CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2015 series

0452 ACCOUNTING

0452/23 Paper 2, maximum raw mark 120

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1 (a) (i) Lack of funds
No signature
Amount in words and figures differ
No date
Or other suitable reason
Any 1 reason (1) **[1]**

(ii) This is a contra entry **(1)**
Cash has been withdrawn from the bank for business use **(1)** **[2]**

(iii) Money received from sales: some retained in cash and some paid into the bank **(1)** **[1]**

(iv) $\frac{13}{(507+13)} = \frac{100}{1}$ = 2½% **(1)** **[1]**

(v) Debited **(1)** to the discount allowed account **(1)** **[2]**

(vi) 944 – 667 = 277 **(1)** **[1]**

(b)

Paul Chew
Bank Reconciliation Statement at 30 September 2015

	$	$
Balance shown on bank statement		(43) **(1)**
Add Amounts not credited	560 **(1)**	
Cheque not yet credited – Yeung & Co	267 **(1)**	827
		784
Less Cheque not yet presented – K Tan		507 **(1)**
Balance shown in cash book		277 **(1) OF**

Alternative form of presentation acceptable **[5]**

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(c)

	Document	Paul Chew's book of prime (original) entry	Kim Chan's book of prime (original) entry
Paul Chew sold goods on credit to Kim Chan	Invoice **(1)**	Sales Journal **(1)**	Purchases Journal **(1)**
Kim Chan notified Paul Chew of an overcharge	Debit note **(1)**	No entry **(1)**	No entry **(1)**
Paul Chew notified Kim Chan that he agreed the overcharge	Credit note **(1)**	Sales Returns Journal **(1)**	Purchases Returns Journal **(1)**
Paul Chew sent Kim Chan a summary of the month's transactions	Statement of account **(1)**	No entry **(1)**	No entry **(1)**

[12]

[Total: 25]

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2 (a)

Ishmael Makumbo
Rent receivable account

		$				$	
2014				2014			
Sept 1	Balance b/d	2 100	**(1)**	Sept 2	Bank	4 200	**(1)**
2015				2015			
Aug 31	Income statement	8 400	**(1)**	Jan 3	Bank	2 100	**}(1)**
				May 4	Bank	2 100	**}**
				Aug 31	Balance c/d	2 100	
		10 500				10 500	
2015							
Sept 1	Balance b/d	2 100	**(1)OF**				

+ (1) for dates

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

(b) Current assets **(1)**
It is an amount owing to Ishmael Makumbo **(1)** **[2]**

(c)

Ishmael Makumbo
Motor expenses account

		$				$	
2014				2014			
Sept 7	Bank	274	**(1)**	Sept 1	Balance b/d	274	**(1)**
2015				2015			
Feb 1	Cash	96	**(1)**	Aug 31	Income statement	209	**(1)**
Aug 31	Balance c/d	113					
		483				483	
				2015			
				Sept 1	Balance b/d	113	**(1)**

+ (1) for dates
Three column running balance presentation acceptable **[6]**

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(d)

Ishmael Makumbo
Journal

	Debit $	Credit $	
Drawings	300		**(1)**
Purchases		300	**(1)**
Goods taken for own use			**(1)**
Drawings	108		**(1)**
Telephone expenses		108	**(1)**
Personal telephone expenses transferred to drawings account			**(1)**

One composite journal entry acceptable **[6]**

[Total: 20]

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3 (a) Error 1 – Error of omission **(1)**
2 – Error of principle **(1)**
3 – Error of reversal **(1)** **[3]**

(b)

Sally Rickard
Corrected Trial Balance at 31 October 2015

	Debit $	Credit $	
Revenue		160 400	**(1)**
Purchases	99 300		**(1)**
Wages	27 000		
Motor expenses (1600 + 430)	2 030		**(1)**
General expenses (7250 + 150)	7 400		**(1)**
Premises at cost	80 000		
Equipment and fixtures at cost	10 000		
Motor vehicle at cost (13930 – 430)	13 500		**(1)**
Provision for depreciation of equipment and fixtures		1 050	
Provision for depreciation of motor vehicles		5 750	
Trade receivables (26 800 – 520)	26 280		**(1)**
Provision for doubtful debts		670	
Trade payables		8 150	**(1)**
Cash (350 – 150)	200		**(1)**
Bank overdraft (4810 – 520)		4 290	**(1)**
Loan from AB Loans		10 000	
Drawings	12 500		**(1)**
Capital		95 000	**(1)OF**
Inventory 1 November 2014	7 100		**(1)**
	285 310	285 310	**(1)OF**

[13]

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(c)

	Effect on profit		Accounting principle
	Increase	Decrease	
An amount owing by a credit customer should have been written off		✓**(1)**	Prudence OR Accruals / matching **(1)**
The general expenses includes rates which were prepaid until 31 December 2015.	✓**(1)**		Accruals/ matching **(1)**
Goods invoiced and despatched to a customer were not recorded as the customer did not receive them until 3 November 2015	✓**(1)**		Realisation **(1)**
No record had been made of goods taken for personal use	✓**(1)**		Business Entity **(1)**

[8]

[Total: 24]

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4 (a) (i) Cost of sales **} (1)**
Average inventory **}** **[1]**

(ii) 32 500 **} (1)** = 5.42 times **(1)**
6 000 **}** **[2]**

(iii) Higher inventory levels
Lower sales activity
Or other suitable reason
Any 2 reasons (1) each **[2]**

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

(ii) Prudence **(1)** **[1]**

(c)

Extract from Statement of Financial Position at 31 July 2015

	Sanch Mirza $		Syed Mirza $		Total $
Capital account	30 000	**(1)**	60 000	**(1)**	90 000
Current account	(3 500)	**(1)**	2 500	**(1)**	(1 000)
	26 500		62 500		89 000 **(1)**

[5]

(d) (i) $\frac{\text{Profit for the year (or profit for the year before interest)}}{\text{Capital employed}} \times \frac{100}{1}$ **}(1) }** **[1]**

(ii) $\frac{9\,000}{89\,000}$ **}(1) OF}** $\times \frac{100}{1}$ = 10.11% **(1) OF** **[2]**

(iii) Lower profit for the year
Higher capital employed
Any 1 reason (1) **[1]**

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(e) (i) To compensate him for investing the most capital
To encourage Sanchi to invest more
Or other suitable reason
Any 2 reasons (1) each **[2]**

(ii) To penalise Sanchi for making more drawings
To discourage Sanchi from making excessive drawings
Or other suitable reason
Any 1 reasons (1) mark **[1]**

(iii) To compensate Sanchi for extra workload
To reward Sanchi for extra skills
Or other suitable reason
Any 1 reasons (1) mark **[1]**

(f) (i) $\frac{\text{trade payable}}{\text{credit purchases}} \times \frac{365}{1}$ **}(1)** **[1]**

(ii) $\frac{4\,000}{31\,000} \times \frac{365}{1}$ **}(1)** $= 49$ days **(1)** **[2]**

(iii) Exceeds credit allowed
May find it difficult to obtain further supplies
May damage relationship with suppliers
May not be able to take advantage of cash discount from suppliers
Or other relevant comment
Any 2 comments (1) each **[2]**

(g) Reduces liquidity
May find it difficult to pay trade payables
May find it difficult to pay running expenses
May lead to bank overdraft
Cannot take advantage of business opportunities when they arise
May not be able to take advantage of cash discount from suppliers
Or other relevant comment
Any 2 comments (1) each **[2]**

[Total: 27]

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5 (a)

	$	
Subscription received	6 180	**(1)**
Less amount for previous year	360	**(1)**
	5 820	
Less amount for following year	270	**(1)**
	5 550	
Add amount prepaid at start	450	**(1)**
Subscription for the year	6 000	**(1)**

Alternative forms of presentation acceptable **[5]**

(b)

Hills Road Youth Club
Refreshment Income Statement for the year ended 31 October 2015

	$		$	
Sales of refreshments			3 100	**(1)**
Cost of sales				
Opening inventory	280	**(1)**		
Purchases	2 650	**(1)**		
	2 930			
Closing inventory	310	**(1)**	2 620	
Profit in refreshments			480	**(1)**

[5]

(c)

Hills Road Youth Club
Income and Expenditure Account for the year ended 31 October 2015

	$	$	
Subscriptions		6 000	**(1)OF**
Profit on refreshments		480	**(1)OF**
		6 480	
Repairs to equipment	220		
Insurance (1350 **(1)** – 270 **(1)**)	1 080		
Rent of premises (1430 **(1)** + 130 **(1)**)	1 560		
General expenses	2 540		
Depreciation of equipment ((6000 + 2000) **(1)** – 6800 **(1)**)	1 200	6 600	
Deficit		120	**(1)OF**

[9]

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(d) Income and expenditure account includes non-monetary items
Income and expenditure account has adjustments for accruals and prepayments
Income and expenditure account includes only revenue items
Or other suitable reason
Any 2 reasons (1) each **[2]**

(e) The members of the club have not invested any capital **(1)** so there can be no dividends/profit share which represent a return on capital invested **(1)** **[2]**

(f) Accumulated fund arises from the surpluses the club has made **(1)** **[1]**

[Total: 24]

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