

MARK SCHEME for the May/June 2013 series

0452 ACCOUNTING

0452/21

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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- 1 (a) To record small cash payments
 Removes small cash payments from the main cash book
 Reduces the number of entries in the main cash book
 Reduces the number of entries in the ledger
 Allows the chief cashier to delegate some of the work
 Provides training for any junior staff members
- Any 2 points (1) each** [2]
- (b) Chief cashier knows exactly how much is spent in each month/can control expenditure of petty cash
 The cash remaining and the vouchers received should equal the imprest
 Can help reduce fraud
- Any 1 advantage (1)** [1]
- (c) **See following page** [12]
- (d) At the month end (1) the totals debited to postage account (1) [2]
- (e) Cheques not presented
 Amounts not credited
 Cash book errors
- Any 2 items (1) each** [2]
- (f) Standing orders
 Direct debits
 Credit transfers
 Dishonoured cheques
 Bank charges/interest
 Bank errors
- Any 2 items (1) each** [2]
- [Total: 21]

| | | | |
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Question 1 (c)

Annie Rongsen – Petty Cash Book

| Total received | Date | Details | Total paid | Postage | Travel | Sundries | Ledger accounts |
|----------------|-------|----------------|------------|---------|--------|----------|-----------------|
| \$ | 2013 | | \$ | \$ | \$ | \$ | \$ |
| 23 | Mar 1 | Balance b/d | | | | | |
| 67 (1) | | Bank/cash | | | | | |
| | 4 | Postages | 19 | 19 (1) | | | |
| | 8 | Taxi fares | 16 | | 16 (1) | | |
| 20 (1) | 13 | Loan repayment | | | | | |
| | 19 | Parcel post | 4 | 4 (1) | | | |
| | 23 | R Singh | 24 | | | | 24 (1) |
| | 29 | Window Cleaner | 12 | | | 12 (1) | |
| | | | 75 | 23 | 16 | 12 | 24 |
| | 31 | Balance c/d | 35 | | | | |
| 110 | | | 110 | | | | |
| 35 (1) OF | Apr 1 | Balance b/d | | | | | |
| 55 (1) OF | | Bank/cash | | | | | |

(1) Dates

(1) OF totals of analysis columns

(1) OF totals and total columns

[12]

| | | | |
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2 (a)

Ashraf Zayed
Income statement for the year ended 28 February 2013

| | | | |
|---------------------------------------|---------|-----|---------------|
| | \$ | | \$ |
| Revenue | | | 323 000 (1) |
| Cost of sales | | | |
| Cost of production | 267 100 | (1) | |
| Purchases of finished goods | 4 300 | (1) | |
| | 271 400 | | |
| Less Closing inventory finished goods | 19 600 | (1) | 251 800 |
| Gross profit | | | 71 200 (1) OF |

Horizontal format acceptable **[5]**

- (b) Production did not meet demand
It was cheaper to buy rather than make
Could not make those particular items
Not economical to make such a small amount

Any 2 reasons (1) each **[2]**

(c)

| Ashraf Zayed Journal | | | |
|---|-------------|--------------|------------|
| | Debit \$ | Credit \$ | |
| Income statement | 1130 | | (1) |
| Carriage outwards | | 1130 | (1) |
| Transfer of carriage outwards to income statement | | | (1) |
| Income statement | 600 | | (1) |
| Provision for doubtful debts | | 600 | (1) |
| Creation of provision for doubtful debts | | | (1) |

[6]

| | | | |
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(d)

| Ashraf Zayed Motor insurance account | | | |
|---|------------------|------------------|---------|
| | \$ | | \$ |
| 2012 | | 2013 | |
| Jun 1 Bank | 720 (1) | Feb 28 Drawings | 360 (1) |
| | | Income statement | 270 (1) |
| | | OF | |
| | | Balance c/d | 90 |
| | 720 | | 720 |
| 2013 | | | |
| Mar 1 Balance b/d | 90 (1) OF | | |

+ (1) Dates

Accept three column running balance presentation [5]

(e) The accruals (matching) principle requires the revenue of the accounting period to be matched against the costs of the same period. (1)

The insurance relating to the financial year ended 28 February 2013 has been transferred to the income statement. (1) [2]

(f)

| | Overstated \$ | Understated \$ |
|---|--------------------|-------------------|
| Profit of the year ended 28 February 2013 | 270 (2) O/F | |

[2]

(g) Applying the business (accounting entity) principle the business is treated as being completely separate from the owner. (1)

Only the transactions of the business are recorded in the business' books. (1) [2]

[Total: 24]

3 (a)

Sanath Jaffer
Trial Balance at 31 January 2013

| | Debit \$ | Credit \$ | |
|---------------------|-------------|--------------|---------------|
| Capital | | 53 000 | |
| Drawings | 6 100 | | |
| Revenue | | 66 000 | |
| Purchases | 43 350 | | |
| Purchases returns | | 1 150 | |
| Inventory | 3 700 | | (2) |
| Bank overdraft | | 3 050 | (2) |
| Trade receivables | 5 320 | | |
| Trade payables | | 3 450 | |
| General expenses | 17 850 | | |
| Non-current assets | 50 400 | | |
| Suspense (1) | | 70 | (1) OF |
| | 126 720 | 126 720 | (1) CF |
| | | | |

[7]

(b)

| | Debit | | | Credit | | |
|--------------|------------------|-----|------------|--------------------|-----|------------|
| | Account | \$ | | Account | \$ | |
| (ii) | General expenses | 400 | (1) | Non-current assets | 400 | (1) |
| (iii) | - | - | (1) | Suspense | 80 | (1) |
| (iv) | Suspense | 100 | (1) | Purchases returns | 100 | (1) |
| (v) | Suspense | 50 | (1) | General expenses | 50 | (1) |

[8]

| | | | |
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(c) Either

Error number (i) **(1)**

Reasons it is an error or omission

Neither a debit nor a credit entry has been made so the books balance

Any 1 reason (1)

Or

Error number (ii) **(1)**

Reason it is an error of principle

A double entry has been made but in the wrong class of account.

Any 1 advantage (1)

[2]

(d) Money measurement

[1]

(e) Realisation

[1]

(f) (i) Work can be shared amongst several people

Easier for reference as the same types of account are kept together

Easier to introduce checking procedures

Make fraud more difficult

Any 1 advantage (1)

[1]

(ii) 1 Any non-current asset, inventory, capital, drawings, loan, sales, purchases, returns, expenses, incomes, etc. (1)

2 Credit customers/debtors/trade receivables (1)

3 Credit suppliers/creditors/trade payables (1)

[3]

[Total: 23]

| | | | |
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4 (a) Sildean Ltd
Calculation of retained profit for the year ended 30 April 2013

| | | |
|--------------------------------------|------------------|---------------------|
| | \$ | \$ |
| Profit for the year | | 24 800 |
| Less Debenture interest | | <u>1 600 (1)</u> |
| | | 23 200 |
| Less Interim ordinary share dividend | 14 000 (1) | |
| Transfer to general reserve | <u>5 000 (1)</u> | <u>19 000</u> |
| Profit retained in the year | | <u>4 200 (1) CF</u> |

Alternative forms of presentation acceptable

[4]

(b) Sildean Ltd
Balance Sheet at 30 April 2013

| | | | |
|--|------------------|-------------------------|-------------------|
| | \$ | \$ | \$ |
| Non-current assets | Cost | Depreciation to date | Book value |
| | <u>206 000</u> | <u>12 500</u> | 193 500 |
| Current assets | | | |
| Inventory | | 16 300} | |
| Petty cash | | 200}(1) | |
| Trade receivables | 15 400 | | |
| Provision for doubtful debts | <u>462</u> | <u>14 938 (1)</u> | |
| | | 31 438 | |
| Current liabilities | | | |
| Trade payables | 14 156} | | |
| Bank overdraft | 7 982}(1) | | |
| Other payables (deb. int.) | <u>1 600 (1)</u> | <u>23 738</u> | |
| Net current assets | | | <u>7 700</u> |
| 4% Debentures | | | 201 200 |
| | | | <u>40 000 (1)</u> |
| | | | <u>161 200</u> |
| Capital and reserves | | | |
| Ordinary shares of \$0.50 each | | | 140 000 (1) |
| General reserve (10 000 (1) + 5000(1)) | | | 15 000 |
| Retained profits (2000 (1) + 4200 (1)OF) | | | <u>6 200</u> |
| | | | <u>161 200</u> |

Horizontal format acceptable

[10]

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- (c) (i) $31.438 \text{ (OF)} : 23\,738 \text{ (OF)} \text{ (1)}$
 1.32 (1) OF [2]
- (ii) $(31\,438 \text{ (OF)} - 16\,300) : 23\,738 \text{ (OF)} \text{ (1)}$
 0.64 (1) (OF) [2]
- (iii) Shows whether the company can pay its immediate (current) liabilities from the liquid assets (current assets less inventory) (1)
Indication of the liquidity of the company (1)
Or suitable answer based on O/F answer to (ii) [2]
- (iv) Issue additional shares
Issue additional debentures
Obtain long term loan
Sell surplus non-current assets
Reduced dividends paid
Reduce inventory level
Any 2 points (1) each [2]
- (d) Ordinary shareholders are members of the company
Ordinary shares carry voting rights
Ordinary shareholders receive a dividend
Ordinary share dividend is a share of the profit
Ordinary share dividend is variable
Ordinary share dividend is paid after any dividend on preference shares
Ordinary shareholders are repaid last in the event of a winding up
Any 2 features (1) each [2]
- (e) Debentures are loans
Debenture holders are not members of the company
Debentures do not carry voting rights
Debentures carry a fixed rate of interest
Debenture interest is not dependent on the company's profit
Debentures are often secured on the assets of the company
Debentures holders are repaid before the shareholders in the event of a winding up
Any 2 features (1) each [2]

[Total: 26]

| | | | |
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5 (a) Tom and Gill Kayumba
Statement of corrected profit for the year ended 31 March 2013

| | \$ | \$ |
|--------------------------------|----------------|-----------------------|
| Profit for the year | | 22 500 |
| Add Advertising prepaid | 600 (2) | |
| Goods taken for own use | 1 000 (2) | |
| Motor vehicle expenses accrued | <u>320 (2)</u> | <u>1 920</u> |
| | | 24 420 |
| Less Stationery purchased | | <u>260 (2)</u> |
| Corrected profit for the year | | <u>24 160 (1) O/F</u> |

Alternative forms of presentation acceptable

[9]

(b) Tom and Gill Kayumba
Statement of corrected profit for the year ended 31 March 2013

| | \$ | \$ |
|-------------------------------|------------------|----------------|
| Corrected profit for the year | | 24 160 (1) O/F |
| Interest on drawings | | |
| Tom Kayumba | 1 040} | |
| Gill Kayumba | <u>1 300}(1)</u> | <u>2 340</u> |
| | | 26 500 |
| Interest on capital | | |
| Tom Kayumba | | |
| 5% × 60 000 × 6 mths | 1 500 (1) | |
| 5% × 80 000 × 6 mths | <u>2 000 (1)</u> | |
| | 3 500 | |
| Gill Kayumba | | |
| 5% × 40 000 | <u>2 000 (1)</u> | |
| | 5 500 | |
| Partnership salary | | |
| Gill Kayumba | | |
| (5000 (1) + 7000 (1)) | <u>12 000</u> | <u>17 500</u> |
| Residual profit | | 9 000 |
| Share of profit | | |
| Tom Kayumba | | |
| 2000 (1) + | | |
| (½ × 7000) (1) OF | 5 500 | |
| Gill Kayumba | | |
| ½ × 7000 (1) OF | <u>3 500</u> | <u>9 000</u> |

Horizontal format acceptable

[10]

| | | | |
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- (c) (i) To reward the partner investing more capital
To encourage partners to invest in the business

Any 1 point (1) [1]

- (ii) To discourage the partners from making drawings
To discourage drawings early in the financial year
To help the cash flow of the business

Any 1 point (1) [1]

- (d) Selling goods at higher prices
Purchasing goods at lower prices
Change in proportions of different goods

Any 2 points (1) each [2]

- (e) Year ended 31 March 2012 (1)

The expenses/revenue were 11.90% in 2012 and 14.30% in 2013 (1)
Although the profit for the year/revenue was higher in 2013 this was caused by an increase
in gross profit/revenue (1) [3]

[Total: 26]