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Mark Scheme November 2008

IGCSE

IGCSE Accounting (4305)

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4305/01

Question Number	Answer	Mark
1(a)	D	**(1)**

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

Question Number	Answer	Mark
1(c)	B	**(1)**

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

Question Number	Answer	Mark
1(e)	A	**(1)**

Question Number	Answer	Mark
1(f)	A	**(1)**

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

Question Number	Answer	Mark
1(h)	D	**(1)**

Question Number	Answer	Mark
1(i)	D	**(1)**

Question Number	Answer	Mark
1(j)	A	**(1)**

Question Number	Answer	Mark
2(a)	**C Lyon Account** **Date** / **Narration** / **£** / **Date** / **Narration** / **£** Apr 1 / Balance b/f / 1200✓✓ / Apr 3 / Returns / 132✓✓ Apr 1 / Sales / 825✓ / Apr 5 / Bank / 1200✓✓ Apr 28 / Sales / 660✓ / Apr 21 / PL set off / 650✓✓ / / / Apr 30 / Balance c/d / 703✓ (c) / / 2685 / / / 2685 May 1 / Balance b/d / 703✓ **12 x ✓ = 6 marks**	**(6)**

Question Number	Answer	Mark
2(b)	**Total Debtors Account** **Date** / **Narration** / **£** / **Date** / **Narration** / **£** Apr 1 / Balance b/f / 7900✓✓ / Apr 30 / Returns / 187✓✓ Apr 30 / Sales / 5885✓✓ / Apr 30 / Bank / 7900✓✓ / / / Apr 21 / PL set off / 650✓✓ / / / Apr 30 / Balance c/d / 5048✓(c) / / **13785** / / / 13785 May 1 / Balance b/d / 5048✓ **12 x ✓= 6 marks**	**(6)**

Question Number	Answer	Mark
2(c)(i)-(ii)	(i) The balance of the control can be checked against the sum of the individual balances✓✓ in the sales ledger and discrepancies or errors✓✓ identified (ii) The balance of the control account can assist in the preparation of the balance sheet✓✓at the year end by providing a total for debtors✓✓ **Any other acceptable explanation****** **8 x ✓✓ = 4 marks**	**(4)**

Question Number	Answer	Mark
2(d)	**The Journal** **Date** / **Narration** / **Debit** / **Credit** Apr 30 / Bad Debt / 550✓✓ / Apr 30 / D Black (Total Debtors Control Account) / / 550✓✓ / Being the writing off of a bad debt✓✓ / / **6 x ✓ = 3 marks**	**(3)**

Question Number	Answer	Mark
2(e)(i)	**Trade Discount** Trade discount is prearranged to businesses in the same trade✓ but not available to the general public✓. Also given for bulk buying✓ and to encourage customer loyalty. ✓ **4 x ✓= 2 marks**	**(2)**

Question Number	Answer	Mark
2(e)(ii)	**Cash Discount** Cash discount is offered by businesses to encourage prompt payment✓✓ by credit customers. This will help the business's cash flow✓and can result in fewer bad debts. ✓ **4 x ✓= 2 mark**	**(2)**

Question Number	Answer	Mark
2(e)(iii)	Where cash discount is offered by a business the VAT on the invoice must be shown at the discounted amount✓ ✓ therefore the VAT amount will be lower. ✓✓ **4 x ✓ = 2 mark**	**(2)**

Question Number	Answer	Mark
3(a)		

Luke – Current Account

	Narration	£	Date	Narration	£
Sept 30	Drawings	35000✓	Oct 1	Balance b/f	2340✓
Sept 30	Interest on Drawings	500✓	Sept 30	Interest on Capital	12000✓
Sept 30	Balance c/d	8465✓(c)	Sept 30	Salary	5000✓✓
			Sept 30	Share of Profits	24625✓
		43965			43965
			Oct 1	Balance b/d	8465✓

Simon – Current Account

	Narration	£	Date	Narration	£
Oct 1	Balance b/f	650✓	Sept 30	Interest on Capital	10000✓
Sept 30	Interest on Drawings	750✓	Sept 30	Share of Profits	24625✓
Sept 30	Drawings	40000✓	Sept 30	Balance c/d	6775✓(c)
		41400			41400
Oct 1	Balance b/f	6775✓			

16 x ✓ = 8 marks **(8)**

Question Number	Answer	Mark
3(b)	**Luke & Simon**√ **Balance Sheet**√ **As at 30 September 2008**√	**(12)**

	£	£	£
Fixed Assets	**Cost**	**Total Dep**	**NBV**
Premises	200000	-	200000√
Fixtures and fittings	25000√	12500√	12500√
	225000	12500	212500√
Current Assets			
Debtors (6500 – 195)	6305√√		
Prepaid insurance	260√		
Cash at bank	7025√		
		13590√	
Current Liabilities			
Creditors	4200√		
Light and heat owing	200√		
		4400√	
Working capital*			9190√
			221690√
Financed by	Luke	Simon	
Capital accounts	120000√	100000√	220000
Current accounts	8465√	(6775) √	1690
			221690√

24 x √ = 12 marks

Question Number	Answer	Mark
3(c)	**Sample answer** A partnership may charge interest on drawings to penalise partners on the basis of the amount✓✓ and timing✓✓ of drawings from the business. Additionally by charging interest you effectively discourage✓ partners from taking money out of the business in anticipation of future profits. ✓ This in turn can help the businesses cash flow and liquidity✓✓ and ensure that they do not incur additional interest charges✓✓ which may be incurred if they were to overdraw their bank account. Up to 6 x ✓ for reasons involving the discouragement of taking cash out of the business. Up to 4 x ✓ for developmental points involving how this helps the businesses financial situation and cash flow issues. **(10 x ✓ = 5 marks)**	**(5)**

Question Number	Answer	Mark
4(a)	**Sevenoaks College Drama Society** **Trading Account** **Year Ended 31 December 2007** **(6 x ✓ = 3 marks)**	**(3)**

	£	£
Sales		1200✓
Cost of Sales		
Opening stock	100✓	
Purchases	845✓	
	945	
Closing stock	165✓	
Cost of Goods Sold		780✓
Gross Profit		420✓

Question Number	Answer	Mark
4(b)	**Sevenoaks College Drama Society** **Income and Expenditure Account** **Year Ended 31 December 2007** **(12 x ✓ = 6 marks)**	**(6)**

Income	£	£
Subscriptions	1600✓	
Profit on refreshments	420✓	
Ticket sales	4000✓	
		6020
Expenditure		
Hire of costumes (1500 – 650)	850✓✓	
Rent of theatre	750✓	
Administrative expenses	440✓	
Depreciation of scenery	2000✓✓	
		4040
Surplus of income over expenditure✓		1980✓✓

Question Number	Answer	Mark
4(c)	**Sevenoaks College Drama Society** **Balance Sheet** **As at 31 December 2007**	**(7)**

	£	£	£
Fixed Assets			
Scenery (at valuation)			12500✓✓
Current Assets			
Stock		165✓	
Current Liabilities			
Subscriptions in advance	90✓✓		
Bank	595✓✓		
		685	
			(520) ✓
			11980✓
Represented by			
Accumulated fund✓		10000✓	
Surplus of income over expenditure✓		1980✓	
			11980✓

(14 x ✓ = 7 marks)

Question Number	Answer	Mark
5(a)(i)	£560000	**(1)**

Question Number	Answer	Mark
5(a)(ii)	£1280000	**(1)**

Question Number	Answer	Mark
5(a)(iii)	£740000	**(1)**

Question Number	Answer	Mark
5(a)(iv)	£80000	**(1)**

Question Number	Answer	Mark
5(b)(i)	2000✓ + 50%✓ = £3000✓✓ **(4 x ✓ = 2 mark)**	**(2)**

Question Number	Answer	Mark
5(b)(ii)	750✓ x £1000✓ = £750000✓✓ **(4 x ✓ = 2 mark)**	**(2)**

Question Number	Answer	Mark
5(b)(iii)	250✓ x £2000✓ = £500000✓✓ **(4 x ✓ = 2 mark)**	**(2)**

Question Number	Answer	Mark
6(a)	Formula: **Net Profit✓ ÷ Sales✓ x 100** Net Profit Margin for year ended 30 June 2007 **142✓ ÷ 480✓ x 100 = 29.58%** Net Profit Margin for year ended 30 June 2008 **211✓ ÷ 720✓ x 100 = 29.31%** **(6 x ✓ = 3marks)**	**(3)**

Question Number	Answer	Mark
6(b)	Formula: **Gross Profit✓ ÷ Cost of Sales✓ x 100** Mark up for year ended 30 June 2007 **240✓ ÷ 240✓ x 100 = 100%** Mark up for year ended 30 June 2008 **324✓ ÷ 396✓ x 100 = 81.82%** **(6 x ✓ = 3marks)**	**(3)**

Question Number	Answer	Mark
6(c)	Formula: **Cost of Goods Sold✓ ÷ Average Stock✓** Rate of Stock Turnover for year ended 30 June 2007 **240✓ ÷ 36✓ = 6.67 times** Rate of Stock Turnover for year ended 30 June 2008 **396✓ ÷ 44✓ = 9 times** **(6 x ✓ = 3marks)**	**(3)**

Question Number	Answer	Mark
6(d)	**Sample answer** Over the past two years the net profit margin has stayed the same at around 29%.✓ This indicates that although the business has been able to increase its turnover it has not been able to take full advantage of economies of scale as Ben believes. ✓ However although his fixed costs have not changed there has been a slight reduction in his variable costs as a percentage of turnover✓ which would indicate that Ben is making some cost savings as a result of expansion. The mark up has decreased✓ from 100% to 81.82%✓ indicating that Ben has indeed reduced his price. ✓ The rate of stock turnover has increased✓ from 6.67 times to 9 times✓ indicating that stock is being turned over quicker as Ben believes. ✓ Overall although the profitability of the business has remained steady over the two years the business is selling a greater volume of stock quicker. ✓ All above marks are OF, if comments are consistent with answers to (a) (b) and (c). **Award** 3 x ✓✓✓ for an evaluation of each point, as follows (✓ for comment ✓ for figure and ✓ for development point) 1 x ✓ for a relevant conclusion **(10 x ✓ = 5 marks)**	**(5)**

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