UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/22 Paper 2, maximum raw mark 120

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1 (a)

Dalia Said
Purchases journal

Date	Details	$	$	
2012				
March 2	Essam Wholesalers		1950	**(1)**
8	Ramy El Din	680		
	Less 20% Trade discount	136	544	**(1)**
31	Transfer to Purchases a/c		2494	**(1)**

[3]

Purchases returns journal

Date	Details	$	$	
2012				
March 14	Ramy El Din	120		
	Less 20% Trade discount	24	96	**(1)**
31	Transfer to Purchases returns a/c		96	**(1)**

[2]

(b)

Dalia Said
Essam Wholesalers account

2012		$	2012		$
Mar 21	Bank	1911 **(1)**	Mar 2	Purchases	1950 **(1)**
	Discount	39 **(1)**			
		1950			1950

[3]

Ramy El Din account

2012		$	2012		$
Mar 14	Returns	96 **(1)**	Mar 8	Purchases	544 **(1)**
28	Bank	300 **(1)**			
31	Balance c/d	148			
		544			544
			2012		
			Apl 1	Balance b/d	148 **(1)O/F**

[4]

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(c) Purchases ledger/Creditors ledger **[1]**

(d) $\frac{2600}{33\,400} \times \frac{365}{1}$ **(1)** = 28.41 = 29 days **(1)** **[2]**

(e) Money can be used for other things within the business
May avoid bank charges/bank interest

Any 1 point (1) **[1]**

(f) Loss of cash discounts
Creditors may refuse further supplies
Creditors may insist on cash purchases in future
Damage to good relationship with suppliers
May be charged interest

Any 1 point (1) **[1]**

(g) Offer cash discount for prompt payment
Charge interest on overdue accounts
Improve credit control/send invoices or statements promptly
Refuse further supplies until outstanding balance paid
Invoice discounting and debt factoring

Any 3 points (1) each **[3]**

[Total: 20]

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2 (a)

Simon Nyemba
Commission received account

2011		$	2011		$
Feb 1	Balance b/d	280 **(1)**	Feb 5	Bank	280**}** **(1)**
2012			Aug 3	Bank	312**}**
Jan 31	Income		2012		
	Statement	608 **(2)**	Jan 31	Balance c/d	296
		O/F			
		888			888
2012					
Feb 1	Balance b/d	296 **(1)**			

+ (1) dates [6]

(b)

Simon Nyemba
Property tax account

2011		$	2012		$
Feb 1	Balance b/d	520 **(1)**	Jan 31	Income	
Apl 24	Bank	1620**}** **(1)**		statement	3220 **(2)O/F**
Oct 4	Bank	1620**}**		Balance c/d	540
		3760			3760
2012					
Feb 1	Balance b/d	540 **(1)**			

+ (1) dates **[6]**

(c) Accruals (matching) **[1]**

(d) (i) Current assets **(1)**

(ii) Current assets **(1)** **[2]**

(e) Journal

	Debit $	Credit $	
Income statement	324		**(1)**
Discount allowed		324	**(1)**
Total discount allowed transferred to the income statement			**(1)**

[3]

Continued/

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(f) Simon Nyemba
Provision for doubtful debts account

2012		$	2011		$
Jan 31	Income Statement	31 **(2)**	Feb 1	Balance b/d	460 **(1)**
		O/F			
	Balance c/d	429			
		460			460
2012					
Feb 1	Balance b/d	429 **(1)**			

+ (1) dates **[5]**

(g) Prudence
OR
Accruals (matching) **[1]**

[Total: 24]

3 (a) Herman Wagner
Manufacturing Account for the year ended 30 April 2012

	$	$	
Cost of materials consumed **(1)**			
Opening inventory of raw materials	14 300		
Purchases of raw material	168 900		
Carriage on purchases	2 600		
	185 800		
Less Closing inventory of raw materials	16 400	169 400 **(1)**	
Direct factory wages		193 700 **(1)**	
Prime cost		363 100 **(1)**	**O/F**
Factory overheads			
Indirect wages (43 600 – 10 000)	33 600 **(2)**		
General expenses (24 450 – (¼ × 6200))	22 900 **(2)**		
Depreciation – Factory machinery (20% × (98 000 – 35 280))	12 544 **(2)**		
Loose tools (950 + 45 – 890)	105 **(2)**	69 149	
		432 249 **(1)**	**O/F**
Add Opening work in progress		6 520 **(1)**	
		438 769	
Less Closing work in progress		6 970 **(1)**	
Production cost of goods completed		431 799 **(1)**	**O/F**

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(b) (i) Inventory of raw materials
Goods remaining at the year-end which were originally purchased for converting into finished articles **(1)**
Example – wood, nails, screws, handles or other suitable example **(1)** **[2]**

(ii) Inventory of work in progress
Furniture which is partly made at the year end **(1)**
Example – partly made table/ wardrobe/chair/other suitable example **(1)** **[2]**

(iii) Inventory of finished goods
Completed furniture which is awaiting sale **(1)**
Example – finished table/wardrobe/chair/other suitable example **(1)** **[2]**

(c) This is an application of the principle of materiality.
It is not practical to keep detailed records of loose tools.

Any 1 comment (2) **[2]**

(d) $\frac{(170\,200 - 144\,000)}{(130\,000 + 20\,000)}$ **(1)** **(1)** $\times \frac{100}{1} = 17.47\%$ **[3]**

(e) Unsatisfied **(1)**

The ratio is lower than the previous year. **(1)**
The capital is not being employed as efficiently as in the previous year. **(1)**

Accept answer based on the answer to (d) **[3]**

[Total: 31]

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4 (a)

Creekside Ltd
Balance Sheet at 30 April 2012

	$ Cost	$ Depreciation to date	$ Book value	
Non-current assets				
Premises	120 000		120 000	
Plant and machinery	90 000	15 500	74 500 **(1)**	
Fixtures and fittings	32 000	6 400	25 600 **(1)**	
	242 000	21 900	220 100 **(1)**	**O/F**
Current assets				
Inventory		24 660 **(1)**		
Trade receivables	21 600			
Less Provision for doubtful debts	660	20 940 **(1)**		
Cash		200 **(1)**		
		45 800		
Current liabilities				
Trade payables	26 960 **(1)**			
Bank overdraft	5 340 **(1)**	32 300		
Net current assets			13 500 **(1)**	**O/F**
	233 600			
4% Debentures			30 000 **(1)**	
	203 600			
Capital and reserves				
5% Preference shares of $1 each			80 000 **(1)**	
Ordinary shares of $1 each			100 000 **(1)**	
General reserve			10 000 **(1)**	
Retained profits (6 500 **(1)** + 7 100 **(1)**)			13 600	
			203 600	

[15]

(b) (i) $1600 **[1]**

(ii) Effect Profit for the year is reduced **(1)**
Reason Debenture interest is an expense **(1** **[2]**

(c) (i) $2000 **[1]**

(ii) Reduction in profit (or dividend) available for ordinary shareholders
Prior claim on the assets of the company in the event of a winding up

Any 1 point (2) **[2]**

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(d) The new shares rank equally with the existing ordinary shares with regard to dividend.

The new shares rank equally with the existing ordinary shares with regard to repayment in a winding up.

The percentage of ownership of the existing ordinary shareholders is diluted.

Any 1 point (2) **[2]**

[Total: 23]

5 (a) Bethany Searle
Journal

		Debit $	Credit $	
2	Suspense	340		**(1)**
	Rent received		340	**(1)**
3	Purchases returns	24		**(1)**
	Stationery		24	**(1)**
4	-	–		**(1)**
	Suspense		100	**(1)**
5	Sales	1000		**(1)**
	Suspense		1000	**(1)**

[8]

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(b) Bethany Searle
Statement of corrected profit for the years ended 31 March 2012

		Effect on profit: Increase $	Effect on profit: Decrease $	$
Profit for the year before corrections				14 940
Error	1	*96*		
	2	340 **(2)**		
	3	No effect **(2)**		
	4	No effect **(2)**		
	5		1 000 **(2)**	
		436	1 000	564
Corrected profit for the year				14 376 **(1)** **O/F**

[9]

(c) (19 540 + 100) : (21 570 + 2 880)
= 19 640 : 24 450 **(1)** = 0.80 : 1 **(1)** **[2]**

(d) Shows whether the immediate liabilities can be paid from liquid assets
Shows whether the business relies on the sale of inventory to pay the immediate liabilities

Any 1 comment (2) **[2]**

(e) The quick ratio does not include inventory. **(1)**
Either
Inventory is not regarded as a liquid asset **(1)**
Or
Inventory is two stages away from being a liquid asset. **(1)** **[2]**

[Total: 23]

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