Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/21**

Paper 2 **May/June 2016**

MARK SCHEME

Maximum Mark: 120

Published

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1 (a)

Katie
Stationery account

Date	Details		$	Date	Details		$
2015				2015			
May 1	*Balance b/d*		*182*	Dec 6	A1 Stationers	**(1)**	53
12	Cash	**(1)**	95	2016			
Nov 30	A1 Stationers	**(1)**	217	Apl 30	Income Statement	**(1)OF**	245
					Balance c/d		196
			494				494
2016							
May 1	Balance b/d	**(1)**	196				

A1 Stationers account

Date	Details		$	Date	Details		$
2015				*2015*			
July 9	Bank	**(1)**	114	*May 1*	*Balance b/d*		*114*
Dec 6	Stationery	**(1)**	53	Nov 30	Stationery	**(1)**	217
2016							
Apl 30	Balance c/d		164				
			331				331
				2016			
				May 1	Balance b/d	**(1)OF**	164

Commission receivable account

Date	Details		$	Date	Details		$
2015				2015			
May 1	*Balance b/d*		*1680*	Jun 16	Bank	**(1)**	1680
2016				Sep 10	Bank	**(1)**	1710
Apl 30	Income Statement	**(1)OF**		2016			
			3300	Apl 30	Balance c/d		1590
			4980				4980
2016							
May 1	Balance b/d	**(1)**	1590				

+ (1) dates **[14]**

(b) General/nominal ledger **(1)** **[1]**

(c) Current assets **(1)**
It is an amount owing to Katie, payable in the next 12 months **(1)** **[2]**

[Total: 17]

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2 (a) (i) Cost is the purchase price of the goods plus any additional costs incurred in bringing the inventory to its present condition and position **(1)**

(ii) Net realisable value is the estimated receipts from the sale of the inventory less any costs of completing or selling the goods **(1)** **[2]**

(b) Inventory should always be valued at the lower of cost and net realisable value
This is an application of the principle of prudence
Over-valuing the inventory causes the profit for the year to be overstated
Over-valuing the inventory causes the current assets to be overstated
Any 2 points (1) each **[2]**

(c)

	overstated	understated
cost of sales	✓**(1)**	
profit for the year		✓**(1)**

[2]

(d) (i) Either $\frac{\text{cost of goods sold}}{\text{average inventory}}$ **(1) whole formula**

Or $\frac{\text{average inventory}}{\text{cost of goods sold}} \times \frac{365}{}$ **whole formula** **[1]**

(ii) Either $\frac{49\ 900}{7500}$ **(1) whole formula** = 6.65 times **(1)**

Or $\frac{7500}{49\ 900} \times \frac{365}{}$ **(1) whole formula** = 54.86 days = 55 days **(1)** **[2]**

(e) Unsatisfied **(1)**
Or OF based on answer to (d) (ii)

Not selling goods as quickly as previously **(1)**
OR OF based on answer to (d) (ii) **[2]**

(f) Reduce inventory levels
Increase sales activity
Only replace inventory when necessary
Any one point (1) **[1]**

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(g) (i) Cash represents the cash the trader possesses **(1)**
Bank represents an overdraft/what the trader owes the bank **(1)** **[2]**

(ii) Not enough money in the account
Cheque unsigned
Amount in words and figures disagree
Cheque undated/out of date
Takes account into unauthorised overdraft
Or other acceptable reason
Any two reasons (1) each **[2]**

(iii) Received **(1)** **[1]**

(iv) $\frac{15}{(585+15)} \times \frac{100}{1} = 2.50\%$ **(1)** **[1]**

(v) This is a contra entry **(1)**
Money was transferred from the cash into the bank **(1)** **[2]**

(vi) Debited **(1)** **[1]**

(vii) Cash balance $2 debit **(1)**
Bank balance $638 debit **(1)** **[2]**

[Total: 23]

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3 (a)

Hillcrest Athletics Club
Café Income Statement for the year ended 30 April 2016

		$	$	
Revenue			10430	**(1)**
Less Cost of sales				
	Opening inventory	790	**(1)**	
	Purchases (7998 **(1)** + 1137 **(1)** – 1292 **(1)**)	7843		
		8633		
	Less Closing inventory	850	**(1)**	7783
Profit on café			2647	**(1) OF**

[7]

(b)

	$	
Subscriptions received	16910	**(1)**
Add Opening prepayment	1045	**(1)**
	17955	
Add Closing accrual	285	**(1)**
	18240	
Less Opening accrual	760	**(1)**
Subscriptions for the year	17480	**(1) OF**

Alternative presentation acceptable **[5]**

(c)

Hillcrest Athletics Club
Income and Expenditure Account for the year ended 30 April 2016

		$	$	
Income	Subscriptions		17480	**(1) OF**
	Café profit		2647	**(1) OF**
	Profit on sale of equipment (1059 – 956)		103	**(1)**
			20230	
Expenditure	Rent, rates & insurance (4860 **(1)** + 155 **(1)** – 180 **(1)**)	4835		
	General expenses	14794		
	Depreciation – equipment	2445	22074	
Deficit			1844	**(1) OF**

[9]

[Total: 21]

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4 (a) $19 360 – (4% × 80 000 **(1)**) = $16 160 **(1)** **[2]**

(b) (i) $\frac{8000}{200\,000} \times \frac{100}{1} = 4\%$ **(1)** **[1]**

(ii) $\frac{(6250 + 5000)}{(200\,000 + 50\,000)} \frac{(1)}{(1)} \times \frac{100}{1} = 4.5\%$ **(1)OF** **[3]**

(c)

Nyeko Limited
Statement of Changes in Equity for the year ended 29 February 2016

	Ordinary share capital $	General reserve $	Retained earnings $	Total $	
On 1 March 2015	200 000	34 000	8 000	242 000	**(1)**
Share issue	50 000			50 000	**(1)**
Profit for the year			16 160	16 160	**(1)OF**
Dividend paid (for year ended 28 February 2015)			(8 000)	(8 000)	**(1)**
Dividend paid (for year ended 29 February 2016)			(6 250)	(6 250)	**(1)**
Transfer to general reserve		6 000	(6 000)		**(1)**
On 29 February 2016	250 000	40 000	3 910	293 910	**(1)**
	OF	**OF**	**OF**	**OF**	

[7]

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(d) (i) $\frac{16\ 160}{180\ 200}$ **OF** $\times \frac{100}{1}$ **(1) OF whole formula** = 8.97% **(1)OF** **[2]**

(ii) Increase gross profit
Reduce expenses
Increase other income
Any 2 points (1) each **[2]**

(e) (i) $\frac{16\ 160}{242\ 000}$ **OF** $\times \frac{100}{1}$ **(1) OF whole formula** = 6.68% **(1)OF** **[2]**

(ii) Increase profit for the year
Increase efficiency
Use resources more efficiently
Or other suitable point
Any 2 points (1) each **[2]**

(f) Reduction in profit available for ordinary shareholders
Prior claim on the profits of the company
Prior claim on the assets of the company in the event of a winding-up
Or other suitable comment
Any 2 points (1) each **[2]**

[Total: 23]

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5 (a)

Samar
Provision for doubtful debts account

Date		$	Date	Details	$
2016			2015		
Apl 30	Income statement **(1)**	38	May 1	Balance b/d **(1)**	474
	Balance c/d	436			
		474			474
			2016		
			May 1	Balance b/d **(1)OF**	436

+ (1) dates

[4]

(b)

Samar
Extract from Statement of Financial Position at 30 April 2016

Current assets	$	$
Trade receivables	17 440	
Less Provision for doubtful debts	436 **(1)OF**	17 004 **(1)OF**

[2]

(c) A bad debt is an amount owing to a business which will not be paid by a credit customer **(1)**
A provision for doubtful debts is an estimate of the amount which a business will lose in the financial year because of bad debts **(1)** **[2]**

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

(e) Accruals/matching **(1)** **[1]**

(f) 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
Invoice discounting/debt factoring
Any 2 points (1) each **[2]**

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(g)

Samar
Journal

	Debit $	Credit $	
Bank	49		**(1)**
Bad debts recovered		49	**(1)**
Recovery of debt previously written off			**(1)**
Alternative presentation			
M Khan	49		**}(1)**
Bad debts recovered		49	**}**
Bank	49		**}(1)**
M Khan		49	
Recovery of debt previously written off			**(1)**

[3]

[Total: 16]

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6 (a)

Wasim
Suspense account

Date 2016	Details	$	Date 2016	Details		$
Mar 31	Difference on trial balance **(1)**	495	Mar 31	Purchases	**(1)**	18
	Balance c/d	190		Petty cash	**(1)**	100
				Discount Alld	**(1)**	250
				Discount Recd	**(1)**	250
				Stationery	**(1)**	67
		685				685
			2016 Apl 1	Balance b/d	**(1)OF**	190

[7]

(b)

Wasim
Journal

Error number		Debit $	Credit $
2	DDE Limited	150	
	DEC Limited		150
	Correction of error – DDE Limited wrongly credited		
4	Motor repairs	283	
	Motor vehicles		283
	Correction of error – repairs wrongly debited		
5	Fixtures	4400	
	Office Supplies Company		4400
	Correction of reversal of entries		

Any TWO of the above journal entries **(1) debit entry**
(1) credit entry
(1) narrative

[6]

(c) Error of commission **(1)** **[1]**

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(d)

error number	affects profit for the year	does not affect the profit for the year
1	✓	
2		✓**(1)**
3		✓ **(1)**
4	✓**(1)**	
5		✓**(1)**
6	✓**(1)**	
7	✓**(1)**	

[6]

[Total: 20]

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