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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.
1  Key
   (a) C [1]
   (b) D [1]
   (c) B [1]
   (d) D [1]
   (e) B [1]
   (f) A [1]
   (g) B [1]
   (h) A [1]
   (i) B [1]
   (j) C [1]

[Total 10]

2  (a) Inventory (stock), trade receivables (debtors), other receivable (prepayment), bank, cash. (Any two, 1 mark each). [2]

   (b) Assets = capital (equity) + liabilities
   (or any variation of the correct equation) [1]

   (c) | Capital | Revenue |
       |         |         |
       | Repairs to workshop windows | ✓(1) |
       | Installation of alarm system | ✓(1) |
       | Storage shelves for tools | ✓(1) |

[3]
(d) (i) Sales ( debtors, receivables) [ledger]  
(ii) Nominal ( general) [ ledger]  

(e) (i) Error of addition in trial balance or ledger account, 
single entry, 
entering item on wrong side 
entering transaction twice on same side of ledger, 
entering different credit and debit amounts. 
(Any one description, or an actual example of one of these)  
(ii) Original entry  

(f) Percentage of net profit to revenue  
= (125 000 − 85 000 − 15 000) / 125 000 
= 25 000 (1) / 125 000 (1) 
= 20.00 % (1)OF  

(g) Balance per bank statement = balance per cash book + unpresented cheques  
= 2 400 (1) + 860 (1) 
= 3 260 (1) (Actual figure only)  

(h) Share capital  
= ordinary shares 120 000 × 0.25  = 30 000 (2) 
+ preference shares 10 000 × 1.00  = 10 000 (2) 
= 40 000  

[Total: 20]
### 3 (a)

**Moloch Cash book**

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Discount Allowed</th>
<th>Cash</th>
<th>Bank</th>
<th>Date</th>
<th>Details</th>
<th>Discount Allowed</th>
<th>Cash</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>Balance b/d</td>
<td></td>
<td>650</td>
<td>3 200</td>
<td>October</td>
<td>Purchases</td>
<td></td>
<td>2 880</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Justin</td>
<td>10 (1)</td>
<td>390</td>
<td></td>
<td>6</td>
<td>Munira</td>
<td>150 (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>[Cash] sales</td>
<td>3 650 (1)</td>
<td></td>
<td></td>
<td>7</td>
<td>Balance c/d</td>
<td></td>
<td>790</td>
<td>3 740</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Totals</td>
<td>4 300</td>
<td>3 740</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Total reversal – no marks
- Award 1 mark for both correct opening balances
- Narrative and correct amount for mark
- No marks for balances carried down or totals
- + 1 mark for correct dates (but disregard any date where no mark allocated to that entry)
(b) Revenue (sales) account

<table>
<thead>
<tr>
<th>October</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Hercules</td>
<td>800 (1)</td>
</tr>
<tr>
<td>7</td>
<td>Cash [not sales]</td>
<td>3 650 (1)</td>
</tr>
</tbody>
</table>

Purchases account

<table>
<thead>
<tr>
<th>October</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Cash [book]</td>
<td>2 880 (1)OF</td>
</tr>
<tr>
<td></td>
<td>[not Andrews]</td>
<td></td>
</tr>
</tbody>
</table>

Discount received account

Discount allowed account

<table>
<thead>
<tr>
<th>October</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Total [for week]</td>
<td>10 (1)OF</td>
</tr>
<tr>
<td></td>
<td>allow cash book</td>
<td>not Justin</td>
</tr>
</tbody>
</table>

Hercules account

<table>
<thead>
<tr>
<th>October</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Sales</td>
<td>800 (1)</td>
</tr>
</tbody>
</table>

Justin account

<table>
<thead>
<tr>
<th>October</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Bank</td>
<td>390 (1)OF</td>
</tr>
<tr>
<td>3</td>
<td>Discount</td>
<td>10 (1)OF</td>
</tr>
</tbody>
</table>

Munira account

<table>
<thead>
<tr>
<th>October</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Bank</td>
<td>150 (1)OF</td>
</tr>
</tbody>
</table>

Note: Allow own figures from part (a) where errors have been made in calculating discounts
Correct narrative and figure for each mark
+ 1 mark for correct dates
No mark for any reversal

(c) Total sales $4 450 (2)

(d) A provision for doubtful debts is [an estimate of] the amount which a business may lose because of bad debts.
(e) Trade receivables $8 200 @ 5% = $410 (2) [2]

(f) By comparing (1) the amount of actual bad debts (1) with the provision made. (1) (or equivalent wording to convey correct meaning) [3]

[Total: 26]

4 (a) Henrietta
Trial Balance at 30 September 2011

\begin{tabular}{lcc}
\hline
\textbf{Account} & \textbf{Dr} & \textbf{Cr} \\
\hline
Revenue & 124 100 (1) \\
Inventory & 14 500 (1) \\
Purchases & 77 000 (1) \\
Bank (overdraft) & 2 800 (1) \\
Cash & 1 100 (1) \\
Equipment & 19 000 (1) \\
Administrative expenses & 26 500 (1) \\
Capital (equity) & 25 000 (1) \\
Drawings & 15 600 (1) \\
Suspense & 1 800 (1)OF \\
\hline
\end{tabular}

OF mark for suspense account if trial balance balances [10]
Must be in trial balance format – no marks for e.g. balance sheet layout

(b)

\begin{tabular}{lcc}
\hline
\textbf{Account} & \textbf{Dr} & \textbf{Cr} \\
\hline
Suspense & 2 200 (1) \\
Revenue (sales) & 2 200 (1) \\
Drawings & 400 (1) \\
Suspense & 400 (1) \\
Wages & 650 (1) \\
Cash [book] & 650 (1) \\
\hline
\end{tabular}

Narrative, correct amount and on correct side for mark [6]

(c) Henrietta
Suspense account

\begin{tabular}{lcc}
\hline
\textbf{Account} & \textbf{Dr} & \textbf{Cr} \\
\hline
Sales & 2 200 (1) & \\
\hline
\end{tabular}

\begin{tabular}{lcc}
\hline
\textbf{Difference on t/b} & \textbf{1 800 (1)OF from 4(a)} \\
\textbf{(accept Balance)} & \\
\hline
\end{tabular}

\begin{tabular}{lcc}
\hline
\textbf{Drawings} & \textbf{400 (1)OF from 4(b)} \\
\hline
\end{tabular}

\[Total 19\]
5 (a) A non-current asset is an asset held for the long term for use by a business (1) and is not for resale. (Accept comments about allowing a business to earn revenue) (Do not accept just fixed asset) [2]

(b) Depreciation

(i) Year 1

\[
\frac{3600 - 450}{3} = 1050
\]

(ii) Year 2

1 050 (OF) from (i)

(iii) Year 3

1 050 (OF) from (i)

Only award component marks (max 2) in (i) if candidate gives NBV as their answer [5]

(c) Queresh

Income statement for the year ended 30 September 2011

\[
\begin{array}{c|c}
\text{Revenue (sales)} & 72,500 (1) \\
\text{Less returns} & 800 (1) \\
\hline
\text{Cost of sales} & 71,700 \\
\hline
\text{Inventory at 1 October 2010} & 6,000 (1) \\
\text{Raw materials (purchases)} & 48,800 (1) \\
\text{Inventory at 30 September 2011} & 7,600 (1) \\
\text{Gross profit} & 24,500 (OF) \\
\text{Other operating income} & 5,200 (OF) \\
\text{(accept rent receivable, award 1 mark for 7,800 with or without workings)} & 29,700 \\
\hline
\text{Expenses} & \\
\text{Distribution expenses} & 2,580 (1) \\
\text{Administrative expenses} & 8,600 (1) \\
\text{(award 1 mark for 7,850 with or without workings)} & \\
\text{Other operating expenses} & 1,600 (1) \\
\text{Depreciation (accept OF from year 1 only)} & 1,050 (OF) \\
\text{Finance costs} & 1,380 (1) \\
\text{Profit for the year} & 14,490 (OF) \\
\end{array}
\]

(Do not award marks for rent receivable if shown as an expense, but you may award an OF mark for the profit for the year if arithmetically correct even if rent is included as an expense.) [15]

(d) Depreciation should be included as a charge to the income statement so that the cost of the non-current asset is spread over the life of the asset or he is following the matching principle (1) and the profit is not overstated (accept accurate or realistic) or he is following the prudence principle (1). [2]

(e) Increase revenue, increase prices, reduce cost of sales, reduce (control) expenses. (any one) [2]

[Total 26]
6 (a)  

<table>
<thead>
<tr>
<th>Vasco’s garage</th>
<th>Xavier’s garage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workings: 124 000 – 114 700 = 9 300 (1)</td>
<td>Workings: 80 000 – 60 000 = 20 000 (1)</td>
</tr>
<tr>
<td>9 300 / 124 000 (1) =</td>
<td>20 000 / 80 000 (1) =</td>
</tr>
<tr>
<td>Answer: 7.5 % (1)OF</td>
<td>Answer: 25.0 % (1)OF</td>
</tr>
</tbody>
</table>

(b)  

<table>
<thead>
<tr>
<th>Vasco’s garage</th>
<th>Xavier’s garage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workings: 9 300 – 5 600 = 3 700 (1)OF</td>
<td>Workings: 20 000 – 12 000 = 8 000 (1)OF</td>
</tr>
<tr>
<td>3 700 / 20 000 (1) =</td>
<td>8 000 / 60 000 (1) =</td>
</tr>
<tr>
<td>Answer: 18.5 % (1)OF</td>
<td>Answer: 13.3 % (1)OF</td>
</tr>
</tbody>
</table>

Answer must be expressed as a percentage with or without % sign – answers expressed as decimals e.g. 0.2 (0.185) are not acceptable.

(c)  

<table>
<thead>
<tr>
<th>Increase</th>
<th>Decrease</th>
<th>No effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of gross profit to sales</td>
<td>✓ (2)</td>
<td></td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>✓ (2)</td>
<td></td>
</tr>
</tbody>
</table>

(d) Yes (1)

Reasons:
1. Selling car parts and opening a workshop would increase Vasco’s profits (1)
2. The percentage of gross profit to sales would increase as the profitability of selling parts is higher than selling fuel (1)  
   (Not possible to award marks for comments about return on capital as not known)  

[Total 19]