CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2014 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.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2014 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

CAMBRIDGE
International Examinations

1 (a) **Paul Katanga Cash Book**

Date	Details		Discount Allowed	Cash	Bank	Date	Details		Discount Received	Cash	Bank
2014			$	$	$	2014			$	$	$
Apl 1	Balance b/d			75		Apl 1	Balance b/d				2190
8	Moloi Stores	**(1)**			84	5	Office equipment	**(1)**			580
28	Sales	**(1)**		2500			Repairs	**(1)**			40
30	Cash c	**(1)**			2215	21	Moloi Stores (dishonoured cheque)	**(1)**			84
	Balance c/d				907	24	T Nekundi	**(1)**	8		312
						29	Drawings	**(1)**		300	
						30	Bank c	**(1)**		2215	
							Balance c/d			60	
				2575	3206				8	2575	3206
2014						2014					
May 1	Balance b/d	**(1)**		60		May 1	Balance b/d	**(1) OF**			907

+(1) dates **[12]**

© Cambridge International Examinations 2014

(b)

Paul Katanga
Moloi Stores account

2014		$		2014		$	
Ap 1	Balance b/d	50		Apl 8	Bank	84	**(1)**
2	Sales	34	**(1)**	30	Bad debts	84	**(1)**
21	Bank (Dis chq)	84	**(1)**				
		168				168	

[4]

Paul Katanga
T Nekundi account

2014		$		2014		$	
Apl 17	Returns	64	**(1)**	Apl 1	Balance b/d	320	
24	Bank	312	**}**	13	Purchases	208	**(1)**
	Discount	8	**} (1)**				
30	Balance c/d	144					
		528				528	
				2014			
				May 1	Balance b/d	144	**(1) OF**

[4]

Three column running balance presentation acceptable

(c) Realisation **[1]**

(d) Going concern **[1]**

[Total: 22]

2 (a)

	Book of prime (original) entry	
bad debts written off	Journal	**(1)**
discounts allowed	Cash book	**(1)**
returns by credit customers	Sales returns journal	**(1)**
contra entries	Journal	**(1)**

[4]

(b) Overpayment of amount owing
Failure to deduct cash discount due
Goods returned after account settled
Payment made in advance
Any two items (1) each **[2]**

© Cambridge International Examinations 2014

(c)

	debit	credit	no entry
credit purchases		✓	
cash purchases			✓**(1)**
refund from credit supplier		✓**(1)**	
cheques paid to credit suppliers	✓**(1)**		
discount allowed			✓**(1)**
discount received	✓**(1)**		
interest charged by credit supplier on overdue account		✓**(1)**	
contra entry	✓**(1)**		
carriage charged by credit supplier		✓**(1)**	
bad debts written off			✓**(1)**

[9]

(d) $\left.\frac{\$5300}{\$80700}\right\}$**(1)** $\times \frac{365}{1} =$ 23.97 = 24 days **(1)** **[2]**

(e) To consider liquidity position
To see total amount owing to other credit suppliers
To determine the credit limit
To determine the period of credit to be allowed
Or other suitable reason
Any one reason (2) **[2]**

[Total: 19]

© Cambridge International Examinations 2014

3 (a) Profit/loss available for distribution (10 050 + 500) – (6600 + 5000) = (1050) **(1)**
Share of loss for each partner 1050 ÷ 2 = 525 **(1)** **[2]**

(b)

Ian McMillan
Current account

		$				$	
2013				2014			
Feb 1	Balance b/d	3000		Jan 31	Capital	5000	**(1)**
2014					Loan interest	450	**(1)**
Jan 31	Drawings	4000	**}**		Int. on capital	3000	**(1)**
	Int. on drawings	200	**} (1)**				
	Share of loss	525	**(1) OF**				
	Balance c/d	725					
		8450				8450	
				2014			
				Feb 1	Balance b/d	725	**(1) OF**

+ (1) Dates
Three column running balance presentation acceptable **[7]**

(c) Drawings and interest on drawings exceeded the interest on capital, interest on loan and share of profit
Or
Share of loss, drawings and interest on drawings exceeded the interest on capital and interest on loan **[2]**

(d) Easier to see the profit retained by each partner
Easier to calculate interest on capital
Or other suitable advantage
Any one advantage (2) **[2]**

(e) The collection period for both years is within the period of credit allowed
The collection period is very satisfactory in each year
The collection period has increased in 2014
Or other suitable comments
Any two comments (1) each **[2]**

(f) Offer cash discount for prompt payment
Charge interest on overdue accounts
Improve credit control
Refuse further supplies until outstanding balance paid
Invoice and discount factoring
Or other relevant points
Any two points (1) each **[2]**

[Total: 17]

© Cambridge International Examinations 2014

4 (a)

Valley Football Club
Subscriptions account

		$				$	
2013				2013			
Feb 1	Balance b/d	192	**(1)**	Feb 1	Balance b/d	384	**(1)**
2014				2014			
Jan 31	Income and Expenditure	9600	**(1)**	Jan 31	Bank	9216	**(1)**
					Balance c/d	480	
	Balance c/d	288					
		10080				10080	
2014				2014			
Feb 1	Balance b/d	480	**(1)**	Feb 1	Balance b/d	288	**(1)**

+ Dates (1)

Three column running balance presentation acceptable **[7]**

(b)

Valley Football Club
Income and Expenditure Account for the year ended 31 January 2014

	$	$	
Income			
Subscriptions		9600	**(1) OF**
Competition receipts	877		
Less competition expenses	394	483	**(1)**
		10083	
Expenditure			
General expenses	4271	**(1)**	
Rent and rates (4160 **(1)** – 320 **(1)**)	3840		
Insurance (300 **(1)** + 20 **(1)** – 80 **(1)**)	240		
Depreciation – Equipment 20% × (12400 + 2000))	2880	**(2)**	
		11231	
Deficit		1148	**(1) OF**

Horizontal format acceptable **[11]**

(c) $15400 – $1148 **OF** = $14252 **(1) OF** **[1]**

(d) The members have not invested any capital **(1)** so there can be no dividend which represents a return on the amount invested **(1)** **[2]**

[Total: 21]

© Cambridge International Examinations 2014

5 (a)

Nadia Sayed
Income Statement for the year ended 28 February 2014

	$		$		$	
Revenue					72 000	**(1)**
Cost of sales						
Opening inventory			4 200	**(1)**		
Purchases	56 000	**(1)**				
Less Purchases returns	1 100	**(1)**				
	54 900					
Carriage inwards	1 800	**(1)**	56 700			
			60 900			
Closing inventory – remaining	5 000	**(1)**				
missing	1 900	**(1) OF**	6 900		54 000	**(1) OF**
Gross profit					18 000	**(2)**

Horizontal format acceptable **[10]**

(b) 3% × (18 650 – 150) = 555 **[1]**

(c)

Nadia Sayed
Journal

	Debit $	Credit $	
Bad debts	150		**(1)**
Sabar Stores		150	**(1)**
Debt written off			**(1)**
Income statement	555		**(1) OF**
Provision for doubtful debts		555	**(1) OF**
Creation of provision for doubtful debts			**(1)**

[6]

(d) Ensures that the profit for the year is not overstated **(1)**
Ensures that the trade receivables are not overstated **(1)** **[2]**

(e) The matching principle requires the costs for the year to be matched against the revenue of the same period **(1)**
Comment relating this principle to provision for doubtful debts **(1)** **[2]**

[Total: 21]

© Cambridge International Examinations 2014

6 (a)

	Error	Entries required to correct the error			
		Debit		Credit	
		Account	$	Account	$
2	Credit note, $210, received from a supplier, Pete, entered as invoice	Pete	420 **(1)**	Purchases Purchases returns	210 **(1)** 210 **(1)**
3	Total of the discount received column in the cash book, $44, debited to discount allowed account	No entry **Or** Suspense	**– (1)** 88 **(1)**	Discount allowed Discount received	44 **(1)** 44 **(1)**

[6]

(b)

Error	effect on draft profit for the year			
	overstated $	understated $	no effect	
1			No effect	**(2)**
2		420		**(1) position** **(1) figure**
3		88		**(1) position** **(1) figure**

[6]

© Cambridge International Examinations 2014

(c)

ratio	Year ended 30 April 2014
percentage of gross profit to revenue (sales)	28.61% **(2)**
percentage of profit for the year to revenue (sales)	8.61% **(2)**

Calculations

Gross profit 39 500 – 28 200 = 11 300 **(1)**
Percentage of gross profit to revenue (sales)
$\frac{11\,300}{39\,500} \times \frac{100}{1} = 28.61\%$ **(1)**

Profit for the year 11 300 – 7 900 = 3 400 **(1)**
Percentage of profit for the year to revenue (sales)
$\frac{3\,400}{39\,500} \times \frac{100}{1} = 8.61\%$ **(1)** **[4]**

(d) Selling goods at higher prices
Purchasing goods at lower prices
Change in proportions of different goods
Or other acceptable reason
Or other comment based on answer to (c)
Any 1 reason (2) **[2]**

(e) Decreased
Or other suitable answer based on answer to (c) (1)

The percentage of profit for the year to revenue (sales) decreased
The percentage of expenses to revenue (sales) increased
Any 1 reason (1) **[2]**

[Total: 20]

© Cambridge International Examinations 2014