UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2011 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/21 Paper 2, maximum raw mark 120

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.

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1 (a) To notify the customer of the amount outstanding at the end of the month.
To provide the customer with a summary of the month's transactions.

Any 1 reason (1) [1]

(b) Fiona Fraser [1]

(c)

Journal	Debit $	Credit $	
Interest payable	2		**(1)**
Fiona Fraser		2	**(1)**
Interest charged by creditor on overdue account			**(1)**

[3]

(d)

	Account debited		Account credited	
(i)	Purchases	**(1)**	Fiona Fraser	**(1)**
(ii)	Fiona Fraser	**(1)**	Purchases returns	**(1)**

[4]

(e) (i) Cash book **(1)**

(ii) Sales journal **(1)**

(iii) Sales returns journal **(1)** [3]

(f) Goods returned
Allowance for damaged/faulty goods
Correction of overcharge

Any one reason (1) [1]

(g) (i) $225.40 **(1)**

(ii) The amount was paid within the period of credit allowed **(1)** [2]

[Total: 15]

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2 (a)

Paul Muyambo
Statement of Affairs 31 January 2011

	$		$		$	
Non-current Assets						
Machinery at book value			32 500			
Less Depreciation for the year			8 125	**(1)**	24 375	**(1)**
Motor vehicle at valuation			10 300			
Less Depreciation for the year			1 200		9 100	**(1)**
					33 475	
Current Assets						
Inventory			12 648	**(1)**		
Trade receivables	11 320					
Less Provision for doubtful debts	283	**(1)**	11 037	**(1)**		
Other receivables			261	**(1)**		
			23 946			
Current Liabilities						
Trade payables	9 485	**(1)**				
Other payables	315	**(1)**				
Bank overdraft	11 146	**(1)**	20 946			
Net current assets					3 000	**(1) O/F**
					36 475	
Financed by						
Capital						
Balance					36 475	
						(2) C/F
						(1) O/F

Horizontal format acceptable [13]

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(b) Calculation of profit or loss for the year ended 31 January 2011

	$	$
Capital at 31 January 2011		36 475 **(1) O/F**
Drawings cash	5 575 **(1)**	
Drawings goods	1 700 **(1)**	7 275
		43 750
Less Capital 1 February 2010	42 500 **(1)**	
Capital introduced	3 000 **(1)**	45 500
Loss for the year		1 750 **(2) O/F**

Alternative presentation

Capital account

		$			$	
2011				2010		
Jan 31	Drawings cash	5 575	**(1)**	Feb 1 Balance b/d	42 500	**(1)**
	Drawings goods	1 700	**(1)**	2011		
	Loss for year	1 750	**(2) O/F**	Jan 31 Bank/cash	3 000	**(1)**
	Balance c/d	36 475	**(1) O/F**			
		45 500			45 500	
				2011		
				Feb 1 Balance b/d	36 475	

Three column running balance presentation acceptable [7]

[Total: 20]

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3 (a) Drawings and interest on drawings exceeded the interest on capital and share of profit. [2]

(b) Current accounts

			Omar $	Fatima $				Omar $	Fatima $
2010					2010				
Apl 1	Balance b/d	**(1)**	215		Apl 1	Balance b/d	**(1)**		1 945
2011					2011				
Mar 31	Drawings	**(1)**	2 900	9 600	Mar 31	Interest on capital	**(1)**	2 400	1 600
	Interest on Drawings	**(1)**	87	288		Salary	**(1)**		12 000
	Share of loss	**(1)**	1 230	820		Balance c/d	**(1)**	2 032	
	Balance c/d	**(1)**		4 837					
			4 432	15 545				4 432	15 545
2011					2011				
Apl 1	Balance	**(1) O/F**	2 032		Apl 1	Balance b/d	**(1) O/F**		4 837

Alternatively accept two separate "T" accounts

Alternative presentation

Omar Aziz Current account

		Debit $	Credit $	Balance $
2010				
April 1	Balance	215 **(1)**		215 Dr
2011				
Mar 31	Interest on capital		2 400	2 185 Cr
	Drawings	2 900		715 Dr
	Interest on drawings	87		802 Dr
	Share of loss	1 230		2 032 Dr
				(2) C/F (1) O/F

Fatima Aziz current account

		Debit $	Credit $	Balance $
2010				
April 1	Balance		1 945 **(1)**	1 945 Cr
2011				
Mar 31	Interest on capital		1 600	3 545 Cr
	Salary		12 000 **(1)**	15 545 Cr
	Drawings	9 600		5 945 Cr
	Interest on drawings	288		5 657 Cr
	Share of loss	820		4 837 Cr
				(2) C/F (1) O/F

Need correct entries for interest on capital, interest on drawings, drawings and share of loss to earn the (1) for these items [11]

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(c)

Aziz Stores
Extract from Balance Sheet at 31 March 2011

	Omar Aziz $		Fatima Aziz $		Total $		
Capital accounts	60 000	**(1)**	40 000	**(1)**	100 000		
Current accounts	(2 032)	**(1) O/F**	4 837	**(1) O/F**	2 805		
	57 968		44 837		102 805	**(1) O/F**	[5]

(d) Easier to see the profit retained by each partner
Easier to calculate the interest on capital

Or other suitable point
Any one point (2) [2]

(e) The members of a limited liability company have limited liability and their personal assets are not at risk is the business fails. [2]

[Total: 22]

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4 (a) (i) Income and expenditure account **(1)**

(ii) Surplus (**or** excess of income over expenditure) **(1)**

(iii) Accumulated fund **(1)** [3]

(b) Muara Swimming Club
Receipts and Payments Account for the year ended 28 February 2011

			$				$	
2010					2011			
Mar 1	Balance b/d		3 450	**(1)**	Feb 28	Equipment	1 200	**(1)**
2011						Rent 2011	1 690	**(1)**
Feb 28	Subscriptions	2010	270	**}**		Competition		
		2011	5 400	**} (1)**		expenses	645	**(1)**
		2012	180	**}**		General		
	Equipment proceeds		890	**(1)**		expenses	732	**(1)**
	Competition receipts		780	**(1)**		Insurance	496	**(1)**
	Loan – Swim-for-all		1 000	**(1)**		Balance c/d	7 207	**(1)**
			11 970				11 970	
2011								
Mar 1	Balance b/d		7 207	**(1) O/F**				[12]

(c) Subscriptions account

		$			$	
2010			2011			
Mar 1	Balance b/d	270	**(1)**	Feb 28	Bank	270	**(1)**
2011					Bank	5400	**(1)**
Feb 28	Income and				Bank	180	**(1)**
	expenditure **(1)**	5400	**(1)**				
	Balance c/d	180	**(1)**				
		5850				5850	
				2011			
				Mar 1	Balance b/d	180	**(1)** [8]

Alternative presentation

Subscriptions account

		Debit		Credit		Balance		
2010		$		$		$		
Mar 1	Balance	270	**(1)**			270	Dr	
2011								
Feb 28	Bank			270	**(1)**	0		
	Bank			5400	**(1)**	5400	Cr	
	Bank			180	**(1)**	5580	Cr	
	Income and							
	expenditure **(1)**	5400	**(1)**			180	Cr	**(2)** [8]

[Total: 23]

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5 (a) (i) Balance 1 November 2009
Explanation – This is the amount of rent owing by the tenant for the financial year ended 31 October 2009 **(2)**
Double entry – Credit rent receivable account for the year ended 31 October 2009 **(1)** [3]

(ii) Bank 2 November 2009
Explanation – This is the total amount of rent received from the tenant by cheque, including $100 for the previous year **(2)**
Double entry – Debit bank column in cash book **(1)** [3]

(iii) Income statement 31 October 2010
Explanation – This is the rent receivable relating to the current financial year transferred to the income statement **(2)**
Double entry – Credit income statement **(1)** [3]

(b) The balance represents the amount of rent prepaid by the tenant for the following financial year. [2]

(c) (i) Capital expenditure is money spent on acquiring, improving and installing fixed assets. **(1)**
Revenue expenditure is money spent on running a business on a day-to-day basis. **(1)** [2]

(ii) Capital receipts are amounts received which do not form part of the day-to-day trading activities. **(1)**

Revenue receipts are amounts received in the day-to-day trading activities from revenue and other items of income. **(1)** [2]

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(d)

Leo Yang
Statement of corrected profit for the six months ended 30 April 2011

		$	$
Profit			7 900
Add	Purchase of new equipment	16 800 **(1)**	
	Rent received	1 200 **(1)**	18 000
			25 900
Less	Sale of old equipment	9 200 **(1)**	
	Loan from Sports-aid	10 000 **(1)**	
	Purchase of stationery	110 **(1)**	
	Loan interest paid	200 **(1)**	19 510
Corrected net profit			6 390 **(1)**

Alternative presentation

Leo Yang
Income Statement for the six months ended 30 April 2011

		$	$
Fees			14 000
Add Rent received			1 200 **(1)**
			15 200
Less	General expenses	8 500	
	Stationery	110 **(1)**	
	Loan interest	200 **(1)**	8 810
Profit for the six months			6 390 **(1)**

+ (1) for omission of sale of equipment
+ (1) for omission of purchase of equipment
+ (1) for omission of loan [7]

[Total: 22]

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6 **(a)** $\frac{5300}{42500} \times \frac{365}{1}$ **(1)** = 45.52 = 46 days **(1)** [2]

(b) Unsatisfied if O/F in **(a)** is over 30 days **(1)**
They are not receiving the amount due within the period of credit allowed **(2)**

Or
Satisfied if O/F in **(a)** is 30 days or below **(1)**
They are receiving the amount due within the period of credit allowed **(2)** [3]

(c) $\frac{4100}{52800} \times \frac{365}{1}$ **(1)** = 28.34 = 29 days **(1)** [2]

(d) Disadvantage if O/F in **(c)** is over 24 days **(1)**
She is receiving the amount due 5 (O/F) days later than in the previous year **(2)**

Or
Advantage if O/F in **(c)** is 24 days or below **(1)**
She is receiving the amount due x (O/F) days earlier than in the previous year **(2)** [3]

(e) Offer cash discount for prompt payment
Charge interest on overdue accounts
Improve credit control
Refuse further supplies on credit until outstanding balance paid
Invoice discounting and debt factoring

Or other relevant points
Any two points (1) each [2]

(f) (4100 + 3800) : (5300 + 2900) **(1)** = 0.96 : 1 **(1)** [2]

(g) Unsatisfied if O/F in **(f)** is less than 2:1 **(1)**
She is unable to meet her immediate liabilities from her immediate assets **(1)**

Or
Satisfied if O/F in **(f)** is 2:1 or over **(1)**
She is able to meet her immediate liabilities from her immediate assets **(1)** [2]

(h) Introduce additional capital
Reduce drawings
Obtain long term loan
Sell surplus non-current assets

Any two points (1) each [2]

[Total: 18]

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