

Mark Scheme (Results)

November 2010

IGCSE

IGCSE ACCOUNTING(4305) Paper 01

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Section A

Question Number	Answer	Mark
1(a)	C	(1)

Question Number	Answer	Mark
1(b)	A	(1)

Question Number	Answer	Mark
1(c)	C	(1)

Question Number	Answer	Mark
1(d)	D	(1)

Question Number	Answer	Mark
1(e)	D	(1)

Question Number	Answer	Mark
1(f)	B	(1)

Question Number	Answer	Mark
1(g)	D	(1)

Question Number	Answer	Mark
1(h)	A	(1)

Question Number	Answer	Mark
1(i)	C	(1)

Question Number	Answer	Mark
1(j)	D	(1)

(Total 10 marks)

Question Number	Answer	Mark																																										
2(a)	A Alda	(6) 12 x *																																										
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Narration</th> <th>£</th> <th>Date</th> <th>Narration</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Sept 3</td> <td>Returns outwards (book)*</td> <td>77*</td> <td>Sept 1</td> <td>Balance b/f*</td> <td>1 500*</td> </tr> <tr> <td>Sept 3</td> <td>Cash book*</td> <td>900*</td> <td>Sept 1</td> <td>Purchases (book)*</td> <td>473*</td> </tr> <tr> <td>Sept28</td> <td>Purchase ledger set off*</td> <td>600*</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sept30</td> <td>Balance c/d</td> <td>396*</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>1 973</u></td> <td></td> <td></td> <td><u>1 973</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Oct 1</td> <td>Balance b/d</td> <td>396* C</td> </tr> </tbody> </table>		Date	Narration	£	Date	Narration	£	Sept 3	Returns outwards (book)*	77*	Sept 1	Balance b/f*	1 500*	Sept 3	Cash book*	900*	Sept 1	Purchases (book)*	473*	Sept28	Purchase ledger set off*	600*				Sept30	Balance c/d	396*						<u>1 973</u>			<u>1 973</u>				Oct 1	Balance b/d	396* C
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Sept 30	Balance c/d	2023*	Sept 1	Balance b/f	1733*
			Sept 30	Purchases returns book	290*
		<u>2023</u>			<u>2023</u>
			Oct 1	Balance b/d	2023*C

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2(e)	The closing balance of £89 represents the amount owing** by the business** to HM Revenue and Customs** (Government)	(3)
		6 x *

Question Number	Answer	Mark		
3(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Assets: Motor Vehicle 10 000* creditors 2 400* Stock 4 500* 1 000* Debtors 4 600* 3 400 Rent prepaid 500* Cash at bank 5 600* Total 25 200 </td> <td style="width: 50%; vertical-align: top;"> Liabilities: Trade Wages accrued Total </td> </tr> </table>	Assets: Motor Vehicle 10 000* creditors 2 400* Stock 4 500* 1 000* Debtors 4 600* 3 400 Rent prepaid 500* Cash at bank 5 600* Total 25 200	Liabilities: Trade Wages accrued Total	(4)
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	Capital = 25 200 - 3 400 = £21 800*	8 x *		

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3(b)	<p style="text-align: center;">Priteh Patel Trading and profit and loss account Year ended 30 June 2010</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: center;">£</th> <th style="width: 10%; text-align: center;">£</th> <th style="width: 10%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Sales (93500* - 4600* + 7500*)</td> <td></td> <td></td> <td style="text-align: right;">96 400</td> </tr> <tr> <td>Cost of Sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td></td> <td style="text-align: right;">4 500*</td> <td></td> </tr> <tr> <td>Purchases (36000* - 2400* + 3600* + 2800*)</td> <td></td> <td style="text-align: right;">40 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">44 500</td> <td></td> </tr> <tr> <td>Closing stock</td> <td></td> <td style="text-align: right;">5 940*</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td style="text-align: right;"><u>38 560*</u></td> </tr> <tr> <td>Gross Profit</td> <td></td> <td></td> <td style="text-align: right;">57 840*</td> </tr> <tr> <td>Discount received</td> <td></td> <td></td> <td style="text-align: right;">2 800*</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">60640</td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rent (7500* + 500* - 750*)</td> <td></td> <td style="text-align: right;">7 250</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td></td> <td style="text-align: right;">5 400*</td> <td></td> </tr> <tr> <td>Wages (24000* - 1000* + 2000*)</td> <td></td> <td style="text-align: right;">25 000</td> <td></td> </tr> <tr> <td>General expenses</td> <td></td> <td style="text-align: right;">9 297*</td> <td></td> </tr> <tr> <td>Depreciation -motor vehicle</td> <td></td> <td style="text-align: right;">1 500*</td> <td></td> </tr> <tr> <td>Loan Interest (25000 x 5%* x 6m*)</td> <td></td> <td style="text-align: right;">625</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>49 072</u></td> </tr> <tr> <td>Net Profit</td> <td></td> <td></td> <td style="text-align: right;"><u>11 568*</u></td> </tr> </tbody> </table>		£	£	£	Sales (93500* - 4600* + 7500*)			96 400	Cost of Sales				Opening stock		4 500*		Purchases (36000* - 2400* + 3600* + 2800*)		40 000				44 500		Closing stock		5 940*		Cost of sales			<u>38 560*</u>	Gross Profit			57 840*	Discount received			2 800*				60640	Expenses				Rent (7500* + 500* - 750*)		7 250		Motor expenses		5 400*		Wages (24000* - 1000* + 2000*)		25 000		General expenses		9 297*		Depreciation -motor vehicle		1 500*		Loan Interest (25000 x 5%* x 6m*)		625					<u>49 072</u>	Net Profit			<u>11 568*</u>	(12) 24 x *
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Section B

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4(c)	<p>Award ** for each relevant point made up to maximum of 10*</p> <p>Points should include: Provide and accurate and updated bank balance**, Identification of errors made by the bank** or in the cash book**, assist in the prevention of fraud** identification of bank charges** payments made directly by customers**, payment of standing orders/direct debits**, identify returned cheques**.</p> <p>Award ** for stating that the preparation of a bank reconciliation statement could be time consuming and unnecessary for a small business.</p>	(5) 10 x *

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Question Number	Answer	Mark
6(a)(i)	Gross profit margin Gross Profit*/Sales* x 100	(1) 2 x *

Question Number	Answer	Mark
6(a)(ii)	Liquid (acid test) ratio Current assets- stock*/current liabilities*	(1) 2 x *

Question Number	Answer	Mark
6(a)(iii)	Rate of stock turnover Cost of sales*/average stock* (accept alternative in days)	(1) 2 x *

Question Number	Answer	Mark
6(b)(i)	$£650000^* \times 8\%^* = £52\ 000^{**}$	(2) 4 x *

Question Number	Answer	Mark
6(b)(ii)	$£52\ 000^*/16^* \times 100 = £325\ 000^{**}$	(2) 4 x *

Question Number	Answer	Mark
6(c)	<p>Award up to 4 x **** for reference to profitability; 4 x **** for reference to liquidity; and 2 x ** for appropriate conclusion.</p> <p>Sample answer Over the year the gross profit margin has fallen from 60% to 55%* and the net profit margin has fallen from 15% to 8%*. This indicates that overall the business is less successful during 2010 than in 2009. This may be due to selling goods at a lower price*, an increase in the purchase price* or increasing costs of overheads* (Max 4 ****)</p> <p>In terms of liquidity this too has fallen from 1.5:1 to 0.9:1*. This indicates a decline in the liquidity of the business over the past year to a dangerous level as it is less than 1:1*. This means that the business may be unable to meet its short term debts from its liquid assets**. (Max 4****)</p> <p>Although turnover has increased in the past year Dharma is incorrect* to claim that his business is more successful in 2010 than 2009 as both the profitability and liquidity have in fact worsened*. (Max 2**)</p>	(5) 10 x *

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