CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2013 series

0452 ACCOUNTING

0452/23 Paper 2, maximum raw mark 120

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1 (a)

Transaction		Document	
October 4	Bought goods on credit from Fatima Waheed	Invoice	**(1)**
October 12	Paid the amount owing to Sajid Manzoor by cheque	Cheque counterfoil **Or** receipt	**(1)**

[2]

(b)

Transaction		Book of prime (original) entry	
October 14	Returned goods to Fatima Waheed	Purchases returns journal	**(1)**
October 31	Received notification from Fatima Waheed that interest would be charged	Journal	**(1)**

[2]

(c)

Fatima Waheed account

			$					$	
2013					2013				
Oct 14	Returns		60	**(1)**	Oct 1	Balance	b/d	450	
31	Balance	c/d	639		4	Purchases		240	**(1)**
			699		31	Interest		9	**(1)**
								699	
					2013				
					Nov 1	Balance	b/d	639	**(1)O/F**

[4]

Sajid Manzoor account

			$					$	
2013					2013				
Oct 12	Bank		273	**(1)**	Oct 1	Balance	b/d	280	
	Discount		7	**(1)**	21	Purchases		360	**}**
31	Balance	c/d	450		26	Purchases		90	**} (1)**
			730					730	
					2013				
					Nov 1	Balance	b/d	450	**(1)O/F**

[4]

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Alternative presentation

Fatima Waheed account

2013		Debit $		Credit $		Balance $
Oct 1	Balance			450		450 Cr
4	Purchases			240	**(1)**	690 Cr
14	Returns	60	**(1)**			630 Cr
31	Interest			9	**(1)**	639 Cr
						(1)O/F
						[4]

Sajid Manzoor account

2013		Debit $		Credit $		Balance $
Oct 1	Balance			280		280 Cr
12	Bank	273	**(1)**			7 Cr
	Discount	7	**(1)**			0
21	Purchases			360**}**		360 Cr
26	Purchases			90**}**	**(1)**	450 Cr
						(1)O/F
						[4]

(d) To notify the customer of the amount outstanding
To provide a summary of the transactions for the month
To enable the customer to compare his records and check for errors
Or other suitable statement
Any 2 statements (1) each **[2]**

(e) A credit note is issued by a credit supplier because of returns, faulty goods or an overcharge. **(1)**
A debit note is issued by a credit customer to notify the supplier of any returns, faulty goods or overcharge. **(1)** **[2]**

[Total: 16]

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2 (a)

Donald Mackey
Cash Book (Bank columns only)

			$					$	
2013					2013				
Nov 1	Balance	b/d	741	**(1)**	Nov 1	Insurance		58	**(1)**
	Correction **(1)**		100	**(1)**		A Smith (Dis.chq.)		340	**(1)**
						Balance	c/d	443	**(1)**
			841					841	
2013									
Nov 1	Balance	b/d	443	**(1)O/F**					

[7]

(b)

Bank Reconciliation Statement at 1 November 2013

	$		$	
Balance shown on bank statement			(394)	**(1)**
Add amounts not credited – cash sales **(1)**	844	**(1)**		
bank error **(1)**	91	**(1)**	935	
			541	
Less cheques not presented – Ian Campbell **(1)**			98	**(1)**
Balance shown in cash book			443	**(1)O/F**

Alternative presentation

Bank Reconciliation Statement at 1 November 2013

	$		$	
Balance shown in cash book			443	**(1)O/F**
Add cheques not presented – Ian Campbell **(1)**			98	**(1)**
			541	
Less amounts not credited – cash sales **(1)**	844	**(1)**		
bank error **(1)**	91	**(1)**	935	
Balance shown on bank statement			(394)	**(1)**

[8]

(c) The balance sheet would not balance if the bank statement balance was included **(1)** because only balances on the books of the business can be included in the balance sheet of the business **(1)**. **[2]**

[Total: 17]

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3 (a)

Glenbrook Ltd
Balance Sheet at 31 October 2013

	$ Cost		$ Depreciation to date		$ Book value	
Non-current assets						
Premises	105 000		–		105 000	
Plant and machinery	40 000		19 200		20 800	**(1)**
Office equipment	16 000		7 000		9 000	**(1)**
	161 000		26 200		134 800	**(1)OF**
Current assets						
Inventory	9 300	**(1)**				
Trade receivables	12 100					
Less Provision for doubtful debts	363	**(1)**	11 737	**(1)**		
Other receivables			241	**(1)**		
Petty cash			100	**(1)**		
			21 378			
Current liabilities						
Trade payables	10 208	**(1)**				
Bank overdraft	14 920	**(1)**	25 128			
Net current assets					(3 750)	**(1)OF**
					131 050	
4% Debentures					20 000	**(1)**
					111 050	
Capital and reserves						
5% Preference shares of $1 each					40 000	**(1)**
Ordinary shares of $0.50 each					60 000	**(1)**
Retained profits (6200 **(1)** + 4850 **(1)**)					11 050	
					111 050	

Horizontal format acceptable **[16]**

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(b) Preference shares receive a fixed rate of dividend: debentures receive a fixed rate of interest
Preference share dividend may not be paid if there is no profit: debenture interest is payable irrespective of profits
In the event of a winding-up, debenture holders are repaid before preference shareholders
Preference shareholders are members of the company: debenture holders are creditors
Debentures are often secured on the non-current assets of the company: preference shares are not secured
Any 2 statements (2) each **[4]**

(c) (i) Information provided in financial statements must be reliable **(1)**
Either
It must be capable of being depended upon as a true representation of the events it represents **(1)**
Or
It must be capable of being independently verified **(1)**
Or
It must be free from bias **(1)**
Or
It must be free from significant errors **(1)**
Or
It must be prepared with suitable caution being applied to any judgments and estimates **(1)** **[2]**

(ii) Comparability **(1)**
Relevance **(1)**
Understandability **(1)** **[3]**

[Total: 25]

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4 (a) To reduce the possibility of fraud **[2]**

(b) This is what Asma Anwar owes one or more of her credit customers **(1)** because of overpayment, returns after goods have been paid for etc. **(1)** **[2]**

(c) Sales
Explanation — This is the total credit sales for the month **(1)**
Source of information — Sales journal **(1)**

Discount
Explanation — This is the total discount allowed to credit customers **(1)**
Source of information — Cash book **(1)**

Contra
Explanation — This is the total set off against accounts in the purchases ledger during the month **(1)**
Source of information — Journal **(1)** **[6]**

(d)

Inventory type	Calculation	Amount $
Type A	500 × ($2.15 + $1.00)	1575 **(1)**
Type B	600 × $1.80	1080 **(1)**
	Total	2655 **(1)** **OF**

[3]

(e) Inventory is always valued at the lower of cost and net realisable value. **(1)**
Type A was valued at cost and Type B was valued at net realisable value. **(1)**
Principle – prudence. **(1)** **[3]**

(f) $140\,000 \times \frac{100}{125} = 112\,000$ **[1]**

(g) $\frac{112\,000}{18\,200 + 19\,800 \div 2} = \frac{112\,000}{19\,000}$ **OF}(1)** = 5.89 times **(1) OF** **}** **[2]**

(h) Lower inventory levels
More sales activity
Or other suitable explanation
Any 1 reason (2) **[2]**

[Total: 21]

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5 (a) The expenses percentage has increased **(1)** so the efficiency of the business has decreased **(1)** **[2]**

(b) Reduce expenses
Increase other income
Increase gross profit percentage
Any 1 point (2) **[2]**

(c) (i) The total funds being used by a business **[1]**

(ii) The profit earned for every $100 used in the business **[1]**

(iii) Decrease in capital employed **[2]**

(d)

Reduce the trade discount allowed to customers	
effect on gross profit percentage	one other effect on the business
Increase **(1)**	Fall in sales as customers buy elsewhere **Or other suitable comment** **(2)**
Reduce the cash discount allowed to customers	
effect on gross profit percentage	one other effect on the business
No effect **(1)**	Customers delaying payment Fall in sales as customers buy elsewhere **Or other suitable comment** **(2)**

[6]

(e) 1 Accounts only record information which can be expressed in monetary terms. **(1)**
Many important factors which influence the performance of the business will not appear in the financial statements. **(1)**

2 Transactions are recorded at the actual cost. **(1)**
Because of inflation it is difficult to compare transactions which have taken place at different times. **(1)** **[4]**

[Total: 18]

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6 (a)

Error	Effect on profit for the year		
	Overstated $	Understated $	No effect
2			No effect **(2)**
3	315 **(2)**		
4	700 **(2)**		
5			No effect **(2)**

[8]

(b) Error number 2 – Error of commission **(1)**
Error number 3 – Error of principle **(1)** **[2]**

(c) Maria Nlovu
Journal

		Debit $	Credit $	
2	Carriage inwards Carriage outwards Correction of error, carriage outwards wrongly debited	111	111	**(1)** **(1)** **(1)**
3	Repairs to motor vehicles Motor vehicles Correction of error, motor vehicles wrongly debited	315	315	**(1)** **(1)** **(1)**
4	Rent received Rent paid Suspense Correction of error, rent paid entered in rent received account	350 350	700	**(1)** **(1)** **(1)** **(1)**
5	Helmut Suspense Correction of error, entry made on wrong side of Helmut's account	90	90	**(1)** **(1)** **(1)**

[13]

[Total: 23]

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