

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

**0452 ACCOUNTING**

**0452/23**

Paper 2, 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.

CIE is publishing the mark schemes for the October/November 2010 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2010	0452	23

1 (a)

Silston Ltd  
Balance Sheet at 31 October 2010

	\$	\$	\$
Non-current (fixed) assets at cost			174 000
Less Depreciation to date			<u>26 100</u>
			147 900 (1)
<b>Current Assets</b>			
Inventory (stock)		13 350	} (1)
Cash		210	}
Trade receivables (debtors)	11 200		
Less Provision for doubtful debts	<u>224</u>	<u>10 976</u>	(1)
		24 536	
<b>Current Liabilities</b>			
Trade payables (creditors)	6 500	} (1)	
Bank overdraft	2 736	}	
Other payables – proposed dividends (1600 (1) + 3600 (1))	<u>5 200</u>	<u>14 436</u>	
<b>Net current assets (working capital)</b>			<u>10 100</u> (1)
			158 000
3% Debentures of \$100 each			<u>20 000</u> (1)
			<u>138 000</u>
<b>Capital and Reserves</b>			
4% Preference shares of \$1 each			40 000 (1)
Ordinary shares of \$1 each			80 000 (1)
General reserve (4000 (1) + 3000 (1))			7 000
Profit and loss account (retained profits)			<u>11 000</u> (1)
			<u>138 000</u>

*Horizontal format acceptable*

[13]

<p><b>(b)</b> Preference shares</p> <p>Receive a fixed rate of dividend</p> <p>Do not usually carry voting rights</p> <p>Dividend is paid before ordinary share dividend</p> <p>Capital is returned before ordinary share capital in a winding up</p>	<p>Ordinary shares</p> <p>Dividends may vary</p> <p>Usually carry voting rights</p> <p>Dividend is paid after preference share dividend</p> <p>Are the last to be repaid in a winding up</p>
---	--

*Any 2 differences (2) each*

[4]

- (c)** Debentures are long-term loans  
 Debentures holders are not members of the company  
 Debentures receive a fixed rate of interest  
 Debenture holders are repaid before shareholders in a winding-up

*Any 2 features (2) each*

[4]

**[Total: 21]**

<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>23</b>

- 2 (a)** Bank 2 January 2010  
Explanation Lynda Chomba has invested additional capital and the money has been paid into the business bank account **(2)**  
Double entry debit bank column in cash book **(1)**
- Purchases 30 September 2010  
Explanation Lynda Chomba has taken goods from the business for her own use **(2)**  
Double entry credit purchases account **(1)**
- Loss for the year  
(net loss) The expenses of the business exceeded the gross profit so the business has made a loss **(2)**  
Double entry credit income statement (profit and loss account) **(1)** [9]
- (b)** The balance represents the amount of Lynda Chomba's capital at the end of the financial year/at the start of the new financial year. **(1)**  
This is the amount the business owes Lynda Chomba at that date. **(1)** [2]
- (c) (i)** The business entity principle makes a distinction between the financial transactions of a business and those of its owner(s). **(2)**  
**Or**  
The business is treated as being completely separate from the owner(s) of the business. **(2)** [2]
- (ii) Either**  
The owner's capital is shown as a credit balance representing an amount owed by the business  
**Or**  
The goods withdrawn for personal use are debited to the account reducing the amount the business owes the owner  
**Or**  
The loss for the year is debited to the account reducing the amount the business owes the owner  
*Any 1 example (1)* [1]
- (d)** Duality [1]
- (e)** Money measurement [1]
- (f)** Work can be shared amongst several people  
Easier for reference as the same type of accounts are kept together  
Easier to introduce checking procedures  
*Or other suitable point*  
*Any 2 points (1) each* [2]

<b>Page 4</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>23</b>

- (g) (i) Purchases returns journal (1)
- (ii) Journal (1)
- (iii) Cash book (1) [3]

(h)  $\frac{9\,260}{48\,500} (1) \times \frac{365}{1} (1) = 69.69 \text{ days} = 70 \text{ days} (1)$  [3]

- (i) The business may not have enough liquid funds with which to pay the creditors until money is received from the debtors.
- Or**  
If the debtors pay within the set time the business may be able to pay its creditors within the set time without any significant impact on the bank balance.
- Or**  
If the debtors fail to pay within the set time it may be necessary to obtain short-term funds in order to pay the creditors.

*Or other suitable point*

*Any 1 point (2)* [2]

**[Total: 26]**

**3 (a)** Mokolodi Athletics Club  
Shop Income Statement (Trading Account) for the year ended 31 July 2010

	\$	\$
Revenue (Sales)		
7500 (1)		
Less		
Cost of sales		
Purchases (2950 (1) + 550 (1))	3 500	
Less Closing inventory (stock)	<u>650 (1)</u>	
	2 850	
Shop assistant's wages (1470 (1) + 90 (1))	1 560	
Shop rent (20% x 5200)	<u>1 040 (1)</u>	<u>5 450</u>
Profit for the year		<u>2 050 (1) O/F</u>

*Horizontal format acceptable* [8]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2010	0452	23

- (b) Mokolodi Athletics Club  
Income and Expenditure Account for the year ended 31 July 2010

	\$	\$
Income		
Subscriptions (7950 (1) + 750 (1) – 200 (1))		8 500
Profit for the year on shop		2 050 (1)O/F
Open day – ticket sales	840 (1)	
Less expenses	<u>690 (1)</u>	<u>150</u>
		10 700
Expenditure		
Rent (80% x 5200)	4 160 (1)	
Insurance	1 700 (1)	
General expenses (1990 (1) – 140 (1))	1 850	
Repairs and maintenance	1 070 (1)	
Groundsman's wages	2 500 (1)	
Depreciation of sports equipment (6100 – 5400)	<u>700 (1)</u>	<u>11 980</u>
Deficit for the year		<u>1 280 (1)O/F</u>

*Horizontal format acceptable* [14]

- (c) 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

*Any 1 acceptable explanation (2)* [2]

**[Total: 24]**

- 4 (a) Depreciation is an estimate of the loss in value of a non-current (fixed) asset over its expected working life.

*Or other acceptable definition* [1]

- (b) Physical deterioration  
Economic reasons  
Passage of time  
Depletion

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

<b>Page 6</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>23</b>

(c) (i) Prudence  
**Or**  
 Accruals (Matching) [1]

(ii) Prudence – To ensure that the profit is not overstated **(1)** and that the value of the non-current (fixed) assets is not overstated. **(1)**

**Or**  
 Accruals (Matching) – To ensure that the loss in value of non-current (fixed) assets is spread over the period in which they are earning revenue. **(2)** [2]

(d)

		Ameena Saber Equipment account			
		\$		\$	
2008			2009		
Sept 1	Bashir Supplies	<u>12 200</u>	Aug 31	Balance c/d	<u>12 200</u>
		<u>12 200</u>			<u>12 200</u>
2009			2010		
Sept 1	Balance b/d	12 200	Aug 31	Balance c/d	21 500
2010					
May 1	Bank	<u>9 300</u>			
		<u>21 500</u>			<u>21 500</u>
2010					
Sept 1	Balance b/d	21 500			

[3]

		Provision for depreciation of equipment account			
		\$		\$	
2009			2009		
Aug 31	Balance c/d	1 830	Aug 31	Income statement (Profit & loss)	<u>1 830</u> <b>(1)</b>
		<u>1 830</u>			<u>1 830</u>
2010			2009		
Aug 31	Balance c/d	4 125	Sept 1	Balance b/d	1 830 <b>(1)O/F</b>
			2010		
			Aug 31	Income statement (Profit & loss)	
				1 830 <b>(1)</b>	
				<u>465</u> <b>(1)</b>	<u>2 295</u>
		<u>4 125</u>			<u>4 125</u>
			2010		
			Sept 1	Balance b/d	4 125 <b>(1)O/F</b> [5]

<b>Page 7</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>23</b>

**Alternative presentation**

Ameena Saber  
Equipment account

	Debit \$		Credit \$		Balance \$
2008					
Sept 1 Bashir Supplies	12 200	(1)			12 200 Dr
2010					
May 1 Bank	9 300	(1)			21 500 Dr (1) [3]

Provision for depreciation of equipment account

	Debit \$		Credit \$		Balance \$
2009					
Aug 31 Income statement (Profit and loss)			1 830	(1)	1 830 Cr
2010					(1)O/F
Aug 31 Income statement (Profit and loss) 1 830 (1)					
<u>465</u> (1)			2 295		4 125 Cr
					(1)O/F [5]

(e)

Ameena Saber  
Journal

	Debit \$		Credit \$	
Disposal of equipment	3 050	(1)		
Equipment			3 050	(1)
Transfer of cost of equipment sold to disposal account				(1)
Provision for depreciation of equipment	915	(1)		
Disposal of equipment			915	(1)
Transfer of depreciation on equipment sold to disposal account				(1)
Bank	900	(1)		
Disposal of equipment			900	(1)
Cheque received on sale of equipment				(1)

[9]

[Total: 23]

<b>Page 8</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>23</b>

5 (a) (i) Sales = cost of sales + gross profit =  
 $340\,000 + 85\,000 = 425\,000$  (1)

Gross profit as % of sales =  $\frac{85\,000}{425\,000} \times \frac{100}{1}$  (1) = 20.00% (1) O/F

[3]

(ii) Profit for the year (net profit) = gross profit – expenses =  
 $85\,000 - 49\,000 = 36\,000$  (1)

Profit for the year (net profit) as % of sales =  
 $\frac{36\,000}{425\,000} \times \frac{100}{1}$  (1) = 8.47% (1) O/F

[3]

(iii) Return on capital employed (ROCE)  
 $\frac{36\,000}{330\,000} \times \frac{100}{1}$  (1) = 10.91% (1) O/F

[2]

- (b) (i) Percentage of gross profit to sales  
This measures the success in selling goods  
The ratio shows the gross profit earned per \$100 of sales  
The ratio can be compared with previous years  
The ratio can be compared against other businesses  
Mark Ukata has spent 80% (O/F) of the sales income on the cost of goods

*Or other relevant explanation*

*Any 3 points (1) each*

[3]

- (ii) Percentage of profit for the year (net profit) to sales  
This measures the overall success of the business  
The ratio shows the net profit earned per \$100 of sales  
The ratio can be compared with previous years  
The ratio can be compared against other businesses  
The ratio indicates how well the business controls its expenses  
Mark Ukata has spent 11.53% (O/F) of the sales income on expenses

*Or other relevant explanation*

*Any 3 points (1) each*

[3]

- (iii) Return on capital employed (ROCE)  
The ratio shows the profit earned per \$100 employed in the business  
The ratio can be compared with previous years  
The ratio can be compared against other businesses  
The ratio measures the profitability of the investment in the business  
The ratio shows how efficiently the capital is being employed

*Or other relevant explanation*

*Any 3 points (1) each*

[3]



<b>Page 9</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2010</b>	<b>0452</b>	<b>23</b>

- (c) Cost is the actual purchase price plus any additional costs incurred in bringing the inventory (stock) to its present condition and position. **(1)**

Net realisable value is the estimated receipts from the sale of the inventory (stock), less any costs of completing or selling the goods. **(1)** [2]

- (d) Inventory (stock) should always be valued at the lowest of cost and net realisable value. **(1)**  
This is an application of the principle of prudence. **(1)**  
Over-valuing inventory (stock) causes both the profit for the year and the current assets to be incorrect. **(1)**

*Or other relevant explanation*

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

- (e)

	Overstated	Understated
Cost of sales	✓ <b>(1)</b>	
Gross profit		✓ <b>(1)</b>
Profit for the year (Net profit)		✓ <b>(1)</b>

[3]

- (f) Reduce (inventory) stock levels  
Generate more sales activity  
Only replace inventory (stock) when needed

*Or other suitable point*

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

**[Total: 26]**