CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2013 series

0452 ACCOUNTING

0452/22 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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Cambridge is publishing the mark schemes for the May/June 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

CAMBRIDGE
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1 (a)

Nathan Kershaw
Income Statement for the year ended 31 March 2013

	$	$
Income from clients		94 060 **(1)**
Commission received (1050 **(1)** + 190 **(1)**)		1 240
		95 300
Wages (42 000 **(1)** – 7800 **(1)**)	34 200	
Office expenses (6250 **(1)** + 540 **(1)**)	6 790	
Rates and insurance (10 000 **(1)** – 600 **(1)**)	9 400	
Depreciation –		
Motor vehicle (25% × (12 480 – 5460))	1 755 **(2)**	
Office equipment (15% × 9800)	1 470 **(2)**	53 615
Profit for the year		41 685 **(1) OF**

[14]

(b)

Error	Effect on profit for the year		
	Overstated $	Understated $	No effect
2		210 **(2)**	
3	10 **(2)**		
4	150 **(2)**		

[6]

[Total: 20]

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2 (a)

Valley Music Club
Receipts and Payments Account for the year ended 28 February 2013

		$				$	
2012				2013			
Mar 1	Balance b/d	3 090	**(1)**	Feb 28	Rent	2 200	**(1)**
2013					Refreshment		
Feb 28	Subscriptions	5 000	**(1)**		suppliers	950	**(1)**
	Subscriptions	550	**(1)**		Concert expenses	2 140	**(1)**
	Concert tickets	1 960	**(1)**		General expenses	3 460	**(1)**
	Sale of				Balance c/d	4 790	
	Instruments	190	**(1)**				
	Refreshment						
	revenue*	2 750	**(2) CF (1) OF**				
		13 540				13 540	
2013							
Mar 1	Balance b/d	4 790	**(1) for both balances**				

+ (1) dates **[13]**

Accept any reasonable wording – e.g. sales instead of sale of instruments

(b)

Valley Music Club
Café Income Statement for the year ended 28 February 2013

	$		$	
Revenue			2750	**(1)OF**
Cost of sales				
Opening inventory	190			
Purchases (950 **(1)** + 170 **(1)**)	1120			
	1310			
Less Closing inventory	260			
	1050			
General expenses (¼ × 3460)	865	**(1)**		
Depreciation fixtures and fittings (2600 – 2150)	450	**(1)**	2365	
Profit on café **(1)**			385	**(2CF/1OF)**

[8]

[Total: 21]

3 (a) Dishonoured cheque – a cheque which the bank refuses to pay **(1)**
Cheque not presented – cheque paid by the business but which has not yet been presented to the bank for payment/not yet paid by the bank **(1)** **[2]**

(b) Standing order – an instruction by a customer to the bank to pay **fixed amounts** at stated dates to a named person or firm **(1)**
Direct debit – authority given to the bank to make payments (**at irregular dates and amounts**) on request by a named person or firm **(1)** **[2]**

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(c)

Cash Book (bank columns only)

		$			$
2013			2013		
May 1	Balance b/d	2141 **(1)**	May 1	Error correction **(1)**	1000 **(1)**
				Rent	280 **(1)**
				Aziz & Co **(1)**	110 **(1)**
				Balance c/d	751
		2141			2141
2013					
May 1	Balance b/d	751 **(1) OF**			

[7]

(d)

Bank Reconciliation Statement at 30 April 2013

	$	$
Balance shown on bank statement **(1)**		681 **(1)**
Add Cheques not credited – Khalid		530 **(1)**
		1211
Less Cheques not presented –		
Assistant's salary	450 **(1)**	
Bank error **(1)**	10 **(1)**	460
Balance in cash book **(1)**		751 **(1)OF**
		(OF from qu 3c)

Alternative presentation

Bank Reconciliation Statement at 30 April 2013

	$	$
Balance shown in cash book **(1)**		751 **(1) OF (qu 3c)**
Add Cheques not presented –		
Assistant's salary	450 **(1)**	
Bank error **(1)**	10 **(1)**	460
		1211
Less Cheques not credited – Khalid		530 **(1)**
Balance on bank statement **(1)**		681 **(1)**

[8]

(e) April 24 Bank
Safiya Shendi introduced additional capital **(1)** to the business bank account **(1)**.
[2]

April 30 Purchases
Safiya Shendi withdrew goods **(1)** for her own use **(1)**. **[2]**

April 30 Loss
This is the loss for the year **(1)** which reduces Safiya Shendi's capital **(1)** in the business. **[2]**

[Total: 25]

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4 (a) Calculation of credit purchases
(suitable alternative presentations acceptable)

	$	
Payments to credit suppliers	34 420	**(1)**
Discounts received from credit suppliers	880	**(1)**
Returns to credit suppliers	1 250	**(1)**
Trade payables at 30 April 2013	2 950	**(1)**
Credit purchases for the year	39 500	**(2)CF(1)OF**

[6]

(b) Calculation of amount received from credit customers
(suitable alternative presentations acceptable)

	$	$	
Credit sales for the year		55 490	**(1)**
Trade receivables at 30 April 2013	4 600 **(1)**		
Bad debts	210 **(1)**	4 810	
Receipts from credit customers		50 680	**(2)CF**
			(1)OF

[5]

(c) Calculation of expenses paid
(suitable alternative presentations acceptable)

	$	$	
Capital introduced		80 000	**(1)**
Receipts from credit customers		50 680	**(1)OF**
		130 680	
Non-current assets	55 000 **(1)**		
Payments to credit suppliers	34 420 **(1)**		
Balance at bank 30 April 2013	27 940 **(1)**	117 360	
Expenses paid		13 320	**(2)CF**
			(1)OF

[7]

(d) To apply the principle of prudence
To ensure that the current assets are not overstated
To ensure that the profit is not overstated
Inventory should be valued at the lower of cost and net realisable value

Any 2 reasons (2) each **[4]**

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(e)

	Overstated	Understated	No effect
Profit for the year ended 30 April **2013**	✓(2)		
Profit for the year ended 30 April **2014**		✓(2)	

[4]

(f) Assessment of the liquidity position
Identify how long it takes to pay credit suppliers
Identify future prospects of the business
Establishment of a credit limit

Any one reason (2) **[2]**

[Total: 28]

5 (a) To see the average time the trade receivables take to pay their accounts. **[1]**

(b) No **(1)**
She has to wait 6 more days **(1)** for them to settle their accounts. **(1)** **[3]**

(c) No **(1)** unless justified by suitable reason
It is shorter than the payment period for the previous year **(1)** but is still 10 days longer than the period of credit allowed. **(1)** **[3]**

(d) To be able to meet debts when they fall due
To be able to take advantage of cash discounts
To be able to take advantage of business opportunities as they arise
To ensure that there is no difficulty in obtaining further supplies

Or other suitable explanation
Any 1 point (2) **[2]**

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(e)

Transaction	Effect on working capital	Reason
Goods, $135, were purchased on credit from Abu & Co	No change **(1)**	Current assets increase Current liabilities increase by same amount **(1)**
Paid $280 to Farouk, a credit supplier, in full settlement of $300 owing	Increase $20 **(1)**	Current assets decrease by $280 Current liabilities decrease by $300 **(1)**
Withdrew $150 from the bank to restore the petty cash imprest	No change **(1)**	No change in current assets (bank decreases and petty cash increases) No change in current liabilities **(1)**

[6]

(f) Satisfied: Yes **(1)**
The profit earned for every $100 used in the business has increased/the business is more profitable **(2)**
OR The capital is now being used more efficiently **(2)** **[3]**

(g)

Transaction	Effect on return on capital employed	Reason
Additional capital, $10 000, was placed in the business bank account	Decrease **(1)**	No change in profit for the year **(1)** Capital employed has increased **(1)**
Fixtures, $500, were purchased by cheque	No change **(1)**	No change in profit for the year **(1)** No change in capital employed (non-current assets increase and current assets decrease) **(1)**

[6]

(h) Only items which can be recorded in monetary terms are shown in the financial statements **(1)**
There are many important factors which influence the performance of a business which will not appear in the financial statements. **(1)** **[2]**

[Total: 26]

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