CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2014 series

0452 ACCOUNTING

0452/23 Paper 2, maximum raw mark 120

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1 (a) Removes small cash payments from the main cash book
Reduces the number of entries in the main cash book
Reduces the number of entries in the ledger
Allows the chief cashier to delegate some of the work
Provides training for junior staff members
Or other suitable reasons
Any 2 reasons **(1)** each **[2]**

(b) At the end of the period the chief cashier will make up or reimburse **(1)** the cash remaining so that each month starts off with the same amount **(1)**. **[2]**

(c) The chief cashier knows exactly how much is spent each month
The cash remaining and the vouchers received should equal the imprest
Can help reduce fraud
Or other suitable advantage
Any 1 advantage **(1)** **[1]**

(d) $207 **(1) CF** **[1]**

(e)

Debit	Credit
Petty cash book **(1)**	Bank (or Cash) **(1)**

[2]

(f) Total of column, $108, is debited to the cleaning account in the ledger **(1)** **[1]**

(g) B Smith account is debited with $36 **(1)**
W Jones account is debited with $18 **(1)** **[2]**

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(h)

Peter Pickard
Sales Journal

Date 2014	Details	$	$
Aug	S Bower		
5	Goods	1480	
	Less trade discount	296	1184 **(1)**
	C Brooke		
13	Goods	1340	
	Less trade discount	201	1139 **(1)**
31	Transferred to sales account		2323 **(1)OF**

[3]

Sales Returns Journal

Date 2014	Details	$	$
Aug	S Bower		
19	Goods	160	
	Less trade discount	32	128 **(1)**
31	Transferred to sales returns account		128 **(1)OF**

[2]

Sales Ledger
S Bower account

Date 2014	Details	$	Date 2014	Details	$
Aug 5	Sales	1184 **(1)OF**	Aug 19	Sales returns	128 **(1)OF**

[2]

C Brooke account

Date 2014	Details	$	Date	Details	$
Aug 13	Sales	1139 **(1)OF**			

[1]

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Nominal (General) Ledger
Sales Account

Date	Details	$	Date	Details	$
			2014		
			Aug 31	Total for month	2323 **(1)OF**

[1]

Sales Returns account

Date	Details	$	Date	Details	$
2014					
Aug 31	Total for month	128 **(1)OF**			

[1]

(i) $\frac{2340}{29\,600} \times \frac{365}{1}$ **(1)** whole formula = 28.85 = 29 days **(1)CF** **[2]**

(j) Satisfied (if the answer to (i) is 30 days or less)
Or
Unsatisfied (if the answer to (i) is more than 31 days) **[1]**

(k) The business may not have enough liquid funds **(1)** with which to pay the credit suppliers until money is received from credit customers **(1)**.
Or
If the credit customers pay within the set time **(1)**, the business may be able to pay the credit suppliers within the set time **(1)** without any significant impact on the bank balance.
Or
If credit customers fail to pay within the set time it may be necessary to obtain short-term funds **(1)** in order to pay the credit suppliers **(1)**.

Or other suitable point
Any 1 point **(1)** mark each **[2]**

[Total: 26]

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2 **(a)** Reduce credit sales
Obtain references from new credit customers
Fix a credit limit for each customer
Improve credit control
Issue invoices and monthly statements promptly
Refuse further supplies until outstanding balance paid
Offer cash / settlement discount for early payment
Only sell to reliable customers
Charge interest on overdue accounts
Or other suitable points
Any 2 points **(1)** each **[2]**

(b)

Alina Tan
Journal

	Debit $	Credit $	
Bad debts	66		**(1)**
Yeung & Co		66	**(1)**
Bad debt written off			**(1)**

[3]

(c) An estimate or prediction **(1)** of the amount which a business will lose in a financial year because of bad debts **(1)** **[2]**

(d) Accruals (matching) **(1)**
Prudence **(1)** **[2]**

(e)

Alina Tan
Journal

	Debit $	Credit $	
Provision for doubtful debts	45		**(1)**
Income statement		45	**(1)**
Reduction in provision for doubtful debts			**(1)**

[3]

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(f) When a debtor pays some, or all, of the amount owed **(1)** after the amount was written off as a bad debt **(1)** **[2]**

(g) Capital expenditure:
Money spent on acquiring, improving and installing non-current assets **(1)**

Revenue expenditure:
Money spent on running a business on a day-to-day basis **(1)**

Capital receipts:
Amount received which do not form part of the day-to-day trading activities **(1)**

Revenue receipts:
Amount received in the day-to-day trading activities from revenue and other items of income **(1)** **[4]**

(h)

non-current assets at 31 March 2014		profit for the year ended 31 March 2014	
Overstated	Understated	Overstated	Understated
	✓ **(1)**		✓ **(1)**

[2]

[Total: 20]

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3 (a) Share losses
Share responsibilities
Share risks
Share decision-making
Additional finance may be available
Additional skills and experience are available
Or other suitable advantage
Any 2 advantages **(1)** mark each. **[2]**

(b)

Shahid and Hamza Hussain
Income Statement for the year ended 31 July 2014

		$		$	
Receipts from customers				76 400	
Less Wages	(41 600 **(1)** – 1500 **(1)**)	40 100			
Insurance	(12 / 14 × 1232)	1 056	**(2)**		
General expenses	(3090**(1)** + 94**(1)**)	3 184			
Depreciation motor vehicles	(20% × (25 000 – 9000)	3 200	**(2)**		
Depreciation equipment	(2900 + 1150 – 3150)	900	**(2)**	48 440	
Profit for the year				27 960	**(1)OF**

Horizontal format acceptable

[11]

(c)

Shahid and Hamza Hussain
Profit and Loss Appropriation Account for the year ended 31 July 2014

		$		$	
Profit for the year				27 960	**(1)OF**
Interest on drawings	S Hussain	300}			
	H Hussain	240}	**(1)CF**	540	
				28 500	
Interest on capital	S Hussain				
	(5% × 80 000 × 6 mths +				
	5% × 60 000 × 6 mths)			3 500	**(1)**
	H Hussain	6 500		3 000	**(1)**
Partner's salary	S Hussain	9 000	**(1)CF**	15 500	
Share of profit	S Hussain	6 500	**(1)OF**	13 000	
	H Hussain	6 500	**(1)OF**	13 000	

Horizontal format acceptable

[7]

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(d)

Hamza Hussain
Current account

		$				$	
2013				2014			
Aug 1	Balance b / d	1 960		July 31	Interest on capital	3 000	**(1)OF**
					Profit share	6 500	**(1)OF**
					Balance c/d	700	
2014							
July 31	Drawings	8 000	**(1)**				
	Interest on drawings	240	**(1)**				
		10 200				10 200	
2014							
Aug 1	Balance b/d	700	**(1)OF**				

Balance b/d can be on either side
Three column running balance format acceptable

[5]

[Total: 25]

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4 (a)

	$	
Payments to credit suppliers	31 600	**(1)**
Returns to credit suppliers	2 100	**(1)**
Balance 30 September 2014	1 990	**(1)**
	35 690	
Less Interest charged on overdue account	40	**(1)**
Credit purchases for the year	35 650	**(2)CF (1)OF**

Alternative calculation

Total Trade Payables account

		$				$	
2014				2014			
Sept 30	Bank	31 600	**(1)**	Sept 30	Interest	40	**(1)**
	Returns	2 100	**(1)**		Purchases	35 650	**(2)CF**
	Balance c/d	1 990	**(1)**				**(1)OF**
		35 690				35 690	

[6]

(b)

	$	
Receipts from credit customers	35 100	**(1)**
Discount allowed to credit customers	900	**(1)**
Bad debts written off	100	**(1)**
Balance 30 September 2014	3 950	**(1)**
Credit sales for the year	40 050	**(2)CF (1)OF**

Alternative calculation

Total Trade Receivables account

		$				$	
2014				2014			
Sept 30	Sales	40 050	**(2)CF**	Sept 30	Bank	35100	**(1)OF**
					Discount	900	**(1)**
					Bad debts	100	**(1)**
					Balance c / d	3 950	**(1)**
		40 050				40 050	

[6]

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(c)

Grace Mhando
Income Statement for the year ended 30 September 2014

	$		$	
Revenue (sales)			40 050	**(1)OF**
Less Cost of sales				
Purchases	35 650	**(1)OF**		
Less: Purchases returns	2 100	**(1)OF**		
	33 550			
Add: Carriage inwards	1 090	**(1)**		
	34 640			
Less Closing Inventory	2 600	**(1)OF**		
Gross profit (20%)			32 040	
			8 010	**(2)OF**

Horizontal format acceptable

[7]

(d) Assessment of the liquidity position
Identify how long it takes to pay credit suppliers
Identify future prospects of the business
Establishment of a credit limit
Any 2 reasons **(1)** each **[2]**

(e) Bank manager
Lender
Manager (if any)
Employee
Government body
Competitor
Take-over bidder
Potential partner
Investors
Owner

Or other suitable interested person
Any 2 persons **(1)** each **[2]**

[Total: 23]

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5 (a) $\frac{480\,000 - 310\,000}{480\,000}$ **(1)** $\times \frac{100}{1}$ = 35.42% **(1)CF** **[2]**

(b) Reduction in selling price
Increase in trade discount allowed to customers
Selling at a lower mark-up
Increase in cost price
Decrease in trade discount allowed by suppliers
Not taking advantage of bulk buying
Or other suitable reason
Any 2 reasons (1) each **[2]**

(c) $\frac{170\,000\text{ OF} - 94\,000}{480\,000}$ **(1)** $\times \frac{100}{1}$ = 15.83% **(1)OF** **[2]**

(d) Reduce expenses
Increase other income
Increase gross profit percentage
Any 2 points (1) each **[2]**

(e) $\frac{76\,000\text{ OF}}{635\,000}$ **(1)** $\times \frac{100}{1}$ = 11.97% **(1)OF** **[2]**

(f) It 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]**

(g) 86 800 : 71 800 **(1)** = 1.21 : 1 **(1)** **[2]**

(h) 56 000 : 71 800 **(1)** = 0.78 : 1 **(1)** **[2]**

(i) 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]**

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(j)

	Increase	Decrease	No effect
Issue of additional shares	✓		
Cheque paid to credit supplier			✓
Repayment of long term loan		✓	
Purchase of goods on credit			✓
Sale of unused non-current asset	✓		
Cheque paid for repairs to non-current asset		✓	

[6]

(k) To be able to meet debts when they fall due
To be able to take advantage of cash discounts
To be able to take advantage of business opportunities as they arise
To ensure that there is no difficulty in obtaining further supplies
Or other suitable explanation
Any 2 points **(1)** each **[2]**

[Total: 26]

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