UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/23 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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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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		$	$	$	2012		$	$	$
Jan 1	Balances b/d		100	1942	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]**

(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]

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	6 572	**(1)**				
		10 973				10 973	
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]

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)			18	**(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)	525	**(1)**	63 798		
Profit for the year			20 720	**(1)OF**	**[18]**

(b)

Mark Mutanda
Capital account

2012		$		2011		$	
Jan 31	Office expenses (drawings)	214	**(1)**	Feb 1	Balance b/d	200 000	**(1)**
	Cash (drawings)	16 000	**(1)**	2012 Jan 31	Profit	20 720	**(1)OF**
	Balance c/d	204 506					
		220 720				220 720	
				2012 Feb 1	Balance b/d	204 506	**(1)OF**

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

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

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			100	**(1)**	
			17 800		
Less Depreciation of equipment	1 400	**(1)**			
Bank charges	150	**(1)**			
Subscriptions prepaid	600	**(1)**	2 150		
Corrected surplus			15 650	**(1)OF**	**[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					11 600	**(1)**
					81 600	**(1)**
Current assets						
Shop inventory			8 500			
Subscriptions owing			1 500	**(1)**		
Other receivables			300	**(1)**		
Petty cash			200	**(1)**		
			10 500	**(1)OF**		
Current liabilities						
Trade payables	4 300	**(1)**				
Bank overdraft (1 400 + 150)	1 550	**(1)**				
Subscriptions prepaid	600	**(1)**	6 450	**(1)OF**		
Net current assets					4 050	
					85 650	
Non-current liabilities						
Loan (repayable 1 January 2015)					10 000	**(1)**
					75 650	
Financed by						
Accumulated fund						
Opening balance					60 000	
Plus Surplus for the year					15 650	**(1)OF**
					75 650	

[12]

[Total: 24]

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)**

Average inventory = $\frac{6\,000 + 7\,400}{2}$ = 6700 **(1)**

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

(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]