Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/22**

Paper 2 **October/November 2020**

MARK SCHEME

Maximum Mark: 100

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>
<table>
<tr><td>Transaction</td><td>Business document</td><td>Book of prime entry</td></tr>
<tr><td>2</td><td>Credit note (1)</td><td>Sales returns journal (1)</td></tr>
<tr><td>3</td><td>Paying-in slip (1)</td><td>Cash book (1)</td></tr>
<tr><td>4</td><td>Bank statement (1)</td><td>Cash book (1)</td></tr>
</table>
</td><td>6</td></tr>
<tr><td>1(b)</td><td>
Dev
Petra account
<table>
<tr><td>2020</td><td></td><td></td><td>$</td><td></td><td>2020</td><td></td><td>$</td><td></td></tr>
<tr><td>Aug</td><td>1</td><td>Balance</td><td>940</td><td></td><td>Aug 14</td><td>Sales returns</td><td>120</td><td>(1)</td></tr>
<tr><td></td><td>9</td><td>Sales</td><td>675</td><td>(1)</td><td></td><td>29</td><td>Bank</td><td>893</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>Discount allowed</td><td>47</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td>31</td><td>Balance c/d</td><td>555</td><td></td></tr>
<tr><td></td><td></td><td></td><td>1 615</td><td></td><td></td><td></td><td></td><td>1 615</td><td></td></tr>
<tr><td>2020</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Sept</td><td>1</td><td>Balance</td><td>b/d</td><td>555</td><td>(1)OF</td><td></td><td></td><td></td><td></td></tr>
</table>
+ (1) dates
</td><td>6</td></tr>
<tr><td>1(c)</td><td>Current assets (1) OF</td><td>1</td></tr>
<tr><td>1(d)</td><td>Advantage
Increase profit for the year (1)
Increase cash inflow (1)
Accept other valid responses
Max (1)

Disadvantage
May lose customers/sales may fall (1)
Customers may take longer to pay (1)
Accept other valid responses
Max (1)</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(e)	**Advantages** Dev will have limited liability for the debts of the company **(1)** The limited company will have a separate legal identity to Dev **(1)** Dev will have access to different forms of finance/increase in capital employed **(1)** **Accept other valid responses** **Max (2)** **Disadvantages** The limited company will have greater regulation than Dev as a sole trader **(1)** The accounting requirements of the limited company will be more complex than for Dev as a sole trader **(1)** The financial statements of the limited company may be viewed by the public unlike those of Dev as a sole trader **(1)** **Accept other valid responses** **Max (2)** **Recommendation (1)**	**5**

Question	Answer	Marks
2(a)	BH Sports Club Subscriptions account 2019 $ 2020 $ Aug 1 Balance b/d 360 **(1)** Jul 31 Bank 9 960 **(1)** 2020 Balance c/d 720 Jul 31 Income and Expenditure 10 200 **(1)OF** Balance c/d 120 10 680 10 680 2020 2020 Aug 1 Balance b/d 720 **(1)** Aug 1 Balance b/d 120 **(1)** **+ (1) dates**	**6**

Question	Answer	Marks
2(b)		**4**

	$	$	
Revenue		13 520	
Opening inventory	520		
Purchases	8 190		
	8 710		
Less Closing inventory	770		
	7 940	**(1)**	
Wages – café staff (2750 + 80**(1)** – 60**(1)**)	2 770	10 710	
Profit for the year		2 810	**(1)(OF)**

Alternative forms of presentation acceptable

2(c)	BH Sports Club Income and Expenditure Account for the year ended 31 July 2020	**7**

	$	$	
Income			
Subscriptions		10 200	**(1) OF**
Profit on café		2 810	**(1) OF**
		13 010	
Expenditure			
Wages – sports staff	5 220		
Insurance – sports hall and sports equipment (1430 + 400 **(1)** – 440 **(1)**)	1 390		
Sports Hall expenses	3 360		
Depreciation – sports hall (17 000 – 16 560)	440	**(1)**	
sports equipment (10% × (3900 + 2100))	600	**(1)**	
		11 010	
Surplus for the year		2 000	**(1) OF**

2(d)(i)	The difference between the assets and the liabilities **(1)** The accumulated surpluses earned since the club started **(1)** **Max (1)**	**1**
2(d)(ii)	Increase **(1)OF** $2 000 **(1)OF**	**2**

Question	Answer	Marks
3(a)	$ Opening inventory 66 000 Purchases 263 000 Carriage inwards 1 500 330 500 **(1)** Less Closing inventory 59 000 Cost of sales 271 500 **(1) OF**	**2**
3(b)	$ Provision at 30 September 2020 ((80 500 – 500) x 2%) 1 600 **(1)** Less Provision at 1 October 2019 1 000 Increase in provision for doubtful debts 600 **(1) OF**	**2**
3(c)	JP Limited Income Statement for the year ended 30 September 2020 $ $ Revenue 529 500 Less Cost of sales 271 500 **(1) OF** Gross profit 258 000 **(1) OF** Less expenses Administrative expenses (44 000**(1)** - 1200**(1)**) 42 800 Distribution costs (38 000**(1)** + 800**(1)**) 38 800 Irrecoverable debts 500 **(1)** Provision for doubtful debts 600 **(1) OF** Depreciation – non-current assets 61 000 **(1)** 143 700 Profit from operations 114 300 Debenture interest (700**(1)** + 700 **(1)**) 1 400 Profit for the year 112 900 **(1) OF**	**12**

Question	Answer	Marks
3(d)		**4**

	Increase	Decrease	No effect
Issue of additional debentures			✓
Issue of additional ordinary shares	✓ **(1)**		
Payment of ordinary share dividend		✓ **(1)**	
Proposal of ordinary share dividend			✓ **(1)**
Transfer from retained earnings to general reserve			✓ **(1)**

Question	Answer	Marks
4(a)		**1**

Workings	Profit for the year
240 000 – 169 000 – 55 000	$16 000 **(1)**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Profit margin
<table>
<tr><td>Workings</td><td>Answer</td></tr>
<tr><td>$\frac{16\,000}{240\,000}$ OF $\times\frac{100}{1}$ (1) whole formula</td><td>6.67% (1) OF</td></tr>
</table>
Gross margin
<table>
<tr><td>Workings</td><td>Answer</td></tr>
<tr><td>$\frac{240\,000-169\,000}{240\,000}\times\frac{100}{1}$ (1) whole formula</td><td>29.58% (1)</td></tr>
</table>
Return on capital employed (ROCE)
<table>
<tr><td>Workings</td><td>Answer</td></tr>
<tr><td>$\frac{16\,000}{62\,000}$ OF $\times\frac{100}{1}$ (1) whole formula</td><td>25.81% (1) OF</td></tr>
</table></td><td>6</td></tr>
</table>

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Question	Answer	Marks
4(c)	**Profit margin** General comment Has worsened from 8.56% to 6.67% **(1)** Possible causes Increase in expenses **(1)** Poor control over expenses **(1)** **Accept other valid responses** **Max (1) from possible causes** **All comments to be based on Own Figures from (b)** **Gross margin** General comment Has worsened from 34.26% to 29.58% **(1)** Possible causes Reduction in selling price **(1)** Purchasing from more expensive suppliers / increased cost of sales **(1)** **Accept other valid responses** **Max (1) from possible causes** **All comments to be based on Own Figures from (b)** **Return on capital employed** General comment Has worsened from 32.08% to 25.81% **(1)** Possible causes Increased capital employed **(1)** Less efficient use of its resources **(1)** **Accept other valid responses** **Max (1) from possible causes** **All comments to be based on Own Figures from (b)**	**6**

Question	Answer	Marks
4(d)	**Introduce additional capital** **Advantages** Does not have to be repaid **(1)** No interest cost **(1)** **Accept other valid responses** **Max (1)** **Disadvantages** May not have enough available funds **(1)** Greater personal risk **(1)** **Accept other valid responses** **Max (1)** **Loan** **Advantages** Instantly available **(1)** Has two years to pay it off **(1)** **Accept other valid responses** **Max (1)** **Disadvantages** Annual interest is charged **(1)** Must be repaid **(1)** Security may be required **(1)** **Accept other valid responses** **Max (1)** **Recommendation (1)**	**5**

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Question	Answer	Marks
4(e)		**2**

Interested party	The interest they would have
Suppliers/potential suppliers	To assess whether outstanding debts are likely to be paid
Bank	To assess the likelihood of loan/overdraft being repaid when due To assess the ability to pay interest on a loan/overdraft To assess the availability of security for a loan
Lenders/potential lenders	To assess the likelihood of a loan being repaid when due To assess the ability to pay interest on a loan To assess the availability of security for a loan
Investors/potential partners	To assess future prospects of the business To assess profitability
Government/tax authorities	To assess the tax due from the owner of the business

Accept other suitable parties and reasons
(1) for one named party + (1) for reason

Question	Answer	Marks
5(a)		**6**

Razia
Suspense account

2020		$		2020		$	
Sep 30	Sales returns	300	**(1)**	Sep 30	Difference on trial balance	200	**(1)**
	Motor repairs	180	**(1)**				
	Rent receivable	310	**(1)**		Kamil	900	**(1)**
	Rent payable	310	**(1)**				
		1 100				1 100	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(b)</td><td>
<table>
<tr><td>Error</td><td>Type of error</td></tr>
<tr><td>2</td><td>Error of omission (1)</td></tr>
<tr><td>4</td><td>Error of transposition in one account (1)</td></tr>
</table>
</td><td>2</td></tr>
<tr><td>5(c)</td><td>
<table>
<tr><td>Error number</td><td>Increase profit</td><td>Decrease profit</td><td>No effect on profit</td></tr>
<tr><td>1</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>2</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>3</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>4</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>5</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>6</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>7</td><td></td><td></td><td>✓(1)</td></tr>
</table>
</td><td>7</td></tr>
</table>

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Question	Answer	Marks
5(d)	**Advantages** Less book-keeping **(1)** No irrecoverable debts **(1)** Cash received immediately **(1)** **Accept other valid responses** **Max (2)** **Disadvantages** May lose customers/sales may reduce **(1)** May adversely affect customer relationships/customer loyalty **(1)** Increased security issues **(1)** **Accept other valid responses** **Max (2)** **Recommendation (1)**	**5**

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