

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/22

Paper 2, maximum raw mark 120

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1 (a)

Nyasha Chingono
Purchases journal

Date	Details	\$	\$	
2015 3 April	Wholesalers Limited		358	(1)
12	John Moyo Less 25% trade discount	480 <u>120</u>	360	(1)
30	Transfer to purchases a/c		<u>718</u>	(1)

Purchases returns journal

Date	Details	\$	\$	
2015 18 April	John Moyo Less 25% trade discount	160 <u>40</u>	120	(1)
30	Transfer to purchases returns a/c		<u>120</u>	(1)

[5]

(b)

Nyasha Chingono
John Moyo account

		\$			\$
2015			2015		
18 Apr	Returns	120 (1)	1 Apr	Balance b/d	560
27	Bank	546 (1)	12	Purchases	360 (1)
	Discount	14 (1)			

Purchases account

		\$			\$
2015			2015		
30 Apr	Total for month	718 (1 o.f.)	30 Apr	Total for month	120 (1 o.f.)

+ (1) dates
Three column running balance presentation acceptable

[7]

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- (c) May be able to take advantage of cash discounts
 Improve the relationship with suppliers
 Avoid paying interest
 Or other suitable comment
- Any one advantage **(1)**
- The business is deprived of the use of the money earlier than necessary
 Or other suitable comment
- Any one disadvantage **(1)** [2]
- (d) Sales returns
- | | |
|-----------------------|--|
| Explanation | The total sales returns for the month (1) |
| Source of information | Sales returns journal (1) |
- Contra
- | | |
|-----------------------|--|
| Explanation | This is the total set off against accounts in the purchases ledger during the month (1) |
| Source of information | Journal (1) |
- Interest charged
- | | |
|-----------------------|---|
| Explanation | This is the total interest charged on credit customers' accounts which are overdue (1) |
| Source of information | Journal (1) |
- [6]
- (e) Reduce credit sales/sell on a cash basis
 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 is paid
- Any two points **(1)** each [2]
- (f) $\frac{800}{12600} \times \frac{365}{1} \} = 24 \text{ days } \mathbf{(1)}$ [2]
- (g) Unsatisfied
 Or o.f. based on answer to (f) [1]
- (h) Offer cash discount for prompt payment
 Charge interest on overdue accounts
 Improve credit control/send invoices or statements promptly
 Refuse further supplies until outstanding balance is paid
 Invoice discounting and debt factoring
- Any two points **(1)** each [2]

[Total: 27]

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- 2 (a) Obtain correct bank balance
 Identify errors on the bank account
 Identify errors on the bank statement
 Assist in discovering fraud and embezzlement
 Identify amounts not credited by the bank
 Identify cheques not presented
 Identify any stale cheques
- Any two reasons **(1)** each [2]

(b)

David Jones					
Cash book (bank columns only)					
2015			2015		
\$			\$		
1 Feb	Balance b/d	114	1 Feb	Bank charges	62 (1)
	Bank interest	130 (1)		K Taylor	
	Balance c/d	101		(Dis. chq.)	143 (1)
				Insurance	40 (1)
				Error correction	<u>100</u> (1)
		<u>345</u>			<u>345</u>
			2015		
			1 Feb	Balance b/d	101 (1 o.f.) [6]

(c)

David Jones	
Bank Reconciliation Statement at 31 January 2015	
\$	
Balance on bank statement	154 (1)
Add Amounts not credited – cash sales (1)	<u>235</u> (1)
	389
Less Cheques not presented – M Sharp (1)	<u>490</u> (1)
Balance in cash book	<u>(101)</u> (1 o.f.)

Alternative presentation

David Jones	
Bank Reconciliation Statement at 31 January 2015	
\$	
Balance in cash book	(101) (1 o.f.)
Add Cheques not presented – M Sharp (1)	<u>490</u> (1)
	389
Less Amounts not credited – cash sales (1)	<u>235</u> (1)
Balance on bank statement	<u>154</u> (1) [6]

- (d) (i) Cash book balance **(1)**
- (ii) **Either**
 The statement of financial position would not balance if the bank statement balance was included **(2)**
Or
 Only balances on the books of the business can be included in the statement of financial position of the business **(2)** [3]

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- (e) Assess prospects of any requested loan/overdraft being repaid when due
Assess prospects of any interest on loan/overdraft being paid when due
Assess security available to cover any loan/overdraft
Or other acceptable reason

Any two reasons **(1)** each

[2]

[Total: 19]

3 (a)

Akhtar Hussain
Inventory account

	\$		\$
2014		2015	
1 April Balance b/d	<u>3560</u>	31 Mar Income Statement	<u>3560</u> (1)
	<u>3560</u>		<u>3560</u>
2015		2015	
31 Mar Income Statement	<u>4150</u> (1)	31 Mar Balance c/d	<u>4150</u>
	<u>4150</u>		<u>4150</u>
2015			
1 April Balance b/d	4150 (1)		

Bad debts account

	\$		\$
2015		2015	
10 Jan ABC Stores	136	31 Mar Income Statement	190 (1)
31 Mar XY Limited	<u>54</u> (1)		<u>190</u>
	<u>190</u>		<u>190</u>

Provision for doubtful debts account

	\$		\$
2015		2014	
31 Mar Income Statement	120 (1)	1 April Balance b/d	1130
	<u>1010</u> (1)		<u>1130</u>
	<u>1130</u>		<u>1130</u>
		2015	
		1 April Balance b/d	1010 (1)

Provision for depreciation of machinery account

	\$		\$
2015		2014	
1 Mar Disposal	2250 (1)	1 April Balance b/d	4500
31 Balance c/d	<u>3500</u> (1)	2015	
	<u>5750</u>	31 Mar Income Statement	<u>1250</u> (1)
			<u>5750</u>
		2015	
		1 April Balance b/d	3500 (1 o.f.)

Disposal of machinery account

	\$		\$
2015		2015	
1 Mar Machinery	3000 (1)	1 Mar Bank	550
	<u>3000</u>	Prov. for Dep.	2250 (1)
		31 Income Statement	<u>200</u> (1 o.f.)
			<u>3000</u>

Drawings account

	\$		\$
2015		2015	
1 Feb Bank	<u>1000</u>	31 Mar Capital	<u>1000</u> (1)
	<u>1000</u>		<u>1000</u>

+ (1) dates

Three column running balance presentation acceptable

[17]

(b) Akthar Hussain
Journal

	Debit \$	Credit \$	
Motor vehicles	9000		}
Motor repairs	360		} (1)
PJ Autos		9360	(1)
Invoice received for purchase of new vehicle and motor repairs			(1)

[3]

(c) 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)

[2]

(d)

	overstated	understated
non-current assets at 31 March 2015	✓ (1)	
profit for the year ended 31 March 2015	✓ (1)	

[2]

[Total: 24]

4 (a)

Rania Gharib
Income Statement for the year ended 31 January 2015

	\$	\$
Revenue		63 660
Cost of sales		
Opening inventory	4 700 *	
Purchases (40 120 (1) + 3 720 (1) + 820 (1) – 2 950 (1))	<u>41 710</u>	
	46 410	
Closing inventory	<u>3 150</u> * (1) for both	
		<u>43 260</u>
Gross profit		20 400 (1 o.f.)
Discount received		<u>820</u> (1)
		21 220
Wages	9 520	
Rent and rates	5 200 (1)	
Insurance (840 (1) – 120 (1))	720	
Depreciation fixtures and fittings (6 900 + 1 100 – 7 300)	<u>700</u> (2)	
Profit for the year		<u>16 140</u>
		<u>5 080</u> (1 o.f.)

Horizontal format acceptable

[13]

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(b) $\frac{43260}{(4700 + 3150) \div 2} \text{ (1 o.f.)} = \frac{43260}{3925} = 11.02 \text{ times (1 o.f.)}$ [3]

(c) Lower inventory levels
 More sales activity
 Or other suitable explanation
 Any two reasons (1) each [2]

(d) It shows the profit earned for each \$100 used in the business (1)
 It shows how efficiently the capital is being employed (1) [2]

(e) $\frac{5080}{83000} \text{ o.f.} \times \frac{100}{1} = 6.12\% \text{ (1 o.f.)}$ [2]

(f) Higher profit for the year
 Lower capital employed
 Any one reason (1) [1]

(g)

	overstated	understated	no effect
gross profit for the year ended 31 January 2014	✓		
credit balance on capital account on 1 February 2014	✓ (1)		
gross profit for the year ended 31 January 2015		✓ (1)	
profit for the year ended 31 January 2015		✓ (1)	
current assets at 31 January 2015			✓ (1)

[4]

[Total: 27]

5 (a) Craven Limited
Statement of Changes in Equity for the year ended 31 March 2015

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 April 2014	200 000	17 000	9 000	226 000	
Profit for the year	.....	.....	43 000	43 000	(1)
Dividend paid	.....	.....	(16 000)	(16 000)	(1)
Transfer to general reserve	.....	15 000	(15 000)	.....	(1)
On 31 March 2015	200 000	32 000	21 000	253 000	(1)

[4]

(b) Craven Limited
Statement of Financial Position at 31 March 2015

Assets	\$	\$	
Non-current assets			
Premises at cost		179 000	
Fixtures and equipment at book value		54 000	
Motor vehicles at book value		<u>22 500</u>	
		<u>255 500</u>	(1)
Current assets			
Inventory		26 525	(1)
Trade receivables	21 000		(1)
Less Provision for doubtful debts	<u>525</u>	<u>20 475</u>	(1)
		<u>47 000</u>	(1 o.f.)
Total assets		<u>302 500</u>	
Equity and liabilities			
Equity and Reserves			
Ordinary share capital		200 000	(1)
General reserve (17 000 (1) + 15 000 (1))		32 000	
Retained earnings (9 000 (1) + 12 000 (1))		<u>21 000</u>	
		<u>253 000</u>	(1 o.f.)
Non-current liabilities			
5% Debentures		<u>15 000</u>	(1)
Current liabilities			
Trade payables		26 375	
Bank		<u>8 125</u>	
		<u>34 500</u>	(1)
Total liabilities		<u>302 500</u>	

Horizontal format acceptable

[13]

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- (c) Ordinary shareholders are members of the company
Ordinary shares carry voting rights
Ordinary share dividend is a share of the profit
Ordinary share dividend is variable
Ordinary share dividend is paid after any dividend on preference shares
Ordinary shareholders are repaid last in the event of a winding up

Any two features (1) each [2]

- (d) Debentures are long-term loans
Debenture-holders are not members of the company
Debentures do not carry voting rights
Debentures carry a fixed rate of interest
Debenture interest is not dependent on the company's profit
Debentures are often secured on the assets of the company
Debenture-holders are repaid before the shareholders in the event of a winding up

Any two features (1) each [2]

- (e) Reduction in profit available for ordinary shareholders
Prior claim on the assets of the company in the event of a winding up
Or other relevant point

Any two points (1) each [2]

[Total: 23]