CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/23 Paper 2, maximum raw mark 120

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1 (a) Control/limit/keep track of petty cash expenditure
The cash remaining and the vouchers received should equal the imprest
Can help to reduce fraud
Or other suitable advantage
Any one advantage **(1)** [1]

(b) See petty cash book on next page [11]

(c) (i) $78 **(1 o.f.)**

(ii) Bank (or Cash) **(1)** [2]

(d) Stationery **(1)** [1]

(e) Kuda Maposa
Journal

		Debit $	Credit $	
1	Drawings Purchases Goods taken for personal use	300	300	**(1)** **(1)** **(1)**
2	Motor vehicles Capital Motor vehicle purchased using private funds	12 000	12 000	**(1)** **(1)** **(1)**
3	Machinery Machinery repairs Valley Machines Invoice received for purchase of new machine and repairs to existing machine	865 125	990	**}(1)** **}** **(1)** **(1)**

[9]

[Total: 24]

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(b) Kuda Maposa – Petty Cash Book

Total Received	Date	Details	Total Paid	Postage	Stationery	General Expenses	Ledger accounts
$	2015		$	$	$	$	$
100	Mar 1	Balance b/d					
10 **(1)**	6	Postage	13	13 **(1)**			
	11	Tea and coffee	5			5 **(1)**	
	14	Stationery	27		27 **(1)**		
	18	T Masuka	15				15 **(1)**
	21	Refund for stationery					
	26	Window cleaner	12			12 **(1)**	
	29	P Zhonga	16				16 **(1)**
			88	13	27	17	31
	30	Balance c/d	22				
110			110				
22 **(1 o.f.)**	April 1	Balance b/d					

(1) Dates
(1 o.f.) Totalling analysis columns
(1 o.f.) Matching totals on total columns [11]

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2 (a) (i) 15% **(1)**

(ii) $187 **(1)**

(iii) $217 **(1)** [3]

(b) Jai Kapur **(1)** [1]

(c) Goods returned
Overcharge
Allowance for faulty/damaged goods

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

(d) Debit note **(1)** [1]

(e)

Books of Jai Kapur		Books of Vijay Singh	
Account debited	Account credited	Account debited	Account credited
Sales returns **(1)**	Vijay Singh **(1)**	Jai Kapur **(1)**	Purchases returns **(1)**

[4]

(f)

Vijay Singh
Sales ledger control account

		$				$	
2015				2015			
April 1	Balance b/d	475	**(1)**	April 30	Sales returns	46	**(1)**
30	Sales	590	**(1)**		Bank	387	**(1)**
	Bank (dis. chq.)	26	**(1)**		Discount allowed	13	**(1)**
	Interest	8	**(1)**		Bad debt	32	**(1)**
	Balance c/d	21			Contra	150	**(1)**
					Balance c/d	492	
		1120				1120	
2015				2015			
May 1	Balance b/d	492	**(1 o.f.)**	May 1	Balance b/d	21	**(1)**

+ (1) dates
Three column running balance presentation acceptable [12]

(g) This is when the balance of an account in the purchases ledger is set against the balance of an account of the same person in the sales ledger. **(1)** It is used when a trader both buys goods from and sells goods to another business. **(1)** [2]

(h) The customer had not paid the balance owed by the end of the period of credit allowed. **(1)** [1]

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(i) To assist in the location of errors
To provide an instant total of trade receivables
To prove the arithmetical accuracy of the sales ledger
To enable a statement of financial position to be prepared quickly
To provide a summary of transactions relating to trade receivables
To help reduce fraud

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

(j) An error in the sales ledger would not be revealed **(1)**
Any fraud would not be revealed **(1)**
Or other relevant point

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

[Total: 28]

3 (a)

Malala Khan
Statement of Affairs at 31 May 2015

Assets	Cost		Depreciation to date		Book value	
	$		$		$	
Machinery	28 600		11 440	**(1)**	17 160	**(1 o.f.)**
Motor vehicles	24 000		13 875	**(1)**	10 125	**(1 o.f.)**
	52 600		25 315		27 285	
Inventory			6 750	**(1)**		
Trade receivables	7 800	**(1)**				
Less Provision for doubtful debts	156		7 644	**(1)**		
Other receivables			101	**(1)**	14 495	
					41 780	
Liabilities						
Long-term loan					10 000	**(1)**
Trade payables			8 100	**(1)**		
Bank overdraft			4 080	**(1)**	12 180	
					22 180	
Capital			19 600	**(1 o.f.)**		
			41 780			

Any suitable format acceptable [12]

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(b)

Malala Khan
Capital account

		$					$	
2015				2014				
May 31	Drawings	1990	**(1)**	June 1	Balance		20000	**(1)**
	Drawings	420	**(1)**	2015				
	Loss for year	2990	**(1 o.f.)**	Jan 1	Bank		5000	**(1)**
	Balance c/d	19600	**(1 o.f.)**					
		25000					25000	
				2015				
				June 1	Balance b/d		19600	

Three column running balance presentation acceptable [6]

(c)

	Increase	Decrease	No effect
Reduce the credit period allowed to credit customers			✓ **(1)**
Sell a motor vehicle which is no longer used	✓ **(1)**		
Arrange with the bank to have a loan for six months			✓ **(1)**
Allow cash discount to credit customers who pay promptly		✓ **(1)**	

[4]

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

[Total: 25]

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4 (a)

Syed Zilani
Income Statement for the year ended 31 January 2015

	$	$	$	
Revenue			77 100	
Cost of sales				
Purchases	62 030 **(1)**			
Less Goods for own use	580	61 450 **(1)**		
Less Closing inventory		4 100 **(1)**	57 350	
Gross profit			19 750	**(1 o.f.)**
Discount received			43	**(1)**
			19 793	
Wages		10 140		
Insurance (2 800 **(1)** – 400 **(1)**)		2 400		
Advertising		1 120 **(1)**		
Bad debts		90 **(1)**		
Provision for doubtful debts (2% × 6 500)		130 **(1)**		
Rates (2 160 **(1)** – 720 **(1)**)		1 440		
General expenses		151		
Depreciation – Equipment (20% × 9 300)		1 860 **(1)**	17 331	
Profit for the year			2 462	**(1 o.f.)**

Horizontal format acceptable [14]

(b) Either
Profit should not be overstated
Or
Profit should not be anticipated, but possible losses should be provided for **(1)**

Example
Either Creation of provision for doubtful debts
Or Providing for depreciation of equipment **(1)** [2]

(c) Comparability
Relevance
Understandability

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

(d) Should compare with a business in the same trade
Should compare with a business of approximately the same size/same capital
Should compare with a business of the same type (sole trader)
The financial statements may be for one year which will not show trends
The financial statements may be for one year which is not a typical year
The financial year may end on different dates (when inventories are high/low)
The businesses may operate different accounting policies
The statements do not show non-monetary factors
It may not be possible to obtain all the information needed to make comparisons
Or other suitable points

Any two points **(1)** for basic statement and **(1)** for development [4]

[Total: 21]

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5 (a)

Error	Increase $	Decrease $
Sales returns, $420, had not been recorded		420 **(2)**
Inventory on 1 March 2014 was overstated by $1500	1500 **(2)**	
The income statement included rent and rates, $6150, for 15 months to 31 May 2015	1230 **(2)**	
Discount allowed, $180, had been recorded as discount received		360 **(2)**

(1) for position and **(1)** for figure in each case [8]

(b) (7350 + 1120) : ((6870 + 5000)
8470 : 11 870 **(1)**
0.71 : 1 **(1)** [2]

(c) Liquid assets are less than the current liabilities
Cannot meet the immediate liabilities from the immediate assets
Is dependent on selling inventory to meet the current liabilities
Is below the generally accepted "benchmark"/is inadequate/unsatisfactory
Or other suitable comment based on the answer to **(b)**

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

(d) Excludes the inventory from the calculation [1]

(e) $\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ [1]

(f) $\frac{7350}{71500} \times \frac{365}{1}$ **(1)** = 38 days **(1)** [2]

(g) On average credit customers are taking 8 days more than is allowed
This may affect the ability of the business to pay current liabilities
This may affect the ability of the business to take advantage of opportunities when they arise
Or other suitable comments based on answer to **(f)**

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

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(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 paid
Invoice discounting and debt factoring

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

(i) On average suppliers are paid 4 days earlier than is required
This may enable him to take advantage of cash discounts
This will improve relations with credit suppliers
Deprives the business of the use of the money earlier than necessary

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

[Total: 22]

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