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.

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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)** [2]

(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 [1]

(b)

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

(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

Non-current Assets	$ Cost	$ Depreciation to date	$ Book value
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 = $\left.\frac{195500}{585000}\right\}$ **(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 = $\left.\frac{99000}{585000}\right\}$ **(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 = $\frac{389500 \text{ (1)}}{31850 \text{ (1)}}$ = 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]