

Mark Scheme (Results)

Summer 2010

IGCSE

IGCSE ACCOUNTING (4305) Paper 01

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Publications Code UG024175

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Section A

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

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

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

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

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

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

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

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

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

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

(Total 10 marks)

Question Number	Answer	Mark																																										
2(a)	D Rae Account	(6)																																										
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2(b)	Total Debtors Account	(6)																																										
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Apr 1	Balance b/d	675√C	Apr 30	Balance c/d	1025√O/F
Apr 30	Returns Inwards (Book)*	350√C			
		<u>1 025</u>			<u>1 025</u>
May 1	Balance b/d	1025√O/F			

Question Number	Answer	Mark
2(d)	Customers may pay their accounts more promptly√√ thus reducing the likelihood of bad debts√√ occurring. The business may benefit from an improvement in cash flow √√thus helping the business to pay its creditors on time and/or bank charges/interest etc. √√Max 6 x √	(3) 6 x√

Question Number	Answer	Mark
2(e)	<p>Award up to 4 marks for each relevant benefit to his business √√ for identification and √√ for developing the point.</p> <p>Sample answer</p> <p>Dhopak could find it easier√√to identify the total amount owing from debtors when preparing his balance sheet√ at the year end thus saving time. √</p> <p>Dhopak could use the account as a check on the accuracy of his sales ledger√√ as the sum of the individual balances √ should equal the balance on his total debtors account√.</p> <p>Dhopak could use it as a check against instances of fraudulent activities within his business√√ as the sales ledger accounts and the total debtors account√ are normally kept by two separate persons√</p>	(4) 8 x√

	Closing creditors	<u>5 200</u> ✓	
	Total purchases	<u>47 000</u> ✓O/F	

Question Number	Answer	Mark																																																			
3(d)	<p style="text-align: center;">Dipak Patel Trading and profit and loss account Year ended 31 December 2009</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">122 000✓</td> </tr> <tr> <td>Cost of Sales</td> <td></td> <td></td> </tr> <tr> <td>Opening Stock</td> <td style="text-align: right;">12 500 ✓ (for both)</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">47 000✓</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">59 500</td> <td></td> </tr> <tr> <td>Closing Stock</td> <td style="text-align: right;">16 000</td> <td></td> </tr> <tr> <td>Cost of Goods Sold</td> <td></td> <td style="text-align: right;"><u>43 500</u>✓</td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;">78 500</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;"><u>2 300</u>✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">80 800</td> </tr> <tr> <td>Running Expenses</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">15 000✓</td> <td></td> </tr> <tr> <td>Electricity (1 650 - 350 + 400)</td> <td style="text-align: right;">1 700✓✓✓</td> <td></td> </tr> <tr> <td>Rent & Rates</td> <td style="text-align: right;">4 000✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>20 700</u></td> </tr> <tr> <td>Net Profit</td> <td></td> <td style="text-align: right;"><u>60 100</u></td> </tr> </tbody> </table>		£	£	Sales		122 000✓	Cost of Sales			Opening Stock	12 500 ✓ (for both)		Purchases	47 000✓			59 500		Closing Stock	16 000		Cost of Goods Sold		<u>43 500</u> ✓	Gross Profit		78 500	Discount received		<u>2 300</u> ✓			80 800	Running Expenses			Wages	15 000✓		Electricity (1 650 - 350 + 400)	1 700✓✓✓		Rent & Rates	4 000✓				<u>20 700</u>	Net Profit		<u>60 100</u>	<p style="text-align: center;">(6)</p> <p style="text-align: center;">12 x✓</p>
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3(f)	<p>Advantages of setting up and operating a full set of accounting records √√√√</p> <p>Disadvantages of setting up and operating a full set of accounting records √√√√</p> <p>Evaluative or concluding statement √√</p> <p>Sample answer</p> <p>By setting up and maintaining a full set of accounting records he will be provided with up to date information concerning the amounts owing from customers and owing to suppliers √√ The system will also make it easier for Dipak to check for errors and omissions. √√</p> <p>There is a cost of setting it up and operating it. √√. You may need to employ a specialist bookkeeper which would increase your expenses √√</p> <p>Overall a double-entry system allows for more control if it is well operated. √√</p> <p>Examiners Note</p> <p>The sample answer is provided as an indication of the allocation of marks. Award marks for equally appropriate responses under each category.</p>	<p>(5)</p> <p>10 x√</p>

Section B

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4(a)	<p style="text-align: center;">Korn Manufacturing Manufacturing Account Year ended 30 September 2009</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Opening stock - raw materials</td> <td style="text-align: right;">30 000√</td> <td></td> <td></td> </tr> <tr> <td>Purchases - raw materials</td> <td style="text-align: right;"><u>568</u> <u>100</u>√</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">598 100</td> <td></td> <td></td> </tr> <tr> <td>Closing stock - raw materials</td> <td style="text-align: right;">36 840√</td> <td></td> <td></td> </tr> <tr> <td>Cost of raw materials consumed</td> <td></td> <td style="text-align: right;">561 260</td> <td></td> </tr> <tr> <td>Direct wages</td> <td></td> <td style="text-align: right;"><u>352</u> <u>760</u>√</td> <td></td> </tr> <tr> <td>Prime Cost</td> <td></td> <td></td> <td style="text-align: right;">914 020√</td> </tr> <tr> <td>Indirect wages</td> <td></td> <td style="text-align: right;">75 256√</td> <td></td> </tr> <tr> <td>Indirect expenses</td> <td></td> <td style="text-align: right;">46 570√</td> <td></td> </tr> <tr> <td>Depreciation - plant and machinery</td> <td></td> <td style="text-align: right;">94 440√√</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">216 266</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">1 130 286</td> </tr> <tr> <td>Opening work in progress</td> <td></td> <td></td> <td style="text-align: right;">20 140√</td> </tr> <tr> <td>Closing work in progress</td> <td></td> <td></td> <td style="text-align: right;">(17 900) √</td> </tr> <tr> <td>Production Cost</td> <td></td> <td></td> <td style="text-align: right;">1 132526√</td> </tr> </tbody> </table>		£	£	£	Opening stock - raw materials	30 000√			Purchases - raw materials	<u>568</u> <u>100</u> √				598 100			Closing stock - raw materials	36 840√			Cost of raw materials consumed		561 260		Direct wages		<u>352</u> <u>760</u> √		Prime Cost			914 020√	Indirect wages		75 256√		Indirect expenses		46 570√		Depreciation - plant and machinery		94 440√√					216 266				1 130 286	Opening work in progress			20 140√	Closing work in progress			(17 900) √	Production Cost			1 132526√	<p>(6)</p> <p>12 x √</p>
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Question Number	Answer	Mark
5(a)	Formula: GP/Turnover x100√√ Year ended 31 March 2009: 400/1600 = 25%√ Year ended 31 March 2010: 600/2400 = 25%√	(2) 4 x √

Question Number	Answer	Mark
5(b)	Formula: NP/Turnover x100√√ Year ended 31 March 2009: 192/1600 = 12%√ Year ended 31 March 2010: 240/2400 = 10%√	(2) 4 x √

Question Number	Answer	Mark
5(c)	3 x √ for an evaluation of each ratio as follows (√ for figure(s) √ for comment and √ for development) 4 x √ for comment on managing director's statement Sample answer The gross profit margin for 2008 and 2009 is unchanged at 25%.√ This indicates that the increase in turnover √ has not been caused by any changes in pricing policy √. The net profit margin has decreased from 12% in 2008 to 10%√ in 2009. This indicates that the business is running less efficiently √ as turnover is now generating proportionately less net profit √. The managing director is correct in stating that an increase in turnover and profit √are an indication of a successful year√. However the overall profitability of the business has in fact decreased √by 2% indicating that the managing director is incorrect √ in his statement	(5) 10 x √

Question Number	Answer	Mark
5(d)	Formula: Current Assets/Current Liabilities√√ At 31 March 2009 240/100 = 2.4:1√ At 31 March 2010 228/152 = 1.5:1√	(2) 4 x √

Question Number	Answer	Mark
5(e)	2 x √ for stating the change over the two years; Up to a further 4 x√ for the implications of this for a business Up to 4 x √ for stating the ideal working capital ratio and what it means Sample Answer The working capital ratio has fallen from a ratio which was slightly too high √to a ratio which is considerably lower √ than the ideal. When too high the implication is that funds are being	(5) 10 x √

	inefficiently used√√; when too low the implication is that the company will experience difficulty paying its debts√√. The ideal working capital ratio is often stated as 2: √√1. This means that the business is able to cover its current liabilities two times over from its current assets. √√	
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