Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/23**

Paper 2 **May/June 2020**

MARK SCHEME

Maximum Mark: 120

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

© UCLES 2020

[Turn over

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

© UCLES 2020

GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

© UCLES 2020

Question	Answer	Marks

1(a) **4**

Bilal
Purchases journal

Date	Details	$	
2020			
April 4	Milly (320 – 64)	256	**(1)**
5	EHL Limited	500	**(1)**
13	Todd	250	**(1)**
30	Transfer to purchases account	1 006	**(1)OF**

1(b) **12**

Bilal
Cash Book

			Disc. Alld	Cash	Bank				Disc. Recd	Cash	Bank
			$	$	$				$	$	$
2020						2020					
Apr 1	*Balance b/d*			*160*	*1 960*	Apr 6	Stationery	**(1)**			145
8	Sales	**(1)**			280	10	Milly	**(1)**		128	
12	Sales	**(1)**		110		17	Office equip.	**(1)**			500
28	Disposal	**(1)**		50		21	Todd	**(1)**	10		240
						24	EHL Limited	**(1)**	15		485
						30	Balance c/d			192	870
				320	2 240				25**(1)**	320	2 240
2020											
May 1	Balance b/d			192	870						
				(1)OF	**(1)OF**						

Dates (1)

Question	Answer	Marks
1(c)		4

	accounting principle
The double entry for the posting of the purchases journal entries is completed by posting the individual amounts to the purchases ledger.	duality **(1)**
The purchase of goods on 5 April did not include goods costing $55 which Bilal bought for his own use.	business entity **(1)**
The stationery purchased on 6 April had been recycled. This is expected to improve the reputation of the business. Reputation is not recorded in the accounting statements.	money measurement **(1)**
The value of office equipment shown in the financial statements was based on its purchase price.	historic cost **(1)**

Question	Answer				Marks
2(a)		$		$	4
	Subscriptions in arrears	845	**(1)**		
	Cash at bank	1 570			
	Cash in hand	130			
	Inventory	615			
	Fixtures and fittings	11 200			
		14 360	**(1)**		
	Subscriptions in advance	250			
	Wages outstanding	140		390 **(1)**	
	Accumulated fund			13 970 **(1)(OF)**	
2(b)	The accumulated fund is built up from the annual surpluses **(1)** less any annual deficits **(1)** **Accept other valid points**				2
2(c)	1250 + 115 – 140 **(1)** = 1225 **(1)OF**				2

© UCLES 2020

Question	Answer	Marks
2(d)	K Music Club Subscriptions account 2019 | | $ | | 2019 | | $ | Apr 1 | Balance b/d | 845 | **(1)** | Apr 1 | Balance b/d | 250 | **(1)** 2020 | | | | 2020 | | | Mar 31 | Income and Expenditure | 8 820 | **(1)OF** | Mar 31 | Bank | 8 500 | **(1)** | Balance c/d | 215 | | | Irrecoverable debts | 155 | **(1)** | | | | | Balance c/d | 975 | | | 9 880 | | | | 9 880 | 2020 | | | | 2020 | | | Apl 1 | Balance b/d | 975 | **(1)OF** | Apl 1 | Balance b/d | 215 | **(1)OF**	**7**
2(e)	**Advantages** Subscriptions in arrears have risen from $845 to $975, so this may be a concern **(1)** Subscriptions in arrears are significantly higher than subscriptions in advance **(1)** Irrecoverable debts would be minimised particularly if the direct debits were set up for the start of the year **(1)** The timing of cash receipts from members will be known **(1)** Administration costs may be reduced **(1)** **Accept other valid points** **Max (2)** **Disadvantages** Members may prefer to choose their own method of payment **(1)** They may prefer to pay their subscription at a time of their choosing **(1)** Some members may decide not to renew their membership **(1)** **Accept other valid points** **Max (2)** **Recommendation (1)**	**5**

Question	Answer					Marks
3(a)	Gok Income Statement for the year ended 29 February 2020					**15**
		$		$		
	Revenue	420 000				
	Less Sales returns	12 000		408 000	**(1)**	
	Cost of sales					
	Opening inventory	26 700				
	Purchases	311 400				
		338 100				
	Less Closing inventory	32 100	**(1)OF**	306 000	**(1) OF**	
	Gross profit			102 000	**(1)**	
	Less Expenses					
	Discount allowed	9 000	**(1)**			
	Wages	12 360	**}**			
	Rent and rates	11 750	**}(1)**			
	General expenses	4 220	**}**			
	Irrecoverable debts	8 600	**(1)**			
	Insurance (4 500 – 1 500)	3 000	**(1)**			
	Telephone expenses (4 565**(1)** + [1 660/4] **(1)**)	4 980				
	Depreciation on Fixtures and equipment (20% × 76 800) **(1)**	15 360	**(1)OF**	69 270		
	Profit from operations			32 730		
	Loan interest (60 000 × 7%)**(1)** × 8/12**(1)**			2 800		
	Profit for the year			29 930	**(1)OF**	

Question	Answer	Marks
3(b)	**Advantages** Gok would no longer need to pay wages to Aiman as he would not be an employee **(1)** Aiman may invest capital into the business (**1)** Gok would consider how much capital would be introduced by Aiman **(1)** The risks and responsibilities would be shared with Aiman **(1)** Aiman may have skills which could be used in the business, other than those which he currently uses as a warehouse assistant **(1)** Aiman may be prepared to work longer hours in the business if he became a partner **(1)** Currently Gok has not had time to carry out an inventory count so it seems that any extra hours which Aiman may work would be helpful **(1)** **Accept other valid points** **Max (2)** **Disadvantages** Gok would no longer be able to take all the decisions on his own **(1)** Aiman would be entitled to a share of the profits **(1)** Gok would consider how profits and losses are to be shared **(1)** Aiman would expect to take drawings from the business **(1)** **Accept other valid points** **Max (2)** **Recommendation (1)**	**5**

Question	Answer	Marks
4(a)	Nadia Suspense account 2020 — $ Mar 31 Purchases 110 **(1)** Commission payable 65 **(1)** Commission receivable 65 **(1)** 240 2020 — $ Mar 31 Difference on trial balance 24 **(1)OF** Discount allowed 28 **(1)** Insurance 18 **(1)** Drawings 170 **(1)** 240	**7**
4(b)(i)	Error of principle **(1)**	**1**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)(ii)</td><td>Error of commission (1)</td><td>1</td></tr>
<tr><td>4(c)</td><td>
Nadia
Statement of corrected profit for the year ended 31 March 2020
<table>
<tr><td></td><td>No effect</td><td>Increase in profit $</td><td>Decrease in profit $</td><td>$
6720</td></tr>
<tr><td>Error 1</td><td></td><td>110</td><td></td><td></td></tr>
<tr><td>Error 2</td><td></td><td></td><td>28 (1)</td><td></td></tr>
<tr><td>Error 3</td><td></td><td></td><td>18 (1)</td><td></td></tr>
<tr><td>Error 4</td><td></td><td>130 (1)</td><td></td><td></td></tr>
<tr><td>Error 5</td><td>nil (1)</td><td></td><td></td><td></td></tr>
<tr><td>Error 6</td><td></td><td></td><td>190 (1)</td><td></td></tr>
<tr><td>Error 7</td><td>nil (1)</td><td></td><td></td><td>4(1)(OF)</td></tr>
<tr><td>Corrected profit for the year</td><td></td><td>240</td><td>236</td><td>6724</td></tr>
</table>
</td><td>7</td></tr>
<tr><td>4(d)</td><td>
Nadia
Journal
<table>
<tr><th>Date</th><th>Details</th><th>Debit $</th><th>Credit $</th></tr>
<tr><td>2020
March 31</td><td>Irrecoverable debts
DD Supplies</td><td>300 (1)</td><td>
300 (1)</td></tr>
<tr><td>March 31</td><td>Income statement
Provision for doubtful debts</td><td>284 (1)</td><td>
284 (1)</td></tr>
</table>
</td><td>4</td></tr>
</table>

© UCLES 2020

Question	Answer	Marks
5(a)	Rate of inventory turnover $\frac{(8\,000 + 121\,618 - 11\,050)\textbf{(1)}}{(8\,000 + 11\,050 / 2\textbf{(1)}} = \frac{118\,568}{9\,525} =$ 12.45 times **(1)OF** Trade receivables turnover $\frac{28\,700}{209\,510} \times \frac{365}{1}$ **(1) whole formula** = 50 days **(1)OF**	**5**
5(b)(i)	Risk of obsolete inventory **(1)** Risk of damage to inventory **(1)** Increased storage costs **(1)** May need to reduce selling price to sell old inventory **(1)** Cash is tied up longer in inventory **(1)** May mean missed business opportunities if insufficient cash **(1)** **Accept other valid points** **Max (3)**	**3**
5(b)(ii)	Risk of irrecoverable debts **(1)** A provision for doubtful debts may be required **(1)** Credit control may need to be reviewed **(1)** Cash tied up in trade receivables **(1)** May mean missed business opportunities if insufficient cash **(1)** Effect may be significant as all sales are on credit **(1)** **Accept other valid points** **Max (3)**	**3**

© UCLES 2020

Question	Answer	Marks
5(c)	**Cash discount** Advantages Cash will be received significantly earlier **(1)** Good customer relationships are maintained **(1)** Credit control costs may be reduced **(1)** Irrecoverable debts may be reduced **(1)** **Accept other valid points** **Max (1)** Disadvantages Less cash will be received **(1)** 1% may not be enough to encourage earlier payment **(1)** If customers have insufficient funds to pay the cash discount may have no effect **(1)** **Accept other valid points** **Max (1)** **Interest** Advantages More cash may be received **(1)** Cash may be received earlier **(1)** Interest received will increase profit **(1)** Irrecoverable debts may be reduced **(1)** **Accept other valid points** **Max (1)** Disadvantages Customer relationships may worsen **(1)** Increased administration costs **(1)** Customers may refuse to pay the interest **(1)** Customers may find an alternative supplier **(1)** **Accept other valid points** **Max (1)** **Recommendation (1)**	**5**

© UCLES 2020

Question	Answer	Marks
5(d)(i)	Accounting policies should be applied consistently so that financial statements can be compared from year to year **(1)** Financial statements can be compared with similar businesses **(1)** Any change in the company's accounting policies, and the effect of the change, should be disclosed **(1)** **Accept other valid points** **Max (2)**	**2**
5(d)(ii)	Information is relevant if it is capable of influencing the decisions being made **(1)** Information must be available in time for decisions to be taken **(1)** Relevant information helps the directors to evaluate past, present and future events **(1)** **Accept other valid points** **Max (2)**	**2**

© UCLES 2020