

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

**0452 ACCOUNTING**

**0452/22**

Paper 2, maximum raw mark 120

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.

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1 (a)

Dalia Said  
Purchases journal

Date	Details	\$	\$	
2012 March 2	Essam Wholesalers		1950	(1)
8	Ramy El Din Less 20% Trade discount	680 <u>136</u>	544	(1)
31	Transfer to Purchases a/c		<u>2494</u>	(1)

[3]

Purchases returns journal

Date	Details	\$	\$	
2012 March 14	Ramy El Din Less 20% Trade discount	120 <u>24</u>	96	(1)
31	Transfer to Purchases returns a/c		<u>96</u>	(1)

[2]

(b)

Dalia Said  
Essam Wholesalers account

2012		\$	2012		\$
Mar 21	Bank	1911 (1)	Mar 2	Purchases	1950 (1)
	Discount	<u>39 (1)</u>			<u>1950</u>
		<u>1950</u>			

[3]

Ramy El Din account

2012		\$	2012		\$
Mar 14	Returns	96 (1)	Mar 8	Purchases	544 (1)
28	Bank	300 (1)			<u>544</u>
31	Balance c/d	<u>148</u>			
		<u>544</u>	2012		
			Apl 1	Balance b/d	148 (1)O/F

[4]

<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>22</b>

(c) Purchases ledger/Creditors ledger [1]

(d)  $\frac{2600}{33\,400} \times \frac{365}{1} (1) = 28.41 = 29 \text{ days } (1)$  [2]

(e) Money can be used for other things within the business  
May avoid bank charges/bank interest

**Any 1 point (1)** [1]

(f) Loss of cash discounts  
Creditors may refuse further supplies  
Creditors may insist on cash purchases in future  
Damage to good relationship with suppliers  
May be charged interest

**Any 1 point (1)** [1]

(g) 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 3 points (1) each** [3]

**[Total: 20]**

2 (a)

Simon Nyemba  
Commission received account

2011	\$			2011		\$
Feb 1	Balance b/d	280 (1)		Feb 5	Bank	280 (1)
2012				Aug 3	Bank	312}
Jan 31	Income Statement	<u>608 (2)</u>	<b>O/F</b>	2012		
		<u>888</u>		Jan 31	Balance c/d	<u>296</u>
						<u>888</u>
2012						
Feb 1	Balance b/d	296 (1)				

**+ (1) dates [6]**

(b)

Simon Nyemba  
Property tax account

2011		\$		2012		\$
Feb 1	Balance b/d	520 (1)		Jan 31	Income statement	3220 (2)O/F
Apl 24	Bank	1620 (1)			Balance c/d	<u>540</u>
Oct 4	Bank	<u>1620</u>				<u>3760</u>
		<u>3760</u>				
2012						
Feb 1	Balance b/d	540 (1)				

**+ (1) dates**

**[6]**

(c) Accruals (matching)

**[1]**

(d) (i) Current assets (1)

(ii) Current assets (1)

**[2]**

(e)

Journal

	Debit \$	Credit \$	
Income statement	324		<b>(1)</b>
Discount allowed		324	<b>(1)</b>
Total discount allowed transferred to the income statement			<b>(1)</b>

**[3]**

**Continued/**

<b>Page 5</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>22</b>

(f) Simon Nyemba  
Provision for doubtful debts account

2012	\$		2011	\$	
Jan 31	Income		Feb 1	Balance b/d	460 (1)
	Statement	31 (2)			
		<b>O/F</b>			
	Balance c/d	<u>429</u>			<u>460</u>
		<u>460</u>			<u>460</u>
2012					
Feb 1	Balance b/d	429 (1)			

**+ (1) dates** [5]

- (g) Prudence  
**OR**  
Accruals (matching) [1]

[Total: 24]

3 (a) Herman Wagner  
Manufacturing Account for the year ended 30 April 2012

	\$	\$	
Cost of materials consumed (1)			
Opening inventory of raw materials	14 300		
Purchases of raw material	168 900		
Carriage on purchases	<u>2 600</u>		
	185 800		
Less Closing inventory of raw materials	<u>16 400</u>	169 400 (1)	
Direct factory wages		<u>193 700 (1)</u>	
Prime cost		363 100 (1)	<b>O/F</b>
Factory overheads			
Indirect wages (43 600 – 10 000)	33 600 (2)		
General expenses (24 450 – (1/4 × 6200))	22 900 (2)		
Depreciation – Factory machinery (20% × (98 000 – 35 280))	12 544 (2)		
Loose tools (950 + 45 – 890)	<u>105 (2)</u>	<u>69 149</u>	
		432 249 (1)	<b>O/F</b>
Add Opening work in progress		<u>6 520 (1)</u>	
		438 769	
Less Closing work in progress		<u>6 970 (1)</u>	
Production cost of goods completed		<u>431 799 (1)</u>	<b>O/F</b>

[16]

<b>Page 6</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>22</b>

- (b) (i) Inventory of raw materials  
 Goods remaining at the year-end which were originally purchased for converting into finished articles (1)  
 Example – wood, nails, screws, handles or other suitable example (1) [2]
- (ii) Inventory of work in progress  
 Furniture which is partly made at the year end (1)  
 Example – partly made table/ wardrobe/chair/other suitable example (1) [2]
- (iii) Inventory of finished goods  
 Completed furniture which is awaiting sale (1)  
 Example – finished table/wardrobe/chair/other suitable example (1) [2]
- (c) This is an application of the principle of materiality.  
 It is not practical to keep detailed records of loose tools.  
**Any 1 comment (2)** [2]
- (d)  $\frac{(170\,200 - 144\,000)(1)}{(130\,000 + 20\,000)(1)} \times \frac{100}{1} = 17.47\%$  [3]
- (e) Unsatisfied (1)  
 The ratio is lower than the previous year. (1)  
 The capital is not being employed as efficiently as in the previous year. (1)  
**Accept answer based on the answer to (d)** [3]

[Total: 31]

<b>Page 7</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>22</b>

4 (a)

Creekside Ltd  
Balance Sheet at 30 April 2012

	\$	\$	\$
	Cost	Depreciation to date	Book value
Non-current assets			
Premises	120 000		120 000
Plant and machinery	90 000	15 500	74 500 (1)
Fixtures and fittings	<u>32 000</u>	<u>6 400</u>	<u>25 600 (1)</u>
	<u>242 000</u>	<u>21 900</u>	<u>220 100 (1) O/F</u>
Current assets			
Inventory		24 660 (1)	
Trade receivables	21 600		
Less Provision for doubtful debts	<u>660</u>	20 940 (1)	
Cash		<u>200 (1)</u>	
		45 800	
Current liabilities			
Trade payables	26 960 (1)		
Bank overdraft	<u>5 340 (1)</u>	<u>32 300</u>	
Net current assets			<u>13 500 (1) O/F</u>
	233 600		
4% Debentures			<u>30 000 (1)</u>
	<u>203 600</u>		
Capital and reserves			
5% Preference shares of \$1 each			80 000 (1)
Ordinary shares of \$1 each			100 000 (1)
General reserve			10 000 (1)
Retained profits (6 500 (1) + 7 100 (1))			<u>13 600</u>
			<u>203 600</u>

[15]

(b) (i) \$1600 [1]

(ii) Effect Profit for the year is reduced (1)  
Reason Debenture interest is an expense (1) [2]

(c) (i) \$2000 [1]

(ii) Reduction in profit (or dividend) available for ordinary shareholders  
Prior claim on the assets of the company in the event of a winding up

**Any 1 point (2)** [2]

<b>Page 8</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>22</b>

(d) The new shares rank equally with the existing ordinary shares with regard to dividend.

The new shares rank equally with the existing ordinary shares with regard to repayment in a winding up.

The percentage of ownership of the existing ordinary shareholders is diluted.

**Any 1 point (2)**

**[2]**

**[Total: 23]**

**5 (a)**

Bethany Searle  
Journal

		Debit \$	Credit \$	
2	Suspense	340		(1)
	Rent received		340	(1)
3	Purchases returns	24		(1)
	Stationery		24	(1)
4	-	-		(1)
	Suspense		100	(1)
5	Sales	1000		(1)
	Suspense		1000	(1)

**[8]**



<b>Page 9</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>22</b>

(b) Bethany Searle

Statement of corrected profit for the years ended 31 March 2012

			\$
			14 940
		Effect on profit	
	Increase	Decrease	
	\$	\$	
Error 1	96		
2	340 (2)		
3		No effect (2)	
4		No effect (2)	
5		<u>1 000 (2)</u>	
	<u>436</u>	<u>1 000</u>	
Corrected profit for the year			<u>14 376 (1) O/F</u>

[9]

(c)  $(19\,540 + 100) : (21\,570 + 2\,880)$   
 $= 19\,640 : 24\,450$  (1) = 0.80 : 1 (1)

[2]

(d) Shows whether the immediate liabilities can be paid from liquid assets  
Shows whether the business relies on the sale of inventory to pay the immediate liabilities

**Any 1 comment (2)**

[2]

(e) The quick ratio does not include inventory. (1)

**Either**

Inventory is not regarded as a liquid asset (1)

**Or**

Inventory is two stages away from being a liquid asset. (1)

[2]

[Total: 23]