

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/21

Paper 2, maximum raw mark 120

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| | | | |
|---------------|--|-----------------|--------------|
| Page 2 | Mark Scheme | Syllabus | Paper |
| | Cambridge IGCSE – May/June 2015 | 0452 | 21 |

- 1 (a) Control/limit/keep track of petty cash expenditure
 The cash remaining and the vouchers received should equal the imprest
 Can help to reduce fraud
 Or other suitable advantage
 Any one advantage **(1)** [1]
- (b) See petty cash book on next page [11]
- (c) (i) \$78 **(1 o.f.)**
- (ii) Bank (or Cash) **(1)** [2]
- (d) Stationery **(1)** [1]

(e) Kuda Maposa
 Journal

| | | Debit \$ | Credit \$ | |
|----------|--|-------------|--------------|---|
| 1 | Drawings Purchases Goods taken for personal use | 300 | 300 | (1) (1) (1) |
| 2 | Motor vehicles Capital Motor vehicle purchased using private funds | 12 000 | 12 000 | (1) (1) (1) |
| 3 | Machinery Machinery repairs Valley Machines Invoice received for purchase of new machine and repairs to existing machine | 865 125 | 990 | }(1) } (1) (1) |

[9]

[Total: 24]

| | | | |
|---------------|--|-----------------|--------------|
| Page 3 | Mark Scheme | Syllabus | Paper |
| | Cambridge IGCSE – May/June 2015 | 0452 | 21 |

(b)

Kuda Maposa – Petty Cash Book

| Total Received | Date | Details | Total Paid | Postage | Stationery | General Expenses | Ledger accounts |
|----------------|---------|-----------------------|------------|---------|------------|------------------|-----------------|
| \$ | 2015 | | \$ | \$ | \$ | \$ | \$ |
| 100 | Mar 1 | Balance b/d | | | | | |
| 10 (1) | 6 | Postage | 13 | 13 (1) | | | |
| | 11 | Tea and coffee | 5 | | | 5 (1) | |
| | 14 | Stationery | 27 | | 27 (1) | | |
| | 18 | T Masuka | 15 | | | | 15 (1) |
| | 21 | Refund for stationery | | | | | |
| | 26 | Window cleaner | 12 | | | 12 (1) | |
| | 29 | P Zhonga | 16 | | | | 16 (1) |
| | | | 88 | 13 | 27 | 17 | 31 |
| | 30 | Balance c/d | 22 | | | | |
| 110 | | | 110 | | | | |
| 22 (1 o.f.) | April 1 | Balance b/d | | | | | |

(1) Dates

(1 o.f.) Totalling analysis columns

(1 o.f.) Matching totals on total columns

[11]

| | | | |
|---------------|--|-----------------|--------------|
| Page 4 | Mark Scheme | Syllabus | Paper |
| | Cambridge IGCSE – May/June 2015 | 0452 | 21 |

- 2 (a) (i) 15% (1)
(ii) \$187 (1)
(iii) \$217 (1) [3]

(b) Jai Kapur (1) [1]

(c) Goods returned
Overcharge
Allowance for faulty/damaged goods
Any one reason (1) [1]

(d) Debit note (1) [1]

(e)

| Books of Jai Kapur | | Books of Vijay Singh | |
|--------------------|------------------|----------------------|-----------------------|
| Account debited | Account credited | Account debited | Account credited |
| Sales returns (1) | Vijay Singh (1) | Jai Kapur (1) | Purchases returns (1) |

[4]

(f)

| Vijay Singh Sales ledger control account | | | | |
|---|------------------|--------------|----------|------------------|
| | | \$ | | |
| 2015 | | | 2015 | |
| April 1 | Balance b/d | 475 (1) | April 30 | Sales returns |
| | 30 Sales | 590 (1) | | Bank |
| | Bank (dis. chq.) | 26 (1) | | Discount allowed |
| | Interest | 8 (1) | | Bad debt |
| | Balance c/d | 21 | | Contra |
| | | 1120 | | Balance c/d |
| | | | | 492 |
| | | | | 1120 |
| 2015 | | | 2015 | |
| May 1 | Balance b/d | 492 (1 o.f.) | May 1 | Balance b/d |
| | | | | 21 (1) |

+ (1) dates

Three column running balance presentation acceptable [12]

(g) This is when the balance of an account in the purchases ledger is set against the balance of an account of the same person in the sales ledger. (1) It is used when a trader both buys goods from and sells goods to another business. (1) [2]

(h) The customer had not paid the balance owed by the end of the period of credit allowed. (1) [1]

| | | | |
|---------------|--|-----------------|--------------|
| Page 5 | Mark Scheme | Syllabus | Paper |
| | Cambridge IGCSE – May/June 2015 | 0452 | 21 |

- (i) To assist in the location of errors
 To provide an instant total of trade receivables
 To prove the arithmetical accuracy of the sales ledger
 To enable a statement of financial position to be prepared quickly
 To provide a summary of transactions relating to trade receivables
 To help reduce fraud

Any one reason **(1)** [1]

- (j) An error in the sales ledger would not be revealed **(1)**
 Any fraud would not be revealed **(1)**
 Or other relevant point

Any two points **(1)** each [2]

[Total: 28]

3 (a)

Malala Khan
 Statement of Affairs at 31 May 2015

| Assets | Cost | Depreciation to date | Book value |
|-----------------------------------|------------------|-------------------------------|-------------------------------|
| | \$ | \$ | \$ |
| Machinery | 28 600 | 11 440 (1) | 17 160 (1 o.f.) |
| Motor vehicles | <u>24 000</u> | <u>13 875</u> (1) | <u>10 125</u> (1 o.f.) |
| | <u>52 600</u> | <u>25 315</u> | <u>27 285</u> |
| Inventory | | 6 750 (1) | |
| Trade receivables | 7 800 (1) | | |
| Less Provision for doubtful debts | <u>156</u> | 7 644 (1) | |
| Other receivables | | <u>101</u> (1) | <u>14 495</u> |
| | | | <u>41 780</u> |
| Liabilities | | | |
| Long-term loan | | | 10 000 (1) |
| Trade payables | | 8 100 (1) | |
| Bank overdraft | | <u>4 080</u> (1) | <u>12 180</u> |
| | | | 22 180 |
| Capital | | <u>19 600</u> (1 o.f.) | |
| | | <u>41 780</u> | |

Any suitable format acceptable [12]

(b)

| | | Malala Khan Capital account | | | |
|--------|---------------|--------------------------------|--------|-------------|--------------|
| | | \$ | | \$ | |
| 2015 | | | 2014 | | |
| May 31 | Drawings | 1990 | June 1 | Balance | 20000 |
| | Drawings | 420 | 2015 | | |
| | Loss for year | 2990 | Jan 1 | Bank | 5000 |
| | Balance c/d | <u>19600</u> | | | |
| | | <u>25000</u> | | | <u>25000</u> |
| | | | 2015 | | |
| | | | June 1 | Balance b/d | 19600 |

Three column running balance presentation acceptable

[6]

(c)

| | Increase | Decrease | No effect |
|--|----------|----------|-----------|
| Reduce the credit period allowed to credit customers | | | ✓ (1) |
| Sell a motor vehicle which is no longer used | ✓ (1) | | |
| Arrange with the bank to have a loan for six months | | | ✓ (1) |
| Allow cash discount to credit customers who pay promptly | | ✓ (1) | |

[4]

(d)

- To be able to meet debts when they fall due
- To be able to take advantage of cash discounts
- To be able to take advantage of business opportunities as they arise
- To ensure that there is no difficulty in obtaining further supplies
- Or other suitable explanation

Any three points **(1)** each

[3]

[Total: 25]

| | | | |
|--------|---------------------------------|----------|-------|
| Page 7 | Mark Scheme | Syllabus | Paper |
| | Cambridge IGCSE – May/June 2015 | 0452 | 21 |

4 (a)

Syed Zilani

Income Statement for the year ended 31 January 2015

| | \$ | \$ | \$ |
|---|------------|------------------|-----------------------|
| Revenue | | | 77 100 |
| Cost of sales | | | |
| Purchases | 62 030 (1) | | |
| Less Goods for own use | <u>580</u> | 61 450 (1) | |
| Less Closing inventory | | <u>4 100 (1)</u> | <u>57 350</u> |
| Gross profit | | | 19 750 (1 o.f.) |
| Discount received | | | <u>43 (1)</u> |
| | | | 19 793 |
| Wages | | 10 140 | |
| Insurance (2 800 (1) – 400 (1)) | | 2 400 | |
| Advertising | | 1 120 (1) | |
| Bad debts | | 90 (1) | |
| Provision for doubtful debts (2% × 6 500) | | 130 (1) | |
| Rates (2 160 (1) – 720 (1)) | | 1 440 | |
| General expenses | | 151 | |
| Depreciation – Equipment (20% × 9 300) | | <u>1 860 (1)</u> | <u>17 331</u> |
| Profit for the year | | | <u>2 462 (1 o.f.)</u> |

Horizontal format acceptable

[14]

(b) **Either**

Profit should not be overstated

Or

Profit should not be anticipated, but possible losses should be provided for (1)

Example

Either Creation of provision for doubtful debts

Or Providing for depreciation of equipment (1)

[2]

(c) **Comparability**

Relevance

Understandability

Any one objective (1)

[1]

(d) **Should compare with a business in the same trade**

Should compare with a business of approximately the same size/same capital

Should compare with a business of the same type (sole trader)

The financial statements may be for one year which will not show trends

The financial statements may be for one year which is not a typical year

The financial year may end on different dates (when inventories are high/low)

The businesses may operate different accounting policies

The statements do not show non-monetary factors

It may not be possible to obtain all the information needed to make comparisons

Or other suitable points

Any two points (1) for basic statement and (1) for development

[4]

[Total: 21]

5 (a)

| Error | Increase \$ | Decrease \$ |
|--|----------------|----------------|
| Sales returns, \$420, had not been recorded | | 420 (2) |
| Inventory on 1 March 2014 was overstated by \$1500 | 1500 (2) | |
| The income statement included rent and rates, \$6150, for 15 months to 31 May 2015 | 1230 (2) | |
| Discount allowed, \$180, had been recorded as discount received | | 360 (2) |

(1) for position and (1) for figure in each case [8]

(b) $(7350 + 1120) : ((6870 + 5000))$
 $8470 : 11\ 870$ (1)
 $0.71 : 1$ (1) [2]

(c) Liquid assets are less than the current liabilities
 Cannot meet the immediate liabilities from the immediate assets
 Is dependent on selling inventory to meet the current liabilities
 Is below the generally accepted “benchmark”/is inadequate/unsatisfactory
 Or other suitable comment based on the answer to (b)
 Any two points (1) each [2]

(d) Excludes the inventory from the calculation [1]

(e) $\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ [1]

(f) $\frac{7350}{71500} \times \frac{365}{1} = 38$ days (1) [2]

(g) On average credit customers are taking 8 days more than is allowed
 This may affect the ability of the business to pay current liabilities
 This may affect the ability of the business to take advantage of opportunities when they arise
 Or other suitable comments based on answer to (f)
 Any two points (1) each [2]

| | | | |
|---------------|--|-----------------|--------------|
| Page 9 | Mark Scheme | Syllabus | Paper |
| | Cambridge IGCSE – May/June 2015 | 0452 | 21 |

- (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 paid
 Invoice discounting and debt factoring

Any two points **(1)** each [2]

- (i) On average suppliers are paid 4 days earlier than is required
 This may enable him to take advantage of cash discounts
 This will improve relations with credit suppliers
 Deprives the business of the use of the money earlier than necessary

Any two points **(1)** each [2]

[Total: 22]