UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

# MARK SCHEME for the May/June 2011 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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 (a)

Paul Ahmadi account

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| April 1 | Balance b/d | 240 | | April 7 | Bank | 234 | **(1)** |
| 11 | Sales | 368 | **(1)** | | Discount | 6 | **(1)** |
| | | | | 18 | Sales returns | 136 | **(1)** |
| | | | | 30 | Balance c/d | 232 | **(1)** |
| | | 608 | | | | 608 | |
| May 1 | Balance b/d | 232 | **(1) O/F** | | | | [6] |

Irene Moyo account

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| April 1 | Balance b/d | 110 | | April 24 | Bank | 80 | **(1)** |
| 2 | Interest | 4 | **(1)** | 30 | Bad debts | 34 | **(1)** |
| | | 114 | | | | 114 | [3] |

**Alternative presentation**

Paul Ahmadi account

| | | Debit | | Credit | | Balance | |
|---|---|---|---|---|---|---|---|
| 2010 | | $ | | $ | | $ | |
| April 1 | Balance | 240 | | | | 240 Dr | |
| 7 | Bank | | | 234 | **(1)** | 6 Dr | |
| | Discount | | | 6 | **(1)** | – | |
| 11 | Sales | 368 | **(1)** | | | 368 Dr | |
| 18 | Sales returns | | | 136 | **(1)** | 232 | |
| | | | | | | **(2) C/F** | |
| | | | | | | **(1) O/F** | [6] |

Irene Moyo account

| | | Debit | | Credit | | Balance | |
|---|---|---|---|---|---|---|---|
| 2010 | | $ | | $ | | $ | |
| April 1 | Balance | 110 | | | | 110 Dr | |
| 2 | Interest | 4 | **(1)** | | | 114 Dr | |
| 24 | Bank | | | 80 | **(1)** | 34 Dr | |
| 30 | Bad debts | | | 34 | **(1)** | – | [3] |

**(b)** A debit note may be issued by a customer to request a reduction in an invoice **(1)**
A credit note may be issued by a supplier to reduce an invoice for returns/overcharge etc **(1)** [2]

**(c)** **(i)** purchases journal **(1)**

**(ii)** sales returns journal **(1)** [2]

**(d)** A statement of account is not a transaction **(1)**
It is a summary of the account of the customer in the books of the supplier
**Or**
It is a reminder to the customer of the amount due **(1)**

**(e)**

| | Item | Source of information | Entry in sales ledger control account |
|---|---|---|---|
| **(ii)** | bad debts written off | journal **(1)** | credit **(1)** |
| **(iii)** | cash discount allowed | cash book **(1)** | credit **(1)** |
| **(iv)** | contra item transferred to purchases ledger | journal **(1)** | credit **(1)** |

[6]

**[Total: 21]**

**2**

Sabena Khan
Income Statement for the year ended 31 January 2011

| | $ | $ | $ |
|---|---|---|---|
| Revenue | | | 58 200 **(1)** |
| Less Cost of sales | | | |
| Opening inventory | | 7 500 **(1)** | |
| Purchases | 51 400 **(1)** | | |
| Less purchases returns | 2 300 **(1)** | 49 100 | |
| | | 56 600 | |
| Less Closing inventory | | 10 040 **(2) C/F (1) O/F** | 46 560 |
| Gross profit | | | 11 640 **(2)** |
| Bad debts recovered | | | 150 **(1)** |
| Provision for doubtful debts (116 – 98) | | | 18 **(2)** |
| | | | 11 808 |
| Bad debts | | 50 **(1)** | |
| Carriage outwards | | 700 **(1)** | |
| Administration expenses | | 7 960 **(1)** | |
| Discount allowed | | 182 **(1)** | |
| Depreciation – Equipment (4500 – 3800) | | 700 **(1)** | |
| Fixtures and fittings 10% × 5400 | | 540 **(1)** | 10 132 |
| Profit for the year | | | 1 676 **(1) O/F** |

**Horizontal format acceptable**

**[Total: 18]**

**3 (a)** Business entity

**(b)**

| | Journal | Debit<br>$ | Credit<br>$ | |
|---|---|---|---|---|
| 1 | W Lister Current (or Drawings)<br>Purchases<br>Goods taken for own use by W Lister | 420 | <br>420 | **(1)**<br>**(1)**<br>**(1)** |
| 2 | Office stationery<br>T Lister Current<br>Office stationery paid for by T Lister | 32 | <br>32 | **(1)**<br>**(1)**<br>**(1)** |
| 3 | Motor vehicles<br>W Lister Capital<br>Motor vehicle introduced by W Lister | 15 200 | <br>15 200 | **(1)**<br>**(1)**<br>**(1)** |
| 4 | T Lister Current<br>T Lister Capital<br>Transfer from current to capital account | 5 000 | <br>5 000 | **(1)**<br>**(1)**<br>**(1)** |

[12]

**(c)** Lower of cost and net realisable value [1]

**(d)** To avoid overstating the profit
To avoid overstating the assets
To apply the principle of prudence

**Any two comments (1 each)** [2]

**(e)** \$560 **(1)** × ¾ **(1)** = \$420 **(1)** Decrease **(1)**

| **Or** | $ |
|---|---|
| Original profit share ¾ × \$18 500 | 13 875 **(1)** |
| New profit share ¾ × \$17 940 | 13 455 **(1)** |
| Reduction **(1)** in profit share | 420 **(1)** |

**Other methods of calculation acceptable** [4]

**[Total: 20]**

**4** **(a)** Consistency

**(b)** Ensures that profits are not overstated **(1)**
Ensures that the non-current assets are not overstated **(1)** [2]

**(c)** Accruals (**Or** matching) [1]

**(d)** Office equipment account

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2010 | | | |
| April 1 | Balance b/d | 7 500 | **(1)** | Dec 31 | Disposals | 4 000 | **(1)** |
| Oct 1 | Bank | 3 500 | **(1)** | 2011 | | | |
| | | | | Mar 31 | Balance c/d | 7 000 | **(1)** |
| | | 11 000 | | | | 11 000 | |
| 2011 | | | | | | | |
| April 1 | Balance b/d | 7 000 | **(1) O/F** | | | | |

[5]

Provision for depreciation of office equipment account

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2010 | | | |
| Dec 31 | Disposals | 1 600 | **(2)** | April 1 | Balance b/d | 4 500 | **(1)** |
| 2011 | | | | 2011 | | | |
| Mar 31 | Balance c/d | 3 950 | **(1)** | Mar 31 | Income statement 20% × (7500 – 4000) | 700 | **(1)** |
| | | | | | Income statement 20% × 3500 × 6/12 | 350 | **(1)** |
| | | 5 550 | | | | 5 550 | |
| | | | | 2011 | | | |
| | | | | April 1 | Balance b/d | 3 950 | **(1) O/F** |

[7]

Office equipment disposal account

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 2010 | | | | 2010 | | | |
| Dec 31 | Office equipment | 4 000 | **(1) O/F** | Dec 31 | Prov for Dep | 1 600 | **(1) O/F** |
| | | | | | AH Company | 2 000 | **(1)** |
| | | | | 2011 | | | |
| | | | | Mar 31 | Income statement | 400 | **(1) O/F** |
| | | 4 000 | | | | 4 000 | |

[4]

**Alternative presentation**

Office equipment account

| | | Debit | Credit | Balance |
|---|---|---|---|---|
| 2010 | | $ | $ | $ |
| April 1 | Balance | 7 500 **(1)** | | 7 500 Dr |
| Oct 1 | Bank | 3 500 **(1)** | | 11 000 Dr |
| Dec 31 | Disposals | | 4 000 **(1)** | 7 000 Dr |
| | | | | **(2) C/F** |
| | | | | **(1) O/F** [5] |

Depreciation of office equipment account

| | | Debit | Credit | Balance |
|---|---|---|---|---|
| 2010 | | $ | $ | $ |
| April 1 | Balance | | 4 500 **(1)** | 4 500 Cr |
| Dec 31 | Disposals | 1 600 **(2)** | | 2 900 Cr |
| 2011 | | | | |
| Mar 31 | Income statement | | | |
| | 20% × (7500 – 4000) | | 700 **(1)** | |
| | 20% × 3500 v 6/12 | | 350 **(1)** | 3 950 Cr |
| | | | | **(2) C/F** |
| | | | | **(1) O/F** [7] |

Office equipment disposal account

| | | Debit | Credit | Balance |
|---|---|---|---|---|
| 2010 | | $ | $ | $ |
| Dec 31 | Office equipment | 4 000 **(1)O/F** | | 4 000 Dr |
| | Prov for Dep | | 1 600 **(1)O/F** | 2 400 Dr |
| | AH Company | | 2 000 **(1)** | 400 Dr |
| 2011 | | | | |
| Mar 31 | Income statement | | 400 **(1)O/F** | [4] |

**[Total: 20]**

**5 (a)**

Osama Mousa
Statement of Affairs at 31 March 2011

| | $ Cost | $ Depreciation to date | $ Book value |
|---|---|---|---|
| Non-current Assets | | | |
| Equipment | 17 000 **(1)** | 4 250 **(1)** | 12 750 **(1)** |
| Motor vehicle | 10 000 | 2 500 **(1)** | 7 500 **(1)** |
| | 27 000 | 6 750 | 20 250 |
| Current Assets | | | |
| Trade receivables | | 5 700 **(1)** | |
| Petty cash | | 100 **(1)** | |
| | | 5 800 | |
| Current Liabilities | | | |
| Trade payables | 1 750 **(1)** | | |
| Other payables | 550 **(1)** | | |
| Bank overdraft | 1 400 **(1)** | 3 700 | |
| Net current assets | | | 2 100 **(1)O/F** |
| | | | 22 350 |
| Long term Liabilities | | | |
| Loan from Hi-Finance | | | 1 250 **(1)** |
| | | | 21 100 |
| Financed by | | | |
| Capital | | | |
| Balance | | | 21 100 **(2) C/F** **(1) O/F** |

**Horizontal presentation acceptable** [14]

**(b)** Calculation of profit or loss for the year ended 31 March 2011

| | $ | $ |
| --- | --- | --- |
| Capital at 31 March 2011 | | 21 100 **(1) O/F** |
| Drawings | | 8 000 **(1)** |
| | | 29 100 |
| Less Capital at 1 April 2010 | 22 000 **(1)** | |
| Capital introduced | 5 000 **(1)** | 27 000 |
| Profit for the year | | 2 100 **(2) O/F** |

**Alternative presentation**

Capital account

| | | $ | | | | $ | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2011 | | | | 2010 | | | |
| Mar 31 | Drawings | 8 000 | **(1)** | April 1 | Balance b/d | 22 000 | **(1)** |
| | Balance c/d | 21 100 | **(1)** | 2011 | | | |
| | | | | Mar 31 | Bank | 5 000 | **(1)** |
| | | | | | Profit for year | 2 100 | **(2) O/F** |
| | | 29 100 | | | | 29 100 | |
| | | | | 2011 | | | |
| | | | | April 1 | Balance b/d | 21 100 | |

**Three column running balance account acceptable** [6]

**[Total: 20]**

**6 (a)** Percentage of gross profit to sales

Gross profit = 585 000 – (31 600 + 390 000 – 32 100) = 195 500 **(1)**

Gross profit percentage = $\left.\frac{195500}{585000}\right\}\mathbf{(1)} \times \frac{100}{1}$ = 33.42% **(1)**

Percentage of net profit to sales

Net profit = 195 500 **(O/F)** – (51 300 + 45 200) = 99 000 **(1) O/F**

Net profit percentage = $\left.\frac{99000}{585000}\right\}\mathbf{(1)\ OF} \times \frac{100}{1}$ = 16.92% **(1) O/F**

Rate of inventory turnover

Cost of goods sold = 31 600 + 390 000 – 32 100 = 389 500

Average stock = $\frac{31600 + 32100}{2}$ = 31 850

Rate of turnover = $\frac{389500\ \mathbf{(1)}}{31850\ \mathbf{(1)}}$ = 12.23 times **(1)** [9]

**(b) (i)** Salma Ali is –
Not buying goods as cheaply
Not taking advantage of bulk buying
Not passing increased costs on to customers
Buying more expensive goods
Selling goods at a lower margin
Allowing customers a higher rate of trade discount

**Or other suitable point**
**Any one reason (2)**

**(ii)** Salma Ali has –
Lower expenses
Better control of expenses
Different types of expenses (fixed/variable)
Higher amount of other income

**Or other suitable point**
**Any one reason (2)**

**(iii)** Salma Ali has –
Higher stock levels
Lower sales activity

**Or other suitable point**
**Any one reason (2)** [6]

**(c)** Should compare with a business of approximately the same size
Should compare with a business of the same type (sole trader)
Should compare with business selling same type of goods
Should compare with a business with approximately the same amount of capital
The accounts may be for one year only which will not show trends and may not be a typical year
The financial year may end at a different point in the trading cycle
The businesses may operate different accounting policies
There may be differences which affect profitability and the items on a balance sheet
The financial statements do not show non-monetary items
It is not always possible to obtain all the information about a business in order to make a true comparison

**Or other suitable points**
**Any three points (2) each** [6]

**[Total: 21]**