

MARK SCHEME for the May/June 2010 question paper
for the guidance of teachers

0452 ACCOUNTING

0452/22

Paper 22, maximum raw mark 120

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- 1 (a) 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. (2)

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) [4]

(b) Cash Book (bank columns only)

| | | | | | | |
|-------|----------------------|-----------------|-------|--------------|-------------|-----|
| 2010 | | \$ | 2010 | | \$ | |
| May 1 | Dividend | 262 (1) | May 1 | Balance b/d | 1668 (1) | |
| | Error correction (1) | 100 (1) | | Bank charges | 38 (1) | |
| | Balance c/d | <u>1344 (1)</u> | | | <u>1706</u> | |
| | | <u>1706</u> | May 1 | Balance b/d | 1344 (1)OF | [7] |

(c) Bank Reconciliation Statement at 1 May 2010

| | | | |
|--|---------------|---------------------|-----|
| | \$ | \$ | |
| Balance shown on bank statement | | (1600) (1) | |
| Add amounts not yet credited – cash sales (1) | | <u>650 (1)</u> | |
| | | (950) | |
| Less cheques not yet presented – Peter Smith (1) | 344 (1) | | |
| bank error (1) | <u>50 (1)</u> | <u>394</u> | |
| Balance shown in cash book | | <u>(1344) (1)OF</u> | [8] |

(c) Alternative presentation

Bank Reconciliation Statement at 1 May 2010

| | | | |
|--|---------------|---------------------|-----|
| | \$ | \$ | |
| Balance shown in cash book | | <u>(1344) (1)OF</u> | |
| Less cheques not yet presented – Peter Smith (1) | 344 (1) | | |
| bank error (1) | <u>50 (1)</u> | <u>394</u> | |
| | | (950) | |
| Add amounts not yet credited – cash sales (1) | | <u>650 (1)</u> | |
| Balance shown on bank statement | | (1600) (1) | [8] |

(d) Answer to be based on OF balance in (b)

\$1344 (1) OF
Liability (1) OF [2]

[Total: 21]

| | | | |
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2 (a) The liability of the members (shareholders) of a company for the debts of the company is limited to the amount they agree to pay the company for their shares. [2]

(b) Preference shares receive a fixed rate of dividend: debentures receive a fixed rate of interest.
 Preference shareholders are members of the company: debenture holders are not members of the company.
 Preference shares are part of the capital of the company: debentures are long term loans.
 Preference shareholders are repaid after the debenture holders in the event of the company being wound up.

Any 2 points (2) each [4]

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

(ii) Called-up capital is the total amount of capital a company has requested from its shareholders. (2)

(iii) Paid-up capital is that part of the called up capital for which a company has actually received the money from its shareholders. (2) [6]

(d) DEC Ltd
 Profit and Loss Appropriation Account for the year ended 31 March 2010

| | | |
|---|-------------------|--------------------|
| | \$ | \$ |
| Profit for the year (net profit) | | 22 000 (1) |
| Less Transfer to general reserve | 3 000 (1) | |
| Dividends paid – Preference | 1 400 (2) | |
| Dividends proposed – Preference | 2 800 (2) | |
| Ordinary | <u>12 000 (2)</u> | <u>19 200</u> |
| Retained profit for the year | | 2 800 (1) |
| Retained profit brought forward (profit & loss balance) | | <u>4 300 (1)</u> |
| Retained profit carried forward | | <u>7 100 (1)OF</u> |

[11]

[Total: 23]

| | | | |
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3 (a) A narrative explains the reasons for the entries which are to be made in the ledger. [2]

(b) Journal

| | Debit \$ | Credit \$ |
|---|-------------|--------------|
| Zaffar Khan | 170 (1) | |
| Zubin Khan | | 170 (1) |
| Correction of error Zaffar Khan incorrectly credited (1) | | |
| Equipment | 1000 (1) | |
| Office expenses | | 1000 (1) |
| Correction of error equipment debited to office expenses (1) | | |
| Stationery | 19 (1) | |
| Purchases | | 19 (1) |
| Correction of error stationery debited to purchases account (1) | | |
| Sales returns | 25 (1) | |
| Mariam Sitar | | 25 (1) |
| Correction of error no entry made for sales returns (1) | | |

[12]

(c) Error 2 Effect – Increase (1)
Reason – Expenses are being reduced so the profit increases. (2)

Error 3 Effect – No effect (1)
Reason – The cost of sales is being reduced, but the expenses are being increased. The profit does not alter. (2)

Error 4 Effect – Decrease (1)
Reason – The sales are being decreased so the profit will also decrease. (2) [9]

[Total: 23]

| | | | |
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- 4 (a) Balance 1 April 2009
Explanation – This is the amount of rates (property tax) prepaid during the previous financial year which related to the current financial year. **(2)**
Double entry – credit rates (property tax) account for year ended 31 March 2009. **(1)**
- Bank 1 July 2010
Explanation – This is the total amount of rates (property tax) paid by cheque. **(2)**
Double entry – credit bank column in cash book. **(1)**
- Income statement (profit and loss) 31 March 2010
Explanation – This is the rates (property tax) relating to the current financial year transferred to the income statement (profit and loss). **(2)**
Double entry – debit income statement (profit and loss). **(1)**
- [9]
- (b) The balance represents the amount of rates (property tax) still outstanding for the financial year ended 31 March 2010. [2]
- (c) (i) The accruals (matching) principle requires the revenue of the accounting period to be matched against the costs of the same period. **(2)**
- (ii) The total rates relating to the financial year ended 31 March 2010 were transferred to the income statement. **(2)** [4]
- (d) Business entity [1]
- (e) Realisation [1]
- [Total: 17]**

| | | | |
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- 5 (a) Accountant – service business (1)
 Baker – trading business (1)
 Travel agent – service business (1) [3]

(b) Calculation of fees

| | | |
|----------------------------------|---------------|-----|
| | \$ | |
| Cheques received during the year | 21 250 | (1) |
| Add amounts owing 30 April 2010 | <u>1 820</u> | (1) |
| | 23 070 | |
| Less amounts owing 1 May 2009 | <u>1 770</u> | (1) |
| Fees for the year | <u>21 300</u> | (1) |

Calculation in ledger account format acceptable [4]

- (c) Martha Musa
 Income Statement (Profit and Loss Account) for the year ended 30 April 2010

| | | | |
|--|--------------|---------------|-------|
| | \$ | \$ | |
| Fees | | 21 300 | (1)OF |
| Rent received (2750 – 150) | | <u>2 600</u> | (2) |
| | | 23 900 | |
| Rates (property tax) and insurance | 1 660 | | (1) |
| General expenses (7710 + 230) | 7 940 | | (2) |
| Loss on disposal (6000 – 4000 – 1800) | 200 | | (2) |
| Depreciation – office equipment (25% × 8000 × 6 months) | <u>1 000</u> | <u>10 800</u> | |
| Profit for the year (net profit) | | <u>13 100</u> | (1)OF |

Horizontal format acceptable [11]

[Total: 18]

| | | | |
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6 (a) (i) $\frac{(54\,000 - 38\,000)}{54\,000} \times \frac{100}{1} = 29.63\%$ (2)

(ii) $\frac{(16\,000 - 9\,000)}{54\,000} \times \frac{100}{1} = 12.96\%$ (2)

[6]

(b) All comments and reasons to be based on OFs from (a)

Gross profit percentage has fallen from 35.50% to 29.63%.
Is earning \$29.63 per \$100 sales compared to \$35.50 previously.
The business is less profitable in respect of gross profit.

Or other suitable comment

Any 1 comment (2)

Reduction in selling prices.
Increase in cost of supplies.
Change in proportions of different goods.
Not passing on increased costs to customers.

Or other acceptable reason

Any 1 reason (2)

Net profit percentage has increased from 10.45% to 12.96%.
Is earning \$12.96 per \$100 sales compared to \$10.45 previously.
The business is more profitable.

Or other suitable comment

Any 1 comment (2)

Increased control of expenses.
Change in types of expenses.

Or other acceptable reason

Any 1 reason (2)

[8]

- (c) Cannot meet liabilities when they are due.**
May experience difficulties in obtaining further supplies on credit.
Cannot take advantage of cash discounts.
Cannot take advantage of business opportunities as they arise.

Any 2 points (2) each

[4]

[Total: 18]