CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/22 Paper 2, maximum raw mark 120

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1 (a) Nyasha Chingono
Purchases journal

Date	Details	$	$	
2015				
3 April	Wholesalers Limited		358	**(1)**
12	John Moyo	480		
	Less 25% trade discount	120	360	**(1)**
30	Transfer to purchases a/c		718	**(1)**

Purchases returns journal

Date	Details	$	$	
2015				
18 April	John Moyo	160		
	Less 25% trade discount	40	120	**(1)**
30	Transfer to purchases returns a/c		120	**(1)**

[5]

(b) Nyasha Chingono
John Moyo account

		$				$	
2015				2015			
18 Apr	Returns	120	**(1)**	1 Apr	Balance b/d	560	
27	Bank	546	**(1)**	12	Purchases	360	**(1)**
	Discount	14	**(1)**				

Purchases account

		$				$	
2015							
30 Apr	Total for month	718	**(1 o.f.)**				

Purchases returns account

		$				$	
				2015			
				30 Apr	Total for month	120	**(1 o.f.)**

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

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(c) May be able to take advantage of cash discounts
Improve the relationship with suppliers
Avoid paying interest
Or other suitable comment

Any one advantage **(1)**

The business is deprived of the use of the money earlier than necessary
Or other suitable comment

Any one disadvantage **(1)** [2]

(d) Sales returns

Explanation	The total sales returns for the month **(1)**
Source of information	Sales returns journal **(1)**

Contra

Explanation	This is the total set off against accounts in the purchases ledger during the month **(1)**
Source of information	Journal **(1)**

Interest charged

Explanation	This is the total interest charged on credit customers' accounts which are overdue **(1)**
Source of information	Journal **(1)** [6]

(e) Reduce credit sales/sell on a cash basis
Obtain references from new credit customers
Fix a credit limit for each customer
Improve credit control/issue invoices and monthly statements promptly
Refuse further supplies until outstanding balance is paid

Any two points **(1)** each [2]

(f) $\frac{800}{12600} \times \frac{365}{1}$ **} (1)** $= 24$ days **(1)** [2]

(g) Unsatisfied
Or o.f. based on answer to **(f)** [1]

(h) 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 is paid
Invoice discounting and debt factoring

Any two points **(1)** each [2]

[Total: 27]

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2 (a) Obtain correct bank balance
Identify errors on the bank account
Identify errors on the bank statement
Assist in discovering fraud and embezzlement
Identify amounts not credited by the bank
Identify cheques not presented
Identify any stale cheques

Any two reasons **(1)** each [2]

(b)

David Jones
Cash book (bank columns only)

		$				$	
2015				2015			
1 Feb	Balance b/d	114		1 Feb	Bank charges	62	**(1)**
	Bank interest	130	**(1)**		K Taylor		
	Balance c/d	101			(Dis. chq.)	143	**(1)**
					Insurance	40	**(1)**
					Error correction	100	**(1)**
		345				345	
				2015			
				1 Feb	Balance b/d	101	**(1 o.f.)**

[6]

(c)

David Jones
Bank Reconciliation Statement at 31 January 2015

	$	
Balance on bank statement	154	**(1)**
Add Amounts not credited – cash sales **(1)**	235	**(1)**
	389	
Less Cheques not presented – M Sharp **(1)**	490	**(1)**
Balance in cash book	(101)	**(1 o.f.)**

Alternative presentation

David Jones
Bank Reconciliation Statement at 31 January 2015

	$	
Balance in cash book	(101)	**(1 o.f.)**
Add Cheques not presented – M Sharp **(1)**	490	**(1)**
	389	
Less Amounts not credited – cash sales **(1)**	235	**(1)**
Balance on bank statement	154	**(1)**

[6]

(d) (i) Cash book balance **(1)**

(ii) Either
The statement of financial position would not balance if the bank statement balance was included **(2)**
Or
Only balances on the books of the business can be included in the statement of financial position of the business **(2)** [3]

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(e) Assess prospects of any requested loan/overdraft being repaid when due
Assess prospects of any interest on loan/overdraft being paid when due
Assess security available to cover any loan/overdraft
Or other acceptable reason

Any two reasons **(1)** each [2]

[Total: 19]

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3 (a)

Akhtar Hussain

Inventory account

		$				$	
2014				2015			
1 April	Balance b/d	3560		31 Mar	Income Statement	3560	**(1)**
		3560				3560	
2015				2015			
31 Mar	Income Statement	4150	**(1)**	31 Mar	Balance c/d	4150	
		4150				4150	
2015							
1 April	Balance b/d	4150	**(1)**				

Bad debts account

		$				$	
2015				2015			
10 Jan	ABC Stores	136		31 Mar	Income Statement	190	**(1)**
31 Mar	XY Limited	54	**(1)**				
		190				190	

Provision for doubtful debts account

		$				$	
2015				2014			
31 Mar	Income Statement	120	**(1)**	1 April	Balance b/d	1130	
	Balance c/d	1010	**(1)**				
		1130				1130	
				2015			
				1 April	Balance b/d	1010	**(1)**

Provision for depreciation of machinery account

		$				$	
2015				2014			
1 Mar	Disposal	2250	**(1)**	1 April	Balance b/d	4500	
31	Balance c/d	3500	**(1)**	2015			
				31 Mar	Income Statement	1250	**(1)**
		5750				5750	
				2015			
				1 April	Balance b/d	3500	**(1 o.f.)**

Disposal of machinery account

		$				$	
2015				2015			
1 Mar	Machinery	3000	**(1)**	1 Mar	Bank	550	
					Prov. for Dep.	2250	**(1)**
				31	Income Statement	200	**(1 o.f.)**
		3000				3000	

Drawings account

		$				$	
2015				2015			
1 Feb	Bank	1000		31 Mar	Capital	1000	**(1)**
		1000				1000	

+ (1) dates
Three column running balance presentation acceptable [17]

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(b) Akthar Hussain
Journal

	Debit $	Credit $	
Motor vehicles	9000		**}**
Motor repairs	360		**} (1)**
PJ Autos		9360	**(1)**
Invoice received for purchase of new vehicle and motor repairs			**(1)**

[3]

(c) Capital expenditure
Money spent on acquiring, improving and installing non-current assets **(1)**

Revenue expenditure
Money spent on running a business on a day-to-day basis **(1)** [2]

(d)

	overstated	understated
non-current assets at 31 March 2015	✓ **(1)**	
profit for the year ended 31 March 2015	✓ **(1)**	

[2]

[Total: 24]

4 (a) Rania Gharib
Income Statement for the year ended 31 January 2015

	$		$	
Revenue			63660	
Cost of sales				
Opening inventory	4700	*		
Purchases (40120 **(1)** + 3720 **(1)** + 820 **(1)** – 2950 **(1)**)	41710			
	46410			
Closing inventory	3150	* **(1) for both**		
			43260	
Gross profit			20400	**(1 o.f.)**
Discount received			820	**(1)**
			21220	
Wages	9520			
Rent and rates	5200	**(1)**		
Insurance (840 **(1)** – 120 **(1)**)	720			
Depreciation fixtures and fittings (6900 + 1100 – 7300)	700	**(2)**	16140	
Profit for the year			5080	**(1 o.f.)**

Horizontal format acceptable [13]

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(b) $\dfrac{43260}{(4700+3150)\div 2}$ **(1 o.f.)** $= \dfrac{43260}{3925} = 11.02$ times **(1 o.f.)** [3]

(c) Lower inventory levels
More sales activity
Or other suitable explanation
Any two reasons **(1)** each [2]

(d) It shows the profit earned for each $100 used in the business **(1)**
It shows how efficiently the capital is being employed **(1)** [2]

(e) $\dfrac{5080}{83000}$ **o.f.}(1)** **}** $\times \dfrac{100}{1} = 6.12\%$ **(1 o.f.)** [2]

(f) Higher profit for the year
Lower capital employed

Any one reason **(1)** [1]

(g)

	overstated	understated	no effect
gross profit for the year ended 31 January 2014	✓		
credit balance on capital account on 1 February 2014	✓ **(1)**		
gross profit for the year ended 31 January 2015		✓ **(1)**	
profit for the year ended 31 January 2015		✓ **(1)**	
current assets at 31 January 2015			✓ **(1)**

[4]

[Total: 27]

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5 (a)

Craven Limited
Statement of Changes in Equity for the year ended 31 March 2015

Details	Share capital $	General reserve $	Retained earnings $	Total $	
On 1 April 2014	200 000	17 000	9 000	226 000	
Profit for the year	.....	.....	43 000	43 000	**(1)**
Dividend paid	.....	.....	(16 000)	(16 000)	**(1)**
Transfer to general reserve	.....	15 000	(15 000)	.....	**(1)**
On 31 March 2015	200 000	32 000	21 000	253 000	**(1)**

[4]

(b)

Craven Limited
Statement of Financial Position at 31 March 2015

Assets	$	$	
Non-current assets			
Premises at cost		179 000	
Fixtures and equipment at book value		54 000	
Motor vehicles at book value		22 500	
		255 500	**(1)**
Current assets			
Inventory		26 525	**(1)**
Trade receivables	21 000 **(1)**		
Less Provision for doubtful debts	525	20 475	**(1)**
		47 000	**(1 o.f.)**
Total assets		302 500	
Equity and liabilities			
Equity and Reserves			
Ordinary share capital		200 000	**(1)**
General reserve (17 000 **(1)** + 15 000 **(1)**)		32 000	
Retained earnings (9 000 **(1)** + 12 000 **(1)**)		21 000	
		253 000	**(1 o.f.)**
Non-current liabilities			
5% Debentures		15 000	**(1)**
Current liabilities			
Trade payables		26 375	
Bank		8 125	
		34 500	**(1)**
Total liabilities		302 500	

Horizontal format acceptable [13]

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(c) Ordinary shareholders are members of the company
Ordinary shares carry voting rights
Ordinary share dividend is a share of the profit
Ordinary share dividend is variable
Ordinary share dividend is paid after any dividend on preference shares
Ordinary shareholders are repaid last in the event of a winding up

Any two features **(1)** each [2]

(d) Debentures are long-term loans
Debenture-holders are not members of the company
Debentures do not carry voting rights
Debentures carry a fixed rate of interest
Debenture interest is not dependent on the company's profit
Debentures are often secured on the assets of the company
Debenture-holders are repaid before the shareholders in the event of a winding up

Any two features **(1)** each [2]

(e) Reduction in profit available for ordinary shareholders
Prior claim on the assets of the company in the event of a winding up
Or other relevant point

Any two points **(1)** each [2]

[Total: 23]

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