CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2015 series

0452 ACCOUNTING

0452/21 Paper 2, maximum raw mark 120

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1 (a)

Shahid Ayub
Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
2015		$	$	$	2015		$	$	$
Aug 1	Balance b/d **(1)**		50		Aug 1	Balance b/d			7150
24	Mariam Soliman **(1)**	13		507	9	El Nil Supply Company			
30	Sales **(1)**		3224			(dis cheque) **(1)**			362
31	Cash c **(1)OF**			3174	18	Drawings **(1)**			54
	Balance c/d			3885	31	Bank c **(1)**		3174	
						Balance c/d		100	
		13	3274	7566				3274	7566
2015	Balance b/d				2015				
Sept 1					Sept 1	Balance b/d			
			100 **(1)**						3885 **(1)OF**

+ **(1) dates** **[9]**

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(b) (i) $316 **(1)**

(ii) Mariam Soliman **(1)** **[2]**

(c)

Transaction	Document	Book of prime (original) entry
August 9 Goods	Sales invoice **(1)**	Sales Journal **(1)**
13 Returns	Credit note **(1)**	Sales Returns Journal **(1)**
24 Payment	Cheque (OR Paying in book) **(1)**	Cash book **(1)**

[6]

(d)

Mariam Soliman
Shahid Ayub Account

		$					$	
2015				2015				
Aug 13	Returns	24	**(1)**	Aug 1	Balance	b/d	520	
24	Bank/Cash	507	**(1)**	9	Purchases		340	**(1)**
	Discount	13	**(1)**					
31	Balance c/d	316						
		860					860	
				2015				
				Sept 1	Balance	b/d	316	**(1)O/F**

Three column running balance presentation acceptable

+**(1) for dates** **[6]**

[Total: 23]

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2 (a)

Grace Zindi
Income Statement for the year ended 31 July 2015

	$		$	
Income from Clients (28 500 **(1)** + 3400 **(1)**)			31 900	
Commission receivable (7600 **(1)** + 250 **(1)**)			7 850	
			39 750	
Wages	21 600	**(1)**		
Rates and Insurance ((3900 **(1)** – 300 **(1)**) × ¾ **(1)**)	2 700			
General Expenses	990	**(1)**		
Heat and Light	710	**(1)**		
Provision for Doubtful Debts (1% × 3400)	34	**(1)**		
Depreciation motor vehicles (12 500 – 4500 **(1)** × 20% **(1)**)	1 600			
Depreciation office equipment (11 400 + 6900 **(1)** – 14 500 **(1)**)	3 800		31 434	
Profit for the year			8 316	**(1)OF**

[16]

(b)

Grace Zindi
Capital Account

			$						$	
2015					2014					
31 July	Cash/Drawings		15 500	**(1)**	1 Aug	Balance	b/d		85 000	**(1)**
	Rates & Insurance				2015					
	Drawings		900	**(1)**	31 July	Profit			8 316	**(1)OF**
	Balance	c/d	76 916							
			93 316						93 316	
					2015					
					1 Aug	Balance	b/d		76 916	**(1)OF**

+**(1) For dates**

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

(c) Revenue for the year is matched against the costs of the same period **(1)**
Example
Either Insurance prepaid at year-end was deducted
Or Commission receivable outstanding at year-end was added
Or Amount owing from clients at year-end was added **(1)**

[2]

(d) The business is treated as being separate from the owner **(1)**
Example
The proportion of rates and insurance relating to the owner's flat was excluded from the business expenses **(1)**

[2]

[Total: 26]

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3 (a) Physical deterioration
Economic reasons
Passage of time
Depletion
Any 2 reasons (1) each **[2]**

(b) The depreciation is calculated on the net cost price **(1)** and the same amount is written off each year **(1)** **[2]**

(c) The same percentage is written off each year **(1)** but it is calculated on the net book value of the asset **(1)** **[2]**

(d) Ensures that non-current assets are shown at more realistic values **(1)**
Ensures that the profit for the year is not overstated **(1)** **[2]**

(e) Accruals (matching) **(1)** **[1]**

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(f) (i)

Natasha Salim
Machinery Account

		$					$	
2013				2014				
Oct 1	Bank	4 000	**(1)**	Sept 30	Balance	c/d	10 000	
2014								
Jan 1	ABC Machines	6 000	**(1)**					
		10 000					10 000	
2014				2015				
Oct 1	Balance b/d	10 000	**(1)OF**	Feb 1	Disposal		4 000	**(1)**
				Sept 30	Balance	c/d	6 000	
		10 000					10 000	
2015								
Oct 1	Balance b/d	6 000	**(1)OF**					

(ii)

Provisions for depreciation of machinery account

2014		$		2014		$	
Sept 30	Balance c/d	2 000		Sept 30	Income Statement		
					800**(1)** + 1200 **(1)**	2 000	
		2 000				2 000	
2015				2014			
Feb 1	Disposal	800	**(1)**	Oct 1	Balance b/d	2 000	**(1)OF**
Sept 30	Balance c/d	2 160		2015			
				Sept 30	Income Statement	960	**(1)**
		2 960				2 960	
				2015			
				Oct 1	Balance b/d	2 160	**(1)OF**
							(2)CF

Three column running balance presentation acceptable

[12]

(g)

	$	
Proceeds of Sale	2 100	
Provision for depreciation	800	**(1)OF**
	2 900	
Less Cost Price	4 000	**(1)**
Profit/Loss **(1)** on disposal	1 100	**(1)OF**

Accept alternative formats **[4]**

[Total: 25]

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4 (a)

Moses and Tobias Lyambo
Corrected Statement of Financial Position at 31 October 2015

		$		$		$	
Assets							
Non-current assets							
Premises at cost						80 000	
Fixtures and Equipment at book value							
(24 80 – 3100)						21 700	**(1)**
						101 700	**(1)**
Current Assets							
Inventory						6 950	
Trade Receivable				5 200			
Provision for doubtful debts				130	**(1)**	5 070	
Bank (1500 – 70)						1 430	**(1)**
Cash						500	**(1)**
						13 950	**(1)OF**
Total assets						115 650	
Capital and liabilities							
		M lyambo		T lyambo		Total	
Capital Accounts		65 000		35 000		100 000	**(1)**
Current Accounts							
Balance		(2 000)		3 500	**(1)**		
Share of Profit		9 000		9 000	**(1)**		
		7 000		12 500			
Drawings		8 000		5 500	**(1)**		
		1 000	**(1)**	7 000	**(1)**	6 000	**(1)OF**
						106 000	**(1)OF**
Current liabilities							
Trade Payables						8 520	
Other Payables						1 130	**(1)**
						9 650	**(1)**
Total Liabilities						115 650	

Accept current account calculations outside statement

[16]

(b) Introduce more capital
Obtain long-term loan
Mortgage premises
Or other suitable way
Any two ways (1) each **[2]**

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(c) Introduce more capital
Obtain long-term loan
Mortgage premises
Or other suitable way
Any two ways (1) each **[2]**

(d)

	Increase	Decrease	No effect
Sale of surplus equipment	✓**(1)**		
Delay payment to credit suppliers			✓**(1)**
Paying surplus cash into bank			✓ **(1)**
Writing off a bad debt		✓ **(1)**	

[4]

[Total: 24]

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5 (a)

Kelbrook Limited
Extract from Statement of Financial Position at 30 September 2015

	$	
Equity and Reserves		
Ordinary Share Capital	90 000	**(1)**
General Reserve (4000 **(1)** + 2000 **(1)**	6 000	
Retained Earnings (5500 **(1)** + 2500 **(1)**)	8 000	
	104 000	

[5]

(b)

Current ratio	
Workings (5100 + 8500) : (6100 + 4300 + 1400) 13 600 : 11 800 **(1)**	Answer to **two** decimal places 1.15 : 1 **(1)**

Quick ratio	
Workings 8500 : (6100 + 4300 + 1400) 8500 : 11 800 **(1)**	Answer to **two** decimal places 0.72 : 1 **(1)**

Return on capital employed (ROCE)	
Workings $\frac{9000}{90\,000 + 6000 + 8000}$ **(1)** $\times \frac{100}{1}$ OR $\frac{9000}{102\,200 + 13\,600 - 11\,800}$ **(1)** $\times \frac{100}{1}$	Answer to **two** decimal places 8.65% **(1)**

[6]

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(c) Ratio has fallen
Current assets only just cover the current liabilities
May have problems in meeting debts when they fall due
Is below the generally-accepted "benchmark"
Or other suitable comments based on answer to (b)
Any 2 points (1) each **[2]**

(d) Change from positive bank balance to overdraft/increase in overdraft/reduction in bank balance
Increased expenditure on inventory/increase in inventory
Purchase of non-current assets
Repayment of long-term loan
Increase in current liabilities
Decrease in trade receivables
Any 1 reason (1) **[1]**

(e) Increase the profit
Reduce the capital employed
Any 2 reasons (1) each **[2]**

(f) **(i)** $\frac{8500}{45000} \times \frac{365}{1}$ **(1)** = 69 days **(1)** **[2]**

(ii) On average credit customers are taking 9 days more than is allowed
This may affect the ability of the business to pay current liabilities
This may affect the ability of the business to take advantage of opportunities when they arise
Or other suitable comments based on answer to (f)(i)
Any 2 points (1) each **[2]**

(g) On average are taking 22 days more than is allowed to pay credit suppliers
This may be caused by the credit customers taking too long to pay
May result in further supplies being refused
Or other suitable points
Any 2 points (1) each **[2]**

[Total: 22]

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