | 1560 (1) | |
| Depreciation – equipment (4400 + 1800) × 10% | <u>620</u> (1) | <u>2900</u> |
| Deficit for the year (1) | | <u>150</u> (1)O/F |

Horizontal format acceptable

[10]

| | | | |
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(c) (i) Either

Opening balance or closing balance **(1)**

Opening/closing bank balance is neither income nor expenditure for the year as it represents the amount of money in the bank on that particular date. **(1)**

Or

Transfer to bank deposit account **(1)**

Transferring money from one bank account to another is neither income nor expenditure. **(1)**

Or

Purchase of equipment **(1)**

This is not regarded as revenue expenditure as it is the purchase of a fixed asset. **(1)**

[2]

(ii) Either

Subscriptions prepaid on 1 April 2008 **(1)**

This item represents an amount received during the previous financial year which relates to the current financial year. Application of matching principle. **(1)**

Or

Subscriptions owed by member 31 March 2009 **(1)**

This item represents an amount relating to the current financial year which has not yet been received. Application of matching principle. **(1)**

Or

Rent accrued **(1)**

This item represents an amount relating to the current financial year which has not yet been received. Application of matching principle. **(1)**

Or

Depreciation of equipment **(1)**

This is a non-monetary expense but must be taken into account in calculating the surplus/deficit. Application of matching principle. **(1)**

Or

Deficit for the year **(1)**

This is the difference between the income and expenditure and is the "loss" for the year and does not represent money paid/received. **(1)**

Alternatively accept surplus with a suitable comment if a surplus is shown in the answer to (b).

[2]

[Total: 21]

| | | | |
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- 5 (a) Selling goods at lower prices
 Allowing higher rates of trade discount for bulk buying
 Not passing on increased costs to customers
 Buying more expensive goods
- Or other suitable point**
- Any 2 reasons (1) mark each** [2]
- (b) Reduce expenses e.g. reduce staffing levels, reduce advertising etc.
 Increase gross profit e.g. increase profit margin, increase selling prices etc.
 Increase other income e.g. rent out part of premises, earn more discount etc.
- Or other suitable point**
- Any 1 reason (1) mark** [1]
- (c) (i) $25\% - 10\% = 15\%$ (1)
- (ii) $21\% - 9\% = 12\%$ (1) [2]
- (d) Percentage of expenses to sales has reduced so the efficiency of the business in controlling expenses has increased.
- Or suitable answer based on O/F answers to (c)** [2]
- (e) Payment period for creditors
 $\frac{44\,500}{320\,000} \times \frac{365}{1}$ (1) = 50.76 days = 51 days (1)
- Collection period for debtors
 $\frac{38\,500}{400\,000} \times \frac{365}{1}$ (1) = 35.13 days = 36 days (1) [4]
- (f) In both years the debtors are paying Kalpna Khan earlier than she is paying the creditors (though the gap is smaller in the second year). (1)
 She is able to make use of the money within the business for this period. (1)
- Or other suitable comments up to (2) marks** [2]

| | | | |
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- (g) Offer cash discount for prompt payment
 Charge interest on overdue accounts
 Improve credit control
 Refuse further supplies on credit until outstanding balance paid
 Invoice discount and debt factoring

Or other relevant points

Any 2 points (1) each

[2]

- (h) (i) Non-monetary factors
 One example – goodwill, quality of management, or other suitable example (1)
 Such items will not appear on the accounting statements but can influence the profitability and prospects of a business. (1)

- (ii) Accounting policies
 One example – methods of depreciation, methods of stock valuation, or other suitable example (1)
 These will affect calculation of the profit and the profitability ratios and the value of the assets. (1)

[4]

[Total: 19]