Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/23**

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

Details	Debit $	Credit $	
Motor vehicles			**(1)**
Sharpe Motors			**(1)**
Irrecoverable debts			**(1)**
Ruhee			**(1)**

Question	Answer	Marks
1(b)	Sariah Fixtures and fittings account 2019 $ 2020 $ Oct 1 Balance b/d 28 600 Jan 31 Disposal 1 500 **(1)** 2020 Sep 30 Balance c/d 30 600 Mar 31 Bank 3 500 **(1)** 32 100 32 100 2020 Oct 1 Balance b/d 30 600 **(1) OF** Provision for depreciation of fixtures and fittings account 2020 $ 2019 $ Jan 31 Disposal 285 **(1)** Oct 1 Balance b/d 6 185 Sep 30 Balance c/d 8 370 2020 Sep 30 Income statement 2 470 **(1)** 8 655 8 655 2020 Oct 1 Balance b/d 8 370 **(1)OF** Disposal account 2020 $ 2020 $ Jan 31 Fixtures and fittings Jan 31 Prov. for Dep. 285 **(1)OF** 1 500 **(1)** Bank 1 150 **(1)** Sep 30 Income statement 65 **(1)OF** 1 500 1 500 **+ (1) Dates**	**11**

Question	Answer	Marks
1(c)	**Advantages** Emy may introduce additional capital **(1)** Emy may bring additional specialist skills to the business **(1)** Sariah may benefit from Emy's contacts from her business **(1)** The partners will be able to share the workload/responsibilities/risks **(1)** **Accept other valid responses** **Max (2)** **Disadvantages** Sariah will have to share profits with Emy **(1)** Decision making may take longer **(1)** Disagreements between the partners may occur **(1)** **Accept other valid responses** **Max (2)** **Recommendation (1)**	**5**

Question	Answer			Marks
2(a)		$		**4**
	Balance at 31 July 2020	(3 420)		
	Direct debit payment	(350)	**(1)**	
	Dishonoured cheque	(665)	**(1)**	
	Bank charges	(45)	**(1)**	
	Revised balance at 31 July 2020	(4 480)	**(1)OF**	
	Accept alternative forms of presentation			

Question	Answer	Marks
2(b)	Eniola Bank Reconciliation Statement at 31 July 2020 $ Balance in cash book (4 480) **(1)OF** Cheques not yet presented 1 290 **(1)** (3 190) Amounts not yet credited (410) **(1)** Balance on bank statement (3 600) **(1)OF** **Alternative presentation** $ Balance on bank statement (3 600) **(1)OF** Amounts not yet credited 410 **(1)** (3 190) Cheques not yet presented (1 290) **(1)** Balance in cash book (4 480) **(1)OF**	**4**

Question	Answer	Marks
2(c)(i)	Do not have to pay the purchase price of these assets **(1)** Will pay a monthly/yearly hire charge which spreads the outlay **(1)** Will possibly have to pay more than the actual cost if hire for a long time **(1)** Will never own these assets **(1)** Possibly will not have any repair costs **(1)** There will be no depreciation charge **(1)** **Accept other valid responses** **Max 1**	**1**
2(c)(ii)	Money will be retained in the business for longer **(1)** Money is available for other purposes **(1)** May not be able to obtain cash discount **(1)** May be charged interest on an overdue balance **(1)** May damage relationship with suppliers **(1)** **Accept other valid responses** **Max 1**	**1**
2(d)	Eniola Rent and rates account 2019 $ 2019 $ *Aug 1 Balance (rates) b/d 260* *Aug 1 Balance (rent) b/d 900* Bank 3 150 **}** 2020 Oct 1 Bank 1 860 **}** Jul 31 Income statement 2020 **}(1)** Rent 5400 **(1)OF** Mar 1 Bank 2 700 **}** Rates 1810 **(1)OF** 7 210 Jul 31 Balance c/d 450 Balance c/d 310 8 420 8 420 2020 2020 Aug 1 Balance (rates) b/d 310 **(1)** Aug 1 Balance (rent) b/d 450 **(1)** **+ (1) dates**	**6**
2(e)	Rent: Current liabilities **(1)** or **OF from (d)** Rates: Current assets **(1)** or **OF from (d)**	**2**

Question	Answer	Marks
2(f)(i)	Matching **or** prudence **(1)**	**1**
2(f)(ii)	Matching – the expense for the year is matched to the revenue for the year **(1)** **OR** Prudence – ensures that the profit for the year is not overstated **(1)**	**1**

Question	Answer	Marks
3(a)	Haziq Income Statement for the year ended 31 July 2020	**15**

	$		$	
Revenue			166 000	**(1)**
Cost of sales				
Opening inventory	8 400			
Purchases (96 220 **(1)** – 6 280 **(1)** + 7 460 **(1)**)	97 400			
	105 800			
Less Closing inventory	6 200	**(1)OF**	99 600	**(1)OF**
Gross profit			66 400	**(1)**
Less expenses				
Rent (2 640 **(1)** + 240 **(1)**)	2 880			
Wages (41 400 **(1)** + 610 **(1)**)	42 010			
General expenses	10 890	**(1)**		
Depreciation of non-current assets (35 580 – 32 450)	3 130	**(1)**	58 910	
Profit from operations			7 490	
Less Loan interest			300	**(1)**
Profit for the year			7 190	**(1)OF**

Question	Answer	Marks
3(b)	**Advantages** Enables easier production of financial statements **(1)** Enables greater accuracy of the financial records **(1)** Provides checks and balances to minimise possibility of fraud **(1)** Facilitates easier decision making/easier for reference/easier comparisons/better understanding of finances **(1)** **Accept other valid responses** **Max (2)** **Disadvantages** May be complex and harder to understand for the non-accountant **(1)** Time consuming **(1)** May be costly to set-up **(1)** Not all errors will be identified **(1)** **Accept other valid responses** **Max (2)** **Recommendation (1)**	**5**

Question	Answer	Marks
4(a)	\$ Inventory at 30 September 2020 26 300 Original cost of damaged goods (5 200) **}(1)** Net realisable value of damaged goods 4 400 **}** Revised value of inventory 25 500 **(1)OF** **Accept alternative forms of presentation**	**2**
4(b)	\$ \$ Draft profit for the year 84 900 Add Insurance prepaid omitted 400 **(1)** 85 300 Less Inventory overstated 800 **(1)OF** Provision for doubtful debts omitted 100 **(1)** 900 Revised profit for the year 84 400 **(1)OF** **Accept alternative forms of presentation**	**4**
4(c)	DW Limited Statement of Changes in Equity for the year ended 30 September 2020	**5**

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 October 2019	200 000	6 500	73 475	279 975	**(1) row**
Profit for the year			84 400	84 400	**(1) OF row**
Dividend paid			(2 000)	(2 000)	**(1) row**
Transfer to general reserve		5 000	(5 000)		**(1) row**
On 30 September 2020	200 000	11 500	150 875	362 375	**(1) OF row**

Question	Answer				Marks
4(d)	DW Limited Statement of Financial Position at 30 September 2020				**9**
		$	$	$	
	Assets				
		Cost	Accumulated depreciation	Net book value	
	Non-current assets	462 000	106 000	356 000	**(1)**
	Current assets				
	Inventory			25 500	**(1)OF**
	Trade receivables		14 500		
	Less Provision for doubtful debts		725 **(1)**	13 775	**(1)**
	Other receivables (1 600 + 400)			2 000	**(1)**
				41 275	
	Total assets			397 275	
	Equity and liabilities				
	Equity				
	Ordinary share capital			200 000	
	General reserve			11 500	
	Retained earnings			150 875	
				362 375	**(1)OF**
	Non-current liabilities				
	6% Debentures			18 000	**(1)**
	Current liabilities				
	Trade payables			8 250	**}**
	Other payables			2 200	**}(1)**
	Bank overdraft			6 450	**(1)**
				16 900	
	Total equity and liabilities			397 275	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>
<table>
<tr><th></th><th>Effect on profit for the year</th><th>Effect on working capital</th></tr>
<tr><td>Repairs to office equipment had been entered in the office equipment account</td><td>Overstated</td><td>No effect</td></tr>
<tr><td>No adjustment had been made for insurance prepaid</td><td>Understated (1)</td><td>Understated (1)</td></tr>
<tr><td>An irrecoverable debt had not been written off</td><td>Overstated (1)</td><td>Overstated (1)</td></tr>
<tr><td>No record had been made of additional capital introduced in cash</td><td>No effect (1)</td><td>Understated (1)</td></tr>
<tr><td>Closing inventory had been overstated</td><td>Overstated (1)</td><td>Overstated (1)</td></tr>
</table>
</td><td>8</td></tr>
<tr><td>5(b)(i)</td><td>Aziz has more current assets/more inventory/more trade receivables/more cash (1)
Aziz has less current liabilities/trade payables/bank overdraft (1)</td><td>2</td></tr>
<tr><td>5(b)(ii)</td><td>Aziz has less inventory (1)
Aziz has higher current ratio (1)</td><td>2</td></tr>
<tr><td>5(b)(iii)</td><td>Aziz has higher profit for the year (1)
Aziz has lower capital employed (1)
Aziz has lower non-current liabilities (1)</td><td>2</td></tr>
<tr><td>5(c)</td><td>Nazim has lower sales (1)
Nazim has higher inventory (1)

Max 1</td><td>1</td></tr>
</table>

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Question	Answer	Marks
5(d)	**Advantages** Cash received earlier **(1)** Reduces possibility of irrecoverable debts **(1)** May reduce bank overdraft interest charges **(1)** **Accept other valid responses** **Max (2)** **Disadvantages** May lose customers/may reduce sales **(1)** Will increase administration costs/may reduce profits **(1)** May damage relationship with customers **(1)** **Max (2)** **Recommendation (1)**	**5**

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