Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/23**

Paper 2 **October/November 2016**

MARK SCHEME

Maximum Mark: 120

Published

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1 (a)

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		$	$	$	2016		$	$	$
Sep 1	*Balance b/d*		*193*		*Sep 1*	*Balance b/d*			*1560*
5	Sales **(1)**		115	400	10	C Barnes (dis cheque)**(1)**			190
15	H Magagula **(1)**	12		468	21	Office equipment **(1)**			280
28	Cash c **(1)OF**			258		Repairs **(1)**			44
30	Balance c/d			948	28	Bank c **(1)**		258	
					30	Balance c/d		50	
		12	308	2074				308	2074
2016					2016				
Oct 1	Balance b/d **(1)**		50		Oct 1	Balance b/d **(1) OF**			948

+ (1) dates

[10]

(b) It is not possible to take out more cash than is in the cash box **(1)** **[1]**

(c) Obtain the correct bank balance
Identify errors in the bank account
Identify errors on the bank statement
Assist in discovering fraud and embezzlement
Identify cheques not credited by the bank
Identify cheques not presented
Identify any stale cheques
Understand/reconcile the differences between cash book and bank statement
Any 2 reasons (1) each **[2]**

(d) Cheques not presented
Cheques not credited
Cash book errors
Any 2 items (1) each **[2]**

(e)

	Effect on working capital	Reason
Reduce credit sales and increase cash sales	*No effect*	*Trade receivables decrease and cash increases so total current assets is unchanged. No effect on current liabilities*
Create a provision for doubtful debts	Decrease **(1)**	The current assets reduce. No change to the current liabilities. **(1)**
Take a long term bank loan	Increase **(1)**	The current assets increase. No change to the current liabilities. **(1)**
Take a short term bank loan	No effect **(1)**	The current assets and the current liabilities increase by the same amount **(1)**
Pay credit suppliers early to earn cash discount	Increase **(1)**	The current assets reduce by a smaller amount than the current liabilities **(1)**

[8]

[Total: 23]

2 (a) Crossroads Limited
Statement of Financial Position at 31 October 2016

Assets	$	$	$
Non-current assets	Cost	Accumulated depreciation	Book value
Premises	363 000		363 000
Machinery and equipment	185 000	83 250	101 750 **(1)**
Fixtures and fittings	70 000	24 073	45 927 **(1)**
	618 000	107 323	510 677 **(1)**
Current assets			
Inventory			30 853
Trade receivables		28 000	
Less Provision for doubtful debts		750	27 250 **(1)**
Other receivables			1 340 **(1)**
			59 443 **(1)**
Total assets			570 120
Equity and liabilities			
Equity and reserves			
Ordinary share capital			400 000 **(1)**
General reserve			31 000 **(1)**
Retained earnings			75 000 **(1)**
			506 000 **(1)**
Non-current liabilities			
4% Debentures (repayable 2026)			20 000 **(1)**
Current liabilities			
Trade payables			31 600
Other payables (800 + 320)			1 120 **(2)**
Bank overdraft			11 400 **(1)**
			44 120 **(1)**
Total liabilities			570 120

[15]

(b) Issued share capital
The amount of share capital which is actually issued to the shareholders **(1)**
Called-up share capital
The total amount the company has requested from the shareholders **(1)**
Paid-up share capital
That part of the called-up share capital for which a company has received the money from its shareholders. **(1)** **[3]**

[Total: 18]

3 **(a)** 1 November 2015 Balance b/d
This is the total of the provision for doubtful debts on that date **(1)**
Double entry – debit provision for doubtful debts account for previous year **(1)**

31 October 2016 Income statement
This is the difference between the opening and closing provision for doubtful debts/the amount which is over-provided for doubtful debts **(1)**
Double entry – credit income statement **(1)**

31 October 2016 Balance c/d
This is the total of the provision for doubtful debts on that date **(1)**
Double entry – credit provision for doubtful debts account for next year **(1)** **[6]**

(b) $450 **(1)** deducted from the trade receivables **(1)** **[2]**

(c)

Kristy
Journal

	Debit $	Credit $
Office equipment Capital Introduction of personal computer into the business	740	 740
Repairs to office equipment Office equipment Comp4u Invoice received for repairs to equipment and purchase of printer	40 226	 266

[7]

(d)

	Capital expenditure	Revenue expenditure
Wages paid to employees to build new office block	✓**(1)**	
Insurance premium for new office block		✓ **(1)**
Cost of painting new office block	✓**(1)**	
Cost of moving furniture into new office block		✓**(1)**

[4]

(e)

	Effect of error on profit	
	overstated	understated
Proceeds of sale of old fixtures(sold at book value) included in income statement	✓**(1)**	
Interest received on loan to employee recorded as part repayment of loan		✓**(1)**

[2]

[Total: 21]

4 (a)

	Effect on profit of correcting error	
	increase $	decrease $
Wages owing at 31 August 2015, $450 were not recorded.		450
Discount allowed, $115, had been recorded as discount received.		230
The provision for doubtful debts, $950, should have been adjusted to 2 ½% of trade receivables, who owed $36 000.	50	
Inventory at 1 September 2014 had been valued at net realisable value, $16 700 instead of at cost, $15 300.	1400	

(1) for amount and (1) for position for each item **[8]**

(b) Hamza

Income Statement for the year ended 31 August 2016

	$	$	
Revenue		385 500 **(1)**	
Less Sales returns		7 500 **(1)**	378 000
Less Cost of sales			
Opening inventory		14 100 **(1)**	
Purchases		312 500 **(1)OF**	
Carriage inwards		2 100 **(1)**	
	328 700		
Less Closing inventory		13 700 **(1)**	315 000 **(1)OF**
Gross profit			63 000 **}(2)CF/ }(1)OF**
Less General expenses		3 910 **(1)**	
Wages and salaries		21 500 **(1)**	
Rates and insurance		5 320 **(1)**	
Depreciation: non-current assets		5 660 **(1)**	36 390
Profit for the year			26 610 **(1)OF**

[14]

[Total: 22]

5 **(a)** Straight line/fixed instalment
Revaluation
Any 1 method (1) **[1]**

(b) The loss in value of the non-current asset during the year **(1)** is set against the revenue for the same period **(1)**
OR
The cost of the non-current asset is spread **(1)** over the years which benefit from the use of that asset **(1)** **[2]**

(c) Prudence **(1)** **[1]**

(d) **(i)**

Machine A	$		
Cost 1 August 2014	3000		
Depreciation to 1 August 2014	600		
Book value 1 August 2014	2400		
Depreciation for year ended 31 July 2015	480	**(1)**	
Book value at 1 August 2015	1920		
Depreciation for year ended 31 July 2016	384	**(1)**	
Book value at 1 August 2016	1536		**[2]**

(ii)

Machine B	$		
Cost 1 January 2015	3500		
Depreciation for year ended 31 July 2015	700	**(1)**	
Book value 1 August 2015	2800		
Depreciation for year ended 31 July 2016	560	**(1)**	
Book value at 1 August 2016	2240		**[2]**

(e) (i)

Tom
Machinery account

Date	Details	$	Date	Details	$
2014			2015		
Aug 1	*Balance (A) b/d*	*3000*	July 31	Balance c/d	6500
2015					
Jan 1	Bank (B) **(1)**	3500			
		6500			6500
2015					
Aug 1	Balance b/d **(1)**	6500			

(ii) Provision for depreciation of machinery account

Date	Details	$	Date	Details	$
2015			*2014*		
July 31	Balance c/d	1780	*Aug 1*	*Balance b/d*	*600*
			2015		
			July 31	Income statement (480**OF** + 700**OF**) **(1)OF**	1180
		1780			1780
2016			2015		
July 31	Balance c/d	2724	Aug 1	Balance b/d **(1)OF**	1780
			2016		
			July 31	Income statement (384**OF** + 560**OF**) **(1)OF**	944
		2724			2724
			2016		
			Aug 1	Balance b/d **(1)OF**	2724

+ (1) dates

[7]

(f)

	$
Cost	3000 **(1)**
Depreciation to date (600 + 480 + 384)	1464 **(1)OF**
Book value	1536
Proceeds of sale	1640
Profit **(1)OF** on sale	104 **(1)OF**

[4]

[Total: 19]

6 **(a)** $\left.\begin{array}{c}\dfrac{(290\,000-224\,025)}{290\,000}\end{array}\right\}\textbf{(1)}\times\dfrac{100}{1}=22.75\%$ **(1)**

$\left.\begin{array}{c}\dfrac{(65\,975\textbf{OF}-38\,860)}{290\,000}\end{array}\right\}\textbf{(1)}\times\dfrac{100}{1}=9.35\%$ **(1)OF** **[4]**

(b) They trade in different type of goods
Joey has a higher mark-up
Joey has a lower cost price of goods
Joey sells at a higher price
Joey allows a lower rate of trade discount to customers
Joey received a higher rate of trade discount from suppliers
Or other suitable reason based on OF answer to (a)
Any 2 reasons (1) each **[2]**

(c) DT Traders has a higher gross profit
They have different types of expenses
Joey has higher expenses
DT Traders has more other income
Or other suitable reason based on OF answer to (a)
Any 2 reasons (1) each **[2]**

(d) DT Traders **(1)**
OR Joey **(1)OF**
If difference between OF gross profit % and OF profit for the year % is lower than 8.25% achieved by DT Traders **[1]**

(e)

	Increase	Decrease	No effect
Buy in bulk from suppliers to obtain trade discount	✓**(1)**		
Offer cash discount to encourage credit customers to pay early		✓**(1)**	
Pay employees monthly instead of weekly			✓**(1)**
Write off damaged inventory at year end		✓**(1)**	

[4]

(f) Historical cost
Transactions are recorded at actual cost. **(1)**
It is difficult to compare transactions taking place at different times. **(1)**

Non-financial factors
Only information which can be expressed in monetary terms is recorded. **(1)**
Many important factors which affect the business are not recorded. **(1)**

[4]

[Total: 17]