

**MARK SCHEME for the May/June 2012 question paper
for the guidance of teachers**

0452 ACCOUNTING

0452/21

Paper 2, maximum raw mark 120

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- 1 (a) The cash book is a book of prime (original) entry because it is written up from business documents. (1)
The cash book is part of the double entry system as it acts as ledger accounts for cash and bank. (1)

[2]

(b)

Stewart Hanson
Cash Book

Date	Details		Discount allowed \$	Cash \$	Bank \$	Date	Details		Discount received \$	Cash \$	Bank \$
2012 Jan 1	Balances	b/d		100	1942	2012 Jan 3	Paul Yim	(1)	12		398
28	Sales	(1)		1970		8	Office equipment	(1)			1795
30	Cash	c (1)			2020	13	Drawings	(1)			250
						20	Sue West (dis. cheque)	(1)			115
						30	Bank c	(1)		2020	
						31	Balances c/d			50	1404
				2070	3962				12	2070	3962
2012 Feb 1	Balances	b/d		50 (1)OF	1404 (1)OF						

+ (1) dates

[10]

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(c) (i) Between 8 and 29 January the payments from the bank exceeded the money in the bank account. [2]

(ii) Purchase of equipment could possibly have been delayed until later in the month. [2]

(d) The personal motor expenses have been treated as drawings and not as a business expense. [2]

(e) Journal

	Debit \$	Credit \$	
Bad debts	115		(1)
Sue West		115	(1)
Amount owed by Sue West written off as a bad debt			(1)

[3]

(f)

Account debited	Account credited
Bank (1)	Bad debts recovered (1)

OR

Account debited	Account credited
Sue West } Bank } (1)	Bad debts recovered } Sue West } (1)

[2]

(g) 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 2 points (1) each

[2]

[Total: 25]

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- 2 (a) To assist in the location of errors
 To provide instant totals of trade receivables and trade payables
 To prove the arithmetical accuracy of the sales and purchases ledgers
 To enable a balance sheet to be prepared quickly
 To provide a summary of transactions relating to trade receivables and trade payables
 To provide an internal check on sales and purchases ledgers – may reduce fraud

Any 2 points (1) each [2]

- (b) The purchases ledger control account acts as a check on the purchases ledger. If there is an error in the purchases ledger it will not be revealed by a control account prepared from the individual accounts in the ledger. [2]

(c)

		Fatima Ayub					
		Purchases ledger control account					
2012		\$		2012		\$	
April 1	Balance b/d	38		April 1	Balance b/d	4 260	(1) for both balances
	30 Purchases returns	243	(1)	30 Purchases		6 680	(1)
	Bank	3 705	(1)	Interest charged		11	(1)
	Discount received	95	(1)	Balance c/d		22	(1)
	Contra entry	320	(1)				
	Balance c/d	<u>6 572</u>	(1)			<u>10 973</u>	
		<u>10 973</u>				<u>10 973</u>	
2012				2012			
May 1	Balance b/d	22	(1)	May 1	Balance b/d	6 572	(1) OF

+ (1) dates [12]

- (d) Overpayment to supplier
 Payment made without deducting cash discount
 Goods returned to supplier after payment of balance due
 Payment made in advance to supplier

Any 2 points (1) each [2]

- (e) A contra entry is one which appears on the debit of the purchases ledger control account and the credit of the sales ledger control account. **(1)**
 This entry is made when a sales ledger account is set off against an a purchases ledger account of the same person/business. **(1)** [2]

[Total: 20]

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3 (a)

Mark Mutanda
Income Statement for the year ended 31 January 2012

	\$	\$	
Income from clients		82 100	(1)
Rent received (2 600 – 200)		2 400	(2)
Decrease in provision for doubtful debts (154 – 136)		<u>18</u>	(2)
		84 518	
Less Insurance (5 630 – 2 320)	3 310		(2)
Wages and salaries (33 000 + 3 200)	36 200		(2)
Rates	5 200		(1)
Loan interest (900 + 300)	1 200		(2)
Office expenses (17 177 – 214)	16 963		(2)
Depreciation – Office equipment (1 900 + 600 (1) – 2 100 (1))	400		
Depreciation – Fixtures & fittings (10% × 5250)	<u>525</u>		(1)
Profit for the year		<u>63 798</u>	
		<u>20 720</u>	(1)OF

[18]

(b)

Mark Mutanda
Capital account

	\$		\$	
2012		2011		
Jan 31		Feb 1	200 000	(1)
Office expenses (drawings)	214	2012		
Cash (drawings)	16 000	Jan 31	20 720	(1)OF
Balance c/d	<u>204 506</u>			
	<u>220 720</u>		<u>220 720</u>	
		2012		
		Feb 1	204 506	(1)OF

+ (1) dates

[6]

(c) $\frac{20\,720\ (1)OF}{200\,000 + 20\,000\ (1)} \times \frac{100}{1} = 9.42\% \ (1)OF$

[3]

(d) This shows the profit earned for every \$100 used in the business. (1)
The higher the percentage the more efficiently the capital is being employed. (1)

[2]

(e) Lower profit for the year
Higher capital employed

Any 1 point (2)

[2]

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- 4 (a) The accumulated fund represents the surpluses (less any deficits) the club has made since it was formed. [2]

(b) Dhavari Sports Club
Calculation of Corrected Surplus for the year ended 31 March 2012

	\$	\$	
Original surplus		17 400	
Add Insurance prepaid		300 (1)	
Expenditure overcast		<u>100 (1)</u>	
		17 800	
Less Depreciation of equipment	1 400 (1)		
Bank charges	150 (1)		
Subscriptions prepaid	<u>600 (1)</u>	<u>2 150</u>	
Corrected surplus		<u>15 650 (1)OF</u>	[6]

- (c) The income and expenditure account includes only revenue items
The income and expenditure account includes non-monetary items
The income and expenditure account adjusts figures for accruals and prepayments
The receipts and payments account shows total money paid and received

Any 2 points (2) each [4]

(d) Dhavari Sports Club
Balance Sheet at 31 March 2012

	\$	\$	\$
Non-current assets			
Premises at cost			70 000
Sports equipment at valuation			<u>11 600 (1)</u>
			81 600 (1)
Current assets			
Shop inventory		8 500	
Subscriptions owing		1 500 (1)	
Other receivables		300 (1)	
Petty cash		<u>200 (1)</u>	
		10 500 (1)OF	
Current liabilities			
Trade payables	4 300 (1)		
Bank overdraft (1 400 + 150)	1 550 (1)		
Subscriptions prepaid	<u>600 (1)</u>	<u>6 450 (1)OF</u>	
Net current assets			<u>4 050</u>
			85 650
Non-current liabilities			
Loan (repayable 1 January 2015)			<u>10 000 (1)</u>
			<u>75 650</u>
Financed by			
Accumulated fund			60 000
Opening balance			15 650 (1)OF
Plus Surplus for the year			<u>75 650</u>

[12]

[Total: 24]

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5 (a) The cost of inventory is the actual purchase price of the goods (1) plus any additional costs incurred in bringing the goods to their present position and condition. (1) [2]

(b) The net realisable value is the estimated receipts from selling the goods (1) less any costs of completing the goods or costs of selling. (1) [2]

(c) This ensures that the profit is not overstated (1)
This ensures that the inventory is not overstated (1) [2]

(d)

		overstated	understated	no effect
(ii)	profit for the year ended 31 December 2012		✓ (2)	
(iii)	credit balance on capital account on 1 January 2013		✓ (2)	

[4]

(e) Cost of sales = 80% × 87 000 = 69 600 (1)

$$\text{Average inventory} = \frac{6\,000 + 7\,400}{2} = 6\,700 \text{ (1)}$$

$$\text{Rate of turnover} = \frac{69\,600}{6\,700} = 10.39 \text{ times (1)} \quad [3]$$

(f) Lower inventory levels
More sales activity

Any 1 reason (2) [2]

(g) The business should be selling similar goods
The business should be of a similar size

Or other acceptable point

Any 1 point (1) [1]

(h) To assess the liquidity position
To calculate the payment period for trade payables
To determine the period of credit to be allowed
To determine the credit limit
To identify future prospects

Any 2 reasons (1) each [2]

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- (i) (i) Employee
To assess the ability of the business to continue operating
To consider the prospects for jobs and wages

Any 1 point (1) [1]

- (ii) Bank manager
To assess the prospect of any requested loan/overdraft being repaid when due
To assess the prospects of any interest on loan/overdraft being paid when due
To determine the security available to cover any loan/overdraft

Any 1 point (1) [1]

[Total: 20]