

---

**ACCOUNTING**

**0452/22**

Paper 2

**October/November 2018**

MARK SCHEME

Maximum Mark: 120

---

**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 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

---

This document consists of **12** printed pages.

**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.

**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.

Question	Answer	Marks																																																
1(a)(i)	This represents an overdraft/what the trader owes the bank on that date	1																																																
1(a)(ii)	To restore the petty cash balance to the imprest amount	1																																																
1(a)(iii)	3%	1																																																
1(a)(iv)	Not enough money in the account Cheque unsigned/incorrect signature Amount in words and figures disagree Cheque undated/out of date/wrong date Takes account in to unauthorised overdraft <b>Or other acceptable reason</b> <b>Any 1 reason (1)</b>	1																																																
1(a)(v)	This is a contra entry (1) Money has been transferred from the cash into the bank account (1)	2																																																
1(a)(vi)	Money was received from selling goods for \$1100. Of this, \$220 was paid into the cash account and \$880 paid into bank account.	1																																																
1(b)	Cash balance \$290 (1) Current asset (1) Bank balance \$4027 (1) Current liability (1)	4																																																
1(c)	<p style="text-align: center;">Rajinder Sales account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 July 31</td> <td>Income statement (1)OF</td> <td>14 600</td> <td>2018 June 30 July 29</td> <td>Total to date Cash/bank (1)</td> <td>13 500 1 100</td> </tr> <tr> <td></td> <td></td> <td>14 600</td> <td></td> <td></td> <td>14 600</td> </tr> </tbody> </table> <p style="text-align: center;">AM Limited account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 July 27</td> <td>Bank (1)</td> <td>312</td> <td>2018 July 1</td> <td>Balance b/d</td> <td>250</td> </tr> <tr> <td></td> <td>Discount (1)</td> <td>8</td> <td>14</td> <td>Purchases</td> <td>440</td> </tr> <tr> <td>31</td> <td>Balance c/d</td> <td>370</td> <td></td> <td></td> <td>690</td> </tr> <tr> <td></td> <td></td> <td>690</td> <td>2018 Aug 1</td> <td>Balance b/d (1)OF</td> <td>370</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 July 31	Income statement (1)OF	14 600	2018 June 30 July 29	Total to date Cash/bank (1)	13 500 1 100			14 600			14 600	Date	Details	\$	Date	Details	\$	2018 July 27	Bank (1)	312	2018 July 1	Balance b/d	250		Discount (1)	8	14	Purchases	440	31	Balance c/d	370			690			690	2018 Aug 1	Balance b/d (1)OF	370	5
Date	Details	\$	Date	Details	\$																																													
2018 July 31	Income statement (1)OF	14 600	2018 June 30 July 29	Total to date Cash/bank (1)	13 500 1 100																																													
		14 600			14 600																																													
Date	Details	\$	Date	Details	\$																																													
2018 July 27	Bank (1)	312	2018 July 1	Balance b/d	250																																													
	Discount (1)	8	14	Purchases	440																																													
31	Balance c/d	370			690																																													
		690	2018 Aug 1	Balance b/d (1)OF	370																																													

Question	Answer	Marks																						
1(d)	<p style="text-align: center;">Rajinder Discount allowed account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 June 30</td> <td>Total to date (1)</td> <td>178</td> <td>2018 July 31</td> <td rowspan="3">Income statement (1)OF</td> <td>196</td> </tr> <tr> <td>July 31</td> <td>Total for month (1)</td> <td>18</td> <td></td> <td>196</td> </tr> <tr> <td></td> <td></td> <td>196</td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 June 30	Total to date (1)	178	2018 July 31	Income statement (1)OF	196	July 31	Total for month (1)	18		196			196			<b>3</b>
Date	Details	\$	Date	Details	\$																			
2018 June 30	Total to date (1)	178	2018 July 31	Income statement (1)OF	196																			
July 31	Total for month (1)	18			196																			
		196																						

Question	Answer	Marks																																																				
2(a)	<p>Bad debts Amounts owing to a business which will not be paid by credit customers (1)</p> <p>Bad debts recovered Money received from credit customers in payment/part payment of debts after they have been written off as bad debts (1)</p> <p>Provision for doubtful debts An estimate of the amount which a business will lose in a financial year because of bad debts (1)</p>	<b>3</b>																																																				
2(b)	<p style="text-align: center;">Adil Mahinda account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 Feb 1</td> <td>Sales</td> <td>600</td> <td>2018 Feb 10</td> <td>Sales returns</td> <td>30</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Aug 31</td> <td>Bank (1)</td> <td>114</td> </tr> <tr> <td></td> <td></td> <td>600</td> <td></td> <td>Bad debts (1)</td> <td>456</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>600</td> </tr> </tbody> </table> <p style="text-align: center;">Bad debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 Aug 30</td> <td>Total to date</td> <td>710</td> <td>2018 Aug 31</td> <td rowspan="3">Income Statement (1)OF</td> <td></td> </tr> <tr> <td>31</td> <td>Mahinda (1)OF</td> <td>456</td> <td></td> <td>1166</td> </tr> <tr> <td></td> <td></td> <td>1166</td> <td></td> <td>1166</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 Feb 1	Sales	600	2018 Feb 10	Sales returns	30				Aug 31	Bank (1)	114			600		Bad debts (1)	456						600	Date	Details	\$	Date	Details	\$	2018 Aug 30	Total to date	710	2018 Aug 31	Income Statement (1)OF		31	Mahinda (1)OF	456		1166			1166		1166	<b>4</b>
Date	Details	\$	Date	Details	\$																																																	
2018 Feb 1	Sales	600	2018 Feb 10	Sales returns	30																																																	
			Aug 31	Bank (1)	114																																																	
		600		Bad debts (1)	456																																																	
					600																																																	
Date	Details	\$	Date	Details	\$																																																	
2018 Aug 30	Total to date	710	2018 Aug 31	Income Statement (1)OF																																																		
31	Mahinda (1)OF	456			1166																																																	
		1166			1166																																																	

Question	Answer	Marks																		
2(c)(i)	Eliminates possibility of bad debts No cash discount for prompt payment is required Improvement in cash flow <b>Or other suitable response</b> <b>Any 1 advantage (1)</b>	<b>1</b>																		
2(c)(ii)	Customers may move to other suppliers May be reduction in sales <b>Or other suitable response</b> <b>Any 1 disadvantage (1)</b>	<b>1</b>																		
2(d)	Obtain references from new credit customers Fix a credit limit for each credit customer Improve credit control Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid/overdue account Charge interest on late payment Allow cash discount/discount for prompt payment Invoice discounting/debt factoring <b>Any 2 methods (1) each</b> <b>Not stop selling on credit/sell on cash terms only – given in question</b>	<b>2</b>																		
2(e)	<p style="text-align: center;">Adil Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="text-align: center;">2018 Aug 31</td> <td rowspan="3" style="text-align: center;">Income Statement (1)OF Balance c/d</td> <td style="text-align: right;">276</td> <td rowspan="2" style="text-align: center;">2017 Sept 1</td> <td rowspan="2" style="text-align: center;">Balance b/d (1)</td> <td style="text-align: right;">1326</td> </tr> <tr> <td style="text-align: right;">1 050</td> <td style="text-align: right;">1 326</td> </tr> <tr> <td style="text-align: right;">1 326</td> <td style="text-align: center;">2018 Sept 1</td> <td style="text-align: center;">Balance b/d (1)</td> <td style="text-align: right;">1 050</td> </tr> </tbody> </table> <p><b>+ (1) dates</b></p>	Date	Details	\$	Date	Details	\$	2018 Aug 31	Income Statement (1)OF Balance c/d	276	2017 Sept 1	Balance b/d (1)	1326	1 050	1 326	1 326	2018 Sept 1	Balance b/d (1)	1 050	<b>4</b>
Date	Details	\$	Date	Details	\$															
2018 Aug 31	Income Statement (1)OF Balance c/d	276	2017 Sept 1	Balance b/d (1)	1326															
		1 050			1 326															
		1 326	2018 Sept 1	Balance b/d (1)	1 050															
2(f)	The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)	<b>2</b>																		
2(g)	Prudence (1) Consistency (1)	<b>2</b>																		

Question	Answer	Marks													
2(h)	<p><b>Either</b></p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="width: 50%;">debit</th> <th style="width: 50%;">credit</th> </tr> </thead> <tbody> <tr> <td>Bank (1)</td> <td>Bad debts recovered (1)</td> </tr> </tbody> </table> <p><b>Or</b></p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="width: 33%;">debit</th> <th style="width: 33%;">credit</th> <th style="width: 34%;"></th> </tr> </thead> <tbody> <tr> <td>Amaya</td> <td>Bad debts recovered</td> <td>(1)</td> </tr> <tr> <td>Bank</td> <td>Amaya</td> <td>(1)</td> </tr> </tbody> </table>	debit	credit	Bank (1)	Bad debts recovered (1)	debit	credit		Amaya	Bad debts recovered	(1)	Bank	Amaya	(1)	<b>2</b>
debit	credit														
Bank (1)	Bad debts recovered (1)														
debit	credit														
Amaya	Bad debts recovered	(1)													
Bank	Amaya	(1)													
2(i)	Increase by \$250	<b>1</b>													

Question	Answer	Marks																											
3(a)	<p style="text-align: center;">Paul and Ann Journal</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Debit \$</th> <th>Credit \$</th> <th></th> </tr> </thead> <tbody> <tr> <td rowspan="3">2018 April 1</td> <td>Motor vehicle</td> <td>14 500</td> <td></td> <td>(1)</td> </tr> <tr> <td>Bank</td> <td>15 500</td> <td></td> <td>(1)</td> </tr> <tr> <td>Paul Capital</td> <td></td> <td>30 000</td> <td>(1)</td> </tr> <tr> <td rowspan="2">Sept 30</td> <td>Ann Capital</td> <td>5 000</td> <td></td> <td>(1)</td> </tr> <tr> <td>Ann Current</td> <td></td> <td>5 000</td> <td>(1)</td> </tr> </tbody> </table>	Date	Details	Debit \$	Credit \$		2018 April 1	Motor vehicle	14 500		(1)	Bank	15 500		(1)	Paul Capital		30 000	(1)	Sept 30	Ann Capital	5 000		(1)	Ann Current		5 000	(1)	<b>5</b>
Date	Details	Debit \$	Credit \$																										
2018 April 1	Motor vehicle	14 500		(1)																									
	Bank	15 500		(1)																									
	Paul Capital		30 000	(1)																									
Sept 30	Ann Capital	5 000		(1)																									
	Ann Current		5 000	(1)																									

Question	Answer	Marks																																																																																																																																																
3(b)	<p style="text-align: center;">Paul and Ann Profit and Loss Appropriation Account for the year ended 30 September 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Profit for the year:</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">11 350</td> <td></td> </tr> <tr> <td>Interest on drawings:</td> <td>Paul</td> <td></td> <td style="text-align: right;">450</td> <td style="text-align: center;">}</td> <td></td> </tr> <tr> <td></td> <td>Ann</td> <td></td> <td style="text-align: right;"><u>550</u></td> <td style="text-align: center;">} (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">12 350</td> <td></td> </tr> <tr> <td>Interest on capital:</td> <td>Paul</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>4\% \times 50\,000 \times 6/12 = 1000(1)</math></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>4\% \times 80\,000 \times 6/12 = 1600(1)</math></td> <td></td> <td style="text-align: right;">2 600</td> <td style="text-align: center;">*</td> <td></td> </tr> <tr> <td></td> <td>Ann</td> <td></td> <td style="text-align: right;"><u>3 400</u></td> <td style="text-align: center;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">6 000</td> <td></td> <td></td> </tr> <tr> <td>Partner's salary:</td> <td>Paul</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>7000 \times 6/12 = 3500(1)</math></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>8000 \times 6/12 = 4000(1)</math></td> <td></td> <td style="text-align: right;"><u>7 500</u></td> <td style="text-align: center;">**</td> <td style="text-align: right;"><u>13 500</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">(1 150)</td> </tr> <tr> <td>Share of loss</td> <td>Paul</td> <td></td> <td style="text-align: right;">575</td> <td style="text-align: center;">(1)OF</td> <td></td> </tr> <tr> <td></td> <td>Ann</td> <td></td> <td style="text-align: right;"><u>575</u></td> <td style="text-align: center;">(1)OF</td> <td style="text-align: right;"><u>(1 150)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>*Alternative calculation</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>4\% \times 50\,000 \times 12/12 = 2000(1)</math></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>4\% \times 30\,000 \times 6/12 = 600(1)</math></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>**Alternative calculation</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>7000 \times 12/12 = 7000(1)</math></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td><math>1000 \times 6/12 = 500(1)</math></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	Profit for the year:		\$		\$						11 350		Interest on drawings:	Paul		450	}			Ann		<u>550</u>	} (1)						<u>1 000</u>						12 350		Interest on capital:	Paul						$4\% \times 50\,000 \times 6/12 = 1000(1)$						$4\% \times 80\,000 \times 6/12 = 1600(1)$		2 600	*			Ann		<u>3 400</u>	(1)					6 000			Partner's salary:	Paul						$7000 \times 6/12 = 3500(1)$						$8000 \times 6/12 = 4000(1)$		<u>7 500</u>	**	<u>13 500</u>						(1 150)	Share of loss	Paul		575	(1)OF			Ann		<u>575</u>	(1)OF	<u>(1 150)</u>								*Alternative calculation						$4\% \times 50\,000 \times 12/12 = 2000(1)$						$4\% \times 30\,000 \times 6/12 = 600(1)$						**Alternative calculation						$7000 \times 12/12 = 7000(1)$						$1000 \times 6/12 = 500(1)$					8
Profit for the year:		\$		\$																																																																																																																																														
				11 350																																																																																																																																														
Interest on drawings:	Paul		450	}																																																																																																																																														
	Ann		<u>550</u>	} (1)																																																																																																																																														
				<u>1 000</u>																																																																																																																																														
				12 350																																																																																																																																														
Interest on capital:	Paul																																																																																																																																																	
	$4\% \times 50\,000 \times 6/12 = 1000(1)$																																																																																																																																																	
	$4\% \times 80\,000 \times 6/12 = 1600(1)$		2 600	*																																																																																																																																														
	Ann		<u>3 400</u>	(1)																																																																																																																																														
			6 000																																																																																																																																															
Partner's salary:	Paul																																																																																																																																																	
	$7000 \times 6/12 = 3500(1)$																																																																																																																																																	
	$8000 \times 6/12 = 4000(1)$		<u>7 500</u>	**	<u>13 500</u>																																																																																																																																													
					(1 150)																																																																																																																																													
Share of loss	Paul		575	(1)OF																																																																																																																																														
	Ann		<u>575</u>	(1)OF	<u>(1 150)</u>																																																																																																																																													
	*Alternative calculation																																																																																																																																																	
	$4\% \times 50\,000 \times 12/12 = 2000(1)$																																																																																																																																																	
	$4\% \times 30\,000 \times 6/12 = 600(1)$																																																																																																																																																	
	**Alternative calculation																																																																																																																																																	
	$7000 \times 12/12 = 7000(1)$																																																																																																																																																	
	$1000 \times 6/12 = 500(1)$																																																																																																																																																	
3(c)	<p style="text-align: center;">Paul Current account</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018 Sept 30</td> <td>Drawings (1)</td> <td>9 000</td> <td>2017 Oct 1</td> <td>Balance b/d (1)</td> <td>1 150</td> </tr> <tr> <td></td> <td>Int on Draw. (1)OF</td> <td>450</td> <td>2018 Sept 30</td> <td>Int. on cap (1)OF</td> <td>2 600</td> </tr> <tr> <td></td> <td>Share of loss (1)OF</td> <td>575</td> <td></td> <td>Salary (1)OF</td> <td>7 500</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>1 825</td> <td></td> <td>Int. on loan (1)</td> <td>600</td> </tr> <tr> <td></td> <td></td> <td><u>11 850</u></td> <td></td> <td></td> <td><u>11 850</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018 Oct 1</td> <td>Balance b/d (1)OF</td> <td>1 825</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 Sept 30	Drawings (1)	9 000	2017 Oct 1	Balance b/d (1)	1 150		Int on Draw. (1)OF	450	2018 Sept 30	Int. on cap (1)OF	2 600		Share of loss (1)OF	575		Salary (1)OF	7 500		Balance c/d	1 825		Int. on loan (1)	600			<u>11 850</u>			<u>11 850</u>				2018 Oct 1	Balance b/d (1)OF	1 825	8																																																																																																						
Date	Details	\$	Date	Details	\$																																																																																																																																													
2018 Sept 30	Drawings (1)	9 000	2017 Oct 1	Balance b/d (1)	1 150																																																																																																																																													
	Int on Draw. (1)OF	450	2018 Sept 30	Int. on cap (1)OF	2 600																																																																																																																																													
	Share of loss (1)OF	575		Salary (1)OF	7 500																																																																																																																																													
	Balance c/d	1 825		Int. on loan (1)	600																																																																																																																																													
		<u>11 850</u>			<u>11 850</u>																																																																																																																																													
			2018 Oct 1	Balance b/d (1)OF	1 825																																																																																																																																													

Question	Answer				Marks
4(a)		Increase \$	Decrease \$	no effect	3
	total of current assets	80 000 (1)			
	total profit for the year		4000 (1)		
	total equity		4000 (1)		
4(b)	Prior claim on the profits of the business Reduction in profit available for ordinary shareholders Prior claim on the assets of the business in a winding-up <b>Or other suitable comment</b>  <b>Any 2 comments (1) each</b>				2
4(c)	In the event of winding up each shareholder may receive less The dividend per share may reduce Dilution of ownership <b>Or other suitable comment</b>  <b>Any 2 comments (1) each</b>				2
4(d)	Proposal 1 General reserve is not necessarily represented by actual money (1)  Proposal 2 Bank overdraft not appropriate for long-term borrowing (1)  <b>Or other suitable comments</b>				2
4(e)	Long term loan from bank/financial institution Government grant if available Mortgage premises Sale and lease-back of non-current assets <b>Or other suitable method</b> <b>Any 1 method (1)</b>				1



Question	Answer	Marks																				
5(a)	<p>Current ratio 31 200 : 20 200      <b>(1) whole formula</b>      1.54 : 1      <b>(1)</b></p> <p>Quick (acid test) ratio 16 300 : 20 200      <b>(1) whole formula</b>      0.81 : 1      <b>(1)</b></p> <p>Trade receivables collection period <math>\frac{16\,200}{192\,000} \times \frac{365}{1}</math>      <b>(1) whole formula</b> = 31 days <b>(1)</b></p> <p>Trade payables payment period <math>\frac{16\,500}{154\,500} \times \frac{365}{1}</math>      <b>(1) whole formula</b> = 39 days <b>(1)</b></p>	8																				
5(b)	<p>Decrease in inventory/trade receivables/cash Increase in trade payables/bank overdraft Purchase of non-current assets Increase in drawings Repayment of long-term liabilities</p> <p><b>Any 2 reasons (1) each</b></p>	2																				
5(c)	<table border="1"> <thead> <tr> <th></th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>introduce \$4000 additional capital in order to pay off the bank overdraft</td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>sell half the inventory at cost price to a cash purchaser</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>convert a \$10 000 long-term bank loan into a bank overdraft</td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>increase the bank overdraft by \$16 500 in order to repay the trade payables</td> <td></td> <td></td> <td>✓(1)</td> </tr> </tbody> </table>		increase	decrease	no effect	introduce \$4000 additional capital in order to pay off the bank overdraft	✓(1)			sell half the inventory at cost price to a cash purchaser			✓(1)	convert a \$10 000 long-term bank loan into a bank overdraft		✓(1)		increase the bank overdraft by \$16 500 in order to repay the trade payables			✓(1)	4
	increase	decrease	no effect																			
introduce \$4000 additional capital in order to pay off the bank overdraft	✓(1)																					
sell half the inventory at cost price to a cash purchaser			✓(1)																			
convert a \$10 000 long-term bank loan into a bank overdraft		✓(1)																				
increase the bank overdraft by \$16 500 in order to repay the trade payables			✓(1)																			
5(d)	<p>Inventory is not included in the calculation <b>(1)</b></p> <p><b>Either</b> Inventory is not regarded as a liquid asset – a buyer has to be found and then the money collected <b>(1)</b></p> <p><b>Or</b> The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets <b>(1)</b></p>	2																				

Question	Answer	Marks
5(e)	<p>Has decreased (1) <b>OF</b>  <b>Plus comment –</b>            Business is short of liquid funds            Business cannot pay immediate liabilities from liquid assets            Business needs injection of long term funds  <b>Or other relevant comment based on OF quick ratio</b></p> <p><b>Any 1 comment (1)</b></p>	<b>2</b>
5(f)	<p>Has increased/Credit customers are taking longer to settle their debts            Change may affect business's ability to pay current liabilities when due            Change adversely affects the liquidity of the business  <b>Or other relevant comment based on OF trade receivables period</b></p> <p><b>Any 2 comments (1) each</b></p>	<b>2</b>
5(g)(i)	<p>Has the use of the money for other purposes for longer than previous            Allow comment based on OF trade payables period.  <b>Or other relevant comment</b></p> <p><b>Any 1 comment (1)</b></p>	<b>1</b>
5(g)(ii)	<p>Is not able to take advantage of cash discount            May be charged interest            Damages relationship with credit suppliers            Allow comment based on OF trade payables period.  <b>Or other relevant comment</b></p> <p><b>Any 1 comment (1)</b></p>	<b>1</b>

Question	Answer						Marks																																									
6(a)	<p style="text-align: center;"><b>Calculation of purchases</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Cheques paid to credit suppliers</td> <td style="text-align: right;">33 150</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount recived</td> <td style="text-align: right;">850</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Returns to credit suppliers</td> <td style="text-align: right;">1 670</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Amounts owing to credit suppliers 30 september 2018</td> <td style="text-align: right;">3 180</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cash withdrawn from bank for purchases</td> <td style="text-align: right;">4 820</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td><b>Total purchases for the year</b></td> <td style="text-align: right;"><b>43 670</b></td> <td style="text-align: right;"><b>(1) OF</b></td> </tr> </tbody> </table>						\$		Cheques paid to credit suppliers	33 150	(1)	Discount recived	850	(1)	Returns to credit suppliers	1 670	(1)	Amounts owing to credit suppliers 30 september 2018	3 180	(1)	Cash withdrawn from bank for purchases	4 820	(1)	<b>Total purchases for the year</b>	<b>43 670</b>	<b>(1) OF</b>	<b>6</b>																					
	\$																																															
Cheques paid to credit suppliers	33 150	(1)																																														
Discount recived	850	(1)																																														
Returns to credit suppliers	1 670	(1)																																														
Amounts owing to credit suppliers 30 september 2018	3 180	(1)																																														
Cash withdrawn from bank for purchases	4 820	(1)																																														
<b>Total purchases for the year</b>	<b>43 670</b>	<b>(1) OF</b>																																														
<p>Alternative presentation</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018 Sept 30</td> <td>Bank (1)</td> <td style="text-align: right;">33 150</td> <td>2018 Sept 30</td> <td>Purchases</td> <td style="text-align: right;">38 850</td> </tr> <tr> <td></td> <td>Discount Recd. (1)</td> <td style="text-align: right;">850</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Returns outward (1)</td> <td style="text-align: right;">1 670</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Balance c/d (1)</td> <td style="text-align: right;">3 180</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">38 850</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">38 850</td> </tr> </tbody> </table> <p style="margin-left: 40px;">Total purchases –      Credit: 38 850 Cash: <u>4 820</u> (1) <b>43 670 (1)OF</b></p>							Date	Details	\$	Date	Details	\$	2018 Sept 30	Bank (1)	33 150	2018 Sept 30	Purchases	38 850		Discount Recd. (1)	850					Returns outward (1)	1 670					Balance c/d (1)	3 180						38 850			38 850						
Date	Details	\$	Date	Details	\$																																											
2018 Sept 30	Bank (1)	33 150	2018 Sept 30	Purchases	38 850																																											
	Discount Recd. (1)	850																																														
	Returns outward (1)	1 670																																														
	Balance c/d (1)	3 180																																														
		38 850			38 850																																											
6(b)	<p>Priti Bank account</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2017 Oct 1</td> <td>Capital (1)</td> <td style="text-align: right;">30 000</td> <td>2018 Sept 30</td> <td>Non-current assets (1)</td> <td style="text-align: right;">19 400</td> </tr> <tr> <td>2018 Sept 30</td> <td>Sales (1)</td> <td style="text-align: right;">48 500</td> <td></td> <td>Trade payables (1)</td> <td style="text-align: right;">33 150</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Cash Purchases (1)</td> <td style="text-align: right;">4 820</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>*Expenses (1)OF</td> <td style="text-align: right;">5 090</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d (1)</td> <td style="text-align: right;">16 040</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">78 500</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">78 500</td> </tr> </tbody> </table>					Date	Details	\$	Date	Details	\$	2017 Oct 1	Capital (1)	30 000	2018 Sept 30	Non-current assets (1)	19 400	2018 Sept 30	Sales (1)	48 500		Trade payables (1)	33 150					Cash Purchases (1)	4 820					*Expenses (1)OF	5 090					Balance c/d (1)	16 040			78 500			78 500	<b>7</b>
Date	Details	\$	Date	Details	\$																																											
2017 Oct 1	Capital (1)	30 000	2018 Sept 30	Non-current assets (1)	19 400																																											
2018 Sept 30	Sales (1)	48 500		Trade payables (1)	33 150																																											
				Cash Purchases (1)	4 820																																											
				*Expenses (1)OF	5 090																																											
				Balance c/d (1)	16 040																																											
		78 500			78 500																																											

Question	Answer	Marks																																																																	
6(c)	<p style="text-align: center;">Priti Income Statement for the year ended 30 September 2018</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td></td> <td style="text-align: right;">48 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of Sales</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">43 670</td> <td style="text-align: right;">(1)OF</td> <td></td> <td></td> </tr> <tr> <td>Less Purchases returns</td> <td style="text-align: right;">1 670</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">42 000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;">3 200</td> <td style="text-align: right;">(2)CF (1)OF</td> <td style="text-align: right;">38 800</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right;">9 700</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount received</td> <td></td> <td></td> <td style="text-align: right;">850</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">10 550</td> <td></td> </tr> <tr> <td>Expenses (5090 (1) OF + 120 (1))</td> <td style="text-align: right;">5 210</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Depreciation of non-current assets</td> <td style="text-align: right;">1 940</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">7 150</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: right;">3 400</td> <td style="text-align: right;">(1)OF</td> </tr> </tbody> </table>		\$		\$		Revenue			48 500	(1)	Cost of Sales					Purchases	43 670	(1)OF			Less Purchases returns	1 670	(1)				42 000				Less Closing inventory	3 200	(2)CF (1)OF	38 800		Gross profit			9 700	(1)	Discount received			850	(1)				10 550		Expenses (5090 (1) OF + 120 (1))	5 210				Depreciation of non-current assets	1 940	(1)	7 150		Profit for the year			3 400	(1)OF	<b>11</b>
	\$		\$																																																																
Revenue			48 500	(1)																																																															
Cost of Sales																																																																			
Purchases	43 670	(1)OF																																																																	
Less Purchases returns	1 670	(1)																																																																	
	42 000																																																																		
Less Closing inventory	3 200	(2)CF (1)OF	38 800																																																																
Gross profit			9 700	(1)																																																															
Discount received			850	(1)																																																															
			10 550																																																																
Expenses (5090 (1) OF + 120 (1))	5 210																																																																		
Depreciation of non-current assets	1 940	(1)	7 150																																																																
Profit for the year			3 400	(1)OF																																																															
6(d)	<p>Margin is the gross profit measured as a percentage of selling price (1)</p> <p>Mark-up is the gross profit measured as a percentage of cost price (1)</p>	<b>2</b>																																																																	