UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

0452 ACCOUNTING

0452/21 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.

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International Examinations

1 (a) Cash Book (bank columns only)

		$				$		
2011				2011				
Sept 1	Rent received	200	**(1)**	Sept 1	Balance b/d	1052	**(1)**	
	Error correction **(1)**	100	**(1)**		Bank charges	39	**(1)**	
	Balance c/d	791	**(1) C/F**					
		1 091				1 091		
				Sept 1	Balance b/d	791	**(1) O/F**	**[7]**

(b) Bank Reconciliation Statement at 31 August 2011

	$		$		
Balance shown on bank statement **(1)**			(1 047)	**(1)**	
Add Amounts not credited – sales	490	**(1)**			
Bank error **(1)**	50	**(1)**	540		
			(507)		
Less Cheques not yet presented –					
Omega Supply Co			284	**(1)**	
Balance shown in cash book **(1)**			(791)	**(1) O/F**	

Alternative presentation

Bank Reconciliation Statement at 31 August 2011

	$		$		
Balance shown in cash book **(1)**			(791)	**(1) O/F**	
Add Cheques not yet presented –					
Omega Supply Co			284	**(1)**	
			(507)		
Less Amounts not credited – sales	490	**(1)**			
Bank error **(1)**	50	**(1)**	540		
Balance shown on bank statement **(1)**			(1047)	**(1)**	**[8]**

(c) $\left\{\frac{1790}{15\,500}\right\}$ **(1)** $\times \frac{365}{1}$ = 42.15 days = 43 days **(1)** **[2]**

(d) Unsatisfied if O/F in **(c)** over 30 days **(1)**
They are not receiving the amount due within the period of credit allowed **(2)**

Or
Satisfied if O/F in **(c)** is 30 days or below **(1)**
They are receiving the amount due within the period of credit allowed **(2)** **[3]**

(e) May be able to take advantage of cash discounts
Improve the relationship with suppliers

Or other suitable comment

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

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(f) The business is deprived of the use of the money earlier than necessary

Or other suitable comment

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

(g) At the end of the period the chief cashier will make up the cash remaining so that it is equal to the imprest amount **(2)** **[2]**

(h)

		Debit or credit	Name of account
(i)	Total of sundry expenses column	*Debit*	*Sundry expenses account*
(ii)	Cash received to restore the imprest	Credit **(1)**	Cash account (cash book) **(1)**
(iii)	Cash received from employee for cost of personal telephone calls	Credit **(1)**	Telephone expenses account **(1)**

[4]

[Total: 29]

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2 (a)

Oasis Trading Co Ltd
Balance Sheet at 31 August 2011

	$	$	$	
Non-current Assets at cost			230 000	
Less Provision for depreciation			69 000	
			161 000	**(1)**
Current Assets				
Inventory		36 500		**}(1)**
Petty cash		100		**}**
Trade receivables	18 400			
Less Provision for doubtful debts	368	18 032		**(1)**
		54 632		
Current Liabilities				
Trade payables	17 950			**}(1)**
Bank overdraft	8 942			**}**
Other payables – proposed dividends (2 000 **(1)** + 6 000 **(1)**)	8 000	34 892		
Net current assets			19 740	**(1)O/F**
			180 740	
Non-current Liabilities				
4% Debentures			20 000	**(1)**
			160 740	
Capital and Reserves				
5% Preference shares of $1 each			40 000	**(1)**
Ordinary shares of $0.50 each			100 000	**(1)**
General reserve (9 000 **(1)** + 3 000 **(1)**)			12 000	
Retained profits (4 000 **(1)** + 4 740 **(1)**)			8 740	
			160 740	

Horizontal format acceptable **[14]**

(b) $70 000
($20 000 preference shares + $50 000 ordinary shares) **[2]**

(c) (i) Debentures
Long term loans
Mortgage
Any one comment (1) **[1]**

(ii) Payment of fixed annual interest for duration of loan
Creation of a further liability for the company
Any one comment (1) **[1]**

(d) (i) Included **(1)**
Is an appropriation of the profit for the year **(1)** **[2]**

(ii) Not included **(1)**
Is not a liability **(1)**
OR it will have been paid during the year **(1)** **[2]**

[Total: 22]

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3 (a)

Journal	Debit $	Credit $	
Office equipment	360		**(1)**
Office expenses (repairs to equipment)	30		**(1)**
Computek		390	**(1)**
Purchase of new computer and repairs to old computer			**(1)**

[4]

(b) A double entry has been made for the transaction.

Or suitable explanation **[2]**

(c)

Journal	Debit $	Credit $	
Drawings	400		**(1)**
Purchases		400	**(1)**
Goods taken at cost price for personal use			**(1)**

[3]

(d) Goods for personal use have been removed from those for re-sale. This will reduce the amount owed by the business to the owner.

Or other suitable explanation **[2]**

(e)

Journal	Debit $	Credit $	
Income statement	200		**(1)**
Provision for doubtful debts		200	**(1)**
Creation of provision for doubtful debts			**(1)**

[3]

(f) Creating a provision for doubtful debts ensures that the profit is not overstated **(1)** the trade receivables are not overstated in the balance sheet **(1)**

Or other suitable explanation **[2]**

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(g) Obtain references from new credit customers
Fix a credit limit for each customer
Issue invoices and statements promptly
Follow up overdue accounts promptly
Supply goods on a cash basis only
Refuse further supplies until outstanding balance is paid

Or other suitable points

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

(h)

		Increase	Decrease	No effect
(i)	Total expenses for the year	✓ **(1)**		
(ii)	Profit for the year		✓ **(1)**	
(iii)	Closing credit balance on capital account		✓ **(1)**	
(iv)	Amount owing by trade receivables			✓ **(1)**

[4]

[Total: 22]

4 (a)

Deira Road Sailing Club
Shop Income Statement for the year ended 30 September 2011

	$		$	
Receipts from sales			5 492	**(1)**
Less Cost of sales				
Opening inventory	270	**(1)**		
Purchases (3 150 **(1)** + 340 **(1)**)	3 490			
	3 760			
Less Closing inventory	310	**(1)**		
	3 450			
Shop assistant's wages	480	**(1)**		
Shop rent (25% × 2 600)	650	**(1)**	4 580	
Profit for the year			912	**(1)O/F**

Horizontal format acceptable **[8]**

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(b) Deira Road Sailing Club
Income and Expenditure Account for the year ended 31 September 2011

	$		$	
Income				
Subscriptions (3 060 **(1)** – 450 **(1)** – 360**(1)**)			2 250	
Profit for the year on the shop			912	**(1)O/F**
Sailing competition – Entrance fees	586	**(1)**		
Less expenses	292	**(1)**	294	
			3 456	
Expenditure				
Wages sailing tutor	940	**(1)**		
Rent (75% × 2 600)	1 950	**(1)**		
General expenses (230 **(1)** + 26 **(1)**)	256			
Insurance (800 **(1)** + 190 **(1)** – 200 **(1)**)	790			
Depreciation of equipment (20% × (4 400 + 1 500))	1 180	**(2)**	5 116	
Deficit for the year			1 660	**(1)O/F**

Horizontal format acceptable **[16]**

[Total: 24]

5 **(a)** Less risk of errors
Less risk of fraud
Easier to refer to previous transactions
Financial position can be ascertained
Easier to prepare financial statements
Easier to make business decisions
Easier to calculate accounting ratios

Or other acceptable point

Any two points (2) each **[4]**

(b) **(i)** Calculation of credit sales

	$	
Cheques received from customers	7 995	**(1)**
Discounts allowed	205	**(1)**
Bad debts written off	180	**(1)**
Amounts owing on 31 July 2011	8 020	**(1)**
	16 400	
Less Amounts owing on 1 August 2010	7 450	**(1)**
Credit sales	8 950	**(1)O/F**

[6]

(ii) Calculation of credit purchases

	$	
Cheques paid to suppliers	3 920	**(1)**
Discounts received	80	**(1)**
Amounts owing on 31 July 2011	5 550	**(1)**
	9 550	
Less Amounts owing on 1 August 2010	4 390	**(1)**
Credit purchases	5 160	**(1)O/F**

[5]

Alternative calculations on next page

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(b) Alternative presentations

(i) Credit sales

Total trade receivables account

		$				$	
2010				2011			
Aug 1	Balance b/d	7 450	**(1)**	July 31	Bank	7 995	**(1)**
2011					Discounts allowed	205	**(1)**
July 31	Sales *	8 950	**(1)O/F**		Bad debts	180	**(1)**
					Balance c/d	8 020	**(1)**
		16 400				16 400	
2011							
Aug 1	Balance b/d	8 020					

Three column running balance account acceptable **[6]**

(ii) Credit purchases

Total trade payables account

		$				$	
2011				2010			
July 31	Bank	3 920	**(1)**	Aug 1	Balance b/d	4 390	**(1)**
	Discounts received	80	**(1)**	2011			
	Balance c/d	5 550	**(1)**	July 31	Purchases *	5 160	**(1)O/F**
		9 550				9 550	
				2011			
				Aug 1	Balance b/d	5 550	

Three column running balance account acceptable **[5]**

(c) To apply the prudence principle **(1)**
To avoid overstating the assets **(1)**
To avoid overstating the profit for the year **(1)**

Or other relevant comment

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

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(d)

		overstated		understated		no effect
			$		$	
(i)	net profit for the year ended 31 July 2010	✓	*250*	–	–	–
(ii)	capital employed at 31 July 2010	✓ **(1)**	250 **(1)**			
(iii)	gross profit for the year ended 31 July 2011			✓ **(1)**	250 **(1)**	
(iv)	current assets at 31 July 2011					✓ **(2)**

[6]

[Total: 23]

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