

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
International General Certificate of Secondary Education

**MARK SCHEME for the May/June 2014 series**

**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.

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

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1 (a)

## Paul Katanga Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
		\$	\$	\$			\$	\$	\$
2014 Apl 1	Balance b/d		75		2014 Apl 1	Balance b/d			2 190
8	Moloi Stores (1)			84	5	Office equipment (1)			580
28	Sales (1)		2 500			Repairs (1)			40
30	Cash c (1)			2 215	21	Moloi Stores (dishonoured cheque) (1)			84
	Balance c/d			907	24	T Nekundi (1)	8		312
					29	Drawings (1)		300	
					30	Bank c (1)		2 215	
						Balance c/d		60	
			2 575	3 206			8	2 575	3 206
2014 May 1	Balance b/d (1)		60		2014 May 1	Balance b/d (1) OF			907

+(1) dates

[12]

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(b)

		Paul Katanga Moloi Stores account		\$
		\$		\$
2014			2014	
Ap 1	Balance b/d	50	Apl 8	Bank 84 (1)
2	Sales	34 (1)	30	Bad debts 84 (1)
21	Bank (Dis chq)	<u>84 (1)</u>		
		<u>168</u>		<u>168</u>

**[4]**

		Paul Katanga T Nekundi account		\$
		\$		\$
2014			2014	
Apl 17	Returns	64 (1)	Apl 1	Balance b/d 320
24	Bank	312 }	13	Purchases 208 (1)
	Discount	8 }		
30	Balance c/d	<u>144</u>		
		<u>528</u>		<u>528</u>
			2014	
			May 1	Balance b/d 144 (1) OF

**[4]**

**Three column running balance presentation acceptable**

- (c) Realisation **[1]**
- (d) Going concern **[1]**
- [Total: 22]**

**2 (a)**

	Book of prime (original) entry
bad debts written off	Journal (1)
discounts allowed	Cash book (1)
returns by credit customers	Sales returns journal (1)
contra entries	Journal (1)

**[4]**

- (b) Overpayment of amount owing  
 Failure to deduct cash discount due  
 Goods returned after account settled  
 Payment made in advance  
**Any two items (1) each** **[2]**

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(c)

	debit	credit	no entry
credit purchases		✓	
cash purchases			✓ (1)
refund from credit supplier		✓ (1)	
cheques paid to credit suppliers	✓ (1)		
discount allowed			✓ (1)
discount received	✓ (1)		
interest charged by credit supplier on overdue account		✓ (1)	
contra entry	✓ (1)		
carriage charged by credit supplier		✓ (1)	
bad debts written off			✓ (1)

[9]

(d)  $\frac{\$5300}{\$80700} \times \frac{365}{1} = 23.97 = 24 \text{ days (1)}$

[2]

- (e) To consider liquidity position  
 To see total amount owing to other credit suppliers  
 To determine the credit limit  
 To determine the period of credit to be allowed  
**Or other suitable reason**  
**Any one reason (2)**

[2]

[Total: 19]

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- 3 (a) Profit/loss available for distribution  $(10\ 050 + 500) - (6600 + 5000) = (1050)$  (1)  
Share of loss for each partner  $1050 \div 2 = 525$  (1) [2]

(b)

		Ian McMillan Current account			
		\$			\$
2013			2014		
Feb 1	Balance b/d	3000	Jan 31	Capital	5000 (1)
2014				Loan interest	450 (1)
Jan 31	Drawings	4000}		Int. on capital	3000 (1)
	Int. on drawings	200} (1)			
	Share of loss	525 (1) OF			
	Balance c/d	<u>725</u>			
		<u>8450</u>			<u>8450</u>
			2014		
			Feb 1	Balance b/d	725 (1) OF

+ (1) Dates

**Three column running balance presentation acceptable** [7]

- (c) Drawings and interest on drawings exceeded the interest on capital, interest on loan and share of profit  
**Or**  
Share of loss, drawings and interest on drawings exceeded the interest on capital and interest on loan [2]

- (d) Easier to see the profit retained by each partner  
Easier to calculate interest on capital  
**Or other suitable advantage**  
**Any one advantage (2)** [2]

- (e) The collection period for both years is within the period of credit allowed  
The collection period is very satisfactory in each year  
The collection period has increased in 2014  
**Or other suitable comments**  
**Any two comments (1) each** [2]

- (f) Offer cash discount for prompt payment  
Charge interest on overdue accounts  
Improve credit control  
Refuse further supplies until outstanding balance paid  
Invoice and discount factoring  
**Or other relevant points**  
**Any two points (1) each** [2]

[Total: 17]

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4 (a)

		Valley Football Club Subscriptions account			
		\$		\$	
2013				2013	
Feb 1	Balance b/d	192 (1)		Feb 1	Balance b/d 384 (1)
2014				2014	
Jan 31	Income and Expenditure Balance c/d	9600 (1)		Jan 31	Bank 9216 (1) Balance c/d 480
		<u>288</u>			
		<u>10080</u>			<u>10080</u>
2014				2014	
Feb 1	Balance b/d	480 (1)		Feb 1	Balance b/d 288 (1)

+ Dates (1)

Three column running balance presentation acceptable

[7]

(b)

		Valley Football Club Income and Expenditure Account for the year ended 31 January 2014	
		\$	\$
Income			
Subscriptions			9600 (1) OF
Competition receipts		877	
Less competition expenses		<u>394</u>	<u>483 (1)</u>
			10083
Expenditure			
General expenses		4271 (1)	
Rent and rates (4160 (1) – 320 (1))		3840	
Insurance (300 (1) + 20 (1) – 80 (1))		240	
Depreciation – Equipment			
20% × (12400 + 2000))		<u>2880 (2)</u>	<u>11231</u>
Deficit			<u>1148 (1) OF</u>

Horizontal format acceptable

[11]

(c) \$15400 – \$1148 OF = \$14252 (1) OF

[1]

(d) The members have not invested any capital (1) so there can be no dividend which represents a return on the amount invested (1) [2]

[Total: 21]

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5 (a) Nadia Sayed  
Income Statement for the year ended 28 February 2014

	\$	\$	\$
Revenue			72 000 (1)
Cost of sales			
Opening inventory		4 200 (1)	
Purchases	56 000 (1)		
Less Purchases returns	<u>1 100 (1)</u>		
	54 900		
Carriage inwards	<u>1 800 (1)</u>	<u>56 700</u>	
		60 900	
Closing inventory – remaining missing	5 000 (1)		
	<u>1 900 (1) OF</u>	<u>6 900</u>	<u>54 000 (1) OF</u>
Gross profit			<u>18 000 (2)</u>

**Horizontal format acceptable** [10]

(b)  $3\% \times (18\ 650 - 150) = 555$  [1]

(c) Nadia Sayed  
Journal

	Debit \$	Credit \$	
Bad debts	150		(1)
Sabar Stores		150	(1)
Debt written off			(1)
Income statement	555		(1) OF
Provision for doubtful debts		555	(1) OF
Creation of provision for doubtful debts			(1)

[6]

(d) Ensures that the profit for the year is not overstated (1)  
Ensures that the trade receivables are not overstated (1) [2]

(e) The matching principle requires the costs for the year to be matched against the revenue of the same period (1)  
Comment relating this principle to provision for doubtful debts (1) [2]

[Total: 21]

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6 (a)

	Error	Entries required to correct the error			
		Debit		Credit	
		Account	\$	Account	\$
<b>2</b>	Credit note, \$210, received from a supplier, Pete, entered as invoice	Pete	420 <b>(1)</b>	Purchases Purchases returns	210 <b>(1)</b> 210 <b>(1)</b>
<b>3</b>	Total of the discount received column in the cash book, \$44, debited to discount allowed account	No entry	– <b>(1)</b>	Discount allowed	44 <b>(1)</b>
		<b>Or</b> Suspense	88 <b>(1)</b>	Discount received	44 <b>(1)</b>

[6]

(b)

Error	effect on draft profit for the year			
	overstated \$	understated \$	no effect	
<b>1</b>			No effect	<b>(2)</b>
<b>2</b>		420		<b>(1) position</b> <b>(1) figure</b>
<b>3</b>		88		<b>(1) position</b> <b>(1) figure</b>

[6]



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(c)

ratio	Year ended 30 April 2014
percentage of gross profit to revenue (sales)	28.61% <b>(2)</b>
percentage of profit for the year to revenue (sales)	8.61% <b>(2)</b>

Calculations

Gross profit 39 500 – 28 200 = 11 300 **(1)**

Percentage of gross profit to revenue (sales)

$$\frac{11\,300}{39\,500} \times \frac{100}{1} = 28.61\% \quad \mathbf{(1)}$$

Profit for the year 11 300 – 7 900 = 3 400 **(1)**

Percentage of profit for the year to revenue (sales)

$$\frac{3\,400}{39\,500} \times \frac{100}{1} = 8.61\% \quad \mathbf{(1)}$$

**[4]**

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

**Or other acceptable reason****Or other comment based on answer to (c)****Any 1 reason (2)****[2]**

- (e) Decreased

**Or other suitable answer based on answer to (c) (1)**

The percentage of profit for the year to revenue (sales) decreased

The percentage of expenses to revenue (sales) increased

**Any 1 reason (1)****[2]****[Total: 20]**