CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2013 series

0452 ACCOUNTING

0452/22 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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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1 (a)

Saira Rehman – Petty Cash Book

Total received	Date	Details	Total paid	Postage & stationery	Catering supplies	Cleaning	Ledger accounts
$	2013		$	$	$	$	$
56	Oct 1	Balance b/d					
144 **(1)**		Bank/cash					
	4	Stamps and stationery	19	19 **(1)**			
3 **(1)**	10	Refund for personal postage					
	14	Abdul Shakeel	34				34 **(1)**
	18	Tea and coffee	9		9 **(1)**		
	23	Syed Arshad	16				16 **(1)**
	28	Cleaning	80			80 **(1)**	
			158	19	9	80	50
	31	Balance c/d	45				
203		Balance b/d	203				
45 **(1)**	Nov 1	Balance b/d					
OF							
155 **(1)**							
OF		Bank/cash					

Dates (1)
OF Totals of analysis columns (1)
OF Totals of total columns (1) **[12]**

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(b) Debit Abdul Shakeel account $34 **(1)**
Debit Syed Arshad account $16 **(1)** **[2]**

(c) Credit Postage and stationery account **(2)** **[2]**

(d) The amount available for the day-to-day running of the business **(1)**
The difference between the current assets and the current liabilities **(1)** **[2]**

(e)

Transaction	Effect on working capital	Reason
Returned damaged goods, $35, to Annie Khan, a credit supplier	No effect **(1)**	Inventory (current assets) decreases by $35 Trade payables (current liabilities) decrease by the same amount **(1)**
Paid Loans & Co $2015, representing repayment of a $2000 short-term loan and $15 interest	Decrease $15 **(1)**	Bank (current assets) decreases by $2015 Other payables (current liabilities) decrease by $2000 **(1)**
Received a cheque for $190 from Uzma Ali, a credit customer, in full settlement of $200 owing	Decrease $10 **(1)**	Current assets decrease by $10 (bank increases by $190 and trade receivables decrease by $200) **(1)**

[6]

[Total: 24]

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2 (a) (i)

Susan Kunaka account

		$			$
2013			2013		
July	1 Balance b/d	20	July 24	Bank	150 **(1)**
	4 Sales **(1)**	192		30 Bad debts	62 **(1)**
		212			212

[3]

(ii)

Bad debts account

		$			$
2013			2013		
June 30	Debtors	420 **(1)**	July 31	Income	
July 30	S Kunaka	62 **(1)**		statement	482 **(1)OF**
		482			482

[3]

(iii)

Bad debts recovered account

		$			$
2013			2013		
July 31	Income		July 16	Cash	
	statement			(XY Stores)	103 **(1)**
(OR bad debts)		103 **(1)**			
		103			103

[2]

(iv)

Provision for doubtful debts account

		$			$
2013			2012		
July 31	Income		Aug 1	Balance b/d	1200 **(1)**
	statement	360 **(1)**			
	Balance c/d	840 **(1)**			
		1200			1200
			2013		
			Aug 1	Balance b/d	840 **(1)OF**

[4]

Alternatively the total of the bad debts recovered account could be transferred to the bad debts account (1)
The net amount of bad debts transferred to the income statement would then be $379 (1)

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(a) (i) Alternative presentation

Susan Kunaka account

	Debit	Credit	Balance
2013	$	$	$
July 1 Balance	20		20 Dr
4 Sales	192 **(1)**		212 Dr
24 Bank		150 **(1)**	62 Dr
30 Bad debts		62 **(1)**	0

[3]

(ii)

Bad debts account

	Debit	Credit	Balance
2013	$	$	$
June 30 Balance	420 **(1)**		420 Dr
July 30 S Kunaka	62 **(1)**		482 Dr
31 Income statement		482 **(1)OF**	0

[3]

(iii)

Bad debts recovered account

	Debit	Credit	Balance
2013	$	$	$
July 16 Cash (XY Stores)		103 **(1)**	103 Cr
31 Income statement (OR bad debts)	103 **(1)**		0

[2]

(iv)

Provision for doubtful debts account

	Debit	Credit	Balance
2012	$	$	$
Aug 1 Balance		1200 **(1)**	1200 Cr
2013			
July 31 Income statement	360 **(1)**		840 Cr
			(2)C/F
			(1))O/F

[4]

Alternatively the total of the bad debts recovered account could be transferred to the bad debts account (1)
The net amount of bad debts transferred to the income statement would then be $379 (1)

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(b)

	Overstated $	Understated $
Profit for the year ended 31 July 2013	-	360 **(2)O/F**
Current assets at 31 July 2013	-	360 **(2)O/F**

[4]

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

(ii) $\frac{28\,000}{224\,000} \times \frac{365}{1}$ (1) = 45.6 = 46 days **(1)** **[2]**

(iii) May not be able to pay creditors on time
May be refused further supplies on credit
May overdraw on bank account
May not be able to take advantage of business opportunities
Or other suitable comment
Any 1 comment (2) **[2]**

[Total: 21]

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3 (a)

Steven Wright
Income Statement for the year ended 30 September 2013

	$	$	$
Revenue		169 000 **(1)**	
Less Sales returns		5 000 **(1)**	164 000
Less Cost of sales			
Opening inventory		9 000 **(1)**	
Purchases	132 000 **(1)**		
Less Goods for own use	1 000 **(1)**	131 000	
		140 000	
Less Closing inventory		17 000 **(2)C/F**	
		(1)O/F	
			123 000
Gross profit			41 000**(2)**
Commission received			1 215**(1)**
			42 215
Less Wages			
(26 500 + 750)		27 250 **(1)**	
General expenses			
(3970 – 170)		3 800 **(1)**	
Provision for doubtful debts			
((2% × 14 200) – 260)		24 **(2)**	
Loan interest			
(6% × 6000 × 6 months)		180 **(1)**	
Depreciation – Equipment			
(20% × 30 000)		6 000 **(1)**	
Motor vehicle			
(25% × (16 000 – 7000))		2 250 **(1)**	39 504
Profit for the year			2 711
			(1)O/F

Horizontal format acceptable

[18]

(b) Consistency **(1)**
Matching (accurals) **(1)**
Accounting (business) entity **(1)** **[3]**

[Total: 21]

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4 (a)

Samira El Badry
Suspense account

		$			$
2013			2013		
Aug 31	Difference on trial balance	116 **(1)**	Aug 31	Amrik Bhatti	36 **(1)**
	Purchases returns	100 **(1)**	31	Rent received	200 **(1)**
	Discount received	286 **(1)**		Rent paid	200 **(1)**
		502		Balance c/d	66
					502
2013					
Sept 1	Balance b/d	66 **(1)O/F**			

Alternative presentation

Samira El Badry
Suspense account

		Debit	Credit	Balance
2013		$	$	$
Aug 31	Difference on trial balance	116 **(1)**		116 Dr
	Purchases returns	100 **(1)**		216 Dr
	Discount received	286 **(1)**		502 Dr
	Amrik Bhatti		36 **(1)**	466 Dr
	Rent received		200 **(1)**	266 Dr
	Rent paid		200 **(1)**	66 Dr
				(1)O/F

[7]

(b) It would appear that not all the errors have been discovered **(1)** as there is still a balance on the suspense account **(1)**
Or – if the candidate's suspense account is closed –
It would appear that all the errors have been discovered **(1)** as there is no balance remaining on the suspense account **(1)** **[2]**

(c) Only errors that affect the balancing of the trial balance are corrected using a suspense account. **(1)**
Error 3 (The omission of goods for own use) does not affect the balancing of the trial balance and so is not corrected using that account. **(1)** **[2]**

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(d) (i) August 6 Purchases
Explanation – Samira El Badry has purchased goods on credit from Tahir Stores Ltd **(2)**
Double entry – Debit purchases account **(1)** **[3]**

(ii) August 6 Carriage
Explanation – Tahir Stores Ltd have charged Samira El Badry for the cost of delivering goods to her premises **(2)**
Double entry – Debit carriage inwards account **(1)** **[3]**

(iii) August 31 Interest
Explanation – Tahir Stores Ltd have charged Samira El Badry interest on the amount she owes **(2)**
Double entry – Debit interest payable account **(1)** **[3]**

(e) Liability **[1]**

[Total: 21]

5 (a) (i) Share losses
Share responsibilities
Share risks
Share decision-making
Additional finance may be available
Additional skills and experience are available
Or other suitable comment
Any 1 comment (1) **[1]**

(ii) Share profits
Decisions must be recognised by all partners
Decisions may take longer to implement
One partner's actions can bind the other partners
Disagreements can occur
All partners are responsible for the debts of the business
Or other suitable comment
Any 1 comment (1) **[1]**

(b) To avoid misunderstandings and disagreements later **[1]**

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(c)

Carol Chen Current account

	$		$
2012		2013	
Nov 1 Balance b/d	5 100 **(1)**	Oct 31 Int. on capital	2 000**}**
2013		Salary	15 000**}(1)**
Oct 31 Drawings	20 400**}**	Profit share	7 560 **(1)**
Int. on drawings	612**}(1)**	Balance c/d	1 552
	26 112		26 112
2013			
Nov 1 Balance b/d	1 552 **(1)O/F**		

Alternative presentation

Carol Chen Current account

	Debit	Credit	Balance
2012	$	$	$
Nov 1 Balance b/d	5 100 **(1)**		5 100 Dr
2013			
Oct 31 Drawings	20 400**}**		25 500 Dr
Int. on drawings	612**} (1)**		26 112 Dr
Int. on capital		2 000**}**	24 112 Dr
Salary		15 000**}(1)**	9 112 Dr
Profit share		7 560 **(1)**	1 552 Dr
			(1)O/F

[5]

(d) The balance represents the amount owing by Carol Chen to the business.
Or appropriate answer based on candidate's answer to (c) **[2]**

(e)

account to be debited	account to be credited
Tony Chen current account **(1)**	Tony Chen capital account **(1)**

[2]

(f) Financial information is only relevant if it can be used –
To confirm or correct prior expectations about past events
To assist in forming, revising or confirming expectations about the future
As the basis for financial decisions
In time to be able to influence decisions
Explanation of any 1 point (2) **[2]**

[Total: 14]

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6 (a)

<table>
<tr><td colspan="3">Percentage of gross profit to revenue</td></tr>
<tr><td>Formula

$\frac{\text{Gross profit}}{\text{Revenue}} \times \frac{100}{1}$ (1)</td><td>Workings to one decimal place

$\frac{(220\,000 - 185\,900)}{220\,000} \times \frac{100}{1} =$

$\frac{34\,100}{220\,000}$} (1) $\times \frac{100}{1}$</td><td>Answer

15.5% (1)</td></tr>
<tr><td colspan="3">Percentage of profit for the year to revenue</td></tr>
<tr><td>Formula

$\frac{\text{Profit for the year}}{\text{Revenue}} \times \frac{100}{1}$
(1)</td><td>Workings to one decimal place

$\frac{(34\,100 - 20\,240)}{220\,000} \times \frac{100}{1} =$

$\frac{13\,860}{220\,000}$} (1) $\times \frac{100}{1}$</td><td>Answer

6.3% (1)</td></tr>
<tr><td colspan="3">Return on capital employed (ROCE)</td></tr>
<tr><td>Formula

$\frac{\text{Profit for the year}}{\text{Capital employed}} \times \frac{100}{1}$
(1)</td><td>Workings to one decimal place

$\frac{13\,860}{110\,880}$ O/F $\times \frac{100}{1}$</td><td>Answer

12.5% (1)OF</td></tr>
</table>

[8]

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(b) (i) Kelly Limited –
Has a higher selling price
Is selling goods at a higher mark-up
Has a lower cost price
Is taking advantage of bulk buying
Is allowing customers a lower rate of trade discount
Or other suitable reason
Any 1 reason (2) **[2]**

(ii) Kelly Limited –
Has higher expenses
Has less control over expenses
Has different types of expenses (fixed/variable)
Has lower amount of other income
Or other suitable reason
Any 1 reason (2) **[2]**

(c) (i) This shows the profit earned for each $100 used in the business. **(1)**
The higher the percentage the more efficiently the capital is being employed. **(1)** **[2]**

(ii) Patrick Murphy
Or appropriate answer based on answer to (a)(iii) **[1]**

(d) Should compare with a business of approximately the same size
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 2 points (2) each **[4]**

[Total: 19]

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