CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2012 series

0452 ACCOUNTING

0452/21 Paper 2, maximum raw mark 120

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1 (a)

Zabeel

Manufacturing Account for the year ended 31 October 2012

	$	$
Cost of materials consumed		
Purchases of raw materials	54 300 **(1)**	
Less Purchases returns	2 100 **(1)**	
	52 200	
Carriage on purchases	480 **(1)**	
	52 680	
Less Closing inventory of raw materials	4 300 **(1)**	48 380
Direct factory wages (46 000 + 2150)		48 150 **(1)**
Prime cost		96 530 **(1) O/F**
Factory overheads		
Indirect wages	11 210 **(1)**	
General expenses (21 660 – 370)	21 290 **(1)**	
Rates and insurance (60% x 6000)	3 600 **(1)**	
Depreciation – Machinery (20% x 64 500)	12 900 **(1)**	
Loose tools (980 + 130 – 820)	290 **(1)**	49 290
		145 820 **(1) O/F**
Less Closing work in progress		10 200 **(1)**
Production cost of goods completed		135 620 **(1) O/F**

[14]

(b)

Zabeel

Income Statement for the year ended 31 October 2012

	$	$
Revenue	183 400 **(1)**	
Less Sales returns	2 600 **(1)**	180 800
Less Cost of sales		
Production cost of goods completed	135 620 **(1) O/F**	
Purchases of finished goods	9 200 **(1)**	
	144 820	
Less Closing inventory of finished goods	12 620 **(1)**	132 200
Gross profit		48 600 **(1) O/F**

[6]

(c) (i) Lower of cost and net realisable value **[1]**

(ii) Prudence **[1]**

(d) (i) Realisation **[1]**

(ii) Business entity **[1]**

[Total: 24]

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2 (a)

Nancy Tanwin
Rent received account

2012	$	2011	$
Oct 31 Income statement	2592 **(2)C/F**	Nov 1 Balance/bank/cash	432 **(1)**
	(1)O/F	2012	
Oct 31 Balance c/d	216	Jan 1 Bank	1296**} (1)**
		July 1 Bank	1080**}**
	2808		2808
		2012	
		Nov 1 Balance b/d	216 **(1) O/F**

+ (1) Dates **[6]**

(b) Current liabilities **(1)**
Nancy Tanwin has a liability to provide a benefit for which she has already been paid. **(1)** **[2]**

(c)

Nancy Tanwin
Advertising expenses account

2011	$	2011	$
Nov 15 Cash	74**}**	Nov 1 Balance b/d	74 **(1)**
2012	**} (1)**	2012	
June 1 Bank	1200**}**	Oct 31 Income Statement	500 **(2)C/F**
			(1)O/F
		Balance c/d	700
	1274		1274
2012			
Nov 1 Balance b/d	700 **(1) O/F**		

+ (1) Dates **[6]**

(d)

Effect on capital employed	Tick
Overstate	
Understated	✓

[1]

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(e)

Nancy Tanwin
Statement of corrected profit/loss for the year ended 31 October 2012

	Increase in profit $	Decrease in profit $	$
Profit for the year before corrections			(550)
Error 1		20	
Error 2	1100 **(2)**		
Error 3	No effect **(2)**		
Error 4		310 **(2)**	
Error 5	260 **(2)**		
	1360	330	1030
Corrected profit for the year			480 **(1) O/F**

[9]

[Total: 24]

3 **(a)** The liability of the ordinary shareholders for the debts of the company is limited to the amount they agree to pay the company for their shares. **[2]**

(b) Ordinary shareholders are members (owners) of the company: debenture holders are lenders.
Ordinary shares carry voting rights: debentures do not carry voting rights.
Ordinary shareholders receive a dividend; debenture holders receive interest.
Ordinary shareholders receive a variable return on their shares: debentures holders received a fixed interest rate.
Ordinary share dividend is a share of profit and may not be paid if there is no profit: debenture interest is an expense and is payable irrespective of profits
In the event of a winding-up, debentures are repaid before ordinary shares.
Debentures have to be repaid but ordinary shares do not

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

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(c) White Rose Ltd

Profit and Loss Appropriation Account for the year ended 31 August 2012

	$	$
Profit for the year		36 000 **(1)**
Less Transfer to general reserve	10 000 **(1)**	
Ordinary share dividend – paid **(1)**	5 250 **(1)**	
proposed **(1)**	7 000 **(1)**	22 250
Retained profit for the year		13 750 **(1) O/F**
Retained profit brought forward		7 300 **(1)**
Retained profit carried forward		21 050 **(1) O/F**

[9]

(d) White Rose Ltd

Extract from Balance Sheet at 31 August 2012

	$
Capital and Reserves	
Ordinary shares of $0.50 each	175 000 **(1)**
General reserve (18 500 + 10 000)	28 500 **(2)**
Retained profit	21 050 **(2) C/F** **(1) O/F**

[5]

(e) White Rose Ltd

Extract from Balance Sheet at 31 August 2012

	$
Non-current liabilities	
5% Debentures of $100 each	100 000 **(2)**

[2]

[Total: 22]

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4 **(a)** Work can be shared amongst several people
Easier for reference as the same type of accounts are kept together
Easier to introduce checking procedures

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

(b)

Ruth Van Zyl
Purchases Ledger Control account

2012			$	2012			$
Sept 1	Balance	b/d	210 **(1)**	Sept 1	Balance	b/d	9 530 **(1)**
30	Returns		1 160 **(1)**	30	Purchases		11 740 **(1)**
	Bank		8 730 **(1)**		Interest		90 **(1)**
	Discount		270 **(1)**		Balance	c/d	160
	Balance	c/d	11 150				
			21 520				21 520
2012				2012			
Oct 1	Balance	b/d	160 **(1)**	Oct 1	Balance	b/d	11 150 **(2)C/F**
			O/F				**(1)O/F**

+(1) Dates **[11]**

(c) Assist in the location of errors
Provide instant total of trade payables
Proves the arithmetical accuracy of the purchases ledger/the ledger they control
Enables a balance sheet to be prepared quickly
Provides a summary of the transactions relating to trade payables
May reduce fraud

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

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(d)

	Item	Entry in sales ledger control account	
(ii)	Sales returns	Credit	**(1)**
(iii)	Bad debt written off	Credit	**(1)**
(iv)	Provision for doubtful debts	No entry	**(1)**
(v)	Credit customer's cheque dishonoured	Debit	**(1)**

[4]

(e) Ruth Van Zyl
Journal

	Debit $	Credit $	
Wilhelm	15		**(1)**
Interest receivable		15	**(1)**
Interest charged on overdue account			**(1)**
Ansie (purchases ledger account)	500		**(1)**
Ansie (sales ledger account)		500	**(1)**
Transfer of balance of purchases ledger account to sales ledger account			**(1)**

[6]

[Total: 24]

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5 (a) Total trade receivables account

2011		$	2012		$
Oct 1 Balance	b/d	4 950 **(1)**	Sept 30 Bank		56 360 **(1)**
2012			Discount		1 640 **(1)**
Sept 30 Sales	*	60 600 **(1)**	Bad debts		1 260 **(1)**
			Balance	c/d	6 290 **(1)**
		65 550			65 550

Alternative presentation

Calculation of sales for the year

	$
Receipts from customer	56 360 **(1)**
Discounts allowed	1 640 **(1)**
Bad debts	1 260 **(1)**
Amount owing 30 September 2012	6 290 **(1)**
	65 550
Less Amounts owing 1 August 2011	4 950 **(1)**
Sales for the year	60 600 **(1)**

[6]

(b) $\frac{25}{125} \times \frac{60\,600}{1}$ **OF** = 12 120 **(2) O/F** **[2]**

(c)

Sales		60 600 **O/F**
Gross profit		12 120 **O/F**
Cost of sales		48 480 **(2) O/F**

[2]

(d) $\frac{48\,480}{6\,000}$ **O/F** = 8.08 times **(2) C/F**
(1) O/F **[2]**

(e) Reduce inventory levels
Generate more sales activity
Only replace inventory when needed

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

(f) (5800 + 6290 + 100) : (6150 + 1240)
= 12 190 **(1) C/F** : 7390 **(1) C/F**
= 1.649 : 1
= 1.65 : 1 **(1) C/F**

[3]

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(g) (6290 + 100) : (6150 + 1240)
= 6390 **(1) C/F** : 7390 **(1) C/F**
= 0.864 : 1
= 0.86 : 1 **(1) C/F** **[3]**

(h) Inventory is not included in the calculation of the quick ratio **(1)**
Either
Inventory is not regarded as a liquid asset – a buyer has to be found and then the money collected. **(1)**
Or
The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets. **(1)**

[2]

(i) Introduce additional capital
Reduce drawings
Sell surplus non-current assets
Obtain long-term loan

Any 1 point (2) **[2]**

[Total: 26]

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