Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/22**

Paper 22 **March 2017**

MARK SCHEME

Maximum Mark: 120

Published

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Question	Answer	Marks
1(a)	Mandeep – Cash Book	**10**

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		$	$	$	*2016*		$	$	$
Dec 1	*Balance b/d*		*150*		*Dec 1*	*Balance b/d*			*2590*
11	Jabin **(1)**	6		294	4	Repairs **(1)**			387
27	Sales **(1)**		6795		15	Rama **(1)**	18		702
31	Cash c **(1)OF**			1745	29	Drawings **(1)**		5000	
	Balance c/d			1640	31	Bank c **(1)**		1745	
						Balance c/d		200	
		6	6945	3679			18	6945	3679
2017					2017				
Jan 1	Balance b/d		200		Jan 1	Balance b/d			1640
			(1)						**(1)OF**

+(1) dates

Question	Answer	Marks
1(b)		**14**

Mandeep

Inventory account

		$				$	
2016				2016			
Jan 1	*Balance b/d*	*12 650*		Dec 31	Income Statement	12 650	**(1)**
Dec 31	Income Statement	13 420	**(1)**	Dec 31	Balance c/d	13 420	
2017							
Jan 1	Balance b/d	13 420	**(1)**				

Provision for depreciation of office fixtures account

		$				$	
2016				2016			
Dec 31	Balance c/d	4 636		*Jan 1*	*Balance b/d*	*3 420*	
				Dec 31	Income Statement	1 216	**(1)**
		4 636				4 636	
				2017			
				Jan 1	Balance b/d	4 636	**(1)OF**

General expenses account

		$				$	
2016				2016			
Dec 31	*Total payments*	*9 475*		Dec 31			
	Balance c/d	375			Income Statement	9 850	**(1)**
		9 850				9 850	
				2017			
				Jan 1	Balance b/d	375	**(1)**

Question	Answer	Marks

Rent receivable account

		$				$	
2016				2016			
Dec 31				*Jan 1*	*Total receipts*	*5 060*	
	Income Statement	5 520	**(1)**	Dec 31	Balance c/d	460	
		5 520				5 520	
2017							
Jan 1	Balance b/d	460	**(1)**				

Drawings account

		$				$	
2016				2016			
Dec 31	*Total drawings*	*8 950*		Dec 31	Capital	8 950	**(1)**
		8 950				8 950	

Capital account

		$				$	
2016				2016			
Dec 31	Drawings	8 950	**(1)**	*Jan 1*	*Balance b/d*	*63 000*	
	Balance c/d	91 650		Dec 30	Motor vehicle	16 000	**(1)**
				31	Profit for year	21 600	**(1)**
		100 600				100 600	
				2017			
				Jan 1	Balance b/d	91 650	**(1)OF**

Question	Answer	Marks
2(a)(i)	A statement in which the profit or loss for the year is calculated	**1**
2(a)(ii)	A statement showing the assets and liabilities of a business on a certain date	**1**
2(a)(iii)	Assets which are purchased for use not for resale Assets whose values do not fluctuate frequently Assets which will be kept by the business for more than 12 months Assets which are acquired to aid the business earn revenue **Any two statements (1) each**	**2**
2(a)(iv)	Liabilities which are not due for repayment within 12 months	**1**
2(a)(v)	**Either** The amount the business owes the owner of that business **Or** Any resources provided for a business by the owner of that business	**1**
2(b)	Goodwill/patents/trademarks/other suitable example	**1**
2(c)	The current assets are more than three times the current liabilities/it is much higher than the “benchmark” of 2 : 1 The current liabilities can easily be paid from the current assets Funds are not being used very effectively **Any two comments (1) each**	**2**
2(d)	Inventory is excluded from the calculation of the quick ratio **(1)** **Either** Inventory is not regarded as a liquid asset **(1)** **Or** The ratio shows whether the business would have surplus liquid funds if the current liabilities were paid immediately from the liquid assets **(1)**	**2**
2(e)	Introduce more cash as capital Obtain long term loans Sell surplus non-current assets Reduce drawings Reduce inventory level **Any two points (1) each**	**2**

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Question	Answer	Marks
2(f)(i)	Transactions are recorded at actual cost **(1)** It is difficult to compare transactions taking place at different times **(1)**	**2**
2(f)(ii)	Only information which was be expressed in monetary terms is recorded **(1)** Many important factors which affect the business are not recorded **(1)**	**2**

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Question	Answer					Marks
3(a)	Doshi Manufacturing Company					**12**
	Manufacturing Account for the year ended 31 January 2017					
		$	$		$	
	Cost of materials consumed					
	Opening inventory of raw materials		49 500			
	Purchases of raw materials	394 600				
	Less Purchases returns	16 400	378 200	**(1)**	427 700	
	Closing inventory of raw materials				41 100	
					386 600	**(1)OF**
	Direct factory wages				297 100	**(1)**
	Prime cost				683 700	**(1)OF**
	Factory overheads					
	Factory supervisors' wages (152 000 **(1)** + 12 000 **(1)**)		164 000			
	General expenses (3/5 × 160 000)		96 000	**(1)**		
	Depreciation factory machinery (20% × (250 000 – 122 000)		25 600	**(1)**		
	Depreciation loose tools (21 150 – 19 050)		2 100	**(1)**	287 700	
					971 400	**(1)OF**
	Opening work in progress				28 750	*
					1 000 150	
	Closing work in progress				31 250	***(1) both**
	Cost of production				968 900	**(1)OF**

Question	Answer	Marks
3(b)	Doshi Manufacturing Company Income Statement for the year ended 31 January 2017 $ $ $ Revenue 1 246 850 Less returns inwards 12 250 1 234 600 **(1)** Cost of sales Opening inventory of finished goods 63 100 Cost of production 968 900 **(1)OF** Purchases of finished goods 21 700 **(1)** Carriage inwards 1 500 **(1)** 23 200 1 055 200 Closing inventory finished goods 59 100 996 100 **(1)OF** Gross profit 238 500 **(1)OF** Less Wages of office & sales staff (108 700 **(1)** + 4 300 **(1)**) 113 000 General expenses (2/5 × 160 000) 64 000 **(1)** Depreciation office equipment (15% × 72 000) 10 800 **(1)** 187 800 Profit for the year 50 700 **(1) OF**	**11**
3(c)	Low value items which are not easy to depreciate separately/Not practical to keep detailed records of such assets/other suitable comment.	**1**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Purchases ledger</td><td>1</td></tr>
<tr><td>4(b)</td><td>Lahiru has returned goods to Nusrath (1)
Credit purchases returns (returns outwards) account (1)</td><td>2</td></tr>
<tr><td>4(c)(i)</td><td>2½%</td><td>1</td></tr>
<tr><td>4(c)(ii)</td><td>Prompt payment/payment within the specified period</td><td>1</td></tr>
<tr><td>4(d)</td><td>Set off the amount Lahiru owes Nusrath against the amount Nusrath owes Lahiru/other suitable explanation</td><td>1</td></tr>
<tr><td>4(e)</td><td>Nusrath
Journal
<table><tr><th></th><th>Debit
$</th><th>Credit
$</th><th></th></tr><tr><td>Lahiru (purchases ledger)
Lahiru (sales ledger)
Contra entry to set balance in purchases ledger against balance in sales ledger</td><td>68</td><td>68</td><td>(1)
(1)
(1)</td></tr></table></td><td>3</td></tr>
<tr><td>4(f)(i)</td><td>$564</td><td>1</td></tr>
<tr><td>4(f)(ii)</td><td>Current assets</td><td>1</td></tr>
</table>

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Question	Answer	Marks
4(g)	Lahiru Provision for doubtful debts account 2017 | | $ | 2016 | | $ | Feb 28 Balance c/d 716 | Mar 1 Balance b/d 500 **(1)** 2017 Feb 28 Income statement 216 **(1)** 716 | 716 2017 Mar 1 Balance b/d 716 **(1)OF** **+ (1) dates**	**4**
4(h)	The profit for the year is not overstated **(1)** The trade receivables (current assets) are not overstated **(1)**	**2**
4(i)	**Either** The sales for which a business is unlikely to be paid **(1)** are regarded as an expense of the year in which those sales are made **(1)** **Or** The provision for doubtful debts is an expense **(1)** and is matched against the revenue for the year in which those debts are incurred **(1)**	**2**

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Question	Answer	Marks
5(a)		6

	$	$	
Payments to credit suppliers	32 725		**(1)**
Cash discount received	640		**(1)**
Trade payables 31 January 2017	5 350	38 715	**(1)**
Less Trade payables 1 February 2016	4 600		**(1)**
Interest on overdue account	15	4 615	**(1)**
Purchases for the year		34 100	**(1) OF**

Alternative calculation

Total trade payables account

		$				$	
2017				2016			
Jan 31	Bank	32 725	**(1)**	Feb 1	Balance b/d	4 600	**(1)**
	Discount	640	**(1)**	2017			
	Balance c/d	5 350	**(1)**	Jan 31	Interest	15	**(1)**
					Purchases	34 100	**(1)OF**
		38 715				38 715	

5(b)		7

Jai
Income Statement (Trading account section) for the year ended 31 January 2017

	$		$	
Revenue			42 000	**(1) OF**
Cost of sales				
Inventory 1 February 2016	2 900	**(1)**		
Purchases	34 100	**(1) OF**		
	37 000			
Less Inventory 31 January 2017	3 400	**(1)**	33 600	**(1) OF**
Gross profit			8 400	**}(2) CF/(1) OF**

5(c)		2

$\frac{33\,600\ \textbf{OF}}{(2900+3400)/2}$ **}(1)** $= \frac{33\,600}{3150} =$ 10.67 times **(1) OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(d)</td><td>Reduce inventory levels
More sales activity
Or other suitable points
Any 2 points (1) each</td><td>2</td></tr>
<tr><td>5(e)</td><td>Prudence</td><td>1</td></tr>
<tr><td>5(f)</td><td><table><tr><td></td><td>overstated</td><td>understated</td></tr><tr><td>Current assets at 31 January 2017</td><td>✓</td><td></td></tr><tr><td>Profit for the year ended 31 January 2017</td><td>✓(1)</td><td></td></tr><tr><td>Profit for the year ending 31 January 2018</td><td></td><td>✓(1)</td></tr></table></td><td>2</td></tr>
<tr><td>5(g)</td><td>Increase selling price
Reduce trade discount allowed to customers
Reduce purchase price
Find cheaper supplier
Obtain better trade discount
Any 2 comments (1) each</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>6(a)</td><td>
Amina
Journal
<table>
<tr><th></th><th>Debit
$</th><th>Credit
S</th><th></th></tr>
<tr><td>Sales returns</td><td>960</td><td></td><td>(1)</td></tr>
<tr><td>Purchases returns</td><td>960</td><td></td><td>(1)</td></tr>
<tr><td>Suspense</td><td></td><td>1 920</td><td>(1)</td></tr>
<tr><td>No entry</td><td>–</td><td></td><td>(1)</td></tr>
<tr><td>Suspense</td><td></td><td>3 000</td><td>(1)</td></tr>
<tr><td>AK Stores</td><td>330</td><td></td><td>(1)</td></tr>
<tr><td>Suspense</td><td></td><td>330</td><td>(1)</td></tr>
</table>
</td><td>7</td></tr>
<tr><td>6(b)</td><td>
<table>
<tr><th rowspan="2">Error</th><th colspan="3">Effect on draft profit for the year of correcting the error</th></tr>
<tr><th>Increase
$</th><th>Decrease
$</th><th>No effect</th></tr>
<tr><td>1</td><td>1 000</td><td></td><td></td><td>(1)</td></tr>
<tr><td>2</td><td></td><td>484</td><td></td><td>(2)*</td></tr>
<tr><td>3</td><td></td><td>1 920</td><td></td><td>(2)*</td></tr>
<tr><td>4</td><td></td><td></td><td>✓</td><td>(1)</td></tr>
<tr><td>5</td><td></td><td></td><td>✓</td><td>(1)</td></tr>
</table>
* (1) position + (1) amount
</td><td>7</td></tr>
</table>