

Grade thresholds – November 2017

Cambridge IGCSE Accounting (0452)

Grade thresholds taken for Syllabus 0452 (Accounting) in the November 2017 examination.

	maximum raw mark available	minimum raw mark required for grade:						
		A	B	C	D	E	F	G
Component 11	120	77	59	40	32	24	15	6
Component 12	120	78	59	41	33	25	16	7
Component 13	120	77	59	40	32	24	15	6
Component 21	120	76	57	39	32	25	19	13
Component 22	120	79	61	43	35	28	22	16
Component 23	120	76	57	39	32	25	19	13

Grade A* does not exist at the level of an individual component.

The maximum total mark for this syllabus, after weighting has been applied, is **240**.

The overall thresholds for the different grades were set as follows.

Option	Combination of Components	A*	A	B	C	D	E	F	G
AX	11, 21	190	153	116	79	64	49	34	19
AY	12, 22	194	157	120	84	68	53	38	23
AZ	13, 23	190	153	116	79	64	49	34	19



ACCOUNTING

0452/11

Paper 1

October/November 2017

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **13** printed pages.

Question	Answer	Marks
1(a)	D	1
1(b)	C	1
1(c)	B	1
1(d)	C	1
1(e)	C	1
1(f)	A	1
1(g)	D	1
1(h)	B	1
1(i)	B	1
1(j)	A	1

Question	Answer	Marks															
2(a)	The amount owed by the business to the owner. The funds put into the business/contributed by the owner (plus profits net of drawings). Any one for (1) mark	1															
2(b)	<table border="1"> <tr> <td></td> <td>Principle</td> </tr> <tr> <td>A trader withdraws goods for his own use and records this in the drawings account.</td> <td>Business entity (1)</td> </tr> <tr> <td>A book-keeper writes off debts which will not be paid to the business.</td> <td>Prudence/accruals (matching) (1)</td> </tr> <tr> <td>An accountant does not include staff morale as an asset in the statement of financial position.</td> <td>Money measurement (1)</td> </tr> <tr> <td>A business uses the double entry system of book-keeping to record transactions.</td> <td>Duality (1)</td> </tr> </table>		Principle	A trader withdraws goods for his own use and records this in the drawings account.	Business entity (1)	A book-keeper writes off debts which will not be paid to the business.	Prudence/accruals (matching) (1)	An accountant does not include staff morale as an asset in the statement of financial position.	Money measurement (1)	A business uses the double entry system of book-keeping to record transactions.	Duality (1)	4					
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2(c)	Nominal (general) ledger	1															
2(d)	(Limited) company	1															
2(e)	Items which a business owns or which are owed to the business are known as ASSETS.	1															
2(f)	<table border="1"> <tr> <td>document</td> <td>reason for issue</td> <td>name of person issuing document</td> </tr> <tr> <td>invoice</td> <td><i>to record goods sold on credit</i></td> <td>Jake</td> </tr> <tr> <td>debit note</td> <td>to ask for reduction in invoice (1)</td> <td>Rashida (1)</td> </tr> <tr> <td>credit note</td> <td>to accept request for reduction in invoice (1)</td> <td>Jake (1)</td> </tr> <tr> <td>statement of account</td> <td>to summarise transactions for the month (1)</td> <td>Jake (1)</td> </tr> </table>	document	reason for issue	name of person issuing document	invoice	<i>to record goods sold on credit</i>	Jake	debit note	to ask for reduction in invoice (1)	Rashida (1)	credit note	to accept request for reduction in invoice (1)	Jake (1)	statement of account	to summarise transactions for the month (1)	Jake (1)	6
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Question	Answer		Marks
2(g)		True or False	3
	Work in progress may appear in Jake's manufacturing account.	True (1)	
	Prime cost appears in Jake's income statement.	False (1)	
	Jake's business is a service business.	False (1)	

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3(a)	A bank statement is a copy of the customer's account as it appears in the books of the bank.	1																																																																								
3(b)	<p style="text-align: center;">Kang-Dae</p> <p style="text-align: center;">Cash book (bank columns only)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">2017</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">2017</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">2017</td> </tr> <tr> <td>June 1</td> <td>Balance b/d</td> <td>\$ 1 310</td> <td>(1)</td> <td>June 1</td> <td>Bank charges</td> </tr> <tr> <td></td> <td>Nigel</td> <td>540</td> <td>(1)</td> <td></td> <td>Rent</td> </tr> <tr> <td></td> <td>Insurance</td> <td>320</td> <td>(1)</td> <td></td> <td>Electricity</td> </tr> <tr> <td></td> <td>(error)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;">2 170</td> <td></td> <td></td> <td>Balance c/d</td> </tr> <tr> <td>June 1</td> <td>Balance b/d</td> <td>710</td> <td>(1)OF</td> <td></td> <td style="border-top: 1px solid black;">710</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="border-top: 3px double black;">2 170</td> </tr> </table>		2017		2017		2017	June 1	Balance b/d	\$ 1 310	(1)	June 1	Bank charges		Nigel	540	(1)		Rent		Insurance	320	(1)		Electricity		(error)							2 170			Balance c/d	June 1	Balance b/d	710	(1)OF		710						2 170	7																								
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3(d)	A loan is of fixed amount but an overdraft is of varying amount. A loan is for a fixed term but an overdraft may be paid back at any time. A loan may require security but an overdraft may be unsecured. A loan may have a fixed rate of interest but an overdraft will have a variable rate. Any two for (1) each	2
3(e)	Non-current liabilities	1

Question	Answer	Marks
4(a)	$\frac{(17040 - 12780)(1)}{42600} \times 100 = 10\% \text{ (1)OF}$ (1)	3
4(b)	1 May 2015: Cash book (1) 1 August 2016: 1 Nominal (general) journal (1) 2 Cash book (1)	3

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4(c)	<table border="1"> <thead> <tr> <th></th> <th>workings</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>fixtures and fittings at cost on 31 December 2015</td> <td>42 600 + 12 000</td> <td>54 600 (1)</td> </tr> <tr> <td>fixtures and fittings at cost on 31 December 2016</td> <td>54 600 (OF) – 10 000</td> <td>44 600 (1)OF</td> </tr> <tr> <td>depreciation charge for the year ended 31 December 2015</td> <td>(54 600 (OF) × 10%) (1)OF</td> <td>5 460 (1)OF</td> </tr> <tr> <td>accumulated depreciation at 31 December 2015</td> <td>17 040 + 5 460 (1)OF</td> <td>22 500 (1)OF</td> </tr> <tr> <td>depreciation charge for the year ended 31 December 2016</td> <td>(44 600 (OF) × 10%) (1)OF</td> <td>4 460 (1)OF</td> </tr> <tr> <td>accumulated depreciation at 31 December 2016</td> <td>22 500 (1)OF + 4 460 (1)OF – 4 000 (1)</td> <td>22 960 (1)OF</td> </tr> </tbody> </table>		workings	\$	fixtures and fittings at cost on 31 December 2015	42 600 + 12 000	54 600 (1)	fixtures and fittings at cost on 31 December 2016	54 600 (OF) – 10 000	44 600 (1)OF	depreciation charge for the year ended 31 December 2015	(54 600 (OF) × 10%) (1)OF	5 460 (1)OF	accumulated depreciation at 31 December 2015	17 040 + 5 460 (1)OF	22 500 (1)OF	depreciation charge for the year ended 31 December 2016	(44 600 (OF) × 10%) (1)OF	4 460 (1)OF	accumulated depreciation at 31 December 2016	22 500 (1)OF + 4 460 (1)OF – 4 000 (1)	22 960 (1)OF	12
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4(f)	<p>Reducing (diminishing) balance method (1) Annual percentage rate (1) is applied to the net book value (1) of the asset. OR Revaluation method (1) The difference between the opening and closing valuations is taken (1) and adjusted for any purchases or disposals (1)</p>	3																					

Question	Answer			Marks
4(g)		capital expenditure	revenue expenditure	4
	cost of vehicle	✓ (1)		
	number plates	✓ (1)		
	fuel		✓ (1)	
	insurance of vehicle		✓ (1)	
4(h)	Capital introduced Receipt of loan Proceeds of sale of non-current asset Any one for (1) mark			1

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5(a)	<p style="text-align: center;">Satish Suspense account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;"></td> <td style="width: 10%; text-align: center;">2017</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">2017</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">2017</td> </tr> <tr> <td>2017</td> <td></td> <td></td> <td>Jun 30</td> <td>Balance b/d</td> <td>\$ 3 900 (1)</td> </tr> <tr> <td>Jun 30</td> <td>Drawings</td> <td>\$ 2 000 (1)</td> <td></td> <td>Purchases</td> <td>100 (1)</td> </tr> <tr> <td></td> <td>Capital</td> <td>2 000 (1)</td> <td></td> <td></td> <td><u>4 000</u></td> </tr> <tr> <td></td> <td></td> <td><u>4 000</u></td> <td></td> <td></td> <td></td> </tr> </table>		2017		2017		2017	2017			Jun 30	Balance b/d	\$ 3 900 (1)	Jun 30	Drawings	\$ 2 000 (1)		Purchases	100 (1)		Capital	2 000 (1)			<u>4 000</u>			<u>4 000</u>				4												
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6(e)	<p>Samara has a debit balance on her current account (1) which means that she owes funds to the business. (1) Samara's drawings are greater than her total allocation of profit, (1) which means she is reducing the capital of the business. (1) The partnership agreement could be amended (1) to introduce a partner's salary/interest on drawings/change in the profit sharing ratio. (1) Amina has had to introduce additional capital (1) in order to run the day to day business/cover what Samara has taken as drawings. (1) One mark for basic point, plus one for development to max 4</p>	4



ACCOUNTING

0452/12

Paper 1

October/November 2017

MARK SCHEME

Maximum Mark: 120

Published

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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This document consists of **7** printed pages.

Question	Answer	Marks
1(a)	C	1
1(b)	D	1
1(c)	A	1
1(d)	A	1
1(e)	A	1
1(f)	B	1
1(g)	A	1
1(h)	C	1
1(i)	D	1
1(j)	B	1

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2(a)	duality (1)	1														
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2(c)	An adjustment for a prepayment reduces expenses and increases profit. (1)	1														
2(d)	To monitor progress To prepare financial statements For decision making Any one reason for (1) mark	1														
2(e)	<table border="1"> <thead> <tr> <th>term</th> <th>organisation</th> </tr> </thead> <tbody> <tr> <td>prime cost</td> <td><i>manufacturing business</i></td> </tr> <tr> <td>accumulated fund</td> <td>club/society (1)</td> </tr> <tr> <td>dividend</td> <td>limited company (1)</td> </tr> <tr> <td>interest on capital</td> <td>partnership (1)</td> </tr> <tr> <td>work in progress</td> <td>manufacturing business (1)</td> </tr> <tr> <td>drawings</td> <td>sole trader (1) OR partnership (1)</td> </tr> </tbody> </table>	term	organisation	prime cost	<i>manufacturing business</i>	accumulated fund	club/society (1)	dividend	limited company (1)	interest on capital	partnership (1)	work in progress	manufacturing business (1)	drawings	sole trader (1) OR partnership (1)	5
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2(f)	In the income statement (1) as an addition to gross profit / as an item of income/credit (1)	2
2(g)	An income statement deals with revenues and costs, (1) whilst a statement of financial position deals with assets and liabilities. (1) OR An income statement covers a period of time, (1) whilst a statement of financial position is for a specified date. (1)	2
2(h)	Trade payable Club member Committee member Bank Accept other valid answers Any one for (1) mark	1
2(i)	Historic cost Difficulties of definition Non-financial aspects Any one for (1) mark	1

Question	Answer	Marks									
3(a)	To reduce the number of entries in the ledger To allow book-keeping duties to be shared As an aid for posting to the ledger To summarise accounting information To help in the preparation of control accounts To group together similar types of transactions To make it easier to check for errors Accept other valid answers. Any one for (1) mark	1									
3(b)	Cash book (1)	1									
3(c)	<table border="1"> <thead> <tr> <th>Date</th> <th>Source document</th> <th>Issued by</th> </tr> </thead> <tbody> <tr> <td>May 2</td> <td>invoice (1)</td> <td>Asnee (1)</td> </tr> <tr> <td>May 4</td> <td>credit note (1)</td> <td>Asnee (1)</td> </tr> </tbody> </table>	Date	Source document	Issued by	May 2	invoice (1)	Asnee (1)	May 4	credit note (1)	Asnee (1)	4
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3(f)	A list of account balances (1) at a specific date. (1)	2																																																																						
3(g)	<p>Any two of:</p> <ul style="list-style-type: none"> Omission (1) transaction totally omitted from the books. (1) Commission (1) transaction posted to wrong account of right class. (1) Principle (1) transaction posted to account of wrong class. (1) Original entry (1) transaction incorrectly recorded in book of prime entry. (1) Reversal (1) debit entry posted on credit side and vice versa. (1) Compensating (1) errors cancel one another out. (1) 	4																																																																						
3(h)	By comparing control account totals to the totals of balances of the sales and purchases ledgers, (1) Jason might be able to locate the error. (1)	2																																																																						

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Question	Answer	Marks																				
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6(b)	5600 : 4400 (1) = 1.27 : 1 (1) OF	2																				
6(c)	<p>Quick ratio/acid test/liquid ratio Trade receivables collection period Trade payables payment period (Rate of) inventory turnover Any one for (1) mark</p>	1																				
6(d)	<p>He may not be able to meet liabilities as they fall due. He may not be able to pay day to day running expenses. He may not be able to take advantage of discounts. He has a lot of cash tied up in inventory. Inventory makes up more than half of his current assets. His trade payables are greater than his trade receivables. He has a bank overdraft.</p> <p>Each basic statement (1) plus development (1) to max 4</p>	4																				
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6(f)	1 – capital intro (1) , or 2 – loan (1)	1																				
6(g)	<p>To know the return earned on total funds used in the business. (1) Or to compare with other businesses. (1)</p>	1																				



ACCOUNTING

0452/13

Paper 1

October/November 2017

MARK SCHEME

Maximum Mark: 120

Published

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This document consists of **13** printed pages.

Question	Answer	Marks
1(a)	D	1
1(b)	C	1
1(c)	B	1
1(d)	C	1
1(e)	C	1
1(f)	A	1
1(g)	D	1
1(h)	B	1
1(i)	B	1
1(j)	A	1

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2(a)	The amount owed by the business to the owner. The funds put into the business/contributed by the owner (plus profits net of drawings). Any one for (1) mark	1															
2(b)	<table border="1"> <tr> <td></td> <td>Principle</td> </tr> <tr> <td>A trader withdraws goods for his own use and records this in the drawings account.</td> <td>Business entity (1)</td> </tr> <tr> <td>A book-keeper writes off debts which will not be paid to the business.</td> <td>Prudence/accruals (matching) (1)</td> </tr> <tr> <td>An accountant does not include staff morale as an asset in the statement of financial position.</td> <td>Money measurement (1)</td> </tr> <tr> <td>A business uses the double entry system of book-keeping to record transactions.</td> <td>Duality (1)</td> </tr> </table>		Principle	A trader withdraws goods for his own use and records this in the drawings account.	Business entity (1)	A book-keeper writes off debts which will not be paid to the business.	Prudence/accruals (matching) (1)	An accountant does not include staff morale as an asset in the statement of financial position.	Money measurement (1)	A business uses the double entry system of book-keeping to record transactions.	Duality (1)	4					
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2(c)	Nominal (general) ledger	1															
2(d)	(Limited) company	1															
2(e)	Items which a business owns or which are owed to the business are known as ASSETS.	1															
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Question	Answer		Marks
2(g)		True or False	3
	Work in progress may appear in Jake's manufacturing account.	True (1)	
	Prime cost appears in Jake's income statement.	False (1)	
	Jake's business is a service business.	False (1)	

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3(d)	A loan is of fixed amount but an overdraft is of varying amount. A loan is for a fixed term but an overdraft may be paid back at any time. A loan may require security but an overdraft may be unsecured. A loan may have a fixed rate of interest but an overdraft will have a variable rate. Any two for (1) each	2
3(e)	Non-current liabilities	1

Question	Answer	Marks
4(a)	$\frac{(17040 - 12780)(1)}{42600} \times 100 = 10\% \text{ (1)OF}$ (1)	3
4(b)	1 May 2015: Cash book (1) 1 August 2016: 1 Nominal (general) journal (1) 2 Cash book (1)	3

Question	Answer			Marks
4(c)		workings	\$	12
	fixtures and fittings at cost on 31 December 2015	42 600 + 12 000	54 600 (1)	
	fixtures and fittings at cost on 31 December 2016	54 600 (OF) – 10 000	44 600 (1)OF	
	depreciation charge for the year ended 31 December 2015	(54 600 (OF) × 10%) (1)OF	5 460 (1)OF	
	accumulated depreciation at 31 December 2015	17 040 + 5 460 (1)OF	22 500 (1)OF	
	depreciation charge for the year ended 31 December 2016	(44 600 (OF) × 10%) (1)OF	4 460 (1)OF	
	accumulated depreciation at 31 December 2016	22 500 (1)OF + 4 460 (1)OF – 4 000 (1)	22 960 (1)OF	
4(d)	debit entry	credit entry	provision for depreciation of fixtures and fittings account (1)	2
4(e)	debit entry	credit entry	disposal account (1)	
4(f)	Reducing (diminishing) balance method (1) Annual percentage rate (1) is applied to the net book value (1) of the asset. OR Revaluation method (1) The difference between the opening and closing valuations is taken (1) and adjusted for any purchases or disposals (1)			3

Question	Answer				Marks
4(g)		capital expenditure	revenue expenditure		4
	cost of vehicle	✓ (1)			
	number plates	✓ (1)			
	fuel		✓ (1)		
	insurance of vehicle		✓ (1)		
4(h)	Capital introduced Receipt of loan Proceeds of sale of non-current asset Any one for (1) mark				1

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6(d)	<p>Profit for the year would be lower by the amount of the loan interest. (1) Interest on capital would be lower by the interest on the additional capital. (1) Shares of profit might be higher or lower depending on rate of loan interest. (1) Max 2</p>	2																																																								

Question	Answer	Marks
6(e)	<p>Samara has a debit balance on her current account (1) which means that she owes funds to the business. (1) Samara's drawings are greater than her total allocation of profit, (1) which means she is reducing the capital of the business. (1) The partnership agreement could be amended (1) to introduce a partner's salary/interest on drawings/change in the profit sharing ratio. (1) Amina has had to introduce additional capital (1) in order to run the day to day business/cover what Samara has taken as drawings. (1) One mark for basic point, plus one for development to max 4</p>	4



ACCOUNTING

0452/21

Paper 2

October/November 2017

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **9** printed pages.

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1(f)	The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)	2																																								
1(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 Allow cash discount for prompt payment Charge interest on overdue accounts Any 2 points (1) each	2																																								

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2(a)	<table border="1"> <thead> <tr> <th></th> <th>debit</th> <th>credit</th> <th>no entry</th> </tr> </thead> <tbody> <tr> <td>opening balance owed by credit customers</td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>credit sales</td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>cash sales</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>provision for doubtful debts</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>bad debts written off</td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>cash discount allowed to credit customers</td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>trade discount allowed to credit customers</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>contra between sales and purchases ledger</td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>cash received from credit customers</td> <td></td> <td>✓(1)</td> <td></td> </tr> </tbody> </table>		debit	credit	no entry	opening balance owed by credit customers	✓(1)			credit sales	✓(1)			cash sales			✓(1)	provision for doubtful debts			✓(1)	bad debts written off		✓(1)		cash discount allowed to credit customers		✓(1)		trade discount allowed to credit customers			✓(1)	contra between sales and purchases ledger		✓(1)		cash received from credit customers		✓(1)		9
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2(c)(i)	An entry which appears on the debit side of the purchases ledger control account and the credit of the sales ledger control account (1)	1																																								
2(c)(ii)	It is made when a sales ledger account is set off against a purchases ledger account of the same person/business (1)	1																																								
2(d)	Overpayment of the amount owing Failure to deduct cash discount due Goods returned after account settled Payment made in advance Any 2 reasons (1) each	2																																								
2(e)(i)	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ } whole formula (1)	1																																								
2(e)(ii)	$\frac{20520}{186700} \times \frac{365}{1}$ } whole formula (1) = 40.11 = 41 days (1)	2																																								
2(f)	Offer cash discount for prompt payment Charge interest on overdue accounts Improve credit control/send invoices or statements promptly Refuse further supplies until outstanding balance paid Invoice discounting and debt factoring Any 2 points (1) each	2																																								

Question	Answer	Marks
2(g)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ } whole formula (1)	1
2(h)	Will not be pleased May refuse further supplies May charge interest May issue stern reminders/threaten legal action Or other suitable comment Any 2 comments (1) each	2

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3(d)	<p>Loan interest is an expense account/any accrued interest is a current liability (1) The loan is a non-current liability (1) Accept other valid points</p>	2																																																																																

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4(a)	$(87\,500 + 56\,200 + 100) : (81\,500 + 17\,100)$ $= 143\,800 : 98\,600$ (1) whole formula $= 1.46 : 1$ (1)	2
4(b)	<p>Current assets only approximately 1½ times the current liabilities Lower than the “benchmark” of 2:1 Can meet the current liabilities from the current assets Do not have a lot of surplus current assets available after paying current liabilities Seems to be a little inadequate (depending on the type of business) Comments to be based on answer to (a) Any 2 comments (1) each</p>	2

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4(c)	$(56\,200 + 100) : (81\,500 + 17\,100)$ $= 56\,300 : 98\,600$ (1) whole formula $= 0.57 : 1$ (1)	2																																		
4(d)	Increased expenditure on inventory Increase in bank overdraft/change from positive bank balance to overdraft Purchase of non-current assets Repayment of long-term loan Increase in current liabilities/increase in trade payables Decrease in trade receivables Decrease in cash Increase in drawings Any 2 reasons (1) each	2																																		
4(e)	Unable to pay debts when they fall due Unable to take advantage of cash discounts Unable to take advantage of business opportunities when they arise May have difficulty in obtaining further supplies May not be able to take drawings Any 2 points (1) each	2																																		
4(f)	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">current ratio</th> <th colspan="3">quick ratio</th> </tr> <tr> <th>increase</th> <th>decrease</th> <th>no effect</th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>introduce \$20 000 additional capital</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>obtain short-term bank loan of \$10 000</td> <td></td> <td></td> <td>✓(1)</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>sell half the inventory at cost price</td> <td></td> <td></td> <td>✓(1)</td> <td>✓(1)</td> <td></td> <td></td> </tr> </tbody> </table>		current ratio			quick ratio			increase	decrease	no effect	increase	decrease	no effect	introduce \$20 000 additional capital	✓			✓			obtain short-term bank loan of \$10 000			✓(1)			✓(1)	sell half the inventory at cost price			✓(1)	✓(1)			4
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4(g)	$\frac{\text{Cost of sales}}{\text{Average inventory}}$	1																																		
4(h)	$\frac{765990}{(87500 + 72000) \div 2} \quad \text{Or} \quad \frac{765990}{87500 - (15500 \div 2)}$ $= \frac{765990}{79750} \quad \text{ } (1)$ $= 9.60 \text{ times } (1)$	2																																		
4(i)	Higher inventory levels Lower sales activity Or other suitable reason Any 2 reasons (1) each	2																																		

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5(a)	$\frac{43\,000}{(500\,000 + 11\,000 + 14\,000 + 75\,000)}$ $= \frac{43\,000}{600\,000} \times \frac{100}{1}$ $= 7.17\% \text{ (1)}$	3																																																						
5(b)	$\frac{25\,000}{500\,000} \times \frac{100}{1}$ $= 5\%$	1																																																						
5(c)	$\frac{15\,000 + 30\,000}{500\,000 + 100\,000} \times \frac{100}{1}$ $= \frac{45\,000}{600\,000}$ $= 7.5\% \text{ (1)}$	3																																																						
5(d)	$71\,000 - (3\% \times 75\,000)$ $= 71\,000 - 2\,250$ $= 68\,750 \text{ (1)}$	2																																																						
5(e)	<p style="text-align: center;">CP Limited Statement of Changes in Equity for the year ended 30 September 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Ordinary share capital</th> <th>General reserve</th> <th>Retained earnings</th> <th>Total</th> <th></th> </tr> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td><i>On 1 October 2016</i></td> <td style="text-align: right;">500 000</td> <td style="text-align: right;">11 000</td> <td style="text-align: right;">14 000</td> <td style="text-align: right;">525 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Share issue</td> <td style="text-align: right;">100 000</td> <td></td> <td></td> <td style="text-align: right;">100 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: right;">68 750</td> <td style="text-align: right;">68 750</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Dividend paid (for year ended 30 September 2016)</td> <td></td> <td></td> <td style="text-align: right;">(25 000)</td> <td style="text-align: right;">(25 000)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Dividend paid (for year ended 30 September 2017)</td> <td></td> <td></td> <td style="text-align: right;">(15 000)</td> <td style="text-align: right;">(15 000)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Transfer to general reserve</td> <td></td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">(5 000)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td><i>On 30 September 2017</i></td> <td style="text-align: right;">600 000</td> <td style="text-align: right;">16 000</td> <td style="text-align: right;">37 750</td> <td style="text-align: right;">653 750</td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table>		Ordinary share capital	General reserve	Retained earnings	Total			\$	\$	\$	\$		<i>On 1 October 2016</i>	500 000	11 000	14 000	525 000	(1)	Share issue	100 000			100 000	(1)	Profit for the year			68 750	68 750	(1)OF	Dividend paid (for year ended 30 September 2016)			(25 000)	(25 000)	(1)	Dividend paid (for year ended 30 September 2017)			(15 000)	(15 000)	(1)	Transfer to general reserve		5 000	(5 000)		(1)	<i>On 30 September 2017</i>	600 000	16 000	37 750	653 750	(1)	7
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5(f)	Long term loans Debenture holders are not members of the company Do not carry voting rights Carry a fixed rate of interest Interest is not dependent on the company's profit Are often secured on the assets of the company's Debenture holders are repaid before the shareholders in a winding-up Any 2 features (1) each	2																								
5(g)	Carry a fixed rate of dividend Dividend may not be paid if there is not enough profit Dividend is paid before ordinary share dividend Preference shareholders are members of the company Do not usually carry voting rights Capital is repaid before ordinary share capital in a winding-up Are not secured on the assets of the company Any 2 features (1) each	2																								
5(h)	<table border="1" data-bbox="323 853 1313 1283"> <thead> <tr> <th></th> <th>increase \$</th> <th>decrease \$</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>effect on current assets</td> <td>300 000</td> <td></td> <td></td> </tr> <tr> <td>effect on non-current liabilities</td> <td>300 000 (1)</td> <td></td> <td></td> </tr> <tr> <td>effect on profit for the year</td> <td></td> <td>9 000 (2)*</td> <td></td> </tr> <tr> <td>effect on profit available for ordinary shareholders</td> <td></td> <td>9 000 (1)OF</td> <td></td> </tr> <tr> <td>effect on equity</td> <td></td> <td></td> <td>✓(1)</td> </tr> </tbody> </table> <p>* (1) position + (1) amount</p>		increase \$	decrease \$	no effect	effect on current assets	300 000			effect on non-current liabilities	300 000 (1)			effect on profit for the year		9 000 (2)*		effect on profit available for ordinary shareholders		9 000 (1)OF		effect on equity			✓(1)	5
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ACCOUNTING

0452/22

Paper 2

October/November 2017

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

Question	Answer								Marks																																																																						
1(a)(i)	Saffie Petty Cash Book								9																																																																						
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Question	Answer												Marks
1(a)(ii)	Saffie Cash Book												10
	Date 2017 Sept 1	Details Balance b/d	Discount allowed \$	Cash \$	Bank \$	Date 2017 Sept 1	Details Balance b/d	Discount received \$	Cash \$	Bank \$			
	26	Thushari (1)	8	120	392	7	Petty cash (1)			87			
	28	Sales (1)		40	4 800	15	Repairs (1)			461			
						29	SL Stores (dis. chq.) (1)			210			
						30	Sopitha Balances c/d (1)	12	160	468			
	2017 Oct 1	Balances b/d		160 (1)OF	5192			12	160	5 192			
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Question	Answer	Marks
2(c)	<p>Loan interest to pay every year. Loan interest to pay irrespective of profits. Loan to be repaid by given date.</p> <p>Or other suitable point Any 1 point (1)</p>	1
2(d)	<p>Introduce additional capital Take a partner Convert to a limited company Mortgage the premises Borrow from family and friends See if government grants are available</p> <p>Or other suitable point Any 2 points (1) each</p>	2

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3(a)	<p style="text-align: center;">Zikri</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 30%; text-align: center;">Commission receivable account</td> <td style="width: 30%;"></td> </tr> <tr> <td></td> <td style="text-align: center;">\$</td> <td style="text-align: center;">\$</td> </tr> <tr> <td style="text-align: right;">2016 Sept 1 Balance b/d</td> <td style="text-align: right;">495 (1)</td> <td style="text-align: right;">495 }</td> </tr> <tr> <td style="text-align: right;">2017 Aug 31 Income statement</td> <td style="text-align: right;">1685 (1) OF</td> <td style="text-align: right;">515 } (1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2180</u></td> <td style="text-align: right;"><u>374 }</u></td> </tr> <tr> <td style="text-align: right;">2017 Sept 1 Balance b/d</td> <td style="text-align: right;">392 (1)</td> <td style="text-align: right;">404 } (1)</td> </tr> <tr> <td style="text-align: right;">+ (1) Dates</td> <td></td> <td style="text-align: right;">392 c/d</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2180</u></td> </tr> </table>		Commission receivable account			\$	\$	2016 Sept 1 Balance b/d	495 (1)	495 }	2017 Aug 31 Income statement	1685 (1) OF	515 } (1)		<u>2180</u>	<u>374 }</u>	2017 Sept 1 Balance b/d	392 (1)	404 } (1)	+ (1) Dates		392 c/d			<u>2180</u>	6
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3(c)	Balance b/d 1 September 2016: Value of stationery/inventory of stationery at that date. (1) Credit stationery account for previous financial year. (1) XY Limited 8 February 2017: Value of stationery purchased on credit from XY Limited. (1) Credit XY Limited account. (1) Drawings 31 July 2017: Value of stationery taken by owner for personal use. (1) Debit drawings account. (1)	6																					
3(d)	\$205	1																					
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4(b)	<p>Revenue for the year is matched against the costs of the same period. (1)</p> <p>Example: Either The loan interest was adjusted for the outstanding amount. Or The loss in value of non-current assets in the year was included. Or A provision for doubtful debts was created. (1)</p>	2																																																																		

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4(c)	<p>The business is treated as being separate from the owner. (1)</p> <p>Example Rates and insurance for personal use were excluded. (1)</p>	2
4(d)	<p>Should compare with a business in the same trade. Should compare with a business of approximately the same size. Should compare with a business of the same type (sole trader). The financial statements may be for one year, which will not show trends. The financial statements may be for one year which is not a typical year. The financial year may end on different dates (when inventories are high/low). The businesses may apply different accounting policies. The statements do not show non-monetary factors. It may not be possible to obtain all the information needed to make comparisons.</p> <p>Or other suitable points</p> <p>Any 2 points (1) for basic statement and (1) for development</p>	4

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ACCOUNTING

0452/23

Paper 2

October/November 2017

MARK SCHEME

Maximum Mark: 120

Published

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.

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This document consists of **9** printed pages.

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		Aug 1 Balance b/d	15 435	(1)OF																																											
1(b)	An estimate (1) of the amount which a business will lose/be unable to collect in a financial year because of bad debts (1)	2																																													
1(c)	Percentage of the total amount owing by credit customers Estimating which individual credit customers will not pay their accounts Considering the length of time the debts have been outstanding Estimate, based on experience, of amount lost each year from bad debts Any 1 point (1)	1																																													
1(d)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">debit</td> <td style="width: 50%; text-align: center;">credit</td> </tr> <tr> <td style="text-align: center;">Income statement (1)</td> <td style="text-align: center;">Provision for doubtful debts (1)</td> </tr> </table>	debit	credit	Income statement (1)	Provision for doubtful debts (1)	2																																									
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1(e)	The profit for the year is not overstated (1) The trade receivables (current assets) are not overstated/shown at more realistic value (1)	2																																													
1(f)	The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)	2																																													
1(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 Allow cash discount for prompt payment Charge interest on overdue accounts Any 2 points (1) each	2																																													

Question	Answer	Marks																																								
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2(c)(i)	An entry which appears on the debit side of the purchases ledger control account and the credit of the sales ledger control account (1)	1																																								
2(c)(ii)	It is made when a sales ledger account is set off against a purchases ledger account of the same person/business (1)	1																																								
2(d)	Overpayment of the amount owing Failure to deduct cash discount due Goods returned after account settled Payment made in advance Any 2 reasons (1) each	2																																								
2(e)(i)	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ } whole formula (1)	1																																								
2(e)(ii)	$\frac{20520}{186700} \times \frac{365}{1}$ } whole formula (1) = 40.11 = 41 days (1)	2																																								
2(f)	Offer cash discount for prompt payment Charge interest on overdue accounts Improve credit control/send invoices or statements promptly Refuse further supplies until outstanding balance paid Invoice discounting and debt factoring Any 2 points (1) each	2																																								

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2(g)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ } whole formula (1)	1
2(h)	Will not be pleased May refuse further supplies May charge interest May issue stern reminders/threaten legal action Or other suitable comment Any 2 comments (1) each	2

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3(d)	<p>Loan interest is an expense account/any accrued interest is a current liability (1) The loan is a non-current liability (1) Accept other valid points</p>	2																																																																																

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4(a)	$(87\,500 + 56\,200 + 100) : (81\,500 + 17\,100)$ $= 143\,800 : 98\,600$ (1) whole formula $= 1.46 : 1$ (1)	2
4(b)	<p>Current assets only approximately 1½ times the current liabilities Lower than the “benchmark” of 2:1 Can meet the current liabilities from the current assets Do not have a lot of surplus current assets available after paying current liabilities Seems to be a little inadequate (depending on the type of business) Comments to be based on answer to (a) Any 2 comments (1) each</p>	2

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4(c)	$(56\,200 + 100) : (81\,500 + 17\,100)$ $= 56\,300 : 98\,600$ (1) whole formula $= 0.57 : 1$ (1)	2																																		
4(d)	Increased expenditure on inventory Increase in bank overdraft/change from positive bank balance to overdraft Purchase of non-current assets Repayment of long-term loan Increase in current liabilities/increase in trade payables Decrease in trade receivables Decrease in cash Increase in drawings Any 2 reasons (1) each	2																																		
4(e)	Unable to pay debts when they fall due Unable to take advantage of cash discounts Unable to take advantage of business opportunities when they arise May have difficulty in obtaining further supplies May not be able to take drawings Any 2 points (1) each	2																																		
4(f)	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">current ratio</th> <th colspan="3">quick ratio</th> </tr> <tr> <th>increase</th> <th>decrease</th> <th>no effect</th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>introduce \$20 000 additional capital</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>obtain short-term bank loan of \$10 000</td> <td></td> <td></td> <td>✓(1)</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>sell half the inventory at cost price</td> <td></td> <td></td> <td>✓(1)</td> <td>✓(1)</td> <td></td> <td></td> </tr> </tbody> </table>		current ratio			quick ratio			increase	decrease	no effect	increase	decrease	no effect	introduce \$20 000 additional capital	✓			✓			obtain short-term bank loan of \$10 000			✓(1)			✓(1)	sell half the inventory at cost price			✓(1)	✓(1)			4
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4(g)	$\frac{\text{Cost of sales}}{\text{Average inventory}}$	1																																		
4(h)	$\frac{765990}{(87500 + 72000) \div 2} \quad \text{Or} \quad \frac{765990}{87500 - (15500 \div 2)}$ $= \frac{765990}{79750} \quad \text{ } (1)$ $= 9.60 \text{ times } (1)$	2																																		
4(i)	Higher inventory levels Lower sales activity Or other suitable reason Any 2 reasons (1) each	2																																		

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5(a)	$\frac{43\,000}{(500\,000 + 11\,000 + 14\,000 + 75\,000)}$ $= \frac{43\,000}{600\,000} \times \frac{100}{1}$ $= 7.17\% \text{ (1)}$	3																																																						
5(b)	$\frac{25\,000}{500\,000} \times \frac{100}{1}$ $= 5\%$	1																																																						
5(c)	$\frac{15\,000 + 30\,000}{500\,000 + 100\,000} \times \frac{100}{1}$ $= \frac{45\,000}{600\,000}$ $= 7.5\% \text{ (1)}$	3																																																						
5(d)	$71\,000 - (3\% \times 75\,000)$ $= 71\,000 - 2\,250$ $= 68\,750 \text{ (1)}$	2																																																						
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Profit for the year			68 750	68 750	(1)OF																																																			
Dividend paid (for year ended 30 September 2016)			(25 000)	(25 000)	(1)																																																			
Dividend paid (for year ended 30 September 2017)			(15 000)	(15 000)	(1)																																																			
Transfer to general reserve		5 000	(5 000)		(1)																																																			
<i>On 30 September 2017</i>	600 000	16 000	37 750	653 750	(1)																																																			

Question	Answer	Marks																								
5(f)	Long term loans Debenture holders are not members of the company Do not carry voting rights Carry a fixed rate of interest Interest is not dependent on the company's profit Are often secured on the assets of the company's Debenture holders are repaid before the shareholders in a winding-up Any 2 features (1) each	2																								
5(g)	Carry a fixed rate of dividend Dividend may not be paid if there is not enough profit Dividend is paid before ordinary share dividend Preference shareholders are members of the company Do not usually carry voting rights Capital is repaid before ordinary share capital in a winding-up Are not secured on the assets of the company Any 2 features (1) each	2																								
5(h)	<table border="1" data-bbox="323 853 1313 1283"> <thead> <tr> <th></th> <th>increase \$</th> <th>decrease \$</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>effect on current assets</td> <td>300 000</td> <td></td> <td></td> </tr> <tr> <td>effect on non-current liabilities</td> <td>300 000 (1)</td> <td></td> <td></td> </tr> <tr> <td>effect on profit for the year</td> <td></td> <td>9 000 (2)*</td> <td></td> </tr> <tr> <td>effect on profit available for ordinary shareholders</td> <td></td> <td>9 000 (1)OF</td> <td></td> </tr> <tr> <td>effect on equity</td> <td></td> <td></td> <td>✓(1)</td> </tr> </tbody> </table> <p>* (1) position + (1) amount</p>		increase \$	decrease \$	no effect	effect on current assets	300 000			effect on non-current liabilities	300 000 (1)			effect on profit for the year		9 000 (2)*		effect on profit available for ordinary shareholders		9 000 (1)OF		effect on equity			✓(1)	5
	increase \$	decrease \$	no effect																							
effect on current assets	300 000																									
effect on non-current liabilities	300 000 (1)																									
effect on profit for the year		9 000 (2)*																								
effect on profit available for ordinary shareholders		9 000 (1)OF																								
effect on equity			✓(1)																							

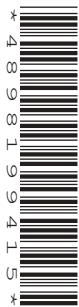


Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER



ACCOUNTING

0452/11

Paper 1

October/November 2017

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **19** printed pages and **1** blank page.

There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers, **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Which statement describes a purpose of accounting?

- | | | | |
|----------|---|--------------------------|-----|
| A | to check the arithmetical accuracy of the double entry | <input type="checkbox"/> | |
| B | to ensure that all transactions are recorded | <input type="checkbox"/> | |
| C | to know the balances on individual customers' and suppliers' accounts | <input type="checkbox"/> | |
| D | to provide a calculation of profit | <input type="checkbox"/> | [1] |

(b) A credit customer buys goods with a list price of \$1000. Trade discount is 30% and cash discount is 10%.

Which amount is entered in the customer's account to record the sale?

- | | | | |
|----------|-------|--------------------------|-----|
| A | \$600 | <input type="checkbox"/> | |
| B | \$630 | <input type="checkbox"/> | |
| C | \$700 | <input type="checkbox"/> | |
| D | \$900 | <input type="checkbox"/> | [1] |

(c) Where is discount allowed recorded?

- | | | | |
|----------|--|--------------------------|-----|
| A | on the credit side of the purchases ledger control account | <input type="checkbox"/> | |
| B | on the credit side of the sales ledger control account | <input type="checkbox"/> | |
| C | on the debit side of the purchases ledger control account | <input type="checkbox"/> | |
| D | on the debit side of the sales ledger control account | <input type="checkbox"/> | [1] |

(d) Ann's statement of financial position includes the following:

- 1 an amount paid by Ann for a service which has not yet been received
- 2 an amount received by Ann for a service which Ann has not yet provided
- 3 the value of a service received by Ann for which payment has not yet been made

Which item(s) are included in 'other payables'?

- | | | | |
|----------|---------|--------------------------|-----|
| A | 1 and 2 | <input type="checkbox"/> | |
| B | 1 only | <input type="checkbox"/> | |
| C | 2 and 3 | <input type="checkbox"/> | |
| D | 3 only | <input type="checkbox"/> | [1] |

- (e) Hiro wishes to increase his provision for doubtful debts at the end of the year.

How does he record this increase?

	debit entry	credit entry	
A	bad debts	provision for doubtful debts	<input type="checkbox"/>
B	provision for doubtful debts	bad debts	<input type="checkbox"/>
C	income statement	provision for doubtful debts	<input type="checkbox"/>
D	provision for doubtful debts	income statement	<input type="checkbox"/>

[1]

- (f) Thang bought goods costing \$20 each. At the end of the year Thang valued inventory of unsold goods at the selling price of \$30 each.

What is the effect of this valuation?

- A** profit is overstated
- B** profit is understated
- C** purchases are overstated
- D** purchases are understated

[1]

- (g) The directors of a limited company increased the general reserve.

Which item decreased?

- A** balance at bank
- B** ordinary share capital
- C** preference share capital
- D** retained earnings

[1]

(h) A trader provided the following information at the end of the first year of trading.

	\$
revenue	5000
profit for the year	500
expenses	1400
closing inventory	800

What were the purchases for the year?

- A** \$2300
- B** \$3900
- C** \$4900
- D** \$6700 [1]

(i) A trader had a percentage of gross profit to revenue (gross profit margin) of 30%.

His purchases for the year were \$3400 and his inventory increased by \$400.

What was his revenue for the year (to the nearest dollar)?

- A** \$3900
- B** \$4286
- C** \$4940
- D** \$5429 [1]

(j) When is financial information considered to be relevant?

- A** when it affects business decisions
- B** when it can be compared with other periods
- C** when it can be understood by the users
- D** when it is free from error and bias [1]

[Total: 10]

2 (a) State the meaning of owner's equity.

.....
 [1]

(b) Name the accounting principle applied in **each** of the following situations.

	Principle
A trader withdraws goods for his own use and records this in the drawings account.	
A book-keeper writes off debts which will not be paid to the business.	
An accountant does not include staff morale as an asset in the statement of financial position.	
A business uses the double entry system of book-keeping to record transactions.	

[4]

(c) Name the ledger in which the purchases account is found.

..... [1]

(d) Name the type of organisation which would prepare a statement of changes in equity.

..... [1]

(e) Complete the following sentence.

Items which a business owns or which are owed to the business are known as

..... [1]

Jake manufactures CD players. He has a credit customer, Rashida. They have exchanged an invoice, a debit note, a credit note and a statement of account.

REQUIRED

- (f) Complete the following table for the documents exchanged between Jake and Rashida. The first item has been completed as an example.

document	reason for issue	name of person issuing document
invoice	<i>to record goods sold on credit</i>	<i>Jake</i>
debit note		
credit note		
statement of account		

[6]

- (g) Complete the following table by writing True or False against **each** statement.

	True or False
Work in progress may appear in Jake's manufacturing account.	
Prime cost appears in Jake's income statement.	
Jake's business is a service business.	

[3]

[Total: 17]

- 3 The bank columns of Kang-Dae’s cash book had a debit balance brought down of \$1310 on 1 June 2017. The bank statement at the same date showed a credit balance of \$790.

When Kang-Dae compared the cash book with the bank statement he found the following.

Items on the bank statement not in the cash book

- bank charges, \$60
- credit transfer, \$540, from Nigel, a credit customer
- standing order for rent payable, \$1000
- direct debit paid to electricity company, \$400

Items in the cash book not on the bank statement

- cheque to Hachiro, a supplier, \$700
- cash paid in, \$620

Kang-Dae also discovered that a payment, \$320, for insurance had been entered in the cash book twice in error.

REQUIRED

- (a) State what is meant by a ‘bank statement’.

.....
[1]

- (b) Update the bank columns of Kang-Dae’s cash book on 1 June 2017. Balance the cash book and bring down the balance.

Kang-Dae
Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[7]

(c) Prepare the bank reconciliation statement at 1 June 2017.

Kang-Dae
Bank reconciliation statement at 1 June 2017

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....[6]

(d) State **two** differences between a bank overdraft and a bank loan.

1
.....
2
.....[2]

(e) Name the section of the statement of financial position where a 5-year bank loan would appear.

.....[1]

[Total: 17]

- 4 Bayani depreciates his fixtures and fittings using the straight line (equal instalment) method of depreciation. He provides a full year’s depreciation in the year of purchase and none in the year of disposal. He provided the following information.

	fixtures and fittings	
	cost	accumulated depreciation
	\$	\$
at 31 December 2013	42 600	12 780
at 31 December 2014	42 600	17 040

There were no additions or disposals during the year ended 31 December 2014.

REQUIRED

- (a) Calculate the rate of depreciation Bayani is applying.

.....

 [3]

Additional information

On 1 May 2015 Bayani bought new fixtures and fittings, cost \$12 000, paying by cheque.

On 1 August 2016 he sold old fixtures and fittings, which had cost \$10 000 and on which four years’ depreciation had been provided. The purchaser paid Bayani in cash.

REQUIRED

- (b) Name the books of prime (original) entry used on 1 May 2015 and 1 August 2016.

1 May 2015

.....

1 August 2016

.....

..... [3]

- (c) Complete the following table by inserting the amounts to be shown in the financial statements. Show your workings in the spaces provided.

	workings	\$
fixtures and fittings at cost on 31 December 2015		
fixtures and fittings at cost on 31 December 2016		
depreciation charge for the year ended 31 December 2015		
accumulated depreciation at 31 December 2015		
depreciation charge for the year ended 31 December 2016		
accumulated depreciation at 31 December 2016		

[12]

- (d) State the double entry needed to record the depreciation charge for the year ended 31 December 2015.

debit entry	credit entry

[2]

- (e) State the double entry needed to eliminate the accumulated depreciation on the fixtures and fittings sold on 1 August 2016.

debit entry	credit entry

[2]

- (f) Name **one** method of depreciation, other than the straight line (equal instalment) method, and explain how it is calculated.

Name of method

Method of calculation

.....

.....[3]

Additional information

Bayani also bought a motor vehicle. The costs relating to the purchase were as follows:

	\$
cost of vehicle	17 200
number plates	120
fuel	80
insurance of vehicle	450

REQUIRED

- (g) Complete the following table, indicating with a tick (✓) whether each item is a capital expenditure or a revenue expenditure.

	capital expenditure	revenue expenditure
cost of vehicle		
number plates		
fuel		
insurance of vehicle		

[4]

- (h) Give **one** example of a capital receipt.

.....[1]

[Total: 30]

- 5 Satish has a financial year end of 30 June. On 30 June 2017 he prepared the following trial balance.

Satish
Trial Balance at 30 June 2017

	Debit \$	Credit \$
Revenue		53 030
Purchases	33 200	
Fixtures and fittings	12 000	
Provision for depreciation on fixtures and fittings		3 000
Trade receivables	3 100	
Trade payables		1 900
Inventory at 1 July 2016	4 450	
Rent	6 000	
Wages	2 800	
Other operating expenses	4 180	
Drawings	10 900	
Capital		14 200
Bank		600
	76 630	72 730

Additional information

- 1 Satish calculated a draft gross profit for the year ended 30 June 2017 of \$20 000. This calculation used a valuation of closing inventory of \$4 620.
- 2 Depreciation for the year, \$1 500, had yet to be provided.

The books of account contained errors and the totals of the trial balance did not agree. Satish therefore opened a suspense account, and then discovered the following errors.

- 1 A sale on credit, \$400, had been completely omitted from the books.
- 2 Closing inventory included \$550 for inventory which had been damaged and now had no value, but this had not been written off.
- 3 The purchases journal for June had been undercast by \$100.
- 4 Capital introduced of \$2 000 had been correctly entered in the cash book but debited in the drawings account.

REQUIRED

- (a) Prepare the suspense account, showing the opening balance and the entries correcting the errors.

Satish
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

[4]

- (b) (i) Complete the following statement to calculate the correct gross profit for the year. Where an error has no effect on gross profit, place a tick (✓) in the No Effect column.

Satish
Statement of correction of gross profit for the year ended 30 June 2017

	No Effect	Increase \$	Decrease \$	\$
Draft gross profit				20 000
Error 1				
Error 2				
Error 3				
Error 4				
		_____	_____	
		_____	_____	
Corrected gross profit				_____

[8]

(ii) Calculate the profit for the year ended 30 June 2017.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[5]

(c) Prepare Satish’s statement of financial position at 30 June 2017.

Satish
Statement of financial position at 30 June 2017

	\$	\$	\$
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[10]

[Total: 27]

- 6 Amina and Samara are in partnership. Their partnership agreement states that interest on capital is paid at the rate of 10% per annum and that profits and losses are shared in the ratio of 3:2 respectively.

The following information is available.

	\$
At 1 July 2016	
Capital accounts	
Amina	50 000
Samara	20 000
Current accounts	
Amina	4 000 credit
Samara	3 000 credit
For the year ended 30 June 2017	
Profit for the year	17 500
Drawings	
Amina	8 000
Samara	12 000

On 1 January 2017 Amina introduced additional capital of \$10 000 into the partnership in the form of cash.

REQUIRED

- (a) State what is meant by a 'partnership'.

.....

.....[1]

(b) Prepare the appropriation account for the year ended 30 June 2017.

Amina and Samara
Appropriation Account for the year ended 30 June 2017

	\$	\$
.....
.....
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.....

[4]

(c) Prepare the following ledger accounts for the year ended 30 June 2017. Balance the accounts and bring down the balances on 1 July 2017.

Amina and Samara
Capital accounts

Date	Details	Amina \$	Samara \$	Date	Details	Amina \$	Samara \$
.....
.....
.....
.....
.....
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.....
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.....

[3]

Current accounts

Date	Details	Amina \$	Samara \$	Date	Details	Amina \$	Samara \$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[5]

(d) Explain how the financial statements would have been affected if Amina had made a loan to the partnership instead of introducing additional capital.

.....
.....
.....
..... [2]

Amina is not happy that Samara’s drawings are greater than hers. Samara says she is entitled to take out of the business more drawings than Amina because she does a greater share of the work.

REQUIRED

(e) Explain **two** reasons why Amina is not happy that Samara’s drawings are greater than hers.

1
.....
.....
2
.....
..... [4]

[Total: 19]

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NAME

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NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/12

Paper 1

October/November 2017

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

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DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

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This document consists of **19** printed pages and **1** blank page.

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 **(a)** When Jack prepared his bank reconciliation statement it included an unpresented cheque.

Which cheque is unpresented?

- | | | | |
|---|---|--------------------------|-----|
| A | a cheque Jack received and banked but which has not appeared on his bank statement | <input type="checkbox"/> | |
| B | a cheque which appears on Jack's bank statement but which has been omitted from his cash book | <input type="checkbox"/> | |
| C | a cheque which Jack has issued to a supplier who has not banked it | <input type="checkbox"/> | |
| D | a cheque debited twice in Jack's bank statement in an error by the bank | <input type="checkbox"/> | [1] |

(b) Ahmed bought a motor vehicle and paid the following amounts.

	\$
motor vehicle	8000
number plates	100
insurance	400

What was Ahmed's capital expenditure?

- | | | | |
|---|--------|--------------------------|-----|
| A | \$400 | <input type="checkbox"/> | |
| B | \$500 | <input type="checkbox"/> | |
| C | \$8000 | <input type="checkbox"/> | |
| D | \$8100 | <input type="checkbox"/> | [1] |

(c) A disposal account showed the following.

	\$		\$
Machinery	6200	Provision for depreciation	2100
		Bank	3800
		Income statement	300
	6200		6200

Which book of prime entry was used to transfer the \$300 to the income statement and how was it treated there?

	book of prime entry	treatment in income statement
A	general journal	as a loss
B	general journal	as a profit
C	sales journal	as a loss
D	sales journal	as a profit

[1]

(d) Sasha buys radios at \$20 each. At the year end she has 50 radios in inventory. Of these, 3 radios are damaged and will cost \$17 each to repair.

All the radios are expected to be sold at \$30 each.

What is the value of inventory in the statement of financial position?

- A \$979
 B \$1000
 C \$1449
 D \$1500

[1]

(e) Which businesses are trading businesses and which are service businesses?

	trading business	service business
A	food retailer	hairdresser
B	food retailer and hairdresser	neither
C	hairdresser	food retailer
D	neither	food retailer and hairdresser

[1]

(f) An appropriation account showed the following.

		\$
interest on drawings	Sumit	1300
	Tom	1200
interest on capital	Sumit	1000
	Tom	1000
share of residual profit	Sumit	8000
	Tom	4000

What was the total profit for the year?

A \$7500

B \$11 500

C \$12 000

D \$12 500

[1]

(g) A subscriptions account showed subscriptions in arrears, \$400, at the start of the year, and subscriptions in advance, \$100, at the end of the year. Subscriptions of \$15 000 had been received during the year.

Which value for subscriptions appeared in the income and expenditure account?

A \$14 500

B \$14 700

C \$15 300

D \$15 500

[1]

(h) A manufacturer provided the following information.

	\$
purchases of raw materials	50 000
direct labour	58 000
factory overheads	22 000

At the year end inventory of raw materials had increased by \$4000. Inventory of finished goods had increased by \$9000.

What was the cost of sales?

- A \$37 000
- B \$46 000
- C \$117 000
- D \$126 000 [1]

(i) A trader provided the following information.

	\$
revenue	1050
opening inventory	50
purchases	800
closing inventory	150

Which mark-up had been applied?

- A 16.67%
- B 31.25%
- C 33.33%
- D 50% [1]

(j) Barak did not maintain a full set of accounting records in his first year of trading.

How did Barak calculate his credit sales?

- A closing trade receivables + cash received – discount allowed
- B closing trade receivables + cash received + discount allowed
- C closing trade receivables + cash received – discount received
- D closing trade receivables + cash received + discount received [1]

[Total: 10]

2 (a) Name the accounting principle applied when using the double entry system of book-keeping.
[1]

(b) Complete the following table by writing **either** True or False against **each** statement.

	True or False
Carriage inwards appears on the debit side of a trial balance.	
Inventory is included in current assets.	
A suspense account represents the difference between the cash book balance and the balance on the bank statement.	
A sole trader has limited liability.	
The sales account appears in the nominal (general) ledger.	

[5]

(c) Complete the following sentence using the words 'increases' and 'reduces'.

An adjustment for a prepaid cost expenses and profit. [1]

(d) State **one** purpose of accounting.

.....
[1]

(e) Complete the following table. State **one** type of organisation to which **each** of the accounting terms relates. The first has been completed as an example.

term	organisation
prime cost	<i>manufacturing business</i>
accumulated fund	
dividend paid	
interest on capital	
work in progress	
drawings	

[5]

(f) Name the financial statement where discount received is recorded. State how it is shown there.

.....
[2]

(g) State **one** difference between an income statement and a statement of financial position.

.....
.....
.....
.....[2]

(h) Name **one** user who might be interested in the financial statements of a club or society.

.....[1]

(i) Name **one** factor which might limit the usefulness of the financial statements.

.....
.....[1]

[Total: 19]

- 3 (a) State **one** reason why a trader maintains books of prime entry.

.....
[1]

- (b) Name the book of prime entry which also functions as a ledger account.

.....[1]

Jason is a trader. His financial year ends on 31 May.
 On 1 May 2017 his ledger included the following balances.

	\$
Purchases	19620
Purchases returns	850

Jason's purchases journal and purchases returns journal for the month of May 2017 were as follows.

Purchases journal		
2017		\$
May 2	Asnee	400
5	Botan	610
7	Chaitali	388
19	Asnee	190
24	Dae	<u>517</u>
		<u>2105</u>

Purchases returns journal		
2017		\$
May 4	Asnee	105
15	Chaitali	<u>55</u>
		<u>160</u>

REQUIRED

- (c) Complete the following table, naming the source document used by Jason on **each** date, and the person who issued the document.

Date	Source document	Issued by
May 2		
May 4		

[4]

(d) Prepare the following ledger accounts in the books of Jason for the month of May 2017.

Show the transfers to the income statement.

Jason
Purchases account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....

[3]

Purchases returns account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....

[3]

Jason owed Asnee \$480 on 1 May 2017. He paid this balance by cheque on 6 May after deducting 2% discount.

REQUIRED

- (e) Prepare Asnee’s account in Jason’s purchases ledger for the month of May 2017. Include entries for the relevant transactions recorded in Jason’s journals.

Jason
Asnee account

Date	Details	\$	Date	Details	\$
.....
.....
.....
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.....

[7]

Before preparing the financial statements Jason prepared a trial balance. The totals of the trial balance did not agree.

REQUIRED

- (f) State what is meant by the term ‘trial balance’.

.....
[2]

(g) Name and explain **two** errors which would **not** affect the balancing of the trial balance.

Error 1

Name

Explanation

.....

.....

Error 2

Name

Explanation

.....

.....[4]

Jason prepared a sales ledger control account and a purchases ledger control account for the year.

REQUIRED

(h) Explain why the preparation of control accounts would have helped Jason discover why the totals of the trial balance did not agree.

.....

.....

.....

.....[2]

[Total: 27]

4 FTA Industries provided the following information.

At 31 December	Trade receivables \$	Rate of provision for doubtful debts
2014	72 100	3%
2015	68 800	2%
2016	83 300	2%

Additional information

- 1 There were no bad debts during the year ended 31 December 2015.
- 2 A debt of \$1400 owed by Eddie at 31 December 2016 and included in the total at that date was considered irrecoverable.

REQUIRED

- (a) Prepare the provision for doubtful debts account for **each** of the years ended 31 December 2015 and 2016. Balance the account at the end of each year and bring down the balance.

FTA Industries
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[8]

- (b) State the effect of the doubtful debts on the profit for the year ended 31 December 2015.
-
- [2]

(c) State the double entry made on 31 December 2016 to write off Eddie’s debt.

Account debited	Account credited

[2]

(d) Name the book of prime (original) entry used to write off bad debts.

.....[1]

(e) Prepare an extract from the income statement for the year ended 31 December 2016 showing the effect of bad debts and doubtful debts.

FTA Industries
Income Statement (extract) for the year ended 31 December 2016

.....
.....
.....
.....[3]

(f) Name the **two** accounting principles applied when providing for doubtful debts.

1

2[2]

[Total: 18]

- 5 HS Limited was formed on 1 January 2016 with the issue of 1 million ordinary shares of \$0.50 each.

During 2016 the following took place.

- 1 Premises were bought for \$400 000. Half of this cost was for the land and half for the buildings.
A vehicle was bought for \$20 000 and fixtures and fittings for \$35 000.
- 2 Receipts from credit customers were \$290 000.
Payments to credit suppliers were \$193 000.
Payments for wages and other operating expenses were \$80 000.

All sales and purchases were on credit.

REQUIRED

- (a) Calculate the balance on the bank account at 31 December 2016.

	\$	\$
Receipts		
.....
.....
.....
.....
Payments		
.....
.....
.....
.....
.....
.....
.....
Closing balance		.....

[6]

The directors of HS Limited are worried that the company has not paid a dividend during the year.

REQUIRED

(d) Name the financial statement in which any dividend paid would have been recorded.

.....[1]

HS Limited had a percentage of gross profit to revenue which was lower than the industry average and a percentage of profit to revenue which was higher than the industry average.

REQUIRED

(e) Suggest **one** reason for **each** of these differences.

Percentage of gross profit to revenue

.....
.....

Percentage of profit to revenue

.....
.....[2]

[Total: 30]

6 Tyler had the following assets and liabilities on 31 July 2017.

	\$
trade payables	2900
other payables	900
non-current assets	8200
inventory	3000
trade receivables	2200
other receivables	400
bank overdraft	600

Tyler was concerned about his working capital position.

REQUIRED

(a) State how working capital is calculated.

.....[1]

(b) Calculate (to **two** decimal places) the current ratio on 31 July 2017.

.....

[2]

(c) Name **one** other ratio which would help Tyler to assess his liquidity position.

.....[1]

(d) Explain **two** reasons why Tyler is right to be concerned about his working capital position.

1

 2

[4]

- (e) Complete the following table stating the effect on working capital and owner’s capital of **each** transaction. Where a transaction has no effect, write ‘No Effect’.
The first one has been completed as an example.

		working capital	owner’s capital
1	introduced \$2000 capital in the form of cash	<i>increase \$2000</i>	<i>increase \$2000</i>
2	received a long term loan, \$500		
3	bought inventory, \$400, on credit		
4	sold goods costing \$100 for \$180 cash		

[6]

- (f) State which transaction increased capital employed without affecting profit.

.....[1]

- (g) State **one** reason why Tyler would want to calculate his return on capital employed.

.....
[1]

[Total: 16]

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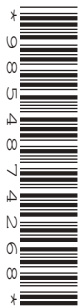


Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER



ACCOUNTING

0452/13

Paper 1

October/November 2017

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **19** printed pages and **1** blank page.

There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers, **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Which statement describes a purpose of accounting?

- | | | | |
|----------|---|--------------------------|-----|
| A | to check the arithmetical accuracy of the double entry | <input type="checkbox"/> | |
| B | to ensure that all transactions are recorded | <input type="checkbox"/> | |
| C | to know the balances on individual customers' and suppliers' accounts | <input type="checkbox"/> | |
| D | to provide a calculation of profit | <input type="checkbox"/> | [1] |

(b) A credit customer buys goods with a list price of \$1000. Trade discount is 30% and cash discount is 10%.

Which amount is entered in the customer's account to record the sale?

- | | | | |
|----------|-------|--------------------------|-----|
| A | \$600 | <input type="checkbox"/> | |
| B | \$630 | <input type="checkbox"/> | |
| C | \$700 | <input type="checkbox"/> | |
| D | \$900 | <input type="checkbox"/> | [1] |

(c) Where is discount allowed recorded?

- | | | | |
|----------|--|--------------------------|-----|
| A | on the credit side of the purchases ledger control account | <input type="checkbox"/> | |
| B | on the credit side of the sales ledger control account | <input type="checkbox"/> | |
| C | on the debit side of the purchases ledger control account | <input type="checkbox"/> | |
| D | on the debit side of the sales ledger control account | <input type="checkbox"/> | [1] |

(d) Ann's statement of financial position includes the following:

- 1 an amount paid by Ann for a service which has not yet been received
- 2 an amount received by Ann for a service which Ann has not yet provided
- 3 the value of a service received by Ann for which payment has not yet been made

Which item(s) are included in 'other payables'?

- | | | | |
|----------|---------|--------------------------|-----|
| A | 1 and 2 | <input type="checkbox"/> | |
| B | 1 only | <input type="checkbox"/> | |
| C | 2 and 3 | <input type="checkbox"/> | |
| D | 3 only | <input type="checkbox"/> | [1] |

- (e) Hiro wishes to increase his provision for doubtful debts at the end of the year.

How does he record this increase?

	debit entry	credit entry	
A	bad debts	provision for doubtful debts	<input type="checkbox"/>
B	provision for doubtful debts	bad debts	<input type="checkbox"/>
C	income statement	provision for doubtful debts	<input type="checkbox"/>
D	provision for doubtful debts	income statement	<input type="checkbox"/>

[1]

- (f) Thang bought goods costing \$20 each. At the end of the year Thang valued inventory of unsold goods at the selling price of \$30 each.

What is the effect of this valuation?

- A** profit is overstated
- B** profit is understated
- C** purchases are overstated
- D** purchases are understated

[1]

- (g) The directors of a limited company increased the general reserve.

Which item decreased?

- A** balance at bank
- B** ordinary share capital
- C** preference share capital
- D** retained earnings

[1]

(h) A trader provided the following information at the end of the first year of trading.

	\$
revenue	5000
profit for the year	500
expenses	1400
closing inventory	800

What were the purchases for the year?

- A** \$2300
- B** \$3900
- C** \$4900
- D** \$6700 [1]

(i) A trader had a percentage of gross profit to revenue (gross profit margin) of 30%.

His purchases for the year were \$3400 and his inventory increased by \$400.

What was his revenue for the year (to the nearest dollar)?

- A** \$3900
- B** \$4286
- C** \$4940
- D** \$5429 [1]

(j) When is financial information considered to be relevant?

- A** when it affects business decisions
- B** when it can be compared with other periods
- C** when it can be understood by the users
- D** when it is free from error and bias [1]

[Total: 10]

2 (a) State the meaning of owner's equity.

.....
 [1]

(b) Name the accounting principle applied in **each** of the following situations.

	Principle
A trader withdraws goods for his own use and records this in the drawings account.	
A book-keeper writes off debts which will not be paid to the business.	
An accountant does not include staff morale as an asset in the statement of financial position.	
A business uses the double entry system of book-keeping to record transactions.	

[4]

(c) Name the ledger in which the purchases account is found.

..... [1]

(d) Name the type of organisation which would prepare a statement of changes in equity.

..... [1]

(e) Complete the following sentence.

Items which a business owns or which are owed to the business are known as

..... [1]

Jake manufactures CD players. He has a credit customer, Rashida. They have exchanged an invoice, a debit note, a credit note and a statement of account.

REQUIRED

- (f) Complete the following table for the documents exchanged between Jake and Rashida. The first item has been completed as an example.

document	reason for issue	name of person issuing document
invoice	<i>to record goods sold on credit</i>	<i>Jake</i>
debit note		
credit note		
statement of account		

[6]

- (g) Complete the following table by writing True or False against **each** statement.

	True or False
Work in progress may appear in Jake's manufacturing account.	
Prime cost appears in Jake's income statement.	
Jake's business is a service business.	

[3]

[Total: 17]

- 3 The bank columns of Kang-Dae’s cash book had a debit balance brought down of \$1310 on 1 June 2017. The bank statement at the same date showed a credit balance of \$790.

When Kang-Dae compared the cash book with the bank statement he found the following.

Items on the bank statement not in the cash book

- bank charges, \$60
- credit transfer, \$540, from Nigel, a credit customer
- standing order for rent payable, \$1000
- direct debit paid to electricity company, \$400

Items in the cash book not on the bank statement

- cheque to Hachiro, a supplier, \$700
- cash paid in, \$620

Kang-Dae also discovered that a payment, \$320, for insurance had been entered in the cash book twice in error.

REQUIRED

- (a) State what is meant by a ‘bank statement’.

.....
[1]

- (b) Update the bank columns of Kang-Dae’s cash book on 1 June 2017. Balance the cash book and bring down the balance.

Kang-Dae
Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[7]

(c) Prepare the bank reconciliation statement at 1 June 2017.

Kang-Dae
Bank reconciliation statement at 1 June 2017

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....[6]

(d) State **two** differences between a bank overdraft and a bank loan.

1

2

.....[2]

(e) Name the section of the statement of financial position where a 5-year bank loan would appear.

.....[1]

[Total: 17]

- 4 Bayani depreciates his fixtures and fittings using the straight line (equal instalment) method of depreciation. He provides a full year’s depreciation in the year of purchase and none in the year of disposal. He provided the following information.

	fixtures and fittings	
	cost	accumulated depreciation
	\$	\$
at 31 December 2013	42 600	12 780
at 31 December 2014	42 600	17 040

There were no additions or disposals during the year ended 31 December 2014.

REQUIRED

- (a) Calculate the rate of depreciation Bayani is applying.

.....

 [3]

Additional information

On 1 May 2015 Bayani bought new fixtures and fittings, cost \$12 000, paying by cheque.

On 1 August 2016 he sold old fixtures and fittings, which had cost \$10 000 and on which four years’ depreciation had been provided. The purchaser paid Bayani in cash.

REQUIRED

- (b) Name the books of prime (original) entry used on 1 May 2015 and 1 August 2016.

1 May 2015

.....

1 August 2016

.....

..... [3]

- (c) Complete the following table by inserting the amounts to be shown in the financial statements. Show your workings in the spaces provided.

	workings	\$
fixtures and fittings at cost on 31 December 2015		
fixtures and fittings at cost on 31 December 2016		
depreciation charge for the year ended 31 December 2015		
accumulated depreciation at 31 December 2015		
depreciation charge for the year ended 31 December 2016		
accumulated depreciation at 31 December 2016		

[12]

- (d) State the double entry needed to record the depreciation charge for the year ended 31 December 2015.

debit entry	credit entry

[2]

- (e) State the double entry needed to eliminate the accumulated depreciation on the fixtures and fittings sold on 1 August 2016.

debit entry	credit entry

[2]

- (f) Name **one** method of depreciation, other than the straight line (equal instalment) method, and explain how it is calculated.

Name of method

Method of calculation

.....

.....[3]

Additional information

Bayani also bought a motor vehicle. The costs relating to the purchase were as follows:

	\$
cost of vehicle	17 200
number plates	120
fuel	80
insurance of vehicle	450

REQUIRED

- (g) Complete the following table, indicating with a tick (✓) whether each item is a capital expenditure or a revenue expenditure.

	capital expenditure	revenue expenditure
cost of vehicle		
number plates		
fuel		
insurance of vehicle		

[4]

- (h) Give **one** example of a capital receipt.

.....[1]

[Total: 30]

- 5 Satish has a financial year end of 30 June. On 30 June 2017 he prepared the following trial balance.

Satish
Trial Balance at 30 June 2017

	Debit \$	Credit \$
Revenue		53 030
Purchases	33 200	
Fixtures and fittings	12 000	
Provision for depreciation on fixtures and fittings		3 000
Trade receivables	3 100	
Trade payables		1 900
Inventory at 1 July 2016	4 450	
Rent	6 000	
Wages	2 800	
Other operating expenses	4 180	
Drawings	10 900	
Capital		14 200
Bank		600
	76 630	72 730

Additional information

- 1 Satish calculated a draft gross profit for the year ended 30 June 2017 of \$20 000. This calculation used a valuation of closing inventory of \$4 620.
- 2 Depreciation for the year, \$1 500, had yet to be provided.

The books of account contained errors and the totals of the trial balance did not agree. Satish therefore opened a suspense account, and then discovered the following errors.

- 1 A sale on credit, \$400, had been completely omitted from the books.
- 2 Closing inventory included \$550 for inventory which had been damaged and now had no value, but this had not been written off.
- 3 The purchases journal for June had been undercast by \$100.
- 4 Capital introduced of \$2 000 had been correctly entered in the cash book but debited in the drawings account.

REQUIRED

- (a) Prepare the suspense account, showing the opening balance and the entries correcting the errors.

Satish
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

[4]

- (b) (i) Complete the following statement to calculate the correct gross profit for the year. Where an error has no effect on gross profit, place a tick (✓) in the No Effect column.

Satish
Statement of correction of gross profit for the year ended 30 June 2017

	No Effect	Increase \$	Decrease \$	\$
Draft gross profit				20 000
Error 1				
Error 2				
Error 3				
Error 4				
		_____	_____	
		_____	_____	
Corrected gross profit				_____

[8]

(ii) Calculate the profit for the year ended 30 June 2017.

.....
.....
.....
.....
.....
.....
.....
.....
.....

.....[5]

(c) Prepare Satish’s statement of financial position at 30 June 2017.

Satish
Statement of financial position at 30 June 2017

	\$	\$	\$
.....
.....
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[10]

[Total: 27]

- 6 Amina and Samara are in partnership. Their partnership agreement states that interest on capital is paid at the rate of 10% per annum and that profits and losses are shared in the ratio of 3:2 respectively.

The following information is available.

	\$
At 1 July 2016	
Capital accounts	
Amina	50 000
Samara	20 000
Current accounts	
Amina	4 000 credit
Samara	3 000 credit
For the year ended 30 June 2017	
Profit for the year	17 500
Drawings	
Amina	8 000
Samara	12 000

On 1 January 2017 Amina introduced additional capital of \$10 000 into the partnership in the form of cash.

REQUIRED

- (a) State what is meant by a 'partnership'.

.....

.....[1]

(b) Prepare the appropriation account for the year ended 30 June 2017.

Amina and Samara
Appropriation Account for the year ended 30 June 2017

	\$	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[4]

- (c) Prepare the following ledger accounts for the year ended 30 June 2017. Balance the accounts and bring down the balances on 1 July 2017.

Amina and Samara
Capital accounts

Date	Details	Amina \$	Samara \$	Date	Details	Amina \$	Samara \$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[3]

Current accounts

Date	Details	Amina \$	Samara \$	Date	Details	Amina \$	Samara \$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[5]

(d) Explain how the financial statements would have been affected if Amina had made a loan to the partnership instead of introducing additional capital.

.....
.....
.....
..... [2]

Amina is not happy that Samara’s drawings are greater than hers. Samara says she is entitled to take out of the business more drawings than Amina because she does a greater share of the work.

REQUIRED

(e) Explain **two** reasons why Amina is not happy that Samara’s drawings are greater than hers.

1

.....

.....

.....

2

.....

..... [4]

[Total: 19]

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ACCOUNTING

0452/21

Paper 2

October/November 2017

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

- 1 Zodwa is a trader. She maintains a full set of accounting records. Her financial year ends on 31 July.

She provided the following information on 31 July 2017.

- 1 No entry has been made for \$720 cash received from Brian, a credit customer. The balance of his account is irrecoverable and should be written off.
- 2 A cheque for \$118 was received from AL Stores whose account was written off in 2015.
- 3 Rent prepaid amounted to \$400. One quarter of the rent for the year relates to Zodwa’s flat above the business premises.
- 4 Commission receivable outstanding amounted to \$150.
- 5 The fixtures originally cost \$40000 and are to be depreciated by 15% per annum using the reducing (diminishing) balance method.

REQUIRED

- (a) Record this information in the following accounts of Zodwa’s ledger at 31 July 2017.

Close the accounts by balancing or by making a transfer to an appropriate account.

Some entries have already been made in the accounts during the year.

Brian account

Date 2016	Details	\$	Date	Details	\$
Aug 1	Balance b/d	1000	.....	.....	.....
.....
.....
.....

Bad debts account

Date 2017	Details	\$	Date	Details	\$
July 31	Total to date	990	.....	.....	.....
.....
.....
.....

Bad debts recovered account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....

Rent account

Date	Details	\$	Date	Details	\$
<i>2017</i>					
<i>July 31</i>	<i>Total paid</i>	<i>5200</i>	.....	.....	.....
.....
.....
.....
.....

Drawings account

Date	Details	\$	Date	Details	\$
<i>2017</i>					
<i>July 31</i>	<i>Total to date</i>	<i>9650</i>	.....	.....	.....
.....
.....
.....

Commission receivable account

Date	Details	\$	Date 2017	Details	\$
.....	July 31	Total to date	890
.....
.....
.....
.....

Provision for depreciation of fixtures account

Date	Details	\$	Date 2016	Details	\$
.....	Aug 1	Balance b/d	11 100
.....
.....
.....
.....

[15]

On 31 July 2017 Zodwa decided to create a provision for doubtful debts.

REQUIRED

(b) Explain the meaning of the term provision for doubtful debts.

.....

.....

..... [2]

(c) Suggest **one** way in which the amount of a provision for doubtful debts may be determined.

.....

..... [1]

(d) State the double entry required to create a provision for doubtful debts.

debit	credit

[2]

(e) State how Zodwa would be applying the principle of prudence if she maintained a provision for doubtful debts.

.....

.....

.....

[2]

(f) State how Zodwa would be applying the principle of accruals (matching) if she maintained a provision for doubtful debts.

.....

.....

.....

[2]

(g) Suggest **two** ways in which Zodwa could reduce the amount of bad debts.

1

.....

2

.....

[2]

[Total: 26]

- 2 Mahendra’s financial year ends on 31 August. He buys and sells on both cash and credit terms and maintains a full set of accounting records.

Mahendra prepares control accounts at the end of each month.

REQUIRED

- (a) Complete the following table. Use a tick (✓) to show where **each** of the following items would appear in Mahendra’s sales ledger control account. If the item does **not** appear place a tick in the “no entry” column.

	debit	credit	no entry
opening balance owed by credit customers			
credit sales			
cash sales			
provision for doubtful debts			
bad debts written off			
cash discount allowed to credit customers			
trade discount allowed to credit customers			
contra between sales and purchases ledgers			
cash received from credit customers			

[9]

- (b) Name the book of prime (original) entry which Mahendra would use to obtain the following information when preparing his purchases ledger control account.

	book of prime (original) entry
returns to credit suppliers	
discount received	
interest charged by credit supplier	
contra entry to sales ledger control account	

[4]

- (c) (i) State the meaning of a contra entry in connection with control accounts.

.....
 [1]

- (ii) State why such an entry may be necessary.

.....
 [1]

(d) Suggest **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

- 1
-
- 2
- [2]

On 31 August 2017 Mahendra’s trade receivables amounted to \$20 520. He allows his credit customers 30 days credit.

The sales for the year ended 31 August 2017 were \$229 000, of which \$42 300 represented cash sales.

REQUIRED

(e) (i) State the formula for the calculation of the trade receivables collection period.

-
- [1]

(ii) Calculate the trade receivables collection period. Round up your answer to the next whole day.

-
-
-
- [2]

(f) Suggest **two** ways in which Mahendra could improve the trade receivables collection period.

- 1
-
- 2
- [2]

Mahendra is allowed 21 days credit by his credit suppliers. His trade payables payment period was calculated at 20 days at 31 August 2016 and 30 days at 31 August 2017.

REQUIRED

(g) State the formula for the calculation of the trade payables payment period.

.....
..... [1]

(h) Comment on the possible reaction of Mahendra's credit suppliers to the change in the ratio.

.....
.....
.....
..... [2]

[Total: 25]

Question 3 is on the next page.

3 The financial year of the AS Sports Club ends on 30 September.

In addition to providing sporting facilities, the club also sells sportswear to members. No inventory is held as all goods are bought and sold to order, on a cash basis.

The treasurer provided the following information.

At 1 October 2016

	\$
Equipment at cost	22 000
Provision for depreciation of equipment	4 400
Subscriptions owing by members	600
Cash at bank	610
Insurance prepaid	60
Bank loan (repayable 2020)	7 000
Accumulated fund	?

The receipts and payments account for the year ended 30 September 2017 was as follows.

Receipts	\$	Payments	\$
Balance 1 October 2016	610	Equipment	8 000
Sale of sportswear	3 510	Purchase of sportswear	2 410
Subscriptions	12 540	Rates and insurance	1 500
Receipts from open day	4 180	Expenses of open day	5 250
Balance 30 September 2017	760	Rent of sports ground	1 800
	<u>21 600</u>	General expenses	<u>2 640</u>
			<u>21 600</u>

At 30 September 2017

- 1 Subscriptions owing by members amounted to \$240 and subscriptions prepaid by members amounted to \$180.
- 2 Loan interest at 5% per annum was outstanding.
- 3 The equipment is depreciated at 20% per annum based on the cost of equipment held at the end of each financial year.

REQUIRED

(a) Calculate the subscriptions for the year ended 30 September 2017.

.....

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[5]

(b) Prepare the income and expenditure account for the year ended 30 September 2017.

AS Sports Club
Income and Expenditure Account for the year ended 30 September 2017

	\$	\$
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[9]

(c) Prepare the statement of financial position at 30 September 2017.

AS Sports Club
Statement of Financial Position at 30 September 2017

	\$	\$	\$
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[9]

(d) Explain why the outstanding loan interest should **not** be credited to the loan account.

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..... [2]

[Total: 25]

4 Hanif’s financial year ends on 31 July. He provided the following information on 31 July 2017.

	\$
Inventory	87 500
Trade payables	81 500
Trade receivables	56 200
Petty cash	100
Bank overdraft	17 100

REQUIRED

(a) Calculate the current ratio. The calculation should be correct to **two** decimal places.

.....

.....

.....

..... [2]

(b) Comment on your answer to (a).

.....

.....

.....

..... [2]

(c) Calculate the quick ratio. The calculation should be correct to **two** decimal places.

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..... [2]

(d) Suggest **two** reasons why the quick ratio is lower than it was at the end of the previous financial year.

1

.....

2

..... [2]

(e) Suggest **two** problems Hanif may encounter if his working capital is inadequate.

1

.....

2

..... [2]

(f) Complete the table by placing a tick (✓) in the correct column to show how **each** of the following transactions would affect the current ratio and the quick ratio.

The first one has been completed as an example.

	current ratio			quick ratio		
	increase	decrease	no effect	increase	decrease	no effect
introduce \$20 000 additional capital	✓			✓		
obtain short-term bank loan \$10 000						
sell half the inventory at cost price						

[4]

Hanif provided the following information for the year ended 31 July 2017.

	\$
Revenue	999 750
Cost of sales	765 990

Inventory at 31 July 2017 was \$15 500 more than the inventory at 1 August 2016.

REQUIRED

(g) State the formula for the calculation of the rate of inventory turnover (in times).

.....

..... [1]

(h) Calculate the rate of inventory turnover (in times). The calculation should be correct to **two** decimal places.

.....

.....

.....

..... [2]

(i) Suggest **two** reasons why the rate of inventory turnover is lower than it was in the previous year.

1

.....

2

..... [2]

[Total: 19]

Question 5 is on the next page.

5 The financial year of CP Limited ends on 30 September.

The following information is available.

On 1 October 2016	\$
Ordinary shares of \$1 each	500 000
General reserve	11 000
Retained earnings	14 000
3% Debentures (repayable 2031)	75 000

REQUIRED

(a) Calculate the return on capital employed (ROCE) at 1 October 2016. Use a profit of \$43 000. The calculation should be correct to **two** decimal places.

.....

.....

..... [3]

On 2 October 2016 an additional 100 000 ordinary shares of \$1 were issued. These shares qualified for dividends relating to the financial year ended 30 September 2017.

The following dividends were paid.

2016		\$
December 31	Payment of final ordinary share dividend for the year ended 30 September 2016	25 000
2017		
June 30	Payment of interim ordinary share dividend for the year ended 30 September 2017	15 000

The profit for the year ended 30 September 2017 before debenture interest was \$71 000.

On 30 September 2017 a transfer was made of \$5 000 to general reserve. On that date a final ordinary share dividend for the year ended 30 September 2017 of \$30 000 was proposed.

REQUIRED

(b) Calculate the percentage (%) final ordinary share dividend for the year ended 30 September 2016.

.....

.....

..... [1]

- (c) Calculate the percentage (%) total ordinary share dividend for the year ended 30 September 2017.

.....

.....

.....

..... [3]

- (d) Calculate the profit for the year ended 30 September 2017 **after** debenture interest.

.....

..... [2]

- (e) Prepare the statement of changes in equity for the year ended 30 September 2017.

CP Limited
Statement of Changes in Equity for the year ended 30 September 2017

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
<i>On 1 October 2016</i>
.....
.....
.....
.....
.....
.....
<i>On 30 September 2017</i>

[7]

CP Limited wants to expand and requires \$300 000. It is considering raising the funds from either issuing additional 3% debentures or issuing 4% preference shares.

REQUIRED

(f) State **two** features of debentures.

1

.....

2

..... [2]

(g) State **two** features of preference shares.

1

.....

2

..... [2]

(h) Complete the following table to indicate the effect of issuing debentures. Where there is no effect, place a tick (✓) in the column headed “no effect”.

The first item has been completed as an example.

	increase \$	decrease \$	no effect
effect on current assets	300 000		
effect on non-current liabilities			
effect on profit for the year			
effect on profit available for ordinary shareholders			
effect on equity			

[5]

[Total: 25]

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CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/22

Paper 2

October/November 2017

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

- 1 Saffie is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is \$150. All payments below \$100 are made from petty cash.

Saffie had the following transactions in September 2017.

September	1	Petty cash imprest restored from the business bank account
	3	Paid taxi fare, \$12
	7	Paid \$461 by cheque for repairs to office machinery
	11	Purchased office stationery, \$64
	15	A cheque for \$210 received from SL Stores in August was dishonoured by the bank
	21	Paid Faariqa, a credit supplier, \$29
	26	Received a cheque from Thushari, \$392, in settlement of the amount due less 2% cash discount
	28	Cash sales, \$4840, of which \$4800 was immediately paid into the bank
	29	Paid Sopitha's account of \$480 after deducting a cash discount of 2% %
	30	Paid postage, \$22

REQUIRED

- (a) Record the above transactions in the following books which appear on the next two pages. Balance each book and bring down the balances on 1 October 2017.

(i)	Petty cash book	[9]
(ii)	Cash book	[10]

Saffie
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Travel \$	Postage and stationery \$	Ledger accounts \$
63	2017 Sept 1	Balance b/d				
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Saffie
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2017					2017				
Sept 1	Balance b/d		120		Sept 1	Balance b/d			3841

On 30 September 2017 Saffie’s bank statement showed an overdraft of \$4649. She compared the cash book with her bank statement and found that the bank had not recorded the transactions shown in the cash book on the following dates.

September 26
 28
 29

In addition, the bank had debited Saffie’s business bank account with \$50 which should have been debited to her personal bank account.

REQUIRED

(b) Prepare a bank reconciliation statement at 30 September 2017.

Saffie
Bank Reconciliation Statement at 30 September 2017

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..... [6]

[Total: 25]

2 Mustafa opened a garment factory on 1 August 2016.

On that date he purchased the following non-current assets.

	\$
Premises	210 000
Factory machinery	92 000
Office fixtures and equipment	29 800
Loose tools	19 600

Mustafa decided to revalue the loose tools at the end of each financial year and also decided that no depreciation would be charged on premises. The other non-current assets are to be depreciated using the straight line (equal instalment) method of depreciation at the following rates.

Factory machinery at 20% per annum
Office fixtures and equipment at 15% per annum

During his first year of trading, Mustafa purchased raw materials costing \$447 400 (of which \$1800 were returned to the supplier) and finished goods costing \$22 200. His sales of finished goods amounted to \$998 500.

Mustafa made the following payments during the year ended 31 July 2017.

	\$
Wages – factory operatives	287 400
factory supervisors	101 150
office staff	75 790
General expenses	13 400
Rates and insurance	12 600
Carriage inwards	2 590
Carriage outwards	2 180
At 31 July 2017	\$
Inventories were valued at	
Raw materials	62 200
Work in progress	38 200
Finished goods	69 700
Loose tools were valued at	18 100
Wages of factory operatives accrued	3 760

The general expenses are to be apportioned $\frac{3}{4}$ to the factory and $\frac{1}{4}$ to the office.

The rates and insurance are to be apportioned $\frac{2}{3}$ to the factory and $\frac{1}{3}$ to the office.

REQUIRED

(a) Prepare the manufacturing account for the year ended 31 July 2017.

Mustafa
Manufacturing Account for the year ended 31 July 2017

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[13]

(b) Calculate the cost of sales for the year ended 31 July 2017.

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..... [4]

Mustafa wants to expand his business and needs to obtain long-term funds to finance this. He decided to apply for a 10-year bank loan.

REQUIRED

(c) Suggest **one** disadvantage of raising funds by means of a bank loan.

.....
..... [1]

(d) Suggest **two** other ways of raising long-term funds.

1

.....

2

..... [2]

[Total: 20]

Question 3 is on the next page.

3 Zikri is a retailer. His financial year ends on 31 August.

Ashley pays Zikri a commission on goods purchased from Ashley by Zikri’s customers. The commission is paid quarterly in arrears.

Zikri provided the following information:

	\$	
Commission outstanding on 1 September 2016	495	
 Cheques received		
4 September 2016	495	
3 December 2016	515	
5 March 2017	374	
2 June 2017	404	
 Commission outstanding on 31 August 2017	 392	

REQUIRED

(a) Prepare the commission receivable account in the ledger of Zikri for the year ended 31 August 2017. Balance the account and bring down the balance on 1 September 2017.

Zikri
Commission receivable account

Date	Details	\$	Date	Details	\$
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[6]

On 1 January 2017 Zikri rented premises at an annual rent of \$9600, payable six-monthly in advance.

Rent was paid by cheque on 1 January 2017 and 1 July 2017.

REQUIRED

(b) Prepare the rent account in the ledger of Zikri for the year ended 31 August 2017. Balance the account and bring down the balance on 1 September 2017.

Zikri
Rent account

Date	Details	\$	Date	Details	\$
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[4]

The following account appeared in Zikri’s ledger.

Stationery account

Date	Details	\$	Date	Details	\$
2016 Sept 1	Balance b/d	84	2017 July 31	Drawings	15
2017 Feb 8	XY Limited	212			

On 31 August 2017 the inventory of stationery was valued at \$76.

REQUIRED

(c) Explain **each** entry in the stationery account.

State where the double entry for each transaction would be made.

Balance b/d 1 September 2016

Explanation

.....

Double entry

XY Limited 8 February 2017

Explanation

.....

Double entry

Drawings 31 July 2017

Explanation

.....

Double entry [6]

(d) Calculate the amount which would be transferred from the stationery account to the income statement on 31 August 2017.

.....

..... [1]

- (e) Name the section of the statement of financial position at 31 August 2017 in which the balance of the stationery account should be included.

..... [1]

After the preparation of Zikri's financial statements for the year ended 31 August 2017 some errors were discovered.

REQUIRED

- (f) Complete the following table to indicate the **effect** of **each** error on the gross profit and the profit for the year. Where the error does not affect the profits write No Effect.

The first one has been completed as an example.

Error	Effect on gross profit	Effect on profit for the year
General expenses omitted from income statement	<i>No Effect</i>	<i>Overstated</i>
Opening inventory over-valued		
Wages account over-added		
Sales returns omitted from income statement		
Carriage inwards included in the expenses in the income statement		
Purchases returns added to the purchases		

[10]

[Total: 28]

- 4 Rashida is a wholesaler. Her financial year ends on 30 September. She provided the following information.

	\$
At 1 October 2016	
Fixtures and fittings at cost	65 000
Provision for depreciation of fixtures and fittings	23 500
Office equipment at valuation	21 000
Inventory	37 150
Trade receivables	34 800
During the year ended 30 September 2017	
Revenue	572 000
Purchases	455 900
Returns by customers	1 840
Returns to suppliers	2 750
Payments by cheque	
Carriage inwards	6 940
Wages	74 200
General expenses	1 300
Rates and insurance	2 800
Loan interest	400
Office equipment	2 800

Additional information

- 1 Inventory at 30 September 2017 was valued at \$41 160.
- 2 A loan of \$20 000 was received on 1 April 2017. Interest is charged at 6% per annum.
- 3 Rashida lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.
- 4 The fixtures and fittings are being depreciated at the rate of 20% per annum using the reducing (diminishing) balance method.
- 5 The office equipment is revalued at the end of each financial year. The value at 30 September 2017 was \$20 600.
- 6 The trade receivables include \$300 which should be written off. A provision for doubtful debts of 2% of the remaining amount should be created.

(b) Explain how the accruals (matching) principle has been applied in the preparation of the income statement. Support your answer by reference to **one** of the items in your answer to (a).

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..... [2]

(c) Explain how the business entity principle has been applied in the preparation of the income statement. Support your answer by reference to **one** of the items in your answer to (a).

.....
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..... [2]

Rashida was disappointed with the performance of her business in the year ended 30 September 2017 and decided to compare her financial statements with those of another business.

REQUIRED

(d) Explain **two** factors Rashida should consider when comparing her financial statements with those of another business.

1.....
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.....
2.....
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..... [4]

[Total: 22]

5 Ben opened a retail store on 1 April 2017. He introduced the following into the business.

	\$	
Inventory	15 200	
Shop fittings	14 300	
Cash	17 900	(of which \$17 400 was paid into a business bank account)

On the same day, Ben received a business start-up loan of \$15 000 which was paid into the business bank account. Interest at 5% per annum was payable at six-monthly intervals.

REQUIRED

(a) Prepare the opening journal entry. A narrative is **not** required.

Ben
Journal

	Debit \$	Credit \$
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[5]

The following transactions took place in September 2017.

- September 3 Invoice received from EF Limited for office equipment, \$1900
- 28 Goods taken by Ben for personal use, \$430

REQUIRED

(b) Prepare journal entries to record these transactions. Narratives **are** required.

Ben
Journal

	Debit \$	Credit \$
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[6]

(c) Explain **each** of the following terms and give **one** example of each.

Capital expenditure

Explanation

.....

Example

Revenue expenditure

Explanation

.....

Example

Revenue receipts

Explanation

.....

Example

[6]

Question 5(d) is on the next page.

On 30 September 2017 Ben calculated his profit for his first six months of trading. The following errors were then discovered.

Error 1 \$500 received from the sale of old shop fittings (book value \$550) was debited to the cash account and credited to the sales account. No other entries were made to record this disposal.

Error 2 6 months' loan interest was treated as part-repayment of the loan.

Error 3 The shop fittings account was debited with \$1450. Of this \$1300 was for new shop fittings and the balance was for repairs.

REQUIRED

(d) Complete the following table to indicate the **effect** of **each** of the errors. The first one has been completed as an example.

	Effect on assets		Effect on liabilities		Effect on profit	
	Overstated \$	Understated \$	Overstated \$	Understated \$	Overstated \$	Understated \$
Error 1	550	–	–	–	450	–
Error 2						
Error 3						

[8]

[Total: 25]

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NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/23

Paper 2

October/November 2017

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

- 1 Zodwa is a trader. She maintains a full set of accounting records. Her financial year ends on 31 July.

She provided the following information on 31 July 2017.

- 1 No entry has been made for \$720 cash received from Brian, a credit customer. The balance of his account is irrecoverable and should be written off.
- 2 A cheque for \$118 was received from AL Stores whose account was written off in 2015.
- 3 Rent prepaid amounted to \$400. One quarter of the rent for the year relates to Zodwa's flat above the business premises.
- 4 Commission receivable outstanding amounted to \$150.
- 5 The fixtures originally cost \$40000 and are to be depreciated by 15% per annum using the reducing (diminishing) balance method.

REQUIRED

- (a) Record this information in the following accounts of Zodwa's ledger at 31 July 2017.

Close the accounts by balancing or by making a transfer to an appropriate account.

Some entries have already been made in the accounts during the year.

Brian account

Date 2016	Details	\$	Date	Details	\$
Aug 1	Balance b/d	1000	.....	.....	.....
.....
.....
.....

Bad debts account

Date 2017	Details	\$	Date	Details	\$
July 31	Total to date	990	.....	.....	.....
.....
.....
.....

Bad debts recovered account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....

Rent account

Date	Details	\$	Date	Details	\$
<i>2017</i>					
<i>July 31</i>	<i>Total paid</i>	<i>5200</i>	.....	.....	.....
.....
.....
.....
.....

Drawings account

Date	Details	\$	Date	Details	\$
<i>2017</i>					
<i>July 31</i>	<i>Total to date</i>	<i>9650</i>	.....	.....	.....
.....
.....
.....

Commission receivable account

Date	Details	\$	Date 2017	Details	\$
.....	July 31	Total to date	890
.....
.....
.....
.....

Provision for depreciation of fixtures account

Date	Details	\$	Date 2016	Details	\$
.....	Aug 1	Balance b/d	11 100
.....
.....
.....
.....

[15]

On 31 July 2017 Zodwa decided to create a provision for doubtful debts.

REQUIRED

(b) Explain the meaning of the term provision for doubtful debts.

.....

.....

..... [2]

(c) Suggest **one** way in which the amount of a provision for doubtful debts may be determined.

.....

..... [1]

(d) State the double entry required to create a provision for doubtful debts.

debit	credit

[2]

(e) State how Zodwa would be applying the principle of prudence if she maintained a provision for doubtful debts.

.....

.....

.....

..... [2]

(f) State how Zodwa would be applying the principle of accruals (matching) if she maintained a provision for doubtful debts.

.....

.....

.....

..... [2]

(g) Suggest **two** ways in which Zodwa could reduce the amount of bad debts.

1

.....

2

..... [2]

[Total: 26]

- 2 Mahendra’s financial year ends on 31 August. He buys and sells on both cash and credit terms and maintains a full set of accounting records.

Mahendra prepares control accounts at the end of each month.

REQUIRED

- (a) Complete the following table. Use a tick (✓) to show where **each** of the following items would appear in Mahendra’s sales ledger control account. If the item does **not** appear place a tick in the “no entry” column.

	debit	credit	no entry
opening balance owed by credit customers			
credit sales			
cash sales			
provision for doubtful debts			
bad debts written off			
cash discount allowed to credit customers			
trade discount allowed to credit customers			
contra between sales and purchases ledgers			
cash received from credit customers			

[9]

- (b) Name the book of prime (original) entry which Mahendra would use to obtain the following information when preparing his purchases ledger control account.

	book of prime (original) entry
returns to credit suppliers	
discount received	
interest charged by credit supplier	
contra entry to sales ledger control account	

[4]

- (c) (i) State the meaning of a contra entry in connection with control accounts.

.....
 [1]

- (ii) State why such an entry may be necessary.

.....
 [1]

(d) Suggest **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

- 1
-
- 2
- [2]

On 31 August 2017 Mahendra’s trade receivables amounted to \$20 520. He allows his credit customers 30 days credit.

The sales for the year ended 31 August 2017 were \$229 000, of which \$42 300 represented cash sales.

REQUIRED

(e) (i) State the formula for the calculation of the trade receivables collection period.

-
- [1]

(ii) Calculate the trade receivables collection period. Round up your answer to the next whole day.

-
-
-
- [2]

(f) Suggest **two** ways in which Mahendra could improve the trade receivables collection period.

- 1
-
- 2
- [2]

Mahendra is allowed 21 days credit by his credit suppliers. His trade payables payment period was calculated at 20 days at 31 August 2016 and 30 days at 31 August 2017.

REQUIRED

(g) State the formula for the calculation of the trade payables payment period.

.....
..... [1]

(h) Comment on the possible reaction of Mahendra's credit suppliers to the change in the ratio.

.....
.....
.....
..... [2]

[Total: 25]

Question 3 is on the next page.

3 The financial year of the AS Sports Club ends on 30 September.

In addition to providing sporting facilities, the club also sells sportswear to members. No inventory is held as all goods are bought and sold to order, on a cash basis.

The treasurer provided the following information.

At 1 October 2016

	\$
Equipment at cost	22 000
Provision for depreciation of equipment	4 400
Subscriptions owing by members	600
Cash at bank	610
Insurance prepaid	60
Bank loan (repayable 2020)	7 000
Accumulated fund	?

The receipts and payments account for the year ended 30 September 2017 was as follows.

Receipts	\$	Payments	\$
Balance 1 October 2016	610	Equipment	8 000
Sale of sportswear	3 510	Purchase of sportswear	2 410
Subscriptions	12 540	Rates and insurance	1 500
Receipts from open day	4 180	Expenses of open day	5 250
Balance 30 September 2017	760	Rent of sports ground	1 800
		General expenses	<u>2 640</u>
	<u>21 600</u>		<u>21 600</u>

At 30 September 2017

- 1 Subscriptions owing by members amounted to \$240 and subscriptions prepaid by members amounted to \$180.
- 2 Loan interest at 5% per annum was outstanding.
- 3 The equipment is depreciated at 20% per annum based on the cost of equipment held at the end of each financial year.

REQUIRED

(a) Calculate the subscriptions for the year ended 30 September 2017.

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..... [5]

(b) Prepare the income and expenditure account for the year ended 30 September 2017.

AS Sports Club
Income and Expenditure Account for the year ended 30 September 2017

	\$	\$
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[9]

(c) Prepare the statement of financial position at 30 September 2017.

AS Sports Club
Statement of Financial Position at 30 September 2017

	\$	\$	\$
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.....
.....
.....
.....
.....

[9]

(d) Explain why the outstanding loan interest should **not** be credited to the loan account.

.....
.....
.....
..... [2]

[Total: 25]

4 Hanif's financial year ends on 31 July. He provided the following information on 31 July 2017.

	\$
Inventory	87 500
Trade payables	81 500
Trade receivables	56 200
Petty cash	100
Bank overdraft	17 100

REQUIRED

(a) Calculate the current ratio. The calculation should be correct to **two** decimal places.

.....
.....
.....
..... [2]

(b) Comment on your answer to (a).

.....
.....
.....
..... [2]

(c) Calculate the quick ratio. The calculation should be correct to **two** decimal places.

.....
.....
.....
..... [2]

(d) Suggest **two** reasons why the quick ratio is lower than it was at the end of the previous financial year.

1

.....

2

..... [2]

(e) Suggest **two** problems Hanif may encounter if his working capital is inadequate.

- 1
-
- 2
- [2]

(f) Complete the table by placing a tick (✓) in the correct column to show how **each** of the following transactions would affect the current ratio and the quick ratio.

The first one has been completed as an example.

	current ratio			quick ratio		
	increase	decrease	no effect	increase	decrease	no effect
introduce \$20 000 additional capital	✓			✓		
obtain short-term bank loan \$10 000						
sell half the inventory at cost price						

[4]

Hanif provided the following information for the year ended 31 July 2017.

	\$
Revenue	999 750
Cost of sales	765 990

Inventory at 31 July 2017 was \$15 500 more than the inventory at 1 August 2016.

REQUIRED

(g) State the formula for the calculation of the rate of inventory turnover (in times).

-
- [1]

(h) Calculate the rate of inventory turnover (in times). The calculation should be correct to **two** decimal places.

-
-
-
- [2]

(i) Suggest **two** reasons why the rate of inventory turnover is lower than it was in the previous year.

1

.....

2

..... [2]

[Total: 19]

Question 5 is on the next page.

5 The financial year of CP Limited ends on 30 September.

The following information is available.

On 1 October 2016	\$
Ordinary shares of \$1 each	500 000
General reserve	11 000
Retained earnings	14 000
3% Debentures (repayable 2031)	75 000

REQUIRED

(a) Calculate the return on capital employed (ROCE) at 1 October 2016. Use a profit of \$43 000. The calculation should be correct to **two** decimal places.

.....

.....

..... [3]

On 2 October 2016 an additional 100 000 ordinary shares of \$1 were issued. These shares qualified for dividends relating to the financial year ended 30 September 2017.

The following dividends were paid.

2016		\$
December 31	Payment of final ordinary share dividend for the year ended 30 September 2016	25 000
2017		
June 30	Payment of interim ordinary share dividend for the year ended 30 September 2017	15 000

The profit for the year ended 30 September 2017 before debenture interest was \$71 000.

On 30 September 2017 a transfer was made of \$5 000 to general reserve. On that date a final ordinary share dividend for the year ended 30 September 2017 of \$30 000 was proposed.

REQUIRED

(b) Calculate the percentage (%) final ordinary share dividend for the year ended 30 September 2016.

.....

.....

..... [1]

(c) Calculate the percentage (%) total ordinary share dividend for the year ended 30 September 2017.

.....

 [3]

(d) Calculate the profit for the year ended 30 September 2017 **after** debenture interest.

.....
 [2]

(e) Prepare the statement of changes in equity for the year ended 30 September 2017.

CP Limited
 Statement of Changes in Equity for the year ended 30 September 2017

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
<i>On 1 October 2016</i>
.....
.....
.....
.....
.....
.....
<i>On 30 September 2017</i>

[7]

CP Limited wants to expand and requires \$300 000. It is considering raising the funds from either issuing additional 3% debentures or issuing 4% preference shares.

REQUIRED

(f) State **two** features of debentures.

1

.....

2

..... [2]

(g) State **two** features of preference shares.

1

.....

2

..... [2]

(h) Complete the following table to indicate the effect of issuing debentures. Where there is no effect, place a tick (✓) in the column headed “no effect”.

The first item has been completed as an example.

	increase \$	decrease \$	no effect
effect on current assets	300 000		
effect on non-current liabilities			
effect on profit for the year			
effect on profit available for ordinary shareholders			
effect on equity			

[5]

[Total: 25]

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ACCOUNTING

Paper 0452/12
Paper 12

Key messages

When preparing ledger accounts labels such as BBD and BD are not acceptable. Ideally balance b/d or c/d should be written.

Labelling items is extremely important when preparing income statements or statements of financial position. Again, abbreviations such as COGS for cost of goods sold or GP and NP for gross profit and profit are not acceptable.

Candidates should also use the correct terminology in questions concerning clubs or associations.

Candidates should always indicate where they may have re-written an answer in a different section of the answer booklet.

General comments

Overall candidates performed well in this paper with several achieving extremely high scores. Candidates seemed to find the written aspects slightly more challenging than the numerical questions. Candidates frequently did not complete an answer accurately when the general approach was otherwise correct and did not get full credit. Examples of this is in not providing correct dates in ledger accounts, not identifying correct names of partners in an appropriation account, not indicating an overdraft balance on a bank account or bank statement.

Comments on specific questions

Question 1

This question comprised 10 multiple choice items. There were only a few instances where candidates made no attempt at a particular answer.

Specific questions caused more difficulty than others. They are discussed below.

- (c) Candidates found this question challenging. Candidates need to revisit manufacturing accounts and recognise what is actually being calculated in a manufacturing account.
- (d) It is possible candidates did not appreciate that the question was concerned with Narinder's draft statement of financial position.
- (h) Many candidates calculated the gross margin or the profit per cent but not the mark-up.
- (j) Candidates should be encouraged to prepare a 'T' account where looking at entries in ledger accounts.

Question 2

- (a) Most of the candidates answered this question correctly.
 - (b) This question was also answered very well. The majority of candidates understood the purpose of a debit note citing sent for receipt of faulty goods being the most common response.
 - (c) Most candidates correctly identified sales returns journal as the correct book of prime entry; however, other common answers were sales, sales returns ledger or general journal.
 - (d) This was reasonably well answered with most candidates using sales rather than debtors ledger.
 - (e) Most candidates correctly identified this as trade discount, although some did refer to 'discount allowed' or 'cash discount'.
 - (f) Many candidates recognised that no entry is required in the accounts to record trade discount. Most candidates said it would appear on the sales invoice or in the sales journal. Many just said that it would not be recorded. Incorrect answers included discount allowed account or the cash book.
 - (g) This question (i) clearly proved challenging to many candidates. Many offered the sales returns journal not recognising that is what they were given. Other responses included sales returns ledger. The second part (ii) again saw candidates offering the sales returns journal. Relatively few recognised that they would be entered in the customers' individual accounts.
 - (h) On the whole this was well answered with the majority recognising the money measurement principle. A small number incorrectly named the principle but did not explain money measurement.
- (i) and (j) These two questions were very well answered.

Question 3

- (a) Many candidates found this question challenging. The main problem was identifying that despite being told the estimated electricity bill for the next three months as \$330 only two months needed to be accrued in the accounts. It was common to see \$330/\$110 brought down. Some treated this as a prepayment of either \$110 or \$330. Additionally some candidates did not show any transfer to the Income Statement. Some candidates used incorrect narratives such as 'direct debit' or 'cash' rather than 'bank'.
- (b) Most candidates did appreciate that this was based on their answer to (a) but others were more vague saying that it is just the balance brought down.
- (c) Again most candidates recognised that this was connected to (a) and answered appropriately.
- (d) This question was in fact answered better than (a) with many candidates achieving full marks. Some candidates did not get full credit as they used incorrect dates and referred to the bank entry as 'cheque'. There were a small number of complete reversals of the account.
- (e) Most candidates correctly identified this but some used their balance from (d) even though they were told in the question that the tenant owed \$1700.
- (f) A large number of candidates performed extremely well with this question. Some candidates found it challenging possibly due to unfamiliarity with the presentation of the question. Common errors were showing revenue as \$119 000, not showing the correct dates and calling the gross profit as 'profit'.
- (g) Although many candidates correctly made reference to how well current assets could cover liabilities or that it is the liquidity position of the business many just referred to 'the ratio of current assets to current liabilities' or stated the formula.

- (h) Many candidates achieved the two marks here. Some did not adhere to the two decimal places having calculated correctly or did not present the answer in the correct format.
- (i) Candidates offered a variety of acceptable differences for this question. Weaker candidates merely referred to differences in working capital or not enough information available.
- (j) This was not answered well. Candidates should recognise that any improvement to working capital must come from an alternative source not related to working capital.

Question 4

- (a) On the whole candidates make reasonable attempts at updating the cash book with a number achieving full marks. Weaker candidates were unable to distinguish which opening balance to include; either the given cash book balance or the bank statement balance, with some candidates entering both in the account. Other common mistakes were in the inclusion of the bank statement adjustments in the cash book.
- (b) The stronger candidates, having updated the cash book correctly in (a), had no problem with the bank reconciliation statement. Many candidates did not recognise that whether the starting point for the reconciliation was the cash book or the bank statement it was an overdrawn situation. Many candidates listed various adjustments and arrived at balances that did not concur with what they had calculated from (a) or given in the question.
- (c) Many candidates did not recognise the link to (a) this question had and gave the bank statement balance. Many candidates did give their updated balance but did not recognise either a current liability or current asset.
- (d) The vast majority of candidates could clearly explain what is meant by a dishonoured cheque and suggest reasons for this.
- (e) This question proved challenging for many. The question asked for the meaning of the imprest system and the vast majority just explained what the imprest system is, i.e. a fixed amount, a float. A number of candidates did identify that the fixed amount of the float would be restored on a regular basis after expenses had been paid out, but did not give any explanation as how much this would be or the use of vouchers or receipts for evidence. Many candidates explained that the same amount would be reimbursed each month.
- (f) Many candidates answered this question well. Other candidates restored the petty cash with \$173 which was the amount remaining in petty cash after the expenses of \$27.

Question 5

- (a) This question was generally not answered well with many candidates only awarded one mark for the need for a capital account. Most candidates just identified what is entered in each account and did not explain the need to have both a capital and current account. A small number did give appropriate explanations about the need to keep separate records of fixed capital and fluctuating balances either due to the partner or owed to the partnership.
- (b) There were mixed answers to this question, some answers were good but many responses were confused and repeated that it was a debit balance not appreciating what it means.
- (c) Many candidates were confident that interest is charged on drawings in order to reduce the level of drawings, however, some just pointed out that it is a term in the partnership agreement or that taking business assets means that interest needs to be charged.
- (d) This question was generally well answered. However, a large number of candidates were confused with the calculation of interest on capital for Sumit. Some candidates arrived at an answer of \$3600 based on closing capital of \$45 000 being held for a complete year. Other answers were based on capital of \$40 000 resulting in interest of \$3200. A few candidates lost marks for not identifying the partner receiving the salary and a small number deducted or added interest on drawings and interest on capital respectively.

- (e) This question was not answered well. The most common mistakes were in not treating the current account entries appropriately and reversing the current account opening balances. Many candidates did not treat the additional capital correctly and listed it with all the other entries in the current account. Many other candidates did not extract an overall balance for current accounts and a final balance for capital.

Question 6

- (a) There were many very good responses to the purposes of a trial balance; the main ones being to assist in producing financial statements and help in locating errors. Some candidates were not precise enough with their explanations and just referred to 'helps with accuracy' and did not expand further to 'accuracy of the double entry book keeping' or 'accuracy of the ledger accounts'.
- (b) This was very answered with a large number of candidates identifying all three errors correctly.
- (c) Attempts at clearing the suspense account were very variable. Most candidates identified correctly the opening balance was a credit entry. However, many candidates included items which did not affect the balancing of the trial balance. A number of candidates gave incorrect narratives with bank instead of rent and a total figure of \$380 for returns.
- (d) The majority recognised the connection with (c) and answered correctly with a suitable reason.
- (e) This question was reasonable attempted in a large number of cases with candidates identifying the amount and direction of errors. A number of candidates did not appreciate that amounts were required despite dollar signs at the heads of the columns and only provided ticks. Some candidates did not extract a final adjusted profit figure or reversed the increase/decrease to the profit.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. For example, to earn full marks on a question on journal entries, candidates were expected to follow an instruction to provide narratives.

Candidates are advised to provide supporting calculations where appropriate. This ensures that at least some credit may be earned even though the final answer is incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note 'Please refer to Page ...' or 'Continued on page ...' would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of abbreviations such as 'bbd' for 'balance' and 'Dis' for 'discount received' in ledger accounts. In financial statements abbreviations such as 'PDD' for 'provision for doubtful debts' and 'T Rec' for 'trade receivables' should also be avoided.

It is expected that candidates will be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit'.

General comments

It is essential that candidates have a thorough knowledge of double entry book-keeping and can apply this knowledge to the various scenarios on the question paper. In addition to the actual entries in the account attention must be paid to the words in the details column and the dates.

It is important that candidates present accounting statements in the correct format and the appropriate descriptions are used in both financial statements and in ledger accounts.

The written answers provided in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

Attention must be paid to handwriting to ensure that the words and figures are legible.

Comments on specific questions

Question 1

- (a) Candidates were required to state two advantages of preparing monthly sales ledger control accounts. The majority of candidates scored full marks. A few candidates incorrectly stated that control accounts prevent fraud and correct errors.
- (b) Two reasons were required on why a sales ledger control account could have a credit balance. While many candidates answered the question correctly, a number of answers were very imprecise. For example 'overpayment' was not regarded as adequate as there was no indicate that it was a trade receivable who had overpaid their account.

- (c) This question was very well attempted with many candidates earning full marks. The items for cash and trade discount and the contra entry caused problems for some candidates.
- (d) Candidates were required to name the accounting principles described in a number of situations. There were many wholly correct responses. Some candidates found the fourth item which described the principle of going concern and the fifth item which described the principle of money measurement challenging. Correct terminology was required. An answer of 'money' in lieu of 'money measurement' was not treated as adequate.
- (e) Using data provided, candidates were required to prepare the account of the supplier of fuel and a fuel expenses account. Candidates performance on this varied.

Wording in the details column was often incorrect, e.g. 'purchases' for 'fuel expenses' and 'discount allowed' for 'discount received'. Items were often omitted from the accounts, e.g. purchase of fuel on credit omitted from the fuel expenses account. The accounts often contained extraneous items such as inventory of fuel entered in the supplier's account. The account of the supplier should have been balanced and the balance brought down and the difference on the fuel expenses account should have been transferred to the income statement.

Question 2

- (a) An explanation of how depreciation is an application of the principle of prudence was required. Many answers were imprecise and limited to a general statement about the principle of prudence which did not relate to depreciation.
- (b) A journal entry was required to record the purchase of a motor vehicle on credit. There were many wholly correct answers. It is important to state the exact name of the account to be debited and the account to be credited. For example 'Motor vehicle B was bought' is not the name of a ledger account. A few candidates incorrectly debited the purchases account rather than the motor vehicles account.
- (c) Candidates were required to calculate two years' depreciation for motor vehicle A. A number of candidates overlooked the accumulated depreciation at 1 December 2015 and calculated the depreciation for 2016 based on the cost price.
- (d) The depreciation for the first two years of ownership of motor vehicle B had to be calculated. A significant number of candidates attempted to charge depreciation from the date of acquisition even though the data clearly stated that depreciation was calculated on assets owned at the end of the financial year.
- (e) A journal entry had to be prepared showing the transfer of the total depreciation on motor vehicles to the income statement. There were some correct responses. The income statement should have been debited and the provision for depreciation should have been credited with the total depreciation for the year (calculated in parts (c) and (d)). Many entries were reversed and a number included the depreciation for both years.
- (f) Candidates were required to calculate the total depreciation on motor vehicle A up to the date of disposal. Many candidates correctly listed the two amounts of depreciation calculated in part (c) but did not add the accumulated depreciation of \$14400 from the previous financial year.
- (g) A journal entry had to be prepared to record the transfer of the cost of the motor and the accumulated depreciation to the disposal account. Incorrect account names were sometimes provided such as 'asset' instead of 'motor vehicles'. A common error was to transfer both accounts to the income statement rather than the disposal account. A number of candidates incorrectly transferred the provision for depreciation to a depreciation account. The amount of the accumulated depreciation should have been the figure calculated in part (f).

Question 3

- (a) Using data provided, candidates were required to prepare an income statement for the club's café. There were many correct responses. However candidates are reminded about the important of putting items in a suitable order. For example, the closing inventory should be deducted from the purchases: café expenses should appear after the purchases and closing inventory. It is important to use the correct wording. For example, the final figure should have been described as 'Loss for the year': 'café suppliers' is not the correct description for 'purchases': 'assistant' is not the correct description for 'wages of assistant'. It is preferable to state the name of the asset being depreciated.
- (b) The income and expenditure of a sports club had to be prepared. Once again there were many good answers. Some candidates included a number of extraneous items such as non-current assets, loan, café receipts and café expenses. A number of candidates did not include the loss on the café (calculated in the income statement). Some candidates had problems with the adjustments to the subscriptions and rent and insurance.
- (c) Candidates were required to select one item in the list of receipts and payments which did not appear in the income and expenditure account and to provide a reason. Many correctly identified suitable items such as the loan or the non-current assets, but the reasons for sometimes rather imprecise.
- (d) Candidates were required to select one item in the income and expenditure account which did not appear in the list of receipts and payments and to provide a reason. Many correctly identified items such as depreciation of sports equipment, loss on café and surplus. Other candidates gave very general answers such as depreciation (without specifying the asset) and subscriptions (without specifying that this related to subscriptions accrued).
- (e) Many candidates did not appear to appreciate that the surplus earned by a club cannot be distributed to members of the club. They are not the owners of the club and so are not entitled to a return on the amount invested. Answers tended to focus on the lack of funds remaining in the club if the surplus was distributed.
- (f) Candidates were asked to comment on a suggestion of increasing subscription and holding fundraising events to raise funds to purchase premises. Only a few candidates appeared to appreciate that these actions would not result in the necessary funds being raised in the time available.
- (g) One way of raising finance required to purchase premises had to be stated. Many correctly suggested obtaining a loan (but some did not qualify this by stating long-term loan). Inappropriate suggestions included increasing prices in the café and issuing shares and debentures.

Question 4

- (a) Candidates were required to prepare a corrected statement of financial position using a statement of financial position which contained errors and additional information. Most candidates grouped the assets and liabilities in the correct sections. When the amounts for the non-current assets are displayed in columnar format the three columns should be headed. A common error was to charge a full year's depreciation on the motor vehicle. The provision for doubtful debts should be correctly labelled and deducted from the trade receivables. The loan was due for repayment within twelve months and so should have been included in the current liabilities. The amount of the inventory and the bank overdraft were often not adjusted. Despite guidance being given in the question, the profit for the year was often not corrected. Many inserted a missing figure to make the statement balance and others used the original profit. Candidates are reminded of the importance of showing calculations.
- (b) A capital account had to be prepared. Many candidates provided good answers.
- (c) Two reasons were required why the employees would be interested in the trader's financial statements. Many answers correctly focused on the possibility of wages increases and job security but others were rather vague such as 'to see the profit'.

- (d) Two additional reasons were required why the manager of the business would be interested in the financial statements. A number of candidates did not appreciate that additional reasons were specified and merely repeated their answer to part (c). Other candidates provided suitable answers.

Question 5

- (a) Candidates were required to complete a statement of changes in equity which had various missing figures. This was very well done.
- (b) Percentages of gross profit and profit for the year to revenue were provided for two years. Candidates were required to suggest two reasons for the change in the percentage of profit for the year to revenue. Many correctly suggested a decrease in expenses and an increase in other income or an increase in gross profit. Other candidates incorrectly suggested changes to items in the trading section of the income statement such as sales and purchases.
- (c) Most candidates correctly stated that the company had better control of expenses in 2016, but many were not able to provide an acceptable explanation. Very few recognised that the percentage of expenses to revenue had decreased.
- (d) A table had to be completed showing the effect on the percentage of profit for the year to revenue of four proposals. There were many good responses. The purchase of goods on a cash basis proved a little problematic.
- (e) Using information provided, candidates were required to comment on the effect on the liquidity of changes in the trade receivables collection period and the trade payable payment period. Many candidates merely stated that both the periods had increased but made no attempt to relate this to the periods of credit allowed and the subsequent consequences.
- (f) There were many suitable suggestions on how the company could reduce the collection period. A number of candidates did not appreciate that these sales had already been made and incorrectly suggested reducing credit sales.
- (g) Candidates were required to suggest two ways in which bad debts could be reduced. Most candidates answered the question well.
- (h) One disadvantage to the trade payables of the change in the payment period had to be stated. Very few candidates provided a suitable response as they focused on the effect on ABC Limited rather than the effect on the trade payables.
- (i) One advantage to the trade payables of the change in the payment period had to be stated. Once again, candidates' answers incorrectly concentrated on the effect on ABC Limited rather than the effect on the trade payables.
- (j) Candidates were required to state what is measured by the return on capital employed. This was not well answered. Many candidates simply provided a formula. Others incorrectly commented on the return on owner's capital.
- (k) A table had to be completed to indicate the effect of three proposals on the return on capital employed. Most candidates correctly indicated the effect of the first proposal, but the other two items proved more difficult.

Grade thresholds – March 2018

Cambridge IGCSE Accounting (0452)

Grade thresholds taken for Syllabus 0452 (Accounting) in the March 2018 examination.

		minimum raw mark required for grade:						
	maximum raw mark available	A	B	C	D	E	F	G
Component 12	120	84	68	52	41	30	20	10
Component 22	120	86	67	49	41	33	23	13

Grade A* does not exist at the level of an individual component.

The maximum total mark for this syllabus, after weighting has been applied, is **240**.

The overall thresholds for the different grades were set as follows.

Option	Combination of Components	A*	A	B	C	D	E	F	G
AY	12, 22	205	170	135	101	82	63	43	23



ACCOUNTING

0452/12

Paper 12

March 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the March 2018 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1(a)	B	1
1(b)	A	1
1(c)	D	1
1(d)	A	1
1(e)	C	1
1(f)	C	1
1(g)	A	1
1(h)	D	1
1(i)	B	1
1(j)	D	1

Question	Answer	Marks												
2(a)	<table border="1"> <thead> <tr> <th>document</th> <th>name of person issuing document</th> </tr> </thead> <tbody> <tr> <td>invoice</td> <td><i>Kumar</i></td> </tr> <tr> <td>debit note</td> <td>Simran (1)</td> </tr> <tr> <td>credit note</td> <td>Kumar (1)</td> </tr> <tr> <td>Statement of account</td> <td>Kumar (1)</td> </tr> <tr> <td>cheque</td> <td>Simran (1)</td> </tr> </tbody> </table>	document	name of person issuing document	invoice	<i>Kumar</i>	debit note	Simran (1)	credit note	Kumar (1)	Statement of account	Kumar (1)	cheque	Simran (1)	4
document	name of person issuing document													
invoice	<i>Kumar</i>													
debit note	Simran (1)													
credit note	Kumar (1)													
Statement of account	Kumar (1)													
cheque	Simran (1)													
2(b)	Issued by the customer to request a reduction in an invoice.	1												
2(c)	Sales returns journal	1												

Question	Answer	Marks												
2(d)	Sales ledger	1												
2(e)	Trade discount	1												
2(f)	Recorded on the invoice to the customer or in sales journal No entry made in ledger	1												
2(g)(i)	Sales returns account	1												
2(g)(ii)	Individual debtor accounts	1												
2(h)	Money measurement (1)	1												
	An accounting transaction should only be recorded if it can be expressed in terms of money (1)	1												
2(i)	Capital (1) equals assets minus liabilities (1)	2												
2(j)	<table border="1"> <thead> <tr> <th>item</th> <th>increase</th> <th>decrease</th> </tr> </thead> <tbody> <tr> <td>capital introduced</td> <td>✓</td> <td></td> </tr> <tr> <td>drawings</td> <td></td> <td>✓ (1)</td> </tr> <tr> <td>profit for the year</td> <td>✓ (1)</td> <td></td> </tr> </tbody> </table>	item	increase	decrease	capital introduced	✓		drawings		✓ (1)	profit for the year	✓ (1)		2
item	increase	decrease												
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drawings		✓ (1)												
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Question	Answer	Marks																																		
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3(b)	The amount owed/not yet paid for electricity used in the financial year ended 31 January 2018 (1) OF	1																																		
3(c)	Current liabilities (1) OF	1																																		
3(d)	<p style="text-align: center;">Nikita Rent receivable account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2017 Feb 1</td> <td rowspan="2">Balance b/d (1)</td> <td rowspan="2">1250</td> <td>2017 May 10</td> <td rowspan="2">Cash Bank</td> <td rowspan="2">2700 (1)</td> </tr> <tr> <td>2018 Jan 31</td> <td>5950</td> <td>2018 Oct 14</td> <td>2800 (1)</td> </tr> <tr> <td></td> <td>Income Statement (1) OF</td> <td></td> <td>2018 Jan 31</td> <td>Balance c/d</td> <td>1700</td> </tr> <tr> <td></td> <td>Balance b/d (1)</td> <td>(1)</td> <td></td> <td></td> <td>7200</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>1700</td> </tr> </tbody> </table> <p style="text-align: right;">(+1 dates)</p>	Date	Details	\$	Date	Details	\$	2017 Feb 1	Balance b/d (1)	1250	2017 May 10	Cash Bank	2700 (1)	2018 Jan 31	5950	2018 Oct 14	2800 (1)		Income Statement (1) OF		2018 Jan 31	Balance c/d	1700		Balance b/d (1)	(1)			7200						1700	6
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3(e)	Current assets	1																																		

Question	Answer	Marks																																												
3(f)	<p style="text-align: center;">Nikita Income Statement for the year ended 31 January 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 45%;"></td> <td style="width: 10%; text-align: right;">\$</td> </tr> <tr> <td>Revenue</td> <td></td> <td style="border: 1px solid black; text-align: right;">127 000</td> <td style="border: 1px solid black; text-align: right;">(1)</td> </tr> <tr> <td>Less: returns</td> <td></td> <td style="text-align: right;">4 000</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;">123 000</td> <td></td> </tr> <tr> <td>Inventory at 1 February 2017 *</td> <td style="text-align: right;">8 000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">76 000</td> <td></td> <td></td> </tr> <tr> <td>Goods for own use</td> <td style="text-align: right;">2 000</td> <td style="border: 1px solid black; text-align: right;">74 000</td> <td style="border: 1px solid black; text-align: right;">(1)</td> </tr> <tr> <td>Carriage inwards</td> <td></td> <td style="text-align: right;">1 200</td> <td></td> </tr> <tr> <td>Less: Inventory at 31 January 2018*</td> <td></td> <td style="border: 1px solid black; text-align: right;">83 200</td> <td style="border: 1px solid black; text-align: right;">(1)</td> </tr> <tr> <td>Gross profit (1)</td> <td></td> <td style="text-align: right;">11 000</td> <td style="border: 1px solid black; text-align: right;">72 200 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="border: 1px solid black; text-align: right;">50 800 (2) CF, (1) OF</td> </tr> </table> <p>* both (1)</p>		\$		\$	Revenue		127 000	(1)	Less: returns		4 000		Cost of sales		123 000		Inventory at 1 February 2017 *	8 000			Purchases	76 000			Goods for own use	2 000	74 000	(1)	Carriage inwards		1 200		Less: Inventory at 31 January 2018*		83 200	(1)	Gross profit (1)		11 000	72 200 (1)				50 800 (2) CF, (1) OF	8
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3(g)	<p>It measures the excess of current assets over current liabilities /measures liquidity. It measures the margin of safety between current assets and current liabilities.</p>	1																																												
3(h)	<p>$(6800 + 12500 + 1010) (1) / 15200 = 1.34:1 (1)$</p>	2																																												

Question	Answer	Marks
3(i)	<p>different accounting policies different size of business different type of business different locations different capital structures different type of goods sold non-monetary items other reasonable answer Any two for (1) mark each</p>	Max 2
3(j)	<p>Introduce additional capital Sell surplus non-current assets Reduce cash drawings Obtain long-term loan 1 mark per suggestion, maximum 2</p>	Max 2

Question	Answer	Marks																								
4(a)	<p>Meena Cash book (bank columns)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2017 Dec 31</td> <td>Rohan (1) Balance c/d</td> <td>140 2424</td> <td>2017 Dec 31</td> <td>Balance b/d Bank interest Anjana (dishonoured cheque)</td> <td>(1) 2450 (1) 20 (1) 94</td> </tr> <tr> <td></td> <td></td> <td>2564</td> <td>2018 Jan 1</td> <td>Balance b/d</td> <td>2564 2424</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(1) OF 2424</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2017 Dec 31	Rohan (1) Balance c/d	140 2424	2017 Dec 31	Balance b/d Bank interest Anjana (dishonoured cheque)	(1) 2450 (1) 20 (1) 94			2564	2018 Jan 1	Balance b/d	2564 2424						(1) OF 2424	5
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4(c)	<p>Alternative presentation</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Adjusted cash book balance *</td> <td style="width: 50%; text-align: right;">\$ (2424) (1) OF</td> </tr> <tr> <td>Add:</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">amounts not yet credited: Cash sales</td> <td style="text-align: right;">362 (1)</td> </tr> <tr> <td style="padding-left: 20px;">Bank error</td> <td style="text-align: right;"><u>35 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">397</td> </tr> <tr> <td>Less: cheques not yet presented</td> <td style="text-align: right;"><u>(198) (1)</u></td> </tr> <tr> <td>Debit balance on bank statement *</td> <td style="text-align: right;"><u>(2623) (1)</u></td> </tr> <tr> <td>(* 1 mark both labels)</td> <td></td> </tr> </table>	Adjusted cash book balance *	\$ (2424) (1) OF	Add:		amounts not yet credited: Cash sales	362 (1)	Bank error	<u>35 (1)</u>		397	Less: cheques not yet presented	<u>(198) (1)</u>	Debit balance on bank statement *	<u>(2623) (1)</u>	(* 1 mark both labels)		2
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Question	Answer	Marks								
4(d)	A cheque which has been returned unpaid by the bank	1								
	Reason Drawer has insufficient funds in the account Incomplete details on the cheque (e.g. missing date, signature) Cheque is out of date/stale Cheque may be post-dated Inconsistent details on the cheque (e.g. signature does not match that on file, amount in figures does not agree with amount in words) (1 mark for meaning, 1 mark for any valid reason up to 2 max)	2								
4(e)	At any time the amount paid out from the float (represented by vouchers/receipts) plus remaining cash (1) must equal the fixed amount of the float (1)	2								
4(f)	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>debit entry</td> <td>\$</td> <td>credit entry</td> <td>\$</td> </tr> <tr> <td>petty cash (1)</td> <td>27</td> <td>bank/cash (1)</td> <td>27</td> </tr> </table> <p style="text-align: center;">+ 1 for amount</p>	debit entry	\$	credit entry	\$	petty cash (1)	27	bank/cash (1)	27	3
debit entry	\$	credit entry	\$							
petty cash (1)	27	bank/cash (1)	27							
Question	Answer	Marks								
5(a)	To keep a separate record of capital introduced/be able to calculate interest on capital	1								
	To allow easy comparison of drawings and total profit share/see if partner has overdrawn on profit allocation.	1								
5(b)	The amount that Sumit owes the partnership.	1								
5(c)	To discourage partners from taking drawings/to reduce the level of drawings	1								

Question	Answer	Marks																																										
5(d)	<p style="text-align: center;">Eli and Sumit Appropriation Account for the year ended 31 October 2017</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">\$</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">12 500</td> </tr> <tr> <td>Add: interest on drawings</td> <td style="text-align: right;">200 (1)</td> </tr> <tr> <td style="padding-left: 20px;">Sumit</td> <td style="text-align: right;">260 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">460</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">12 960</td> </tr> <tr> <td>Less: interest on capital</td> <td style="text-align: right;">4 000 (1)</td> </tr> <tr> <td style="padding-left: 20px;">Sumit</td> <td style="text-align: right;">3 400 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">7 400</td> </tr> <tr> <td>Less: salary</td> <td style="text-align: right;">7 500 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">(14 900)</td> </tr> <tr> <td>Share of residual loss</td> <td style="text-align: right;">1 164 (1) OF</td> </tr> <tr> <td style="padding-left: 20px;">Sumit</td> <td style="text-align: right;">776 (1) OF</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">(1 940)</td> </tr> </table>		\$	Profit for the year	12 500	Add: interest on drawings	200 (1)	Sumit	260 (1)		460		12 960	Less: interest on capital	4 000 (1)	Sumit	3 400 (1)		7 400	Less: salary	7 500 (1)		(14 900)	Share of residual loss	1 164 (1) OF	Sumit	776 (1) OF		(1 940)	7														
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5(e)	<p style="text-align: center;">Eli and Sumit Extract from Statement of Financial Position at 31 October 2017</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 20%; text-align: center;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Capital accounts</td> <td style="text-align: center;">Eli</td> <td style="text-align: center;">Sumit</td> </tr> <tr> <td>Current accounts</td> <td style="text-align: center;">50 000</td> <td style="text-align: center;">45 000 (1)</td> </tr> <tr> <td>Opening balance</td> <td style="text-align: center;">4 500</td> <td style="text-align: center;">(1 800) (1)</td> </tr> <tr> <td>Interest on capital</td> <td style="text-align: center;">4 000</td> <td style="text-align: center;">3 400 (1) OF</td> </tr> <tr> <td>Salary</td> <td style="text-align: center;">7 500</td> <td style="text-align: center;">– (1)</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;">16 000</td> <td style="text-align: center; border-top: 1px solid black;">1 600</td> </tr> <tr> <td>Drawings</td> <td style="text-align: center;">(5 000)</td> <td style="text-align: center;">(6 500) (1)</td> </tr> <tr> <td>Interest on drawings</td> <td style="text-align: center;">(200)</td> <td style="text-align: center;">(260) (1) OF</td> </tr> <tr> <td>Share of residual loss</td> <td style="text-align: center;">(1 164)</td> <td style="text-align: center;">(776) (1) OF</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;">(6 364)</td> <td style="text-align: center; border-top: 1px solid black;">(7 536)</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;">9 636</td> <td style="text-align: center; border-top: 1px solid black;">(5 936)</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;"></td> <td style="text-align: center; border-top: 1px solid black;">3 700 (1) OF</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;"></td> <td style="text-align: center; border-top: 1px solid black;">98 700 (1) OF</td> </tr> </table>		\$		Capital accounts	Eli	Sumit	Current accounts	50 000	45 000 (1)	Opening balance	4 500	(1 800) (1)	Interest on capital	4 000	3 400 (1) OF	Salary	7 500	– (1)		16 000	1 600	Drawings	(5 000)	(6 500) (1)	Interest on drawings	(200)	(260) (1) OF	Share of residual loss	(1 164)	(776) (1) OF		(6 364)	(7 536)		9 636	(5 936)			3 700 (1) OF			98 700 (1) OF	10
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6(a)	Useful as a basis for preparing financial statements	1																														
	Check arithmetical accuracy of the double entry	1																														
6(b)	Error 3 commission	1																														
	Error 4 omission	1																														
	Error 5 principle	1																														
6(c)	<p style="text-align: center;">Sanjay Suspense account</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 Jan 31</td> <td>Rent receivable</td> <td>(1)</td> <td>2018 Jan 31</td> <td>Difference in trial balance</td> <td>1110</td> </tr> <tr> <td></td> <td>Purchases returns</td> <td>(1)</td> <td></td> <td>Wages</td> <td>270</td> </tr> <tr> <td></td> <td>Sales returns</td> <td>(1)</td> <td></td> <td></td> <td>1380</td> </tr> <tr> <td></td> <td></td> <td>1380</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>+1 if no extraneous items</p>	Date	Details	\$	Date	Details	\$	2018 Jan 31	Rent receivable	(1)	2018 Jan 31	Difference in trial balance	1110		Purchases returns	(1)		Wages	270		Sales returns	(1)			1380			1380				6
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6(d)	Yes/no (1) OF Errors affecting the trial balance have all been discovered as the suspense account has been cleared (1) OF	2																														

Question	Answer	Marks																																																							
6(e)	<p data-bbox="215 683 247 1527">Statement of corrected profit for the year ended 31 January 2018</p> <table border="1" data-bbox="247 604 916 1603"> <thead> <tr> <th data-bbox="247 1319 331 1603"></th> <th data-bbox="247 1151 331 1319">No Effect</th> <th data-bbox="247 943 331 1151">Increase \$</th> <th data-bbox="247 734 331 943">Decrease \$</th> <th data-bbox="247 604 331 734">\$</th> </tr> </thead> <tbody> <tr> <td data-bbox="331 1319 384 1603">Draft profit</td> <td data-bbox="331 1151 384 1319"></td> <td data-bbox="331 943 384 1151"></td> <td data-bbox="331 734 384 943"></td> <td data-bbox="331 604 384 734">24 250</td> </tr> <tr> <td data-bbox="384 1319 437 1603">Error 1</td> <td data-bbox="384 1151 437 1319"></td> <td data-bbox="384 943 437 1151"></td> <td data-bbox="384 734 437 943">270 (1)</td> <td data-bbox="384 604 437 734"></td> </tr> <tr> <td data-bbox="437 1319 489 1603">Error 2</td> <td data-bbox="437 1151 489 1319"></td> <td data-bbox="437 943 489 1151">1 000 (1)</td> <td data-bbox="437 734 489 943"></td> <td data-bbox="437 604 489 734"></td> </tr> <tr> <td data-bbox="489 1319 542 1603">Error 3</td> <td data-bbox="489 1151 542 1319">✓ (1)</td> <td data-bbox="489 943 542 1151"></td> <td data-bbox="489 734 542 943"></td> <td data-bbox="489 604 542 734"></td> </tr> <tr> <td data-bbox="542 1319 595 1603">Error 4</td> <td data-bbox="542 1151 595 1319"></td> <td data-bbox="542 943 595 1151"></td> <td data-bbox="542 734 595 943">35 (1)</td> <td data-bbox="542 604 595 734"></td> </tr> <tr> <td data-bbox="595 1319 647 1603">Error 5</td> <td data-bbox="595 1151 647 1319"></td> <td data-bbox="595 943 647 1151"></td> <td data-bbox="595 734 647 943">700 (1)</td> <td data-bbox="595 604 647 734"></td> </tr> <tr> <td data-bbox="647 1319 700 1603">Error 6</td> <td data-bbox="647 1151 700 1319"></td> <td data-bbox="647 943 700 1151">*380 (2)</td> <td data-bbox="647 734 700 943"></td> <td data-bbox="647 604 700 734"></td> </tr> <tr> <td data-bbox="700 1319 753 1603">Corrected profit</td> <td data-bbox="700 1151 753 1319"></td> <td data-bbox="700 943 753 1151">1 380</td> <td data-bbox="700 734 753 943">1 005</td> <td data-bbox="700 604 753 734">375</td> </tr> <tr> <td data-bbox="753 1319 805 1603">*(1) correct position (1)</td> <td data-bbox="753 1151 805 1319"></td> <td data-bbox="753 943 805 1151"></td> <td data-bbox="753 734 805 943"></td> <td data-bbox="753 604 805 734">24 625</td> </tr> <tr> <td data-bbox="805 1319 916 1603">correct figure</td> <td data-bbox="805 1151 916 1319"></td> <td data-bbox="805 943 916 1151"></td> <td data-bbox="805 734 916 943"></td> <td data-bbox="805 604 916 734">(1) OF</td> </tr> </tbody> </table>		No Effect	Increase \$	Decrease \$	\$	Draft profit				24 250	Error 1			270 (1)		Error 2		1 000 (1)			Error 3	✓ (1)				Error 4			35 (1)		Error 5			700 (1)		Error 6		*380 (2)			Corrected profit		1 380	1 005	375	*(1) correct position (1)				24 625	correct figure				(1) OF	8
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NUMBER

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ACCOUNTING

0452/12

Paper 1

February/March 2018

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

There are 10 parts to question 1.

For **each** of the parts (a) to (j) below there are four possible answers, **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Harpreet is a credit customer of Suzanna. Harpreet’s account in Suzanna’s books shows a credit balance.

How could the credit balance have arisen?

- A A cheque from Harpreet was dishonoured.
- B Harpreet has overpaid his account.
- C Interest was charged by Suzanna.
- D Suzanna offered a trade discount.

[1]

(b) The following is the subscriptions account of a club.

		Subscriptions account			
		\$	2017		
2017					\$
Jan 1	Balance b/d	150	Jan 1	Balance b/d	80
Dec 31	Income and expenditure	3000	Dec 31	Bank	3060
	Balance c/d	50		Balance c/d	60
		<u>3200</u>			<u>3200</u>
2018			2018		
Jan 1	Balance b/d	60	Jan 1	Balance b/d	50

Which statement is correct?

- A Subscriptions in advance at 1 January 2018 were \$50.
- B Subscriptions in arrears at 1 January 2017 were \$80.
- C Subscription income for the year was \$3060.
- D Subscriptions received during the year were \$3000.

[1]

(c) Why is it necessary for a manufacturing business to make an adjustment for work in progress in its manufacturing account?

- 1 to calculate what is needed to complete production
- 2 to record all factory costs
- 3 to show only the cost of goods completed

- A 1 and 2
- B 1 only
- C 2 and 3
- D 3 only

[1]

- (d) Narinder made a short-term loan to Seema. Narinder's draft statement of financial position showed this loan as a current liability.

What was the effect of this error?

- | | | |
|---|--------------------------|-----|
| A current assets understated | <input type="checkbox"/> | |
| B current liabilities understated | <input type="checkbox"/> | |
| C non-current liabilities overstated | <input type="checkbox"/> | |
| D owner's capital overstated | <input type="checkbox"/> | [1] |

- (e) On 1 February 2017 Katya's fixtures and fittings had a net book value of \$12950. She purchased fixtures, \$2250, during the year. Depreciation for the year ended 31 January 2018 was \$4900.

What was the net book value of fixtures and fittings on 31 January 2018?

- | | | |
|------------------|--------------------------|-----|
| A \$5800 | <input type="checkbox"/> | |
| B \$7150 | <input type="checkbox"/> | |
| C \$10300 | <input type="checkbox"/> | |
| D \$15600 | <input type="checkbox"/> | [1] |

- (f) The accounts of a business are prepared on the basis that the business will continue to operate for the foreseeable future.

Which accounting principle is being applied?

- | | | |
|------------------------------|--------------------------|-----|
| A accruals (matching) | <input type="checkbox"/> | |
| B consistency | <input type="checkbox"/> | |
| C going concern | <input type="checkbox"/> | |
| D realisation | <input type="checkbox"/> | [1] |

- (g) Which term in club or society accounts means the same as capital?

- | | | |
|--------------------------------|--------------------------|-----|
| A accumulated fund | <input type="checkbox"/> | |
| B appropriation account | <input type="checkbox"/> | |
| C balance at bank | <input type="checkbox"/> | |
| D surplus for the year | <input type="checkbox"/> | [1] |

(h) A business provided the following information.

	\$
revenue	290 000
gross profit	90 000
profit for the year	70 000

What was the mark-up?

- A** 24.14%
- B** 31.03%
- C** 35.00%
- D** 45.00% [1]

(i) Financial statements must provide information in time for financial decisions to be made.

Which accounting objective is being described?

- A** comparability
- B** relevance
- C** reliability
- D** understandability [1]

(j) Which item would be recorded as a credit entry in a purchases ledger control account?

- A** amounts paid to credit suppliers
- B** contra with the sales ledger control account
- C** discount received from credit suppliers
- D** interest charged on late payment [1]

[Total: 10]

- 2 Kumar supplies goods to Simran on credit. Some documents were exchanged between them during August 2017.

REQUIRED

- (a) Complete the table to name the person who issued **each** document. The first item has been completed as an example.

document	name of person issuing the document
invoice	<i>Kumar</i>
debit note	
credit note	
statement of account	
cheque	

[4]

- (b) State the purpose of a debit note.

.....
 [1]

- (c) State the book of prime (original) entry in which Kumar would record the credit note.

..... [1]

- (d) Name the ledger in which Kumar maintains Simran's account.

..... [1]

Simran is a regular customer. Kumar allows Simran a discount for buying in bulk.

REQUIRED

- (e) Name the type of discount offered by Kumar.

..... [1]

- (f) State where Kumar would record this discount.

..... [1]

The following are details of the credit notes issued by Kumar in December 2017.

Date	Customer	Credit note number	\$
2017 Dec 3	Sam	C1015	295
12	Saira	C1016	103
31	Total for December		398

REQUIRED

(g) State where Kumar will post

(i) the total of the credit notes for December

.....[1]

(ii) the individual credit notes

.....[1]

Kumar has received positive feedback about his customer service. No entry has been made in the accounting records to reflect this success.

REQUIRED

(h) Name and explain the accounting principle Kumar has applied.

Name

Explanation

.....

.....[2]

(i) Complete the following to show the accounting equation.

equals assets minus

[2]

- (j) Complete the table by placing a tick (✓) to indicate how **each** item affects the owner's capital. The first one has been completed as an example.

item	increase	decrease
capital introduced	✓	
drawings		
profit for the year		

[2]

[Total: 17]

- 3 Nikita has a business with a financial year end of 31 January. On 1 February 2017 there was a credit balance of \$140 on the electricity expense account.

During the year ended 31 January 2018 the following payments were made relating to electricity.

		\$
2017		
Mar 10	direct debit	210
Jun 7	direct debit	130
Sep 5	direct debit	185
Dec 6	direct debit	205

The cost of electricity for the three months ended 28 February 2018 was estimated to be \$330.

REQUIRED

- (a) Prepare the electricity expense account for the year ended 31 January 2018. Balance the account and bring down the balance on 1 February 2018.

Nikita
Electricity expense account

Date	Details	\$	Date	Details	\$
.....
.....
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.....

[6]

- (b) State what the balance brought down on 1 February 2018 on the electricity expense account represents.

.....

..... [1]

(c) Name the section of the statement of financial position on 31 January 2018 in which the balance on the electricity expense account was included.

.....[1]

Nikita also rents out some premises.

On 1 February 2017 the tenant owed \$1250.

The following amounts for rent were received during the year.

		\$	
2017			
May 10	cash		2700
Oct 14	cheque		2800

On 31 January 2018 the tenant owed \$1700.

REQUIRED

(d) Prepare the rent receivable account for the year ended 31 January 2018. Balance the account and bring down the balance on 1 February 2018.

Nikita
Rent receivable account

Date	Details	\$	Date	Details	\$
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.....

[6]

(e) Name the section of the statement of financial position on 31 January 2018 in which the balance on the rent receivable account was included.

.....[1]

(f) Insert the missing words and figures into the following extract from Nikita's income statement for the year ended 31 January 2018.

Nikita
Income Statement for the year ended 31 January 2018

	\$	\$	\$
Revenue			<input style="width: 100%;" type="text"/>
Less: returns			4 000
			123 000
Cost of sales			
Inventory at <input style="width: 200px;" type="text"/>		8 000	
Purchases	76 000		
Goods for own use	2 000	<input style="width: 100%;" type="text"/>	
Carriage inwards		1 200	
		<input style="width: 100%;" type="text"/>	
Less: Inventory at <input style="width: 200px;" type="text"/>		11 000	<input style="width: 100%;" type="text"/>
<input style="width: 200px;" type="text"/>			<input style="width: 100%;" type="text"/>

[8]

Nikita’s brother, Sunil, provided the following information about his business at 31 January 2018.

	\$	
Non-current assets	89 350	
Inventory	6 800	
Trade receivables	12 500	
Bank	1 010	debit
Trade payables	15 200	
Long-term loan	8 000	

REQUIRED

(g) State what is measured by the current ratio.

.....
[1]

(h) Calculate the current ratio for Sunil’s business at 31 January 2018. The calculation should be correct to **two** decimal places.

.....

[2]

(i) Suggest **two** reasons why Nikita cannot compare her current ratio with that of Sunil.

1

 2
[2]

(j) Suggest **two** ways in which Nikita might improve her working capital position.

1

 2
[2]

[Total: 30]

4 Meena is a trader. On 31 December 2017 Meena’s cash book (bank columns) showed an overdrawn balance of \$2450. The balance on the bank statement at the same date was \$2623 debit. Meena checked the cash book against the bank statement and discovered the following differences.

- 1 Cash sales, \$362, paid into the bank on 31 December, did not appear on the bank statement.
- 2 Interest charged by the bank, \$20, had not been recorded in the cash book.
- 3 A cheque for \$94 from a customer, Anjana, had been paid into the bank but had been returned as dishonoured.
- 4 The bank had received \$140 by credit transfer from Rohan, a customer, which had been omitted from the cash book.
- 5 Cheques totalling \$198, issued by Meena, had not been presented for payment.
- 6 The bank had paid a standing order, \$35, to a supplier on 30 December by mistake.

REQUIRED

(a) Update Meena’s cash book (bank columns) at 31 December 2017. Bring down the updated balance on 1 January 2018.

Meena
Cash book (bank columns)

Date	Details	\$	Date	Details	\$
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[5]

Meena maintains a petty cash book using the imprest system. The amount of the imprest is \$200. During the month of December Meena paid the following expenses from petty cash.

	\$
Stationery	18
Taxi fares	5
Office tea and biscuits	4

REQUIRED

(e) Explain the meaning of the 'imprest system'.

.....

.....

.....

..... [2]

(f) State the double entry to record the reimbursement to the petty cash imprest on 1 January 2018.

debit entry	\$	credit entry	\$

[3]

[Total: 21]

5 Eli and Sumit are in partnership.

Balances on the partners' capital and current accounts on 1 November 2016 were:

	capital account	current account
	\$	\$
Eli	50 000	4 500
Sumit	40 000	1 800 debit

REQUIRED

(a) Explain why each partner has **both** a current and a capital account.

.....

.....

.....

.....

.....

.....[2]

(b) State what the debit balance on Sumit's current account on 1 November 2016 represents.

.....

.....[1]

The partnership agreement includes the following terms.

Annual salary to Eli	\$7500
Interest on capital	8% per annum
Interest on drawings	4%
Share of profits/losses	Eli 3: Sumit 2

Additional information

- 1 Profit for the year ended 31 October 2017 was \$12 500.
- 2 Additional capital, \$5000, was introduced by Sumit on 1 May 2017.
- 3 Drawings for the year were Eli, \$5000, Sumit, \$6500.

REQUIRED

(c) Suggest **one** reason why Eli and Sumit are charged interest on drawings.

.....

.....[1]

(d) Prepare the partnership appropriation account for the year ended 31 October 2017.

Eli and Sumit
Appropriation Account for the year ended 31 October 2017

	\$	\$
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[7]

6 Sanjay, a trader, prepared his trial balance on 31 January 2018. The totals of the trial balance did not agree. Sanjay entered the difference, a credit balance of \$1110, in a suspense account. The following errors were later discovered.

- 1 The wages account had been undercast by \$270.
- 2 Rent received, \$1000, had been correctly entered in the bank account but no other entry had been made.
- 3 Goods purchased on credit from Simon, \$680, had been correctly entered in the purchases account but had been posted to the account of Simone.
- 4 No entry had been made for stationery, \$35, paid in cash.
- 5 Motor vehicle repairs, \$700, had been debited to the motor vehicles account.
- 6 Purchases returns, \$190, had been correctly entered in the supplier's account but had been debited to the sales returns account.

REQUIRED

(a) State **two** purposes of a trial balance.

1

.....

2

.....[2]

(b) Name the type of error made in 3, 4 and 5.

Error 3

Error 4

Error 5[3]

- (c) Prepare the suspense account making the necessary entries to correct errors. Balance or total the account as required.

Sanjay
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
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.....
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.....

[6]

- (d) State whether **all** errors in Sanjay’s accounts have been discovered. Give your reason.

.....

.....

.....

.....

[2]

Question 6 (e) is on the next page.

Sanjay's draft profit for the year ended 31 January 2018 was \$24 250 **before** any errors were corrected.

REQUIRED

- (e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the 'No Effect' column.

Statement of corrected profit for the year ended 31 January 2018

	No Effect	Increase \$	Decrease \$	\$
Draft profit				24 250
Error 1				
Error 2				
Error 3				
Error 4				
Error 5				
Error 6				
Corrected profit				

[8]

[Total: 21]

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ACCOUNTING**0452/22**

Paper 2

March 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the March 2018 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks																																								
1(a)	Assist in the location of errors Provide an instant total of trade receivables Prove the arithmetical accuracy of the sales ledger Enable a statement of financial position to be prepared quickly Provide a summary of transactions relating to trade receivables Help reduce fraud Any 2 advantages (1) each	2																																								
1(b)	Overpayment by a credit customer of the amount owing Credit customer failing to deduct available cash discount Credit customer returning goods after settling account Credit customer making payment in advance Any 2 reasons (1) each	2																																								
1(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%;">debit</th> <th style="width: 15%;">credit</th> <th style="width: 10%;">no entry</th> </tr> </thead> <tbody> <tr> <td>opening balance owed to credit suppliers</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>credit purchases</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>cash purchases</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>cash discount received</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td>trade discount received</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>cheques paid to credit suppliers</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td>interest charged by credit suppliers</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>returns to credit suppliers</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td>contra between sales and purchases ledgers</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> </tbody> </table>		debit	credit	no entry	opening balance owed to credit suppliers		✓(1)		credit purchases		✓(1)		cash purchases			✓(1)	cash discount received	✓(1)			trade discount received			✓(1)	cheques paid to credit suppliers	✓(1)			interest charged by credit suppliers		✓(1)		returns to credit suppliers	✓(1)			contra between sales and purchases ledgers	✓(1)			9
	debit	credit	no entry																																							
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3(c)	Receipts from café sales Café suppliers Wages of café assistant Interest-free loan Sports equipment Café fixtures and fittings Any 1 item (1) Reason: For any of first three items – It relates to the café and appears in the café income statement (1) Reason: For any of the last three items – It is an asset/liability and appears in the statement of financial position (1)	2
3(d)	Depreciation of sports equipment Subscriptions accrued Loss on café Surplus/deficit Any 1 item (1) Reason – The depreciation is a non-monetary expense No money was received in respect of the subscriptions accrued The loss on the café was calculated in the income statement The surplus/deficit was calculated in the income and expenditure account Any 1 suitable reason for the item selected (1)	2
3(e)	The members of the club have not invested any capital/are not owners/are not shareholders (1) so there can be no dividends/profit share which represent a return on the amount invested (1)	2
3(f)	These would not raise the required amount within the time limit Or other suitable reason Any suitable reason (1)	1
3(g)	Long-term loan Mortgage Sponsorship Grants Donations Or other suitable source of long term funds Any 1 source (1)	1

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4(d)	<p>Any points listed in (c) above provided not awarded in that section To compare results with previous years To compare results with other businesses To assess past performance To see where improvements can be made/take remedial action To compare with budgets and forecasts Or other suitable reason Any 2 reasons (1) each</p>	2																		

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5(f)	<p>Offer cash discount for prompt payment Charge interest on overdue accounts Improve credit control Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid Invoice discounting and debt factoring Any 2 points (1) each</p>	2																			
5(g)	<p>Reduce credit sales/sell for cash only 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 Offer cash discount for prompt payment Charge interest on overdue accounts Any 2 points (1) each</p>	2																			
5(h)	<p>Have to wait longer for the money Increased risk of bad debts Or other suitable disadvantage Any 1 disadvantage (1)</p>	1																			
5(i)	<p>Do not have to allow cash discount May charge interest on overdue accounts Or other suitable advantage Any 1 advantage (1)</p>	1																			
5(j)	The profit earned for every \$100 used in the business	1																			
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CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/22

Paper 2

February/March 2018

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **21** printed pages and **3** blank pages.

- 1 Kamika is a clothing wholesaler who buys and sells on both cash and credit terms. She maintains a full set of accounting records and prepares monthly control accounts.

REQUIRED

- (a) State **two** advantages to Kamika of preparing a monthly sales ledger control account.

1

.....

2

.....[2]

- (b) State **two** reasons why it is possible for Kamika to have a credit balance on her sales ledger control account.

1

.....

2

.....[2]

- (c) Complete the following table. Place a tick (✓) to show where **each** item would appear in Kamika’s **purchases ledger control account**. If the item would not appear, place a tick (✓) in the no entry column.

	debit	credit	no entry
opening balance owed to credit suppliers			
credit purchases			
cash purchases			
cash discount received			
trade discount received			
cheques paid to credit suppliers			
interest charged by credit suppliers			
returns to credit suppliers			
contra between sales and purchases ledgers			

[9]

Kamika applies all the accounting principles when maintaining accounting records and preparing financial statements.

REQUIRED

(d) Name the accounting principle applied in **each** of the following situations.

	principle
Kamika uses the double entry system of book-keeping when recording transactions in her ledgers.	
Kamika adjusted the charge for insurance in the income statement for an amount prepaid at the year-end.	
Kamika adjusts her provision for doubtful debts at the end of each year so it is always 3% of her trade receivables.	
Kamika intends to trade for several years and values her premises at net book value, not expected sales value, in her statement of financial position.	
Kamika did not make any entry in her accounting records when a competitor reduced his prices even though it may affect her sales.	
Kamika did not make any entry in her accounting records when a customer asked for goods to be put aside for him to collect sometime in the future.	

[6]

Kamika purchases fuel for her motor vehicles in bulk and stores it on her own premises.

Her transactions for the year ended 31 January 2018 included the following:

2017		\$
March 31	Paid by cheque the balance owed to Fuel2go less 20% cash discount	
June 4	Purchased fuel for motor vehicles and paid by cheque	210
December 10	Purchased fuel for motor vehicles on credit from Fuel2go	3200

On 31 January 2018 Kamika’s inventory of fuel was \$1100.

REQUIRED

(e) Enter the transactions in the following accounts in Kamika’s ledger for the year ended 31 January 2018.

Close the accounts by balancing or by making a transfer to the income statement.

Kamika
Fuel2go account

Date	Details	\$	Date	Details	\$
.....	2017 Feb 1	Balance b/d	800
.....
.....
.....
.....
.....
.....
.....
.....

Fuel expenses account

Date	Details	\$	Date	Details	\$
2017 Feb 1	Balance b/d	950	.....	.....	.....
.....
.....
.....
.....
.....
.....
.....
.....

[9]

[Total: 28]

2 Dipak is a manufacturer. His financial year ends on 30 November.

Dipak depreciates all his non-current assets at the end of each year.

REQUIRED

(a) Explain how providing for depreciation of non-current assets is an application of the principle of prudence.

.....

.....

.....

..... [2]

Dipak depreciates his motor vehicles using the reducing (diminishing) balance method at 20% per annum on all motor vehicles held at the end of each financial year. No depreciation is charged in the year of disposal.

On 1 December 2015 Dipak owned motor vehicle A, which had cost \$40 000 and had been depreciated by \$14 400.

On 1 August 2016 Dipak purchased motor vehicle B on credit from ZY Motors for \$50 000.

REQUIRED

(b) Prepare a journal entry to record the purchase of motor vehicle B.

A narrative is **not** required.

Dipak
Journal

	Debit \$	Credit \$
.....
.....
.....

[2]

- (c) Calculate the depreciation on motor vehicle A for **each** of the two years ended 30 November 2016 and 30 November 2017.

.....

 [2]

- (d) Calculate the depreciation on motor vehicle B for **each** of the two years ended 30 November 2016 and 30 November 2017.

.....

 [2]

- (e) Prepare a journal entry to record the transfer to the income statement of the **total** depreciation on motor vehicles for the year ended 30 November 2017.

A narrative is **not** required.

Dipak
Journal

	Debit \$	Credit \$
.....
.....
.....

[2]

Dipak sold motor vehicle A on 31 December 2017.

REQUIRED

(f) Calculate the total depreciation provided on motor vehicle A up to the date of disposal.

.....

 [2]

(g) Prepare journal entries to record the following:

- 1 the transfer of the original cost of motor vehicle A from the asset account
- 2 the transfer of the accumulated depreciation on motor vehicle A from the provision for depreciation account.

Narratives **are** required.

Dipak
Journal

		Debit \$	Credit \$
1
2

[6]

[Total: 18]

PLEASE TURN OVER

3 The ND Sports Club was formed on 1 January 2017.

As well as providing sporting facilities for members the club also has a café for members and guests. Café supplies are purchased on credit and all café sales are made on cash terms.

The treasurer provided the following information on 31 December 2017.

		\$
Receipts during the year	Subscriptions	14 850
	Receipts from café sales	9 520
	Net income from competition	710
	Interest-free loan from Sport4U	<u>5 000</u>
		<u>30 080</u>
Payments during the year	Sports equipment	6 200
	Café fixtures and fittings	3 500
	Wages – sports coach	6 000
	café assistant	4 000
	General club expenses	540
	Rent and insurance	3 700
	Café suppliers	<u>5 760</u>
		<u>29 700</u>

Additional information

- 1 At 31 December 2017
Café inventory was valued at \$970.
Café suppliers were owed \$130.
Café assistant's wages accrued amounted to \$160.
- 2 The payment for rent and insurance included \$1200 for 12 months to 31 January 2018.
- 3 One quarter of the rent and insurance is to be allocated to the café.
- 4 The club has 300 members. The annual subscription is \$50. On 31 December 2017 subscriptions were outstanding from 10 members and 7 members had already paid their subscription for 2018.
- 5 Sports equipment and café fixtures and fittings are to be depreciated by 20% on cost.

REQUIRED

(a) Prepare the café income statement for the year ended 31 December 2017.

ND Sports Club
Café Income Statement for the year ended 31 December 2017

	\$	\$
.....
.....
.....
.....
.....
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.....
.....
.....
.....
.....
.....
.....

[7]

(d) State **one** item in the income and expenditure account which does **not** appear in the list of receipts and payments. Give a reason for your answer.

Item

Reason

.....[2]

A member of the club has suggested that any surplus made by the club should be distributed among the members.

REQUIRED

(e) Comment on this suggestion.

.....
.....
.....
.....[2]

The owner of the premises rented by the club has offered to sell them to the club for \$90 000. A decision has to be made by 31 August 2018.

A member of the committee has suggested increasing subscriptions and holding fund-raising events in order to raise the necessary finance.

REQUIRED

(f) State why the member's suggestions are **not** suitable methods of raising the necessary finance.

.....
.....
.....[1]

(g) Suggest **one** way in which the club could raise the necessary finance.

.....[1]

[Total: 24]

- 4 Amaira is an office equipment wholesaler. Her financial year ends on 31 January.

Amaira has little knowledge of accounting but attempted to prepare financial statements on 31 January 2018.

The statement of financial position (containing errors) which Amaira prepared on 31 January 2018 was as follows.

	\$
Premises at cost	85 000
Fixtures and fittings at cost	40 000
Trade receivables	14 000
Drawings	7 000
Inventory at 1 February 2017	18 000
Bank overdraft	<u>7 241</u>
	<u>171 241</u>
Capital at 1 February 2017	100 000
Profit for the year	14 735
Provision for doubtful debts at 1 February 2017	450
Provision for depreciation of fixtures and fittings at 31 January 2018	19 520
Trade payables	15 144
Loan from EasyLoans (repayable 30 June 2018)	<u>20 000</u>
	169 849
Balance	<u>1 392</u>
	<u>171 241</u>

The opening inventory was \$2000 lower than the closing inventory.

In addition to the obvious errors in the statement of financial position the following errors were discovered.

- 1 On 1 August 2017 a motor vehicle costing \$11 000, was purchased by cheque. This was only recorded in the cash book. The motor vehicle should be depreciated by 25% per annum from the date of purchase.
- 2 No entry has been made for bank charges, \$150.
- 3 No adjustment has been made to the provision for doubtful debts which should be maintained at 3% of trade receivables at the end of each financial year.
- 4 The balance of the petty cash book, \$90, was not included in the statement of financial position.

REQUIRED

- (a) Prepare a corrected statement of financial position at 31 January 2018.

The calculation of the corrected profit for the year should be shown within the statement or as a separate calculation.

You may use the space provided on page 16 for your workings.

You may use this space for workings

REQUIRED

- (b) Prepare Amaira’s capital account for the year ended 31 January 2018. Balance the account and bring down the balance on 1 February 2018.

Amaira
Capital account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....

[5]

- (c) Suggest **two** reasons why Amaira’s employees would be interested in Amaira’s financial statements.

1

.....

2

..... [2]

- (d) Suggest **two** additional reasons why the manager of Amaira’s business would be interested in Amaira’s financial statements.

1

.....

2

..... [2]

[Total: 24]

PLEASE TURN OVER

- 5 ABC Limited has a share capital consisting of ordinary shares. The financial year ends on 31 December.

The accountant prepared the income statement for the year ended 31 December 2017 which showed a profit of \$21 000.

The accountant started to prepare a statement of changes in equity but was taken ill before it was completed.

REQUIRED

- (a) Complete the following statement of changes in equity for the year ended 31 December 2017.

ABC Limited
Statement of Changes in Equity for the year ended 31 December 2017

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 January 2017	180 000	25 000	9 500	214 500
Share issue	20 000	.....	.....	.....
Profit for the year	.....	.....	.....	.....
Final dividend paid for year ended 31 December 2016	.....	.....	.....	(7 200)
Interim dividend for the year ended 31 December 2017	.....	.....	.....	(6 000)
Transfer to general reserve	.....	2 000	.....	.....
At 31 December 2017	.....	.....	.....	.....

[6]

ABC Limited provided the following information.

	Year ended 31 December	
	2016	2017
Percentage of gross profit to revenue (gross profit margin)	32%	30%
Percentage of profit for the year to revenue (net profit margin)	12%	14%

REQUIRED

(b) Suggest **two** reasons for the change in the percentage of profit for the year to revenue.

1

.....

2

.....[2]

(c) State the year in which ABC Limited had better control of the expenses. Give a reason for your answer.

Year

Reason

.....[2]

One of the directors has made four proposals for increasing the percentage of profit for the year to revenue.

REQUIRED

(d) Complete the following table by placing a tick (✓) to indicate the effect on the percentage of profit for the year to revenue of **each** proposal.

proposal	effect on percentage of profit for the year to revenue		
	increase	decrease	no effect
reduce number of employees to reduce the wages bill			
purchase supplies in bulk to get trade discount			
purchase supplies on a cash basis only			
delay payment of rent of premises			

[4]

ABC Limited makes all purchases and sales on credit terms.

Credit customers are allowed a credit period of 30 days and credit suppliers allow a credit period of 24 days.

ABC Limited provided the following information.

	2016	2017
Collection period for trade receivables	28 days	38 days
Payment period for trade payables	22 days	30 days

REQUIRED

(e) Comment on the effect on the liquidity of ABC Limited of the change in the collection period for trade receivables and the change in the payment period for trade payables.

.....
.....
.....
.....
.....
.....
.....[2]

(f) Suggest **two** ways in which ABC Limited could reduce the collection period for trade receivables.

1
.....
2
.....[2]

(g) Suggest **two** ways in which ABC Limited could reduce the possibility of bad debts.

1
.....
2
.....[2]

(h) Suggest **one** disadvantage to the trade payables of the change in the payment period.

.....
[1]

(i) Suggest **one** advantage to the trade payables of the change in the payment period.

.....
[1]

ABC Limited’s return on capital employed (ROCE) for the year ended 31 December 2017 was lower than that of the previous few years.

REQUIRED

(j) State what is measured by the return on capital employed (ROCE).

.....
[1]

One of the directors has made three proposals for increasing the return on capital employed (ROCE).

REQUIRED

(k) Complete the following table by placing a tick (✓) to indicate the effect on the return on capital employed (ROCE) of **each** proposal.

proposal	effect on return on capital employed (ROCE)		
	increase	decrease	no effect
reduce cost of insuring motor vehicles			
issue more ordinary shares			
obtain a short-term interest-free loan from a director			

[3]

[Total: 26]

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ACCOUNTING

Paper 0452/11
Paper 11

Key messages

It is important to read through each question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely.

Where appropriate supporting calculations should always be shown. Even if the final answer is incorrect, some credit may be earned for some of the figures in the calculation.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is important that candidates indicate that this has been done. A note "Please refer to Page ..." or "continued on Page ..." would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as "b/d" for "Balance" in ledger accounts and "GP" and "C of S" for gross profit and cost of sales in income statements.

General comments

In general candidates dealt reasonably well with the paper. Candidates seemed to be less proficient at the written explanations and definitions than the calculation aspects.

Comments on specific questions

Question 1

The majority of candidates attempted all questions. Many candidates found (e) to be challenging.

Question 2

- (a) Candidates scored very well in this question as they categorised a range of items. The main item which caused a problem was the 'rent receivable accrued'.
- (b) Candidates performed well on this question and gave a correct advantage and disadvantage of being a partner rather than a sole trader. Only a small number of candidates referred to aspects of a partnership agreement being an advantage.
- (c) The most common responses to this question were 'the bank', 'suppliers' and 'the government' with appropriate reasons for their interest in financial statements. However, some candidates who named the bank as an interested party did not make it clear that they would look at the financial statements for the ability of repaying a new loan or overdraft. The bank would clearly know if they were repaying a current loan or overdraft. A small number of candidates named the owner or shareholders as an interested party despite the question stating to name three parties other than the owner.
- (d) Most candidates were able to give two causes of depreciation. A small number gave two methods of depreciation e.g. straight line (equal instalments) and reducing (diminishing) balance. Others referred to damaged inventory.

- (e) This question covered features of depreciation and generally it was well attempted with many candidates gaining full marks. Most candidates followed the instructions by identifying 'true' or 'false'.
- (f) Many candidates did not understand an 'accounting' objective and suggested 'making a profit' or 'preparing financial statements'.
- (g) Generally this question was well attempted.

Question 3

- (a) There were many good answers with the majority citing that the reason for maintaining a petty cash book was to free up space in the main cash book. Some candidates, however, did not give a reason but cited what the petty cash book was used for e.g. recording items of relatively low expense.
- (b) This question was not answered well with many repetitions of (a). Many just said that each month you started with the imprest amount rather than an advantage of the imprest system.
- (c) The petty cash book, on the whole, was very well attempted. A number of candidates lost marks for poor narratives and the wrong analysis column. Each entry needed the correct narrative, entered in the total column and in the correct analysis column.
- (d) There were many good answers with a large number awarded 3 marks. A small number lost marks through wrong labels and incorrect amounts.
- (e) This question saw a very small number of candidates being awarded a mark. There seemed little understanding that what had been correctly posted to the computer supplies column in (c) should come through to the posting from the petty cash book to the ledger account at the end of the month.
- (f) Candidates provided many good reasons for preparing a bank statement suggested. Weaker candidates, however, although making suggestions, did not give a full reason. It is not enough to say there may be errors. Candidates must be encouraged to give a full answer. Candidates also mentioned 'to identify differences' without stating what these differences may be or a purpose was to ensure that the cash book and the bank statement balance are equal or the same.
- (g) The updated cash book was generally well-attempted by a large number of candidates with many achieving full marks. Some candidates, however, lost marks for not writing the appropriate details in the cash book, even though they arrived at the correct final balance. It was common to see 'dishonoured cheque' without a reference to Jabir, or 'direct debit' with no reference to rates. A number of candidates did not refer to the cash book error, but described this as 'undercast'. Weaker candidates included the cheque received from Shadya and the cheque paid to Abasi.
- (h) Stronger candidates, who achieved near or full marks in (g) had no problem with the bank reconciliation statement. There were many candidates who struggled with the statement, merely listing the adjustments with no starting or ending point.
- (i) Many candidates did not seem to appreciate that the figure to appear in the financial statements should be the adjusted cash book balance as calculated in (g) and not the bank statement balance from (h). Most candidates did identify the correct section of the statement of financial position.
- (j) Many candidates suggested good reasons why Jabir's cheque may have been dishonoured.

Question 4

- (a) Some candidates answered this question well and achieved full marks. A number of candidates did not attempt this question at all, or did not attempt all of the ledger accounts. There were varied attempts at the AX account with the most common error being in the entries of the purchases and purchases returns gross. The most common error was to omit the settlement discount. In the FM account some candidates did not identify the correct amount needed to settle the account with bringing down a balance of \$2127. The purchases and purchases returns account seemed to

cause the most problems for candidates. Many did not appreciate that the accounts needed to be closed with a transfer to the income statement.

- (b) (i)** There were many good answers from the majority of candidates with the most common answer for receiving trade discount being purchasing in bulk. A small number of candidates suggested trade discount was received for paying promptly.
- (ii)** Most candidates calculated the correct trade discount with only a few reversing the answer to 80%.
- (c)** Most candidates attempted **(i)** and **(iii)** well. Many did not identify sales invoice in **(i)** but 'just' invoice was accepted. In part **(ii)** debit notes were confused with credit notes and for **(iii)** weaker candidates named financial statements instead of statement of account. It may be helpful to candidates in this type of question to draw a diagram as to who is where the transaction originates.

Question 5

- (a) (i)(ii)(iii)** This question required candidates to define raw materials, work in progress and finished goods. Most candidates addressed the definition in a suitable manner and an appropriate example. However, it was clear that a number of candidates did not read the question carefully and did not give a suitable example relevant to Addae's business. A small number of candidates offered 'buying in goods' for 'finished goods', again not reading the requirements of the question.
- (b)** Some candidates produced good and well laid out manufacturing accounts and were awarded full marks. Weaker candidates simply produced lists of expenses. Whilst depreciation of machinery was correctly calculated marks were lost to incomplete narrative. Closing inventory was sometimes included in the calculation and many candidates did not extract a sub-total before deducting closing work in progress. A small number of candidates deducted indirect costs from Prime Cost.
- (c)** There were some very good responses to this question with two very valid reasons to reduce the cost of production. Some candidates, however, did not focus on reducing the cost of production and offered increasing sales, reducing expenses without being more specific and also buying in goods.
- (d)&(e)** Both these questions were correctly calculated. Some candidates lost marks as they did not show the answer to two decimal places.
- (f)** Some candidates did not address their responses to improving the profit for the year. Commonly reducing costs were suggested without being more specific to the administration or selling costs.

Question 6

- (a)** A large number of candidates were able to provide two good reasons for opening a suspense account. To 'locate errors' and to 'balance the trial balance' were the most common responses.
- (b)** Many candidates found this task challenging. The ability to use the suspense account to correct a range of errors appeared weak. Error 2 (carriage) was dealt with correctly by many candidates but in error 3 entries were often reversed and the name of the account was often referred to as sales journal. In error 4, again, entries were often reverse and amount were a combination of \$460 and \$640.
- (c)** Most candidates recognised that not all errors had been discovered although they were not always able to say why. A number made reference to errors that would not affect the balancing of the trial balance.
- (d)** This question was very well attempted by a large number of candidates. Some candidates lost their final corrected profit figure through not calculating correctly or through reversing the increase or decrease.

ACCOUNTING

Paper 0452/12
Paper 12

Key messages

It is essential to lay down a good grounding in the principles of double entry including the use of journals and ledgers and have clear narratives.

Where appropriate supporting calculations should always be shown. Even if the final answer is incorrect, some credit may be earned for some of the figures in the calculation. It is better to cross out incorrect answers and write separately rather than over the top of the previous answer. If an answer is allocated a small space then this is indication that the answer should be brief.

Multiple choice answers should be annotated in the boxes provided and not directly next to the letter.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus.

Overall, the paper was well attempted by a number of candidates. There were some candidates who were clearly well-prepared.

Comments on specific questions

Question 1

Generally **(b)**, **(d)**, **(e)**, **(g)** and **(i)** were well answered. Parts **(a)**, **(c)**, **(f)**, **(h)** and **(j)** require more detailed comments.

- (a)** The common error here was to confuse debit note with credit note. It is the person who has been supplied the goods who requests a debit note and it is the supplier who issues the credit note.
- (c)** Carriage inwards is calculated separately to the valuation of inventory using net realisable value.
- (f)** There was confusion here with the difference between capital and revenue expenditure. If an expenditure involves repairing or renewing or is a recurring cost for the non-current asset then it is revenue expenditure. Legal fees for purchasing a factory are a one-off cost so can be capitalised.
- (h)** This question involved working backwards from the final figure of \$285 000 to discover the starting figure for the retained earnings. The correct answer was \$232 500 which involved adding back the transfer and dividends to the starting point of \$285 000 and then subtracting the profit for the year.
- (j)** There were several stages to this calculation. First the provision for doubtful debts had to be calculated by subtracting the bad debt of \$750 from the trade receivables and then finding 2 per cent which is \$1885. This needed subtracting from the trade receivables figure of \$95 000 along with the bad debt to leave a net trade receivables figure of \$92 365.

Question 2

- (a)** Some candidates answered this question well. The following types of errors were common among other candidates: reference to accounts, reference to fraud or errors and reference to preparing

financial statements. The two most common correct answers were division of labour and fewer entries in the ledgers.

- (b) Well-prepared candidates usually gained three marks but others made some errors including: reference to accounts or ledgers, reference to sales journal rather than cash book for transaction 1 and reference to purchase journal rather than general journal for transaction 3.
- (c) There was a wide range of marks. Better prepared candidates frequently gained eight or nine marks. The most common error was to use the narrative 'road tax' rather than 'motor vehicle expenses'. Other common errors included: using purchases rather than purchases returns for credit entry in transaction 1 or inventory or goods rather than purchases for the credit entry in transaction 5, incorrect totals for items in transactions 2 and 3, discount allowed shown as cash discount, reversal of entries or omission of totals or narratives.
- (d) Most candidates gained at least one mark however entries were often confused by the presence of many irrelevant items. Common mistakes included referring to only one of the items to be added either \$220 or \$392, not starting with the opening balance \$838 credit, incorrect totalling of figures such as not recognising that the opening balance is a negative/credit balance.
- (e) (i) and (ii) Answered reasonably well by many candidates. Some candidates referred to wrong ledgers or journals/accounts/control accounts. The most common error for part (ii) was purchases ledger.

Question 3

- (a) Well-prepared candidates gained seven or eight marks. Errors included: reversal of some items or all items, inclusion of extraneous items such as discount allowed and cash purchases, incorrect narrative for bank, incorrect calculation of missing figure for the bank and entries omitted such as the contra for the sales ledger.
- (b) Answered well by most candidates, however errors seen included: omission of $\times 365$ and sometimes 360 used instead, multiplying by 100 and purchases rather than credit purchases used.
- (c) Generally well answered if the candidates knew the formula. Some did not round to the next whole day as instructed.
- (d) This answer depended on own figure answer from 3(c). The first part was generally very well answered but sometimes the reason given was vague. Occasionally candidates got both parts wrong because they were considering the situation from Kumu's point of view.
- (e) This was generally answered well. However, answers sometimes linked to current liabilities and liquidity which was not rewarded. Candidates needed to be specific about cash discounts being missed out on rather than discounts in general.
- (f) The majority of candidates gained full marks.
- (g) Candidates scored a wide range of marks on this question. More able candidates frequently gained three marks. Common errors included: attempting to include profit in the calculation, omitting cash purchases, omitting purchases and gaining a total of \$240 000 for opening inventory.
- (h) Generally well answered but candidates need reminding not to use abbreviations such as COS in place of cost of sales.
- (i) This was answered reasonably well but weaker candidates often showed no response. Common errors included: not calculating the average inventory and using either just the opening or just the closing inventory, poor rounding of ratios as needed to be to 2 decimal places or adding % or stating the ratio: 1 instead of times.

Question 4

- (a) Most candidates gained some marks on this question with very able candidates gaining five or six marks. Candidates did not always follow the instructions on how to indicate the correct answer. In addition if they changed their mind it was often difficult to understand which their answer was. Candidates should take a little time to read instructions.
- (b) A common incorrect answer was \$360 which was the amount for the lessons which the pupils had received and not the amount which had been prepaid which was required here.
- (c) Answers varied here. Marks were awarded for correct figures or own figure from **4(b)**. Sometimes there was no reference to the total receipts from lessons, \$20 200, the figure carried forward was not from **4(b)** or the \$240 or own figure was added to \$20 200 rather than subtracted.
- (d) A range of marks were awarded. Some answers were vague but most candidates knew that adjustments were necessary for accruals and prepayments. Chandra is a new business and lessons were all paid for in advance so there was no accrued lesson income. Candidates are generally more confident when dealing with prepaid expenses rather than prepaid revenue.
- (e) Well-prepared candidates gained six marks for a well presented answer using the increase and decrease columns for amounts and the final column for one total the revised profit of \$8349. Weaker candidates lost marks for various reasons including: reversal of entries in increase/decrease columns, putting answer for an error on the wrong row, too many entries in the table that contradicted each other and poor calculation of revised profit with candidates mixing up the increase and decrease columns. Candidates need more practice at using tables correctly and using the information available in the question appropriately.
- (f) Most candidates were awarded the full two marks.
- (g) Most candidates gained at least one mark. The best answers were concise, for example, Chandra is a sole trader while LQ is a limited company or that the businesses are of different sizes. Just stating that the businesses were of different types was insufficient and suggested that the product or service was different which was incorrect as they are both driving schools.

Question 5

- (a) There were some good answers here with correct narratives, amounts, dates and sides of the accounts. Weaker responses had a variety of errors including: incorrect dates (years are needed as well as months and days), incorrect narratives which was mainly stating income statement instead of income and expenditure account, incorrect amounts for income and expenditure and partial reversal or complete reversal of account.
- (b) Most candidates gained good marks on this question with well-prepared candidates gaining nine or ten marks. Marks were lost most frequently for omitting subscriptions from the receipts side. Other common errors included: labelling sports equipment as purchases, netting-off competition income and prizes, placing some items on the wrong side, incorrect figure for subscriptions etc.
- (c) A wide range of marks were given here. The ideal answer was set out clearly with subheadings, precise labels and correct totals gaining seven marks. Weaker candidates gained zero for no response or attempting an income and expenditure account. Common errors included: incorrect figure for sports equipment, prepayment labelled as rent rather than rent prepaid or other receivables, accrual labelled as general expenses rather than general expenses accrued or other payables, surplus in wrong section or labelled as profit, omission of subscriptions owing and bank account and using capital as a heading rather than accumulated fund. Candidates needed to use their bank figure from **5(b)** but sometimes they used the opening balance instead.
- (d) There was some misunderstanding by many candidates of the word arisen so examples of how the accumulated fund increases were allowed. No marks were awarded for reference to profit, or capital or the owners investing funds.

Question 6

- (a) A wide range of marks were achieved. An excellent answer added assets and deducted liabilities taking into account adjustments with clear presentation. Most candidates gained some marks but these were limited by the following kinds of error: poor adjustment for depreciation, omission of the capital introduced in the form of non-current assets, no adjustment or incorrect adjustment of trade receivables, omission of prepaid rent \$120, addition of liabilities rather than deductions and inclusion of opening capital of \$20 300. Candidates should make it clear in such questions whether an item is to be added or subtracted.
- (b) Many weak responses gained no marks. Only a few candidates arrived at the answer of \$452 for profit, a few gained five marks based on their own figure from **6(a)**. These answers tended to start with closing capital or use the capital account with a ledger format. Most candidates made mistakes and there were many different types of presentation. Typical errors included: attempting to use an income statement format sometimes with the inclusion of drawings, repeating many figures from **6(a)** for example inventory, omission of new capital \$5500 and incorrect addition or subtraction of drawings. Some candidates used the capital account format from the statement of financial position but then altered the format incorrectly to find the missing profit figure and did not note the figure was a loss based on own figure.
- (c) This was generally answered well. Weak answers referred to returns or money earned rather than profit.
- (d) The majority of candidates gained the mark. The main errors were lack of multiplication by 100 or stating revenue rather than profit for the year.
- (e) This was answered reasonably well. If the formula in part **6(d)** was incorrect however, some candidates added the $\times 100$ at this stage and then gained one or two marks. Candidates gained one mark if closing capital was used rather than the requested opening capital. There was some incorrect rounding to 2 decimal places.
- (f) The majority of candidates answered this correctly and referenced an increase in or poor control of expenses. Candidates who gave answers which affected the gross profit had not read or understood the information provided in the question.
- (g) A range of marks were rewarded. Excellent answers tended to be brief for example, easy reference, helps prevent fraud and easier to prepare financial statements. Marks were often lost due to too much reference to accuracy without mentioning check for errors or locating errors. Many candidates thought that no errors would occur due to the use of double entry.

ACCOUNTING

Paper 0452/13
Paper 13

Key messages

It is essential to lay down a good grounding in the principles of double entry including the use of journals and ledgers and have clear narratives.

Where appropriate supporting calculations should always be shown. Even if the final answer is incorrect, some credit may be earned for some of the figures in the calculation. It is better to cross out incorrect answers and write separately rather than over the top of the previous answer. If an answer is allocated a small space then this is indication that the answer should be brief.

Multiple choice answers should be annotated in the boxes provided and not directly next to the letter.

General comments

All the questions on the paper were compulsory and covered various topics on the syllabus.

Overall, the paper was well attempted by a number of candidates. There were some candidates who were clearly well-prepared.

Comments on specific questions

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- (f)** There was confusion here with the difference between capital and revenue expenditure. If an expenditure involves repairing or renewing or is a recurring cost for the non-current asset then it is revenue expenditure. Legal fees for purchasing a factory are a one-off cost so can be capitalised.
- (h)** This question involved working backwards from the final figure of \$285 000 to discover the starting figure for the retained earnings. The correct answer was \$232 500 which involved adding back the transfer and dividends to the starting point of \$285 000 and then subtracting the profit for the year.
- (j)** There were several stages to this calculation. First the provision for doubtful debts had to be calculated by subtracting the bad debt of \$750 from the trade receivables and then finding 2 per cent which is \$1885. This needed subtracting from the trade receivables figure of \$95 000 along with the bad debt to leave a net trade receivables figure of \$92 365.

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- (a)** Some candidates answered this question well. The following types of errors were common among other candidates: reference to accounts, reference to fraud or errors and reference to preparing

financial statements. The two most common correct answers were division of labour and fewer entries in the ledgers.

- (b) Well-prepared candidates usually gained three marks but others made some errors including: reference to accounts or ledgers, reference to sales journal rather than cash book for transaction 1 and reference to purchase journal rather than general journal for transaction 3.
- (c) There was a wide range of marks. Better prepared candidates frequently gained eight or nine marks. The most common error was to use the narrative 'road tax' rather than 'motor vehicle expenses'. Other common errors included: using purchases rather than purchases returns for credit entry in transaction 1 or inventory or goods rather than purchases for the credit entry in transaction 5, incorrect totals for items in transactions 2 and 3, discount allowed shown as cash discount, reversal of entries or omission of totals or narratives.
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- (d) This answer depended on own figure answer from 3(c). The first part was generally very well answered but sometimes the reason given was vague. Occasionally candidates got both parts wrong because they were considering the situation from Kumu's point of view.
- (e) This was generally answered well. However, answers sometimes linked to current liabilities and liquidity which was not rewarded. Candidates needed to be specific about cash discounts being missed out on rather than discounts in general.
- (f) The majority of candidates gained full marks.
- (g) Candidates scored a wide range of marks on this question. More able candidates frequently gained three marks. Common errors included: attempting to include profit in the calculation, omitting cash purchases, omitting purchases and gaining a total of \$240 000 for opening inventory.
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Question 4

- (a) Most candidates gained some marks on this question with very able candidates gaining five or six marks. Candidates did not always follow the instructions on how to indicate the correct answer. In addition if they changed their mind it was often difficult to understand which their answer was. Candidates should take a little time to read instructions.
- (b) A common incorrect answer was \$360 which was the amount for the lessons which the pupils had received and not the amount which had been prepaid which was required here.
- (c) Answers varied here. Marks were awarded for correct figures or own figure from **4(b)**. Sometimes there was no reference to the total receipts from lessons, \$20 200, the figure carried forward was not from **4(b)** or the \$240 or own figure was added to \$20 200 rather than subtracted.
- (d) A range of marks were awarded. Some answers were vague but most candidates knew that adjustments were necessary for accruals and prepayments. Chandra is a new business and lessons were all paid for in advance so there was no accrued lesson income. Candidates are generally more confident when dealing with prepaid expenses rather than prepaid revenue.
- (e) Well-prepared candidates gained six marks for a well presented answer using the increase and decrease columns for amounts and the final column for one total the revised profit of \$8349. Weaker candidates lost marks for various reasons including: reversal of entries in increase/decrease columns, putting answer for an error on the wrong row, too many entries in the table that contradicted each other and poor calculation of revised profit with candidates mixing up the increase and decrease columns. Candidates need more practice at using tables correctly and using the information available in the question appropriately.
- (f) Most candidates were awarded the full two marks.
- (g) Most candidates gained at least one mark. The best answers were concise, for example, Chandra is a sole trader while LQ is a limited company or that the businesses are of different sizes. Just stating that the businesses were of different types was insufficient and suggested that the product or service was different which was incorrect as they are both driving schools.

Question 5

- (a) There were some good answers here with correct narratives, amounts, dates and sides of the accounts. Weaker responses had a variety of errors including: incorrect dates (years are needed as well as months and days), incorrect narratives which was mainly stating income statement instead of income and expenditure account, incorrect amounts for income and expenditure and partial reversal or complete reversal of account.
- (b) Most candidates gained good marks on this question with well-prepared candidates gaining nine or ten marks. Marks were lost most frequently for omitting subscriptions from the receipts side. Other common errors included: labelling sports equipment as purchases, netting-off competition income and prizes, placing some items on the wrong side, incorrect figure for subscriptions etc.
- (c) A wide range of marks were given here. The ideal answer was set out clearly with subheadings, precise labels and correct totals gaining seven marks. Weaker candidates gained zero for no response or attempting an income and expenditure account. Common errors included: incorrect figure for sports equipment, prepayment labelled as rent rather than rent prepaid or other receivables, accrual labelled as general expenses rather than general expenses accrued or other payables, surplus in wrong section or labelled as profit, omission of subscriptions owing and bank account and using capital as a heading rather than accumulated fund. Candidates needed to use their bank figure from **5(b)** but sometimes they used the opening balance instead.
- (d) There was some misunderstanding by many candidates of the word arisen so examples of how the accumulated fund increases were allowed. No marks were awarded for reference to profit, or capital or the owners investing funds.

Question 6

- (a) A wide range of marks were achieved. An excellent answer added assets and deducted liabilities taking into account adjustments with clear presentation. Most candidates gained some marks but these were limited by the following kinds of error: poor adjustment for depreciation, omission of the capital introduced in the form of non-current assets, no adjustment or incorrect adjustment of trade receivables, omission of prepaid rent \$120, addition of liabilities rather than deductions and inclusion of opening capital of \$20 300. Candidates should make it clear in such questions whether an item is to be added or subtracted.
- (b) Many weak responses gained no marks. Only a few candidates arrived at the answer of \$452 for profit, a few gained five marks based on their own figure from **6(a)**. These answers tended to start with closing capital or use the capital account with a ledger format. Most candidates made mistakes and there were many different types of presentation. Typical errors included: attempting to use an income statement format sometimes with the inclusion of drawings, repeating many figures from **6(a)** for example inventory, omission of new capital \$5500 and incorrect addition or subtraction of drawings. Some candidates used the capital account format from the statement of financial position but then altered the format incorrectly to find the missing profit figure and did not note the figure was a loss based on own figure.
- (c) This was generally answered well. Weak answers referred to returns or money earned rather than profit.
- (d) The majority of candidates gained the mark. The main errors were lack of multiplication by 100 or stating revenue rather than profit for the year.
- (e) This was answered reasonably well. If the formula in part **6(d)** was incorrect however, some candidates added the $\times 100$ at this stage and then gained one or two marks. Candidates gained one mark if closing capital was used rather than the requested opening capital. There was some incorrect rounding to 2 decimal places.
- (f) The majority of candidates answered this correctly and referenced an increase in or poor control of expenses. Candidates who gave answers which affected the gross profit had not read or understood the information provided in the question.
- (g) A range of marks were rewarded. Excellent answers tended to be brief for example, easy reference, helps prevent fraud and easier to prepare financial statements. Marks were often lost due to too much reference to accuracy without mentioning check for errors or locating errors. Many candidates thought that no errors would occur due to the use of double entry.

ACCOUNTING

Paper 0452/21
Paper 21

Key messages

It is important to read through each question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely.

Where appropriate supporting calculations should always be shown. Even if the final answer is incorrect, some credit may be earned for some of the figures in the calculation.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is important that candidates indicate that this has been done. A note "Please refer to Page ..." or "continued on Page ..." would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as "b/d" for "Balance" in ledger accounts and "GP" and "C of S" for gross profit and cost of sales in income statements.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of "old" terminology such as "stock" and "net profit".

It is very important that candidates present figures clearly and that written work is legible.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions. Those candidates who had a good knowledge of the subject were able to apply that knowledge to the scenarios presented on the question paper.

It is important that candidates know the correct form of presentation for financial statements and ledger accounts. In any financial statement or ledger account attention must be given to the wording as well as the figures.

Some of the answers to the theory questions were far too vague and lacked clarity. Accounting is a subject in which precision is extremely important.

Comments on specific questions

Question 1

- (a) Candidates were required to identify two books of prime (original) entry. Most candidates correctly identified the sales returns journal. There were various incorrect answers to the book in which bad debts would appear, ranging from cash book, general ledger and nominal journal.
- (b) Using information provided a purchases ledger control account had to be prepared. A missing figure representing the amounts paid to credit suppliers had to be inserted. This question presented very few problems for the more able candidates. A number of candidates included extraneous items such as cash purchases and items related to trade receivables. Some items were incorrectly identified such as "carriage inwards" incorrectly described as "carriage outwards"

- (c) Two reasons for the debit balance in the purchases ledger were required. Answers were sometimes a little vague and not related to the particular scenario.
- (d) An explanation was required of how maintaining a provision for doubtful debts is an application of the principle of prudence. The majority of candidates appreciated that this prevented the profit and the trade receivables/current assets from being overstated. Some responses were too vague. "The assets will not be overstated" was regarded as too general to merit the mark.
- (e) Candidates were required to discuss how an increase in the rate of cash discount would affect liquidity and future profit. Most candidates appreciated that the cash would probably be received earlier than previously. Some then explained that this would allow the trader to use that cash within her business. Very few mentioned that the amount received would be reduced because of the discount.

Many candidates understood that a higher cash discount would cause an increase in expenses and a reduction in profit. A few also mentioned that the risk of bad debts may be reduced as a result of customers paying earlier. A number of candidates incorrectly believed that the cost of sales would be affected.

Question 2

- (a) An opening journal entry was required. Many candidates seemed unfamiliar with this type of entry and produced separate journal entries for each of the items. It was expected that candidates would be familiar with the format of a journal entry i.e. account(s) to be debited, account(s) to be credited and a narrative. A journal should name the accounts in the ledger in which an entry is to be made. For example "purchased premises" rather than "Premises" and "loan" rather than "AB Loans" were not regarded as acceptable.
- (b) Two other uses of the general journal were required. Common correct responses included writing off bad debts and correction of errors.
- (b) Candidates were presented with an incorrect trial balance together with details of additional errors and a corrected trial balance had to be prepared. Many candidates incorrectly included both the opening and closing inventories. Other common errors included omitting drawings and the petty cash balance, and not making the appropriate adjustments for the purchases returns and the bank charges. Where correct amendments were made to the items the totals of the trial balance agreed. When the trial balance totals do not agree it is expected that candidates will understand that it is necessary to open a suspense account.

Question 3

- (a) A number of partially completed ledger accounts were presented together with additional information relating to these particular accounts. Candidates were required to make any necessary entries in the accounts and to close or balance the accounts as appropriate. Those candidates who had a good knowledge of double entry were able to earn good marks. Other candidates seemed to be uncertain about when to balance an account and when to make a transfer to the income statement. Where a transfer is made to income statement it should be shown as one figure in the ledger account (not two individual transfers). A significant number of candidates transferred the totals of the discount columns in the cash book to the incorrect discount accounts in the ledger resulting in incorrect transfers to the income statement.
- (b) A disposal of motor vehicle account was provided and candidates were required to explain each entry in the account and to state where the double entry would be made. Answers were often very generic and completely unrelated to the account provided. For example "this is the cost of a motor" was not an adequate explanation for the entry representing the original cost of the motor vehicle which was being disposed of. A number of candidates did not appear to understand what the entries in the disposal account represented. Despite the instruction about stating whether the double entry account would be debited or credited, many candidates stated the name of an account without any indication where the entry would be made in that account.

Question 4

- (a) Candidates were provided with information at the end of the financial year and were required to prepare an income statement of an advertising agency. A number of candidates did not seem to be familiar with the preparation of an income account for a service business and attempted to introduce revenue and cost of sales by using the figures representing capital and office equipment. A common error was to include rent receivable as \$10 400 instead of \$4800. Those candidates who included calculations for the items requiring adjustments were able to earn some of the available marks for those items even though the final figures were incorrect. A provision for doubtful debts had to be created. This should have been calculated at 2% on the amount of trade receivables and not 2% on the fees for the year. Suitable descriptions should be shown for the items in an income statement. For example “Dep MV” and “NP” are not regarded as adequate.
- (b) The formula for the calculation of the return on capital employed had to be stated. There were many correct responses. In questions like this it is important to write the words out in full and to include “x 100”.
- (c) Using the opening capital and the profit for the year (calculated in Part (a)) candidates were required to calculate the return on capital employed. This was well done. Some candidates did not display the answer as a percentage and others ignored the instruction to use the capital at the beginning of the year.
- (d) Candidates were required to state two reasons why one business earned a higher return on capital employed. Many correctly stated that Asim’s business had a higher profit for the year; others incorrectly concentrated on higher sales or lower expenses. The other reason causing the difference was that Asim had a smaller capital employed.
- (e) This proved to be quite difficult for many candidates. Only monetary items are recorded in the financial statements, and, because of this, many important factors which affect the performance of a business are not included in those statements.

Question 5

- (a) Details about a business were provided. The purchases for the year had to be calculated by preparing the trading section of an income statement. Many candidates earned good marks. It is important to include a correct label for each item in the statement and avoid inappropriate abbreviations such as “CS” for “cost of sales” and “GP” for “gross profit”. Items must be in the correct position in an income statement. For example, the opening inventory should appear before the purchases and the purchases returns should be deducted from the purchases. Some candidates incorrectly applied margin rather than mark-up. Despite calculating an incorrect gross profit, many were able to earn an own figure for the purchases.
- (b) The formula for the calculation of the rate of inventory turnover had to be stated. There were many correct responses. In questions like this it is important to write the words out in full.
- (c) Candidates were required to state two reasons why the rate of inventory turnover for a named business was lower than the average for that type of business. Most candidates correctly identified one of the reasons as holding a higher inventory. The other reason is a lower sales activity. Popular incorrect responses included reference to cost of sales and selling price.
- (d) The basis on which inventory should be valued had to be stated. The vast majority of candidates correctly stated “at the lower of cost and net realisable value”.
- (e) Candidates had to name the accounting principle being applied by valuing inventory on the basis named in Part (d). The vast majority of candidates correctly named prudence, but a few incorrectly suggested matching or realisation.
- (f) A table had to be completed to indicate the effect of overvaluing closing inventory. There was a wide range of responses.
- (g) A table had to be completed to indicate the effect of two proposals on the gross profit. There was a wide range of responses.

- (h) Candidates were required to comment on the effects of a proposal to increase mark-up. Many candidates correctly stated that the profit would increase. Only a few went on to explain that if the selling price increased customers may go elsewhere. Common incorrect responses included decrease (or increase) in cost of sales.

Question 6

- (a) It was expected that candidates would be able to state two differences between debentures and ordinary shares. Many candidates did earn full marks. Some candidates identified two features of debentures and two completely unrelated features of ordinary shares, and did not attempt a comparison. Some comments were imprecise. For example, a statement such as “debenture holders are paid first” was deemed to be too vague.
- (b) Candidates were required to explain that the general reserve arises from annual transfers from the retained earnings. There was a vast variety of incorrect responses. A few candidates misinterpreted the question and tried to explain why the general reserve had increased.
- (c) Two reasons why a limited company retains some profit each year were required. There were only a few acceptable responses. Most candidates seemed to incorrectly believe that a general reserve is represented by actual money. Common incorrect responses included ensuring that cash was available to purchase non-current assets, repay loans and pay dividends. It should have been explained that profits may be retained when there is not enough cash to pay a dividend or to ensure that cash is retained in the business rather than using it for the payment of a dividend.
- (d) A table had to be completed to indicate where (if at all) six items would appear in the financial statements of a limited company. There was a wide range of answers, but most candidates earned at least three marks.
- (e) Candidates were required to suggest one advantage to existing shareholders if a company raised extra finance from issuing debentures. There were some imprecise and vague answers such as “more dividend” which was not regarded as adequate. The responses provided by a few candidates were from the viewpoint of the company not the effect on the ordinary shareholders.
- (f) Candidates were required to state one disadvantage to the ordinary shareholders if a company issued debentures. Once again, some answers were too vague such as “debentures get interest”, and sometimes answers were from the viewpoint of the company.
- (g) The formula for the calculation of the current ratio had to be stated. There were many correct responses. In questions like this it is important to write the words out in full.
- (h) A table had to be completed to indicate the effect of five proposals on the current ratio of a company. There was a wide range of responses, but most candidates earned two or three marks.

ACCOUNTING

Paper 0452/22
Paper 22

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note 'Please refer to Page.....' or 'Continued on page.....' would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' for 'balance' in ledger accounts and 'PFDD' for 'Provision for doubtful debts' in financial statements.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit', etc.

It is important that candidates present their figures clearly and that their written work is legible.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions and were familiar with the correct format of financial statements.

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day-to-day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in a ledger account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

- (a) Candidates were provided with a business document and asked to name the document, calculate the balance on the document, the percentage of the discount and to name the type of discount.
- (i) The better-prepared candidates were able to correctly identify the business document as a statement of account. There were a variety of incorrect answers ranging from memo, debit note, invoice, bank statement, receipt, etc.

- (ii) This was well answered with most candidates correctly identifying the amount of discount allowed being \$335. Where candidates gave an incorrect answer, it was mostly due to errors in their calculations.
- (iii) Most candidates calculated the percentage discount correctly. Where candidates made an error, it was because they based their percentage on the net amount paid rather than the gross amount.
- (iv) Many candidates were unable to correctly identify the type of discount as 'cash discount'. The most common incorrect answers being trade discount, or discount received.
- (b) Many candidates did not realise that a statement of account is not recorded in the accounting records. The most common incorrect answer was that the customer's account should be debited.
- (c) Candidates were asked to refer to a transaction in a statement of account and name the document issued, the person issuing the document and entries that would be made in the customer's books. Generally, this was well answered with many candidates earning full marks. A common mistake was to think that W Jones was the supplier rather than the customer meaning the document issued and name of the person issuing the document were incorrectly stated.
- (d) The question required candidates to name the book of prime (original) entry in which each of the two traders would record a returns transaction and this was answered very well. Some candidates did not realise that there was separate journal for returns and thought the entry would be recorded in the sales and purchases journals respectively. Also, there were some candidates who thought 'ledgers' were books of prime entry.
- (e) Many candidates were able to correctly explain the meaning of 'bad debts' and 'bad debts recovered'. However, there were some candidates who confused trade receivables with trade payables. Also, for bad debts some candidates did not explain that the debt **would not** be paid or that amount owing **would not** be received. For 'bad debts recovered', candidates did not state that the debt was either a bad debt or a debt that had previously been written off, even though they stated that the customer had repaid some or all of the amount back.
- (f) This question was answered well. Many candidates were able to identify two ways that a trader could reduce the risk of bad debts. However, candidates were not always specific enough in their responses and no marks could be awarded. Common errors included:
- not explaining that introducing a credit limit must apply to each individual customer for the policy to be effective
 - suggesting a discount may be offered, but not stating or implying "cash discount"
 - suggesting 'charging interest' but not clarifying that this would apply to late payments
 - duplicating their response, i.e. 'reduce credit sales' and 'sell on a cash basis'
 - incorrectly stating that extending the time allowed for the trade receivables to pay would reduce the risk of bad debts.
- (g) Candidates were asked to explain how maintaining a provision for doubtful debts is an application of the principle of prudence. Most candidates recognised that this prevented profits from being overstated but many simply wrote 'prevent assets' from being overstated without specifying that it was current assets or trade receivables.
- (h) Similar to part (g), candidates were asked to explain how maintaining a provision for doubtful debts is an application of the principle of accruals/matching. The majority of candidates struggled to earn the marks on this part as many wrote about matching income and expenses but omitted 'for the year/same period'. Very few candidates mentioned that the provision for doubtful debts is an expense. Some candidates chose not to attempt it all.
- (i) Most candidates successfully calculated the rate of provision for doubtful debts.

- (j) The question required candidates to prepare a provision for doubtful debts account. There was a clear division between candidates who were familiar with a provision for doubtful debts account, often scoring full marks and those candidates who were not so well prepared.

Common errors included:

- inclusion of the trade receivables amounts of \$18 400 and \$17 600 rather than provision for doubtful debts' balances
- incorrect dates and narratives
- opening balance entered as a debit balance

Question 2

- (a) This question required candidates to state the meaning of four terms and to provide an example of each.

For the better-prepared candidates there were some very high marks earned on this part. Candidates were better at providing good examples than defining the terms.

Many candidates lost marks for the explanation of capital expenditure as they included 'repairing'/'maintenance of' the non-current asset or expenses on non-current assets in their explanation.

Many candidates were clearly unfamiliar with the terms capital and revenue receipts, sometimes confusing these terms with source documents. For example, candidates defined a capital receipt as a piece of paper that you are given after you have purchased something in capital expenditure. Some candidates also gave examples of capital and revenue receipts rather than an explanation, e.g. 'sale of non-current assets' and 'income from sales'.

- (b) Four errors were listed and candidates were asked to indicate how each of the errors effected profit for the year and closing capital. Candidates were better at the effect on profit for the year than on the effect on closing capital.
- (c) This question proved difficult for many candidates. The question asked for an explanation as to why a cash book is both a book of prime entry and also part of the ledger. The well prepared candidates recognised that the cash book 'is part of the double entry system' and as such part of the ledger. However, very few candidates were able to explain why the cash book is considered a book of prime entry. Some candidates did make an attempt to explain this but found it difficult, i.e. 'it is the first record of money transactions'.
- (d) Candidates were provided with a cash book (bank columns) and a bank statement and asked to select the items needed to update the cash book. This was well attempted and candidates clearly understood the adjustments required. Most candidates earned at least two marks on this question with many earning the three marks available.
- (e) Using the cash book and bank statement candidates were asked to select the items that would appear in the bank reconciliation statement. This element proved more challenging than the previous one with many candidates incorrectly reversing their answers. A number of candidates earned three of the four marks but omitted the bank error or included it in the wrong column.

Question 3

- (a) Most candidates were able to correctly name an alternative method of depreciation that could be used to depreciate non-current assets. Where candidates lost marks it was because they were not precise in their response referring to the reducing balance method as either 'reducing' or 'diminishing' and omitting the word balance.
- (b) Candidates struggled with providing two reasons why the straight-line method of depreciation would not be a suitable method for depreciating hand tools. The better candidates earned at least one mark with comments focusing on materiality issues. Very few candidates recognised that hand tools do not depreciate by an equal amount each year or that a certain amount of tools are lost

each year, making straight-line depreciation an inappropriate method. Some candidates made general statements about straight-line and reducing balance depreciation methods without specific reference to hand tools. No marks could be awarded.

- (c) & (d)** The question required candidates to calculate depreciation for office machinery for two individual years.
A common mistake was to either calculate the total depreciation to date rather than just for the year in question or to show the net book value as the answer. A number of candidates charged depreciation for a whole year even though a machine had been operating for only part of the year.
- (e)** Using the answers to **(c)** and **(d)**, candidates were asked to prepare an office machinery account and the provision for depreciation account for the two year period. There were common mistakes in each of the two accounts:

Machinery account:

- incorrect narratives for the purchase of the two new machines
- entries for depreciation incorrectly included
- the disposal entry wrongly described as XY Limited
- an incorrect figure for disposal (rather than the original cost of the machine, candidates used the proceeds from sale)

Provision for depreciation account:

- the entry for disposal omitted or an incorrect amount stated (the figure should have been the accumulated depreciation from parts **(c)** and **(d)** plus the opening balance of \$6000)
- incorrectly including the proceeds from sale
- incorrect narrative for the income statement entries
- annual transfers to income statement and balances carried down and brought down shown as individual figures for each machine rather than a single figure
- incorrect dates or dates omitted

- (f)** The question required candidates to calculate the profit or loss on disposal of a piece of machinery. Many candidates found this difficult. Some candidates calculated the correct figure but did not state whether it was a profit or loss.

Other candidates simply deducted the sale proceeds, \$6000, from the original cost, \$15000, and ignored any accumulated depreciation and the effect of this on the profit/loss on sale. Candidates could have improved their performance on this element by making sure they read the requirement carefully and answered the question that was being asked of them.

Question 4

- (a)** Candidates were provided with the profit for the year and asked to complete a statement of changes in equity. Candidates had to insert the appropriate items in a partially completed statement. Mistakes included dividends incorrectly deducted from the ordinary share capital and the transfer to general reserve deducted from the total column rather than from the retained earnings.
- (b)** Candidates were provided with a list of balances and asked to prepare a statement of financial position. This element provided an opportunity for many candidates to earn some high marks with the better-prepared candidates earning full marks in many instances.

Common errors included:

- the net book value for the non-current assets was shown without the required cost and accumulated depreciation columns
- the provision for doubtful debts was either omitted or the trade receivables shown as a net figure after deducting the provision for doubtful debts (it should be shown on the line directly below trade receivables, with suitable wording, and deducted from trade receivables)
- the provision for doubtful debts was included in current liabilities,
- the bank overdraft was included in current assets

- the bank loan was included in non-current liabilities
- included a single figure of \$241 000 for the capital and reserves section rather than showing the individual elements

- (c) Candidates were asked to state two disadvantages to existing ordinary shareholders of raising additional funds by issuing debentures. Most candidates earned at least one mark on this section. They knew that, because debenture interest had to be paid, there would be less profit available for distribution to the ordinary shareholders as dividends. However, some candidates incorrectly thought that the dividend payment would be delayed because debenture holders came first.
- (d) Candidates were asked for two disadvantages should additional funds be raised by issuing more ordinary shares. Again, most candidates earned at least one mark and the better-prepared candidates managed to earn full marks. However, the answers provided by some candidates related to preference shares rather than ordinary shares.

Question 5

- (a) Candidates were asked to prepare an income statement using the information provided. There were some very good answers but there were also some very poor attempts. Common mistakes included:

- adding an imaginary opening inventory
- adding rather than subtracting the closing inventory to arrive at cost of sales
- purchases described incorrectly as credit suppliers
- no adjustment to the purchases figure for the amount owing to credit suppliers
- gross profit calculation based on a quarter of the costs of sales figure rather than a third
- no words to accompany the cost of sales or gross profit figures
- the figure for capital introduced used incorrectly as revenue
- rent and insurance figures not adjusted for prepaid amounts
- loan interest and depreciation on fixture and fittings included for a full year
- loan interest and depreciation on fixture and fittings omitted
- abbreviating the description for the depreciation such as “P for D” and not naming the asset to which the depreciation related
- drawings and shop fixtures and fittings incorrectly included in the expenses
- profit for the month incorrectly referred to as a surplus or profit for the ‘year’

- (b) Most candidates were able to correctly state the formula for calculating the quick ratio.
- (c) A table was presented to the candidates asking them to indicate the effect on the quick ratio. This question provided good differentiation with only the well-prepared candidates earning full marks. The majority of candidates earned either two or three marks of the five available.
- (d) Candidates were asked to state which of the proposals listed in (c) would affect the quick ratio but not the current ratio.

Most candidates correctly identified proposal number 6 but only a few candidates were able to adequately explain why. Explanations tended to focus on the fact that the current ratio includes inventory in the calculation but the quick ratio does not.

Very few candidates realised that a reduction in closing inventory would be counterbalanced by the increase in cash and so have no effect on the current ratio.

- (e) The final part of this question asked candidates to explain two factors that the owner of the business should consider when comparing the business performance with that of another business.

Many candidates discussed comparing Aretta’s business with a business in a similar trade despite the fact that this information was provided in the question. Some candidates also suggested how Aretta could improve her business rather than explaining the factors that she should consider when comparing her business performance with that of the other business.

The best candidates developed their answers often giving examples relating to the business in question.

ACCOUNTING

Paper 0452/23
Paper 23

Key messages

Candidates should read through a question very carefully before attempting an answer. This ensures that an important piece of information is not overlooked and that instructions are followed precisely. A factually correct statement, which is not the answer to the question being asked, cannot be awarded credit.

Where appropriate, candidates are advised to provide supporting calculations. This ensures that some credit may be earned even though the final answer may be incorrect.

The spaces provided on the question paper for candidates' answers should be adequate. Sometimes it may be necessary for a candidate to cross out all or part of their answer and provide another answer elsewhere on the question paper. It is very important that candidates indicate that this has been done. A note 'Please refer to Page.....' or 'Continued on page.....' would ensure that this additional work is not overlooked when the script is being marked.

Candidates should avoid the use of inappropriate abbreviations such as 'b/d' for 'balance' in ledger accounts and 'PFDD' for 'Provision for doubtful debts' in financial statements.

Candidates are expected to be familiar with International Accounting Terminology and avoid the use of 'old' terminology such as 'stock' and 'net profit', etc.

It is important that candidates present their figures clearly and that their written work is legible.

General comments

All the questions on the paper were compulsory and covered a wide range of syllabus topics. Most candidates attempted to answer all questions and were familiar with the correct format of financial statements.

It is important that candidates present accounting statements in the correct format and that appropriate descriptions are used in both financial statements and in ledger accounts. The written answers produced in some of the narrative questions were vague and lacked clarity. Accounting is a subject in which precision is extremely important.

All the day-to-day records of a business are based on double entry bookkeeping. Candidates must have a good knowledge of double entry and must be able to apply this to the various scenarios. In addition to the figures in a ledger account, attention must be given to the words entered in the details column and to the dates.

Comments on specific questions

Question 1

- (a) Candidates were provided with a business document and asked to name the document, calculate the balance on the document, the percentage of the discount and to name the type of discount.
- (i) The better-prepared candidates were able to correctly identify the business document as a statement of account. There were a variety of incorrect answers ranging from memo, debit note, invoice, bank statement, receipt, etc.

- (ii) This was well answered with most candidates correctly identifying the amount of discount allowed being \$335. Where candidates gave an incorrect answer, it was mostly due to errors in their calculations.
- (iii) Most candidates calculated the percentage discount correctly. Where candidates made an error, it was because they based their percentage on the net amount paid rather than the gross amount.
- (iv) Many candidates were unable to correctly identify the type of discount as 'cash discount'. The most common incorrect answers being trade discount, or discount received.
- (b) Many candidates did not realise that a statement of account is not recorded in the accounting records. The most common incorrect answer was that the customer's account should be debited.
- (c) Candidates were asked to refer to a transaction in a statement of account and name the document issued, the person issuing the document and entries that would be made in the customer's books. Generally, this was well answered with many candidates earning full marks. A common mistake was to think that W Jones was the supplier rather than the customer meaning the document issued and name of the person issuing the document were incorrectly stated.
- (d) The question required candidates to name the book of prime (original) entry in which each of the two traders would record a returns transaction and this was answered very well. Some candidates did not realise that there was separate journal for returns and thought the entry would be recorded in the sales and purchases journals respectively. Also, there were some candidates who thought 'ledgers' were books of prime entry.
- (e) Many candidates were able to correctly explain the meaning of 'bad debts' and 'bad debts recovered'. However, there were some candidates who confused trade receivables with trade payables. Also, for bad debts some candidates did not explain that the debt **would not** be paid or that amount owing **would not** be received. For 'bad debts recovered', candidates did not state that the debt was either a bad debt or a debt that had previously been written off, even though they stated that the customer had repaid some or all of the amount back.
- (f) This question was answered well. Many candidates were able to identify two ways that a trader could reduce the risk of bad debts. However, candidates were not always specific enough in their responses and no marks could be awarded. Common errors included:
- not explaining that introducing a credit limit must apply to each individual customer for the policy to be effective
 - suggesting a discount may be offered, but not stating or implying "cash discount"
 - suggesting 'charging interest' but not clarifying that this would apply to late payments
 - duplicating their response, i.e. 'reduce credit sales' and 'sell on a cash basis'
 - incorrectly stating that extending the time allowed for the trade receivables to pay would reduce the risk of bad debts.
- (g) Candidates were asked to explain how maintaining a provision for doubtful debts is an application of the principle of prudence. Most candidates recognised that this prevented profits from being overstated but many simply wrote 'prevent assets' from being overstated without specifying that it was current assets or trade receivables.
- (h) Similar to part (g), candidates were asked to explain how maintaining a provision for doubtful debts is an application of the principle of accruals/matching. The majority of candidates struggled to earn the marks on this part as many wrote about matching income and expenses but omitted 'for the year/same period'. Very few candidates mentioned that the provision for doubtful debts is an expense. Some candidates chose not to attempt it all.
- (i) Most candidates successfully calculated the rate of provision for doubtful debts.

- (j) The question required candidates to prepare a provision for doubtful debts account. There was a clear division between candidates who were familiar with a provision for doubtful debts account, often scoring full marks and those candidates who were not so well prepared.

Common errors included:

- inclusion of the trade receivables amounts of \$18 400 and \$17 600 rather than provision for doubtful debts' balances
- incorrect dates and narratives
- opening balance entered as a debit balance

Question 2

- (a) This question required candidates to state the meaning of four terms and to provide an example of each.

For the better-prepared candidates there were some very high marks earned on this part. Candidates were better at providing good examples than defining the terms.

Many candidates lost marks for the explanation of capital expenditure as they included 'repairing'/'maintenance of' the non-current asset or expenses on non-current assets in their explanation.

Many candidates were clearly unfamiliar with the terms capital and revenue receipts, sometimes confusing these terms with source documents. For example, candidates defined a capital receipt as a piece of paper that you are given after you have purchased something in capital expenditure. Some candidates also gave examples of capital and revenue receipts rather than an explanation, e.g. 'sale of non-current assets' and 'income from sales'.

- (b) Four errors were listed and candidates were asked to indicate how each of the errors effected profit for the year and closing capital. Candidates were better at the effect on profit for the year than on the effect on closing capital.
- (c) This question proved difficult for many candidates. The question asked for an explanation as to why a cash book is both a book of prime entry and also part of the ledger. The well prepared candidates recognised that the cash book 'is part of the double entry system' and as such part of the ledger. However, very few candidates were able to explain why the cash book is considered a book of prime entry. Some candidates did make an attempt to explain this but found it difficult, i.e. 'it is the first record of money transactions'.
- (d) Candidates were provided with a cash book (bank columns) and a bank statement and asked to select the items needed to update the cash book. This was well attempted and candidates clearly understood the adjustments required. Most candidates earned at least two marks on this question with many earning the three marks available.
- (e) Using the cash book and bank statement candidates were asked to select the items that would appear in the bank reconciliation statement. This element proved more challenging than the previous one with many candidates incorrectly reversing their answers. A number of candidates earned three of the four marks but omitted the bank error or included it in the wrong column.

Question 3

- (a) Most candidates were able to correctly name an alternative method of depreciation that could be used to depreciate non-current assets. Where candidates lost marks it was because they were not precise in their response referring to the reducing balance method as either 'reducing' or 'diminishing' and omitting the word balance.
- (b) Candidates struggled with providing two reasons why the straight-line method of depreciation would not be a suitable method for depreciating hand tools. The better candidates earned at least one mark with comments focusing on materiality issues. Very few candidates recognised that hand tools do not depreciate by an equal amount each year or that a certain amount of tools are lost

each year, making straight-line depreciation an inappropriate method. Some candidates made general statements about straight-line and reducing balance depreciation methods without specific reference to hand tools. No marks could be awarded.

- (c) & (d)** The question required candidates to calculate depreciation for office machinery for two individual years.
A common mistake was to either calculate the total depreciation to date rather than just for the year in question or to show the net book value as the answer. A number of candidates charged depreciation for a whole year even though a machine had been operating for only part of the year.
- (e)** Using the answers to **(c)** and **(d)**, candidates were asked to prepare an office machinery account and the provision for depreciation account for the two year period. There were common mistakes in each of the two accounts:

Machinery account:

- incorrect narratives for the purchase of the two new machines
- entries for depreciation incorrectly included
- the disposal entry wrongly described as XY Limited
- an incorrect figure for disposal (rather than the original cost of the machine, candidates used the proceeds from sale)

Provision for depreciation account:

- the entry for disposal omitted or an incorrect amount stated (the figure should have been the accumulated depreciation from parts **(c)** and **(d)** plus the opening balance of \$6000)
- incorrectly including the proceeds from sale
- incorrect narrative for the income statement entries
- annual transfers to income statement and balances carried down and brought down shown as individual figures for each machine rather than a single figure
- incorrect dates or dates omitted

- (f)** The question required candidates to calculate the profit or loss on disposal of a piece of machinery. Many candidates found this difficult. Some candidates calculated the correct figure but did not state whether it was a profit or loss.

Other candidates simply deducted the sale proceeds, \$6000, from the original cost, \$15000, and ignored any accumulated depreciation and the effect of this on the profit/loss on sale. Candidates could have improved their performance on this element by making sure they read the requirement carefully and answered the question that was being asked of them.

Question 4

- (a)** Candidates were provided with the profit for the year and asked to complete a statement of changes in equity. Candidates had to insert the appropriate items in a partially completed statement. Mistakes included dividends incorrectly deducted from the ordinary share capital and the transfer to general reserve deducted from the total column rather than from the retained earnings.
- (b)** Candidates were provided with a list of balances and asked to prepare a statement of financial position. This element provided an opportunity for many candidates to earn some high marks with the better-prepared candidates earning full marks in many instances.

Common errors included:

- the net book value for the non-current assets was shown without the required cost and accumulated depreciation columns
- the provision for doubtful debts was either omitted or the trade receivables shown as a net figure after deducting the provision for doubtful debts (it should be shown on the line directly below trade receivables, with suitable wording, and deducted from trade receivables)
- the provision for doubtful debts was included in current liabilities,
- the bank overdraft was included in current assets

- the bank loan was included in non-current liabilities
- included a single figure of \$241 000 for the capital and reserves section rather than showing the individual elements

- (c) Candidates were asked to state two disadvantages to existing ordinary shareholders of raising additional funds by issuing debentures. Most candidates earned at least one mark on this section. They knew that, because debenture interest had to be paid, there would be less profit available for distribution to the ordinary shareholders as dividends. However, some candidates incorrectly thought that the dividend payment would be delayed because debenture holders came first.
- (d) Candidates were asked for two disadvantages should additional funds be raised by issuing more ordinary shares. Again, most candidates earned at least one mark and the better-prepared candidates managed to earn full marks. However, the answers provided by some candidates related to preference shares rather than ordinary shares.

Question 5

- (a) Candidates were asked to prepare an income statement using the information provided. There were some very good answers but there were also some very poor attempts. Common mistakes included:

- adding an imaginary opening inventory
- adding rather than subtracting the closing inventory to arrive at cost of sales
- purchases described incorrectly as credit suppliers
- no adjustment to the purchases figure for the amount owing to credit suppliers
- gross profit calculation based on a quarter of the costs of sales figure rather than a third
- no words to accompany the cost of sales or gross profit figures
- the figure for capital introduced used incorrectly as revenue
- rent and insurance figures not adjusted for prepaid amounts
- loan interest and depreciation on fixture and fittings included for a full year
- loan interest and depreciation on fixture and fittings omitted
- abbreviating the description for the depreciation such as “P for D” and not naming the asset to which the depreciation related
- drawings and shop fixtures and fittings incorrectly included in the expenses
- profit for the month incorrectly referred to as a surplus or profit for the ‘year’

- (b) Most candidates were able to correctly state the formula for calculating the quick ratio.
- (c) A table was presented to the candidates asking them to indicate the effect on the quick ratio. This question provided good differentiation with only the well-prepared candidates earning full marks. The majority of candidates earned either two or three marks of the five available.
- (d) Candidates were asked to state which of the proposals listed in (c) would affect the quick ratio but not the current ratio.

Most candidates correctly identified proposal number 6 but only a few candidates were able to adequately explain why. Explanations tended to focus on the fact that the current ratio includes inventory in the calculation but the quick ratio does not.

Very few candidates realised that a reduction in closing inventory would be counterbalanced by the increase in cash and so have no effect on the current ratio.

- (e) The final part of this question asked candidates to explain two factors that the owner of the business should consider when comparing the business performance with that of another business.

Many candidates discussed comparing Aretta’s business with a business in a similar trade despite the fact that this information was provided in the question. Some candidates also suggested how Aretta could improve her business rather than explaining the factors that she should consider when comparing her business performance with that of the other business.

The best candidates developed their answers often giving examples relating to the business in question.

Grade thresholds – June 2018

Cambridge IGCSE™ Accounting (0452)

Grade thresholds taken for Syllabus 0452 (Accounting) in the June 2018 examination.

	maximum raw mark available	minimum raw mark required for grade:						
		A	B	C	D	E	F	G
Component 11	120	78	61	45	36	27	18	9
Component 12	120	76	59	42	33	25	16	7
Component 13	120	76	59	42	33	25	16	7
Component 21	120	80	63	45	38	30	23	16
Component 22	120	80	60	40	34	28	22	16
Component 23	120	80	60	40	34	28	22	16

Grade A* does not exist at the level of an individual component.

The maximum total mark for this syllabus, after weighting has been applied, is **240**.

The overall thresholds for the different grades were set as follows.

Option	Combination of Components	A*	A	B	C	D	E	F	G
AX	11, 21	192	158	124	90	73	57	41	25
AY	12, 22	193	156	119	82	67	53	38	23
AZ	13, 23	193	156	119	82	67	53	38	23



ACCOUNTING

0452/11

Paper 1

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **17** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1		10
1(a)	D	1
1(b)	B	1
1(c)	B	1
1(d)	D	1
1(e)	A	1
1(f)	A	1
1(g)	B	1
1(h)	C	1
1(i)	D	1
1(j)	C	1

Question	Answer						Marks																																			
2(a)	<table border="1"> <thead> <tr> <th></th> <th>non-current assets</th> <th>current assets</th> <th>non-current liabilities</th> <th>current liabilities</th> </tr> </thead> <tbody> <tr> <td>trade payables</td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>5 year loan</td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>inventory</td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>loose tools</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>bank overdraft</td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>rent receivable accrued</td> <td></td> <td>✓</td> <td></td> <td></td> </tr> </tbody> </table>							non-current assets	current assets	non-current liabilities	current liabilities	trade payables				✓	5 year loan			✓		inventory		✓			loose tools	✓				bank overdraft				✓	rent receivable accrued		✓			3
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2(b)(i)	<p>Any 2 correct items (1)</p> <p>Share losses Share responsibilities Share risks Share decision-making Additional finance available Additional skills and experience available Accept other valid points. Any 1 advantage (1)</p>						1																																			
2(b)(ii)	<p>Share profits Decisions must be recognised by all partners Decisions may take longer to implement One partner's actions can bind other partners Disagreements can occur All partners are responsible for the debts of the business Accept other valid points. Any 1 disadvantage (1)</p>						1																																			

Question	Answer		Marks																						
2(c)	<table border="1"> <tr> <td>interested party</td> <td>reason for their interest</td> </tr> <tr> <td>credit suppliers</td> <td>check on likelihood of being paid</td> </tr> <tr> <td>bank/lender</td> <td>check on suitability for overdraft/loan to check collateral in case of bankruptcy</td> </tr> <tr> <td>manager</td> <td>check on efficiency and progress</td> </tr> <tr> <td>government</td> <td>for tax calculation/government statistics</td> </tr> <tr> <td>employees/trade union</td> <td>check on likelihood of continued employment</td> </tr> <tr> <td>customers</td> <td>check on likelihood of supplies being continued</td> </tr> <tr> <td>competitor</td> <td>comparison of profitability</td> </tr> <tr> <td>potential partner</td> <td>check on profitability and prospects</td> </tr> <tr> <td>takeover bidder</td> <td>check on profitability and prospects</td> </tr> <tr> <td>potential investor</td> <td>check on profitability and prospects</td> </tr> </table>	interested party	reason for their interest	credit suppliers	check on likelihood of being paid	bank/lender	check on suitability for overdraft/loan to check collateral in case of bankruptcy	manager	check on efficiency and progress	government	for tax calculation/government statistics	employees/trade union	check on likelihood of continued employment	customers	check on likelihood of supplies being continued	competitor	comparison of profitability	potential partner	check on profitability and prospects	takeover bidder	check on profitability and prospects	potential investor	check on profitability and prospects		6
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potential partner	check on profitability and prospects																								
takeover bidder	check on profitability and prospects																								
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2(d)	<p>Not business owner – this is excluded by question</p> <p>Naming interested party – any 3 (1) each</p> <p>Appropriate reason for their interest – any 3 (1) each</p> <p>Physical deterioration Economic reasons Passage of time Obsolescence Depletion Any 2 (1) each</p>		2																						

Question	Answer	Marks										
2(e)	<table border="1"> <thead> <tr> <th data-bbox="220 725 268 1704"></th> <th data-bbox="220 501 268 725">True or False</th> </tr> </thead> <tbody> <tr> <td data-bbox="268 725 357 1704">When the straight line (equal instalment) method is used the depreciation is calculated on the cost price less residual value.</td> <td data-bbox="268 501 357 725">True (1)</td> </tr> <tr> <td data-bbox="357 725 437 1704">When the reducing (diminishing) balance method is used the percentage rate of depreciation decreases each year.</td> <td data-bbox="357 501 437 725">False (1)</td> </tr> <tr> <td data-bbox="437 725 517 1704">The provision for depreciation of a non-current asset is deducted from the cost price in the statement of financial position.</td> <td data-bbox="437 501 517 725">True (1)</td> </tr> <tr> <td data-bbox="517 725 606 1704">A provision for depreciation is a means of providing a fund to purchase a replacement non-current asset</td> <td data-bbox="517 501 606 725">False (1)</td> </tr> </tbody> </table>		True or False	When the straight line (equal instalment) method is used the depreciation is calculated on the cost price less residual value.	True (1)	When the reducing (diminishing) balance method is used the percentage rate of depreciation decreases each year.	False (1)	The provision for depreciation of a non-current asset is deducted from the cost price in the statement of financial position.	True (1)	A provision for depreciation is a means of providing a fund to purchase a replacement non-current asset	False (1)	4
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2(f) Comparability Relevance Reliability Understandability Any 1 objective (1)		1										
2(g)	<table border="1"> <thead> <tr> <th data-bbox="847 875 895 1704"></th> <th data-bbox="847 501 895 875">Accounting principle</th> </tr> </thead> <tbody> <tr> <td data-bbox="895 875 975 1704">The same accounting treatment is applied to similar items at all times.</td> <td data-bbox="895 501 975 875">consistency (1)</td> </tr> <tr> <td data-bbox="975 875 1054 1704">Accounting assumes that a business will continue to operate indefinitely.</td> <td data-bbox="975 501 1054 875">going concern (1)</td> </tr> <tr> <td data-bbox="1054 875 1134 1704">Transactions are expressed in monetary terms.</td> <td data-bbox="1054 501 1134 875">money measurement (1)</td> </tr> <tr> <td data-bbox="1134 875 1233 1704">Revenue is recognised as earned when ownership of goods passes to the customer.</td> <td data-bbox="1134 501 1233 875">realisation (1)</td> </tr> </tbody> </table>		Accounting principle	The same accounting treatment is applied to similar items at all times.	consistency (1)	Accounting assumes that a business will continue to operate indefinitely.	going concern (1)	Transactions are expressed in monetary terms.	money measurement (1)	Revenue is recognised as earned when ownership of goods passes to the customer.	realisation (1)	4
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Question	Answer	Marks
3(a)	Reduces the number of entries in the main cash book Removes the small cash payments from 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 junior staff members Accept other valid points. Any 1 reason (1)	1
3(b)	Control/limit petty cash expenditure The cash remaining and the vouchers received should equal the imprest Can help to reduce fraud Accept other valid points. Any 1 advantage (1)	1

Question	Answer	Marks																																										
3(e)	<p style="text-align: center;">Amira Computer supplies account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;">Date</th> <th style="width: 10%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018 April 30</td> <td>Petty cash (1)</td> <td style="text-align: right;">20</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 April 30	Petty cash (1)	20				1																														
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3(f)	<p>Obtain the correct bank balance Identify errors in the bank account Identify errors on the bank statement Assist/helps in discovering fraud and embezzlement Identify amounts not credited Identify cheques not presented Identify any stale cheques or dishonoured cheques</p> <p>Accept other valid points. Any 2 reasons (1) each</p>	2																																										
3(g)	<p style="text-align: center;">Amira Cash Book (bank columns) only</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;">Date</th> <th style="width: 10%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018 April 30</td> <td>Balance b/d</td> <td style="text-align: right;">17 620</td> <td>2018 April</td> <td>Bank charges (1)</td> <td style="text-align: right;">28</td> </tr> <tr> <td></td> <td>(Cash book) error* (1)</td> <td style="text-align: right;">100</td> <td>30</td> <td>Jabir(dis.chq) (1)</td> <td style="text-align: right;">153</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Rates (1)</td> <td style="text-align: right;">95</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;">17 444</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">17 720</td> <td></td> <td></td> <td style="text-align: right;">17 720</td> </tr> <tr> <td>2018 May 1</td> <td>Balance b/d (1)OF</td> <td style="text-align: right;">17 444</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 April 30	Balance b/d	17 620	2018 April	Bank charges (1)	28		(Cash book) error* (1)	100	30	Jabir(dis.chq) (1)	153					Rates (1)	95					Balance c/d	17 444			17 720			17 720	2018 May 1	Balance b/d (1)OF	17 444				5
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3(h)	<p style="text-align: center;">Amira Bank Reconciliation Statement at 30 April 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Balance shown on bank statement</td> <td style="text-align: right;">\$ 17 695</td> <td style="text-align: right;">(1) OF</td> </tr> <tr> <td>Add Cheque not credited – Shadya</td> <td style="text-align: right;">824</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">18 519</td> <td></td> </tr> <tr> <td>Less Cheque not presented – Abasi</td> <td style="text-align: right;">1 075</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Balance shown in cash book</td> <td style="text-align: right; border-top: 1px solid black;">17 444</td> <td style="text-align: right;">(1) OF</td> </tr> <tr> <td colspan="3">Alternative presentation</td> </tr> <tr> <td>Balance shown in cash book</td> <td style="text-align: right;">\$ 17 444</td> <td style="text-align: right;">(1) OF</td> </tr> <tr> <td>Add Cheque not presented – Abasi</td> <td style="text-align: right;">1 075</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">18 519</td> <td></td> </tr> <tr> <td>Less Cheque not credited – Shadya</td> <td style="text-align: right;">824</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Balance shown on bank statement</td> <td style="text-align: right; border-top: 1px solid black;">17 695</td> <td style="text-align: right;">(1) OF</td> </tr> </table>	Balance shown on bank statement	\$ 17 695	(1) OF	Add Cheque not credited – Shadya	824	(1)		18 519		Less Cheque not presented – Abasi	1 075	(1)	Balance shown in cash book	17 444	(1) OF	Alternative presentation			Balance shown in cash book	\$ 17 444	(1) OF	Add Cheque not presented – Abasi	1 075	(1)		18 519		Less Cheque not credited – Shadya	824	(1)	Balance shown on bank statement	17 695	(1) OF	4
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3(i)	<p>\$17 444 (1) OF</p> <p>Current assets (1) OF</p>	2																																	
3(j)	<p>Not enough money in account Cheque unsigned Amount in words and figures disagree Takes account into unauthorised overdraft Accept other valid points. Any 2 acceptable reasons (1) each</p>	2																																	

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4(b)(i)	<p>Buying in bulk/buying large quantity In the same trade To enable Harry to make a profit when goods are sold Loyal / regular customer Accept other valid points. Any 1 reason (1)</p>				1																																													
4(b)(ii)	$\frac{650}{3250} \times \frac{100}{1} = 20\% \text{ (1)}$				1																																													
4(c)(i)	Sales invoice				1																																													
4(c)(ii)	Debit note				1																																													
4(c)(iii)	Statement of account				1																																													

Question	Answer	Marks																																																																
5(a)(i)	Goods remaining (at the year-end) which were purchased for converting into finished goods (1) Example – fabric, thread, buttons, zips, etc. (1)	2																																																																
5(a)(ii)	Goods which are partly made (at the end of the year) (1) Example – partly made shirt/blouse/jeans/etc. (1)	2																																																																
5(a)(iii)	Completed clothes which are awaiting sale (1) Example – completed shirt/blouse/jeans/etc. (1)	2																																																																
5(b)	<p style="text-align: center;">Addae Manufacturing Account for the year ended 31 January 2018 \$</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Cost of materials used</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;">48 400</td> <td></td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;">1 950</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">50 350</td> </tr> <tr> <td>Less Closing inventory of raw materials</td> <td></td> <td></td> <td style="text-align: right;"><u>5 150</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">45 200 (1)</td> </tr> <tr> <td>Direct factory wages</td> <td></td> <td></td> <td style="text-align: right;"><u>38 800</u> (1)</td> </tr> <tr> <td>Prime cost</td> <td></td> <td></td> <td style="text-align: right;"><u>84 000</u> (1)</td> </tr> <tr> <td>Factory overheads</td> <td style="text-align: right;">27 140</td> <td style="text-align: right;">}*</td> <td></td> </tr> <tr> <td>Indirect factory wages</td> <td style="text-align: right;">3 150</td> <td style="text-align: right;">}*</td> <td></td> </tr> <tr> <td>General factory expenses</td> <td style="text-align: right;">1 110</td> <td style="text-align: right;">}*</td> <td></td> </tr> <tr> <td>Factory heat and light</td> <td style="text-align: right;">1 860</td> <td style="text-align: right;">}*</td> <td></td> </tr> <tr> <td>Factory insurance</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Depreciation (factory) machinery</td> <td></td> <td></td> <td style="text-align: right;"><u>48 260</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">132 260 (1)</td> </tr> <tr> <td>Less Closing work in progress</td> <td></td> <td></td> <td style="text-align: right;"><u>7 260</u> (1)</td> </tr> <tr> <td>Cost of production</td> <td></td> <td></td> <td style="text-align: right;"><u>125 000</u> (1)</td> </tr> </table>	Cost of materials used				Purchases of raw materials	48 400			Carriage inwards	1 950	(1)	50 350	Less Closing inventory of raw materials			<u>5 150</u>				45 200 (1)	Direct factory wages			<u>38 800</u> (1)	Prime cost			<u>84 000</u> (1)	Factory overheads	27 140	}*		Indirect factory wages	3 150	}*		General factory expenses	1 110	}*		Factory heat and light	1 860	}*		Factory insurance	15 000	(1)		Depreciation (factory) machinery			<u>48 260</u>				132 260 (1)	Less Closing work in progress			<u>7 260</u> (1)	Cost of production			<u>125 000</u> (1)	10
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Question	Answer	Marks
5(c)	Buy in bulk to get trade discount/look for cheaper suppliers Reduce wages Reduce/control factory / general expenses Reduce factory heat and light Look for cheaper carriage on raw materials Reduce rate of depreciation Accept other valid points. Any 2 ways (1) each	2
5(d)	$\frac{(179\,250 - 119\,500)}{179\,250} \times \frac{100}{1}$ (1) whole formula = 33.33% (1)	2
5(e)	$\frac{(59\,750 - 34\,750)}{179\,250} \times \frac{100}{1}$ (1) whole formula = 13.95% (1)	2
5(f)	Increase gross profit margin or increase selling price / reduce COS Reduce/control administration and selling expenses not factory expenses Increase other income Accept other valid points. Any 2 ways (1) each	2

Question	Answer	Marks																																	
6(a)	<p>To balance the trial balance Because there are errors on the trial balance To allow draft financial statements to be prepared Accept other valid points. Any 2 reasons (1) each</p>	2																																	
6(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3" style="width: 15%;">error</th> <th colspan="4" style="text-align: center;">entries required to correct the error</th> </tr> <tr> <th colspan="2" style="text-align: center;">debit</th> <th colspan="2" style="text-align: center;">credit</th> </tr> <tr> <th style="text-align: center;">account</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">account</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">motor expenses, \$150, debited to motor vehicles account</td> <td style="text-align: center;">150</td> <td style="text-align: center;">motor vehicles</td> <td style="text-align: center;">150</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">carriage inwards, \$120, debited to carriage outwards account</td> <td style="text-align: center;">120</td> <td style="text-align: center;">carriage outwards</td> <td style="text-align: center;">120 (1)</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">sales journal overcast by \$1000</td> <td style="text-align: center;">1000</td> <td style="text-align: center;">sales not sales journal</td> <td style="text-align: center;">1000 (1)</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">wages, \$460, debited to wages account as \$640</td> <td style="text-align: center;">180</td> <td style="text-align: center;">wages</td> <td style="text-align: center;">180 (1)</td> </tr> </tbody> </table>	error	entries required to correct the error				debit		credit		account	\$	account	\$	1	motor expenses, \$150, debited to motor vehicles account	150	motor vehicles	150	2	carriage inwards, \$120, debited to carriage outwards account	120	carriage outwards	120 (1)	3	sales journal overcast by \$1000	1000	sales not sales journal	1000 (1)	4	wages, \$460, debited to wages account as \$640	180	wages	180 (1)	6
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6(c)	<p>All errors have not been discovered (1) The suspense account will not be closed (1) (\$650 + \$180 on debit and \$1000 on credit) Accept alternative answers depending on entries in (b)</p>	2																																	

Question	Answer	Marks																								
6(d)	<p style="text-align: center;">Mai</p> <p style="text-align: center;">Statement of corrected profit for the year ended 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">4150</td> </tr> <tr> <td>Profit for the year before corrections</td> <td></td> <td></td> </tr> <tr> <td>Error 1</td> <td style="text-align: right;">Increase in profit \$</td> <td style="text-align: right;">150 (1)</td> </tr> <tr> <td>Error 2</td> <td style="text-align: right;">No effect</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Error 3</td> <td></td> <td style="text-align: right;">1 000 (1)</td> </tr> <tr> <td>Error 4</td> <td style="text-align: right;"><u>180</u> <u>180</u></td> <td style="text-align: right;"><u>970</u></td> </tr> <tr> <td>Corrected profit for the year</td> <td></td> <td style="text-align: right;"><u>3 180</u></td> </tr> <tr> <td>* (1) position + (1) amount</td> <td></td> <td style="text-align: right;"><u>(1)OF</u></td> </tr> </table>		\$	4150	Profit for the year before corrections			Error 1	Increase in profit \$	150 (1)	Error 2	No effect	(1)	Error 3		1 000 (1)	Error 4	<u>180</u> <u>180</u>	<u>970</u>	Corrected profit for the year		<u>3 180</u>	* (1) position + (1) amount		<u>(1)OF</u>	6
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ACCOUNTING

0452/12

Paper 1

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **14** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1		10
1(a)	B	1
1(b)	A	1
1(c)	A	1
1(d)	A	1
1(e)	D	1
1(f)	C	1
1(g)	D	1
1(h)	B	1
1(i)	C	1
1(j)	B	1

Question	Answer	Marks																																								
2(a)	<p>Reduces the number of entries in the ledger Acts as an aid for posting to the ledger Helps to gather and summarise accounting information e.g. total credit purchases Helps in the preparation of control accounts Groups together similar types of transactions Allows work to be divided between several people/train junior accountants To see as a list of transactions/reference purposes Accept other valid points.</p> <p>Any 2 reasons – 1 mark each</p>	Max 2																																								
2(b)	1 Cash Book	1																																								
	2 Purchases returns journal	1																																								
	3 General journal or journal	1																																								
2(c)	<table border="1" data-bbox="815 551 1289 1659"> <thead> <tr> <th></th> <th>Account(s) debited</th> <th>\$</th> <th>Account(s) credited</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Cash</td> <td>220</td> <td>Sales</td> <td>220</td> </tr> <tr> <td>2</td> <td>Jane</td> <td>440 (1)</td> <td>Purchases returns</td> <td>440 (1)</td> </tr> <tr> <td>3</td> <td>Motor vehicles</td> <td>12 100 (1)</td> <td>Speedy Motors</td> <td>12 400 (1)</td> </tr> <tr> <td></td> <td>Motor vehicle expenses</td> <td>300 (1)</td> <td>Can have 2 entries here which add up to 12 400</td> <td></td> </tr> <tr> <td>4</td> <td>Bank</td> <td>392 (1)</td> <td>Tan</td> <td>400 (1)</td> </tr> <tr> <td></td> <td>Discount allowed</td> <td>8 (1)</td> <td></td> <td></td> </tr> <tr> <td>5</td> <td>Drawings</td> <td>120 (1)</td> <td>Purchases</td> <td>120 (1)</td> </tr> </tbody> </table>		Account(s) debited	\$	Account(s) credited	\$	1	Cash	220	Sales	220	2	Jane	440 (1)	Purchases returns	440 (1)	3	Motor vehicles	12 100 (1)	Speedy Motors	12 400 (1)		Motor vehicle expenses	300 (1)	Can have 2 entries here which add up to 12 400		4	Bank	392 (1)	Tan	400 (1)		Discount allowed	8 (1)			5	Drawings	120 (1)	Purchases	120 (1)	10
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5	Drawings	120 (1)	Purchases	120 (1)																																						
2(d)	$(838) + 220 (1) + 392 (1) = 226 \text{ overdrawn/Cr or } / (226) (1)$	3																																								
2(e)(i)	Sales ledger or trade receivables ledger	1																																								

Question	Answer	Marks
2(e)(ii)	General or nominal ledger	1

Question	Answer	Marks																																																
3(a)	<p style="text-align: center;">Kumu Purchase ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 15%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;">Date</th> <th style="width: 10%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> </tr> <tr> <td>Apr 30</td> <td>Discount received</td> <td>(1)</td> <td>May 1</td> <td>Balance b/d</td> <td>(1) 19 800</td> </tr> <tr> <td></td> <td>Bank</td> <td>(2) CF (1) OF</td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Contra sales ledger</td> <td>(1)</td> <td>Apr 30</td> <td>Interest charged</td> <td>(1) 122</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>(1)</td> <td></td> <td>Credit purchases</td> <td>(1) 180 870</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td><u>200 792</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>May 1</td> <td>Balance b/d</td> <td>22 200</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018			2017			Apr 30	Discount received	(1)	May 1	Balance b/d	(1) 19 800		Bank	(2) CF (1) OF	2018				Contra sales ledger	(1)	Apr 30	Interest charged	(1) 122		Balance c/d	(1)		Credit purchases	(1) 180 870						<u>200 792</u>				May 1	Balance b/d	22 200	8
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3(b)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$	1																																																
3(c)	$\frac{22\,200}{180\,870} \times 365 \} (1) = 45 \text{ days } (1)$	2																																																

Question	Answer	Marks
3(d)	<p>Not satisfied (1) OF</p> <p>The payment period is longer than the standard terms allowed (1) OF</p>	2
3(e)	<p>An unsatisfactory payment period might make it difficult to obtain credit in the future Might get a poor credit rating/reputation Could affect the ability to make purchases from chosen suppliers If unable to make purchases may not be able to satisfy own customers May be charged interest for late payment Can't take advantage of cash discounts/discount received May refuse to supply</p> <p>Accept other valid points. Max 2, 1 mark per point</p>	Max 2
3(f)	$\frac{92\,250}{205\,000} \times 100 \text{ (1) } = 45\% \text{ (1)}$	2
3(g)	$(\$205\,000 + \$35\,000) \text{ (1) } - (26\,400 + 180\,870) \text{ (1) } = \$32\,730 \text{ (1) OF}$ <p>If answer = \$59 130 (2)</p> <p>Accept alternative calculations</p>	3
3(h)	$\frac{\text{Cost of sales}}{\text{Average inventory}}$	1
3(i)	$\frac{205\,000}{(32\,730 \text{ OF} + 35\,000) \div 2} \text{ (1) OF} = 6.05 \text{ times (1) OF}$	2

Question	Answer	Marks
4(a)	<p>An accrual is an amount owing (1) for an expense incurred in the current (1) financial period. It will be included in the statement of financial position as a current liability (1).</p> <p>Accrued income is an amount earned (1) which will be received in the next (1) financial period. It will be included in the statement of financial position as a current asset (1).</p>	6
4(b)	<p>$(4 + 6 + 2) (1) \times \\$20 (1) = \\$240 (1)$</p> <p>Accept alternative calculations</p>	3
4(c)	<p>$\\$20\,200 - \\$240 (1) \text{ OF} = \\$19\,960 (1) \text{ OF}$</p>	2
4(d)	<p>Chandra has received income in advance which he has not yet earned It is a liability to Chandra as he owes the learners Chandra has prepaid income at the year-end Chandra has received other income Application of accruals (matching) principle/application of prudence/advance payments must be deducted from actual income</p> <p>Accept other valid points. Any 2 comments × 1 mark each</p>	2

Question	Answer					Marks																																								
4(e)	<p style="text-align: center;">Statement of revised profit for the year ended 31 January 2018</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%;">No Effect</th> <th style="width: 15%;">Increase \$</th> <th style="width: 15%;">Decrease \$</th> <th style="width: 25%;">\$</th> </tr> </thead> <tbody> <tr> <td>Draft profit</td> <td></td> <td></td> <td></td> <td style="text-align: right;">8 760</td> </tr> <tr> <td>Error 1</td> <td></td> <td style="text-align: right;">100 (1)</td> <td></td> <td></td> </tr> <tr> <td>Error 2</td> <td></td> <td></td> <td style="text-align: right;">600 (1)</td> <td></td> </tr> <tr> <td>Error 3</td> <td></td> <td style="text-align: right;">89 (1)</td> <td></td> <td></td> </tr> <tr> <td>Error 4</td> <td style="text-align: center;">✓ (1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Corrected profit</td> <td></td> <td style="text-align: right;">189</td> <td style="text-align: right;">600</td> <td style="text-align: right;">(411)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">8 349 (2) CF (1) OF</td> </tr> </tbody> </table>						No Effect	Increase \$	Decrease \$	\$	Draft profit				8 760	Error 1		100 (1)			Error 2			600 (1)		Error 3		89 (1)			Error 4	✓ (1)				Corrected profit		189	600	(411)					8 349 (2) CF (1) OF	6
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4(f)	<p>Business entity (1)</p> <p>Owner's transactions should be kept separate from those of the business (1)</p>					2																																								

Question	Answer	Marks
4(g)	<p>Chandra is a sole trader, LQ is a limited company Different capital structure Different size, economies of scale Chandra is a new business, LQ is established The financial statements of Chandra will be for only one year, which will not show trends The financial statements may be for a year which is not typical The businesses may have different accounting policies/methods The businesses may have different operating policies The businesses may have different year ends The financial statements do not show non-monetary factors It may not be possible to obtain all the information needed to make comparisons</p> <p>Accept other valid points 1 mark per point, maximum 2</p>	2

Question	Answer	Marks																																																												
5(a)	<p style="text-align: center;">WB Sports Club Subscriptions account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 35%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> </tr> <tr> <td>Mar 31</td> <td>Income and expenditure</td> <td>(1)</td> <td>Apr 1</td> <td>Balance b/d</td> <td>120</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Mar 31</td> <td>Bank/cash</td> <td>4 740</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td>140</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="border-top: 1px solid black;">5 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Apr 1</td> <td>Balance b/d</td> <td>140</td> </tr> </tbody> </table> <p style="text-align: center;">+ 1 dates</p>	Date	Details	\$	Date	Details	\$	2017			2017			Mar 31	Income and expenditure	(1)	Apr 1	Balance b/d	120				2018						Mar 31	Bank/cash	4 740					Balance c/d	140						5 000				Apr 1	Balance b/d	140	5												
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5(c)	<p style="text-align: center;">WB Sports Club Statement of Financial Position at 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Non-current assets</td> <td></td> <td></td> </tr> <tr> <td>Sports equipment at valuation</td> <td></td> <td style="text-align: right;">15 760 (1)</td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> </tr> <tr> <td>Subscriptions owing</td> <td style="text-align: right;">140 (1)</td> <td></td> </tr> <tr> <td>Other receivables</td> <td style="text-align: right;">500 (1)</td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;"><u>858 (1) OF</u></td> <td style="text-align: right;"><u>1 498</u></td> </tr> <tr> <td>Total assets</td> <td></td> <td style="text-align: right;"><u>17 258</u></td> </tr> <tr> <td>Accumulated fund</td> <td></td> <td></td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;">15 563</td> <td></td> </tr> <tr> <td>Surplus for the year</td> <td style="text-align: right;"><u>1 568 (1)</u></td> <td style="text-align: right;">17 131 (1)</td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Other payables</td> <td></td> <td style="text-align: right;"><u>127 (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>17 258</u></td> </tr> </table>		\$		Non-current assets			Sports equipment at valuation		15 760 (1)	Current assets			Subscriptions owing	140 (1)		Other receivables	500 (1)		Bank	<u>858 (1) OF</u>	<u>1 498</u>	Total assets		<u>17 258</u>	Accumulated fund			Opening balance	15 563		Surplus for the year	<u>1 568 (1)</u>	17 131 (1)	Current liabilities			Other payables		<u>127 (1)</u>			<u>17 258</u>	7
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5(d)	It is the total of all the surpluses (1) made by the club less all the deficits (1) since the start of the club	2																																										

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6(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Assets Equipment Motor vehicle Inventory Other receivables Trade receivables Bank Liabilities Trade payables Other payables Capital at 31 December 2017 </td> <td style="width: 50%; vertical-align: top; text-align: right;"> \$ (18 000 – 3 600) (2 042 – 100) 1 495 } (1) 98 } 1 553 <u>23 552</u> (1) OF </td> </tr> </table>	Assets Equipment Motor vehicle Inventory Other receivables Trade receivables Bank Liabilities Trade payables Other payables Capital at 31 December 2017	\$ (18 000 – 3 600) (2 042 – 100) 1 495 } (1) 98 } 1 553 <u>23 552</u> (1) OF	7																																				
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6(b)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Opening capital Add: Capital introduced Less: Drawings Less: closing capital Profit for the year </td> <td style="width: 50%; vertical-align: top; text-align: right;"> \$ 20 300 (1) 5 500 (1) <u>25 800</u> (2 700) (1) <u>23 100</u> (23 552) (1) OF <u>452</u> (1) OF </td> </tr> </table> <p style="text-align: center;">Alternative presentation</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 35%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 5%;">\$</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> </tr> <tr> <td>Dec 31</td> <td>Drawings (1)</td> <td></td> <td>Jan 1</td> <td>Balance b/d</td> <td>20 300</td> </tr> <tr> <td></td> <td>Balance c/d (1) OF</td> <td></td> <td>Dec 31</td> <td>Motor vehicle</td> <td>5 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Profit of the year</td> <td>452</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td><u>26 252</u></td> </tr> </tbody> </table> <p style="text-align: center;">Accept alternative calculations</p>	Opening capital Add: Capital introduced Less: Drawings Less: closing capital Profit for the year	\$ 20 300 (1) 5 500 (1) <u>25 800</u> (2 700) (1) <u>23 100</u> (23 552) (1) OF <u>452</u> (1) OF	Date	Details	\$	Date	Details	\$	2017			2017			Dec 31	Drawings (1)		Jan 1	Balance b/d	20 300		Balance c/d (1) OF		Dec 31	Motor vehicle	5 500					Profit of the year	452						<u>26 252</u>	5
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Question	Answer	Marks
6(c)	<p>It shows the profit earned for each \$100 used in the business</p> <p>Or</p> <p>It shows how efficiently the capital is being employed</p> <p>Profit received as a % of capital employed</p>	1
6(d)	$\frac{\text{Profit (for the year)}}{\text{Capital employed}} \times \frac{100}{1}$	1
6(e)	$\frac{452}{20\,300} \times \frac{100}{1} = 2.23\% \text{ (1) OF DO NEED \%}$	2
6(f)	<p>Siegfried started charging depreciation on non-current assets</p> <p>Siegfried wrote off more bad debts this year</p> <p>Increase in other expenses</p> <p>Decrease in other income</p> <p>Accept any valid reason.</p> <p>1 mark per point, Max 1</p>	1
6(g)	<p>Easier/quicker/used to prepare financial statements/calculate profit</p> <p>Helps to check accuracy/arithmetic errors or detect/locate errors</p> <p>Helps to prevent fraud</p> <p>Easy reference</p> <p>Balances are more easily available</p> <p>More detail available in income statement</p> <p>Easier to calculate accounting ratios/measure performance</p> <p>Cheaper accountancy fees</p> <p>Maintains the principle of duality</p> <p>Accept other valid points</p> <p>1 mark per point , Max 3</p>	Max 3



ACCOUNTING

0452/13

Paper 1

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1		10
1(a)	B	1
1(b)	A	1
1(c)	A	1
1(d)	A	1
1(e)	D	1
1(f)	C	1
1(g)	D	1
1(h)	B	1
1(i)	C	1
1(j)	B	1

Question	Answer	Marks																																								
2(a)	<p>Reduces the number of entries in the ledger Acts as an aid for posting to the ledger Helps to gather and summarise accounting information e.g. total credit purchases Helps in the preparation of control accounts Groups together similar types of transactions Allows work to be divided between several people/train junior accountants To see as a list of transactions/reference purposes Accept other valid points.</p> <p>Any 2 reasons – 1 mark each</p>	Max 2																																								
2(b)	1 Cash Book	1																																								
	2 Purchases returns journal	1																																								
	3 General journal or journal	1																																								
2(c)	<table border="1" data-bbox="815 551 1289 1659"> <thead> <tr> <th></th> <th>Account(s) debited</th> <th>\$</th> <th>Account(s) credited</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Cash</td> <td>220</td> <td>Sales</td> <td>220</td> </tr> <tr> <td>2</td> <td>Jane</td> <td>440 (1)</td> <td>Purchases returns</td> <td>440 (1)</td> </tr> <tr> <td>3</td> <td>Motor vehicles</td> <td>12 100 (1)</td> <td>Speedy Motors</td> <td>12 400 (1)</td> </tr> <tr> <td></td> <td>Motor vehicle expenses</td> <td>300 (1)</td> <td>Can have 2 entries here which add up to 12 400</td> <td></td> </tr> <tr> <td>4</td> <td>Bank</td> <td>392 (1)</td> <td>Tan</td> <td>400 (1)</td> </tr> <tr> <td></td> <td>Discount allowed</td> <td>8 (1)</td> <td></td> <td></td> </tr> <tr> <td>5</td> <td>Drawings</td> <td>120 (1)</td> <td>Purchases</td> <td>120 (1)</td> </tr> </tbody> </table>		Account(s) debited	\$	Account(s) credited	\$	1	Cash	220	Sales	220	2	Jane	440 (1)	Purchases returns	440 (1)	3	Motor vehicles	12 100 (1)	Speedy Motors	12 400 (1)		Motor vehicle expenses	300 (1)	Can have 2 entries here which add up to 12 400		4	Bank	392 (1)	Tan	400 (1)		Discount allowed	8 (1)			5	Drawings	120 (1)	Purchases	120 (1)	10
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5	Drawings	120 (1)	Purchases	120 (1)																																						
2(d)	$(838) + 220 (1) + 392 (1) = 226 \text{ overdrawn/Cr or } / (226) (1)$	3																																								
2(e)(i)	Sales ledger or trade receivables ledger	1																																								

Question	Answer	Marks
2(e)(ii)	General or nominal ledger	1

Question	Answer	Marks																																																
3(a)	<p style="text-align: center;">Kumu Purchase ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 15%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 15%;">Details</th> <th style="width: 15%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> </tr> <tr> <td>Apr 30</td> <td>Discount received</td> <td>(1)</td> <td>May 1</td> <td>Balance b/d</td> <td>(1) 19 800</td> </tr> <tr> <td></td> <td>Bank</td> <td>(2) CF (1) OF</td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Contra sales ledger</td> <td>(1)</td> <td>Apr 30</td> <td>Interest charged</td> <td>122</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>(1)</td> <td></td> <td>Credit purchases</td> <td>(1) 180 870</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td><u>200 792</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>May 1</td> <td>Balance b/d</td> <td>22 200</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018			2017			Apr 30	Discount received	(1)	May 1	Balance b/d	(1) 19 800		Bank	(2) CF (1) OF	2018				Contra sales ledger	(1)	Apr 30	Interest charged	122		Balance c/d	(1)		Credit purchases	(1) 180 870						<u>200 792</u>				May 1	Balance b/d	22 200	8
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3(b)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$	1																																																
3(c)	$\frac{22\,200}{180\,870} \times 365 \} (1) = 45 \text{ days } (1)$	2																																																

Question	Answer	Marks
3(d)	<p>Not satisfied (1) OF</p> <p>The payment period is longer than the standard terms allowed (1) OF</p>	2
3(e)	<p>An unsatisfactory payment period might make it difficult to obtain credit in the future Might get a poor credit rating/reputation Could affect the ability to make purchases from chosen suppliers If unable to make purchases may not be able to satisfy own customers May be charged interest for late payment Can't take advantage of cash discounts/discount received May refuse to supply</p> <p>Accept other valid points. Max 2, 1 mark per point</p>	Max 2
3(f)	$\frac{92\,250}{205\,000} \times 100 (1) = 45\% (1)$	2
3(g)	$(\$205\,000 + \$35\,000) (1) - (26\,400 + 180\,870) (1) = \$32\,730 (1) \text{ OF}$ <p>If answer = \$59 130 (2)</p> <p>Accept alternative calculations</p>	3
3(h)	$\frac{\text{Cost of sales}}{\text{Average inventory}}$	1
3(i)	$\frac{205\,000}{(32\,730 \text{ OF} + 35\,000) \div 2} (1) \text{ OF} = 6.05 \text{ times } (1) \text{ OF}$	2

Question	Answer	Marks
4(a)	<p>An accrual is an amount owing (1) for an expense incurred in the current (1) financial period. It will be included in the statement of financial position as a current liability (1).</p> <p>Accrued income is an amount earned (1) which will be received in the next (1) financial period. It will be included in the statement of financial position as a current asset (1).</p>	6
4(b)	<p>$(4 + 6 + 2) (1) \times \\$20 (1) = \\$240 (1)$</p> <p>Accept alternative calculations</p>	3
4(c)	<p>$\\$20\,200 - \\$240 (1) \text{ OF} = \\$19\,960 (1) \text{ OF}$</p>	2
4(d)	<p>Chandra has received income in advance which he has not yet earned It is a liability to Chandra as he owes the learners Chandra has prepaid income at the year-end Chandra has received other income Application of accruals (matching) principle/application of prudence/advance payments must be deducted from actual income</p> <p>Accept other valid points. Any 2 comments × 1 mark each</p>	2

Question	Answer	Marks																																													
4(e)	<p data-bbox="220 696 252 1514">Statement of revised profit for the year ended 31 January 2018</p> <table border="1" data-bbox="288 427 802 1783"> <thead> <tr> <th></th> <th>No Effect</th> <th>Increase \$</th> <th>Decrease \$</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Draft profit</td> <td></td> <td></td> <td></td> <td>8 760</td> </tr> <tr> <td>Error 1</td> <td></td> <td>100 (1)</td> <td></td> <td></td> </tr> <tr> <td>Error 2</td> <td></td> <td></td> <td>600 (1)</td> <td></td> </tr> <tr> <td>Error 3</td> <td></td> <td>89 (1)</td> <td></td> <td></td> </tr> <tr> <td>Error 4</td> <td>✓ (1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Corrected profit</td> <td></td> <td>189</td> <td>600</td> <td>(411)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>8 349</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>(2) CF (1) OF</td> </tr> </tbody> </table>		No Effect	Increase \$	Decrease \$	\$	Draft profit				8 760	Error 1		100 (1)			Error 2			600 (1)		Error 3		89 (1)			Error 4	✓ (1)				Corrected profit		189	600	(411)					8 349					(2) CF (1) OF	6
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4(f)	<p data-bbox="834 1675 866 1921">Business entity (1)</p> <p data-bbox="898 931 930 1921">Owner's transactions should be kept separate from those of the business (1)</p>	2																																													

Question	Answer	Marks
4(g)	<p>Chandra is a sole trader, LQ is a limited company Different capital structure Different size, economies of scale Chandra is a new business, LQ is established The financial statements of Chandra will be for only one year, which will not show trends The financial statements may be for a year which is not typical The businesses may have different accounting policies/methods The businesses may have different operating policies The businesses may have different year ends The financial statements do not show non-monetary factors It may not be possible to obtain all the information needed to make comparisons</p> <p>Accept other valid points 1 mark per point, maximum 2</p>	2

Question	Answer	Marks																																																												
5(a)	<p style="text-align: center;">WB Sports Club Subscriptions account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 35%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 5%;">\$</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> </tr> <tr> <td>Mar 31</td> <td>Income and expenditure</td> <td>(1)</td> <td>Apr 1</td> <td>Balance b/d</td> <td>120</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Mar 31</td> <td>Bank/cash</td> <td>4 740</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td>140</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="border-top: 1px solid black;">5 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Apr 1</td> <td>Balance b/d</td> <td>140</td> </tr> </tbody> </table> <p style="text-align: center;">+ 1 dates</p>	Date	Details	\$	Date	Details	\$	2017			2017			Mar 31	Income and expenditure	(1)	Apr 1	Balance b/d	120				2018						Mar 31	Bank/cash	4 740					Balance c/d	140						5 000				Apr 1	Balance b/d	140	5												
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5(c)	<p style="text-align: center;">WB Sports Club Statement of Financial Position at 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">\$</td> </tr> <tr> <td>Non-current assets</td> <td></td> <td></td> </tr> <tr> <td>Sports equipment at valuation</td> <td></td> <td style="text-align: right;">15 760 (1)</td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> </tr> <tr> <td>Subscriptions owing</td> <td style="text-align: right;">140 (1)</td> <td></td> </tr> <tr> <td>Other receivables</td> <td style="text-align: right;">500 (1)</td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;"><u>858 (1) OF</u></td> <td style="text-align: right;"><u>1 498</u></td> </tr> <tr> <td>Total assets</td> <td></td> <td style="text-align: right;"><u>17 258</u></td> </tr> <tr> <td>Accumulated fund</td> <td></td> <td></td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;">15 563</td> <td></td> </tr> <tr> <td>Surplus for the year</td> <td style="text-align: right;"><u>1 568 (1)</u></td> <td style="text-align: right;">17 131 (1)</td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Other payables</td> <td></td> <td style="text-align: right;"><u>127 (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>17 258</u></td> </tr> </table>		\$	\$	Non-current assets			Sports equipment at valuation		15 760 (1)	Current assets			Subscriptions owing	140 (1)		Other receivables	500 (1)		Bank	<u>858 (1) OF</u>	<u>1 498</u>	Total assets		<u>17 258</u>	Accumulated fund			Opening balance	15 563		Surplus for the year	<u>1 568 (1)</u>	17 131 (1)	Current liabilities			Other payables		<u>127 (1)</u>			<u>17 258</u>	7
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5(d)	It is the total of all the surpluses (1) made by the club less all the deficits (1) since the start of the club	2																																										

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6(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Assets Equipment Motor vehicle Inventory Other receivables Trade receivables Bank Liabilities Trade payables Other payables Capital at 31 December 2017 </td> <td style="width: 50%; vertical-align: top; text-align: right;"> \$ (18 000 – 3 600) (2 042 – 100) 1 495 } (1) 98 } 1 553 <u>23 552</u> (1) OF </td> </tr> </table>	Assets Equipment Motor vehicle Inventory Other receivables Trade receivables Bank Liabilities Trade payables Other payables Capital at 31 December 2017	\$ (18 000 – 3 600) (2 042 – 100) 1 495 } (1) 98 } 1 553 <u>23 552</u> (1) OF	7																																				
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Question	Answer	Marks
6(c)	<p>It shows the profit earned for each \$100 used in the business</p> <p>Or</p> <p>It shows how efficiently the capital is being employed</p> <p>Profit received as a % of capital employed</p>	1
6(d)	$\frac{\text{Profit (for the year)}}{\text{Capital employed}} \times \frac{100}{1}$	1
6(e)	$\frac{452}{20\,300} \times \frac{100}{1} = 2.23\% \text{ (1) OF DO NEED \%}$	2
6(f)	<p>Siegfried started charging depreciation on non-current assets</p> <p>Siegfried wrote off more bad debts this year</p> <p>Increase in other expenses</p> <p>Decrease in other income</p> <p>Accept any valid reason.</p> <p>1 mark per point, Max 1</p>	1
6(g)	<p>Easier/quicker/used to prepare financial statements/calculate profit</p> <p>Helps to check accuracy/arithmetic errors or detect/locate errors</p> <p>Helps to prevent fraud</p> <p>Easy reference</p> <p>Balances are more easily available</p> <p>More detail available in income statement</p> <p>Easier to calculate accounting ratios/measure performance</p> <p>Cheaper accountancy fees</p> <p>Maintains the principle of duality</p> <p>Accept other valid points</p> <p>1 mark per point , Max 3</p>	Max 3



ACCOUNTING

0452/21

Paper 2

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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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This document consists of **18** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks																																																						
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1(c)	Overpayment of amount owing to credit supplier Return of goods to credit supplier after payment made Cash discount not deducted when payment was made to credit supplier Payment made to credit supplier in advance Any 2 reasons (1) each	2
1(d)	Ensures that the profit for the year is not overstated by anticipating losses (1) Ensures that the trade receivables are shown at a realistic level in the statement of financial position (1)	2
1(e)(i)	Liquidity If trade receivables take up the offer Lydia will receive the money earlier This money could then be used within the business Will receive a lower amount than previously Or other relevant point Any 2 relevant points (1) each	2
1(e)(ii)	Profitability Profit for the year will decrease because of the extra cash discount This policy may reduce bad debts so may increase profit Or other relevant points Any 2 relevant points (1) each	2

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4(b)	$\frac{\text{Profit for the year}}{\text{Capital employed}} \times \frac{100}{1} \text{ whole formula (1)}$	1																																										

Question	Answer	Marks
4(c)	$\frac{9910}{120000} \text{ OF } \times \frac{100}{1} \text{ (1) OF whole formula = 8.26\% (1) OF}$	2
4(d)	Higher profit for the year Lower capital employed Or other suitable reason Any 2 reasons (1) each	2
4(e)	Financial statements only include information which can be expressed in monetary terms (1) This means that many important factors which affect the performance of a business are not included in the financial statements (1)	2

Question	Answer	Marks																														
5(a)	<p style="text-align: center;">Ravi</p> <p style="text-align: center;">Income Statement (Trading Account section) for the year ended 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">\$</td> </tr> <tr> <td>Revenue (8 750 + 34 450)</td> <td></td> <td style="text-align: right;">43 200 (1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">38 400</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">} (2) CF } (1) OF</td> <td style="text-align: right;">2 900 (1)</td> </tr> <tr> <td>Less Purchase returns</td> <td style="text-align: right;"><u>950 (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">37 450</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>40 350</u></td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;">4 350 (1)</td> <td style="text-align: right;">36 000 (1) OF</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;"><u>7 200 (1) OF</u></td> </tr> </table>		\$	\$	Revenue (8 750 + 34 450)		43 200 (1)	Cost of sales			Opening inventory	38 400		Purchases	} (2) CF } (1) OF	2 900 (1)	Less Purchase returns	<u>950 (1)</u>			37 450			<u>40 350</u>		Less Closing inventory	4 350 (1)	36 000 (1) OF	Gross profit		<u>7 200 (1) OF</u>	8
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5(c)	Higher inventory levels Lower sales activity Or other suitable reason Any 2 reasons (1) each	2																		
5(d)	Lower of cost and net realisable value (1)	1																		
5(e)	Prudence (1)	1																		
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5(g)	<table border="1"> <thead> <tr> <th></th> <th>Increase</th> <th>Decrease</th> <th>No effect</th> </tr> </thead> <tbody> <tr> <td>Reduce the rate of trade discount allowed to credit customers</td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>Reduce the rate of cash discount allowed to credit customers</td> <td></td> <td></td> <td>✓(1)</td> </tr> </tbody> </table>		Increase	Decrease	No effect	Reduce the rate of trade discount allowed to credit customers	✓(1)			Reduce the rate of cash discount allowed to credit customers			✓(1)	2						
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Question	Answer	Marks
5(h)	Increase in selling price so possibility of greater gross profit (1) Customers may go to cheaper suppliers, so sales and profit may decrease (1) Accept other valid points	2

Question	Answer	Marks														
6(a)	<table border="1"> <tr> <td>Debtentures</td> <td>Ordinary shares</td> </tr> <tr> <td>Receive interest</td> <td>Receive dividends</td> </tr> <tr> <td>Receive fixed interest</td> <td>Receive variable dividends</td> </tr> <tr> <td>Interest paid irrespective of profit</td> <td>Dividends depend on profit</td> </tr> <tr> <td>Do not carry voting rights</td> <td>Carry voting rights</td> </tr> <tr> <td>Are lenders/loans/(non-current) liabilities/creditors</td> <td>Are members of the company/equity/capital</td> </tr> <tr> <td>Priority for repayment in winding-up</td> <td>Last to be repaid in winding-up</td> </tr> </table> <p>Any two comparative statements (2) each</p>	Debtentures	Ordinary shares	Receive interest	Receive dividends	Receive fixed interest	Receive variable dividends	Interest paid irrespective of profit	Dividends depend on profit	Do not carry voting rights	Carry voting rights	Are lenders/loans/(non-current) liabilities/creditors	Are members of the company/equity/capital	Priority for repayment in winding-up	Last to be repaid in winding-up	4
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Question	Answer	Marks
6(b)	Transfers made in the statement of changes of equity from the retained earnings (1)	1
6(c)	In situations where there is not enough cash to pay a dividend To retain cash within the business rather than using it for dividends To use in future when the profits may be low/there may be a loss Or other acceptable comments Any 2 acceptable comments (1) each	2

Question	Answer						Marks
6(d)	1 September 2017 Repayment of long term loan					No entry	5
	1 November 2017 Payment of half year interest on debentures		✓(1)			✓	
	31 December 2017 Payment of interim ordinary share dividend			✓(1)			
	30 April 2018 Half year interest on debentures accrued		✓(1)		✓(1)		
	30 April 2018 Proposed ordinary share dividend					✓(1)	
6(e)	Will not dilute their stake in the company Will not dilute their voting power If expansion profitable, potential for higher dividend as debenture holders receive fixed interest Or other acceptable comment Any 1 comment (1)						1

Question	Answer	Marks																												
6(f)	Annual profit reduced because of debenture interest Reduced profit available for ordinary shareholders Prior claim on assets in a winding-up Or other acceptable comment Any 1 comment (1)	1																												
6(g)	Current assets : current liabilities(1)	1																												
6(h)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%;">Increase</th> <th style="width: 15%;">Decrease</th> <th style="width: 10%;">No effect</th> </tr> </thead> <tbody> <tr> <td>Sell surplus non-current assets for cash</td> <td style="text-align: center;">✓</td> <td></td> <td></td> </tr> <tr> <td>Sell goods on cash terms only</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>Obtain a further long-term loan</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td>Buy additional non-current assets on credit rather than paying immediately</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>Pay trade payables after 2 months instead of after 1 month</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> </tbody> </table>		Increase	Decrease	No effect	Sell surplus non-current assets for cash	✓			Sell goods on cash terms only			✓(1)	Obtain a further long-term loan	✓(1)			Buy additional non-current assets on credit rather than paying immediately		✓(1)		Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount		✓(1)		Pay trade payables after 2 months instead of after 1 month			✓(1)	5
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ACCOUNTING

0452/22

Paper 2

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **11** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks										
1(a)(i)	Statement of account	1										
1(a)(ii)	\$335	1										
1(a)(iii)	$\frac{14}{(686 + 14)} \times 100 = 2\%$	1										
1(a)(iv)	Cash discount	1										
1(b)	<table border="1"> <tr> <td>debit entry in ledger account of W Jones</td> <td>credit entry in ledger account of W Jones</td> <td>no entry would be made</td> </tr> <tr> <td></td> <td></td> <td>✓(1)</td> </tr> </table>	debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made			✓(1)	1				
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		✓(1)										
1(c)	<table border="1"> <tr> <td rowspan="2">document issued</td> <td rowspan="2">name of person issuing document</td> <td colspan="2">entries made by W Jones</td> </tr> <tr> <td>account debited</td> <td>account credited</td> </tr> <tr> <td>Invoice (1)</td> <td>J Smith (1)</td> <td>Purchases (1)</td> <td>J Smith (1)</td> </tr> </table>	document issued	name of person issuing document	entries made by W Jones		account debited	account credited	Invoice (1)	J Smith (1)	Purchases (1)	J Smith (1)	4
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1(e)(i)	A bad debt is an amount owing to a business which will not be paid by the credit customer	1										
1(e)(ii)	A bad debt recovered is when a credit customer pays some, or all of a debt previously written off as a bad debt	1										
1(f)	<p>Reduce credit sales/sell on a cash basis Obtain references from new credit customers Fix a credit limit for each customer Introduce/improve credit control Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid Give cash discount/discount for prompt payment Charge interest on overdue account</p> <p>Any 2 points (1) each Accept other valid points</p>	2										
1(g)	<p>The profit for the year is not overstated (1) The trade receivables (current assets) are not overstated (1)</p> <p>Accept other valid points</p>	2										
1(h)	The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)	2										
1(i)	$\frac{460}{18\,400} \times \frac{100}{1} = 2\frac{1}{2}\%$	1										

Question	Answer	Marks																														
1(j)	<p style="text-align: center;">J Smith Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date 2018</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date 2017</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>Apl 30</td> <td>Income statement (1)OF</td> <td style="text-align: center;">20</td> <td>May 1</td> <td>Balance b/d (1)</td> <td style="text-align: center;">460</td> </tr> <tr> <td></td> <td>Balance c/d (1)</td> <td style="text-align: center;">440</td> <td></td> <td></td> <td style="text-align: center;">460</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">460</td> <td></td> <td></td> <td style="text-align: center;">460</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018 May 1</td> <td>Balance b/d (1)OF</td> <td style="text-align: center;">440</td> </tr> </tbody> </table> <p>+ (1) dates</p>	Date 2018	Details	\$	Date 2017	Details	\$	Apl 30	Income statement (1)OF	20	May 1	Balance b/d (1)	460		Balance c/d (1)	440			460			460			460				2018 May 1	Balance b/d (1)OF	440	5
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Question	Answer	Marks
2(a)	<p>Capital expenditure Money spend on acquiring, improving and installing non-current assets (1) Example Purchase of any non-current asset, legal costs for purchase of premises, cost of installation of non-current asset, cost of carriage on delivery of non-current asset, etc. Any suitable example (1)</p> <p>Capital receipt Amounts received which do not form part of the day-to-day trading activities (1) Example Receipt of loan, additional capital, proceeds of sale of non-current asset at book value, etc. Any suitable example (1)</p> <p>Revenue expenditure Money spent on the running of a business on a day-to-day basis (1) Example Any expense such as wages, rent, insurance, etc. Any suitable example (1)</p> <p>Revenue receipt Amounts received in the day-to-day trading activities and other items of income (1) Example Sales, commission received, interest received, rent received, etc. Any suitable example (1)</p>	8

Question	Answer					Marks																																			
2(b)	<table border="1"> <thead> <tr> <th data-bbox="300 248 472 383" rowspan="2">error</th> <th colspan="2" data-bbox="472 248 823 383">effect on profit for the year</th> <th colspan="3" data-bbox="823 248 1334 383">effect on closing capital</th> </tr> <tr> <th data-bbox="472 383 639 421">overstated</th> <th data-bbox="639 383 823 421">understated</th> <th data-bbox="823 383 991 421">overstated</th> <th data-bbox="991 383 1174 421">understated</th> <th data-bbox="1174 383 1334 421">no effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 421 472 477">error 1</td> <td data-bbox="472 421 639 477"></td> <td data-bbox="639 421 823 477">✓</td> <td data-bbox="823 421 991 477"></td> <td data-bbox="991 421 1174 477">✓</td> <td data-bbox="1174 421 1334 477"></td> </tr> <tr> <td data-bbox="300 477 472 566">error 2</td> <td data-bbox="472 477 639 566"></td> <td data-bbox="639 477 823 566">✓(1)</td> <td data-bbox="823 477 991 566"></td> <td data-bbox="991 477 1174 566">✓(1)</td> <td data-bbox="1174 477 1334 566"></td> </tr> <tr> <td data-bbox="300 566 472 656">error 3</td> <td data-bbox="472 566 639 656">✓(1)</td> <td data-bbox="639 566 823 656"></td> <td data-bbox="823 566 991 656">✓(1)</td> <td data-bbox="991 566 1174 656"></td> <td data-bbox="1174 566 1334 656"></td> </tr> <tr> <td data-bbox="300 656 472 745">error 4</td> <td data-bbox="472 656 639 745">✓(1)</td> <td data-bbox="639 656 823 745"></td> <td data-bbox="823 656 991 745"></td> <td data-bbox="991 656 1174 745"></td> <td data-bbox="1174 656 1334 745">✓(1)</td> </tr> </tbody> </table>					error	effect on profit for the year		effect on closing capital			overstated	understated	overstated	understated	no effect	error 1		✓		✓		error 2		✓(1)		✓(1)		error 3	✓(1)		✓(1)			error 4	✓(1)				✓(1)	6
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error 4	✓(1)				✓(1)																																				
2(c)	<p>It is a book of prime (original) entry because it is written up from business documents (1)</p> <p>It is part of the double entry system as it acts as ledger accounts for cash and bank (1)</p>					2																																			
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Question	Answer	Marks
4(d)	Dilution of ownership of company New shares rank equally with existing ordinary shares with regard to dividend (even though profit expected to increase after two years dividend may reduce) New shares rank equally with existing ordinary shares with regard to repayment in a winding up Or other relevant point Any 2 points (1) each	2

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5(d)	<p>Proposal number 6 (1)</p> <p>Current Ratio Total of current assets remains unchanged (1) OR inventory decreases and cash/bank increases by same amount (1)</p> <p>Quick (acid test) Ratio Total of current assets excluding inventory increases (1) OR Inventory is excluded from the calculation but cash/bank increases (1)</p>	3
5(e)	<p>Should compare with a business of approximately the same size/same capital</p> <p>Should compare with a business of the same type (sole trader)</p> <p>The length of time the business has been operating</p> <p>The financial year may end at different times of the trading cycle</p> <p>The financial statements may be for one year which will not show trends</p> <p>The financial statements may be for a year which is not a typical year</p> <p>The businesses may operate different accounting policies</p> <p>The businesses may have different types of expenses</p> <p>The statements do not show non-monetary factors</p> <p>It may not be possible to obtain all the information needed to make comparisons</p> <p>Or other suitable points excluding type of business (given in the question)</p> <p>Any 2 points (1) basic statement and (1) for development</p>	4



ACCOUNTING

0452/23

Paper 2

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **11** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks										
1(a)(i)	Statement of account	1										
1(a)(ii)	\$335	1										
1(a)(iii)	$\frac{14}{(686 + 14)} \times 100 = 2\%$	1										
1(a)(iv)	Cash discount	1										
1(b)	<table border="1"> <tr> <td>debit entry in ledger account of W Jones</td> <td>credit entry in ledger account of W Jones</td> <td>no entry would be made</td> </tr> <tr> <td></td> <td></td> <td>✓(1)</td> </tr> </table>	debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made			✓(1)	1				
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1(c)	<table border="1"> <tr> <td rowspan="2">document issued</td> <td rowspan="2">name of person issuing document</td> <td colspan="2">entries made by W Jones</td> </tr> <tr> <td>account debited</td> <td>account credited</td> </tr> <tr> <td>Invoice (1)</td> <td>J Smith (1)</td> <td>Purchases (1)</td> <td>J Smith (1)</td> </tr> </table>	document issued	name of person issuing document	entries made by W Jones		account debited	account credited	Invoice (1)	J Smith (1)	Purchases (1)	J Smith (1)	4
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1(e)(i)	A bad debt is an amount owing to a business which will not be paid by the credit customer	1										
1(e)(ii)	A bad debt recovered is when a credit customer pays some, or all of a debt previously written off as a bad debt	1										
1(f)	<p>Reduce credit sales/sell on a cash basis Obtain references from new credit customers Fix a credit limit for each customer Introduce/improve credit control Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid Give cash discount/discount for prompt payment Charge interest on overdue account</p> <p>Any 2 points (1) each Accept other valid points</p>	2										
1(g)	<p>The profit for the year is not overstated (1) The trade receivables (current assets) are not overstated (1)</p> <p>Accept other valid points</p>	2										
1(h)	The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)	2										
1(i)	$\frac{460}{18\,400} \times \frac{100}{1} = 2\frac{1}{2}\%$	1										

Question	Answer	Marks																														
1(j)	<p style="text-align: center;">J Smith Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date 2018</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date 2017</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>Apl 30</td> <td>Income statement (1)OF</td> <td style="text-align: center;">20</td> <td>May 1</td> <td>Balance b/d (1)</td> <td style="text-align: center;">460</td> </tr> <tr> <td></td> <td>Balance c/d (1)</td> <td style="text-align: center;">440</td> <td></td> <td></td> <td style="text-align: center;">460</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">460</td> <td></td> <td></td> <td style="text-align: center;">460</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018 May 1</td> <td>Balance b/d (1)OF</td> <td style="text-align: center;">440</td> </tr> </tbody> </table> <p>+ (1) dates</p>	Date 2018	Details	\$	Date 2017	Details	\$	Apl 30	Income statement (1)OF	20	May 1	Balance b/d (1)	460		Balance c/d (1)	440			460			460			460				2018 May 1	Balance b/d (1)OF	440	5
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Question	Answer	Marks
2(a)	<p>Capital expenditure Money spend on acquiring, improving and installing non-current assets (1) Example Purchase of any non-current asset, legal costs for purchase of premises, cost of installation of non-current asset, cost of carriage on delivery of non-current asset, etc. Any suitable example (1)</p> <p>Capital receipt Amounts received which do not form part of the day-to-day trading activities (1) Example Receipt of loan, additional capital, proceeds of sale of non-current asset at book value, etc. Any suitable example (1)</p> <p>Revenue expenditure Money spent on the running of a business on a day-to-day basis (1) Example Any expense such as wages, rent, insurance, etc. Any suitable example (1)</p> <p>Revenue receipt Amounts received in the day-to-day trading activities and other items of income (1) Example Sales, commission received, interest received, rent received, etc. Any suitable example (1)</p>	8

Question	Answer					Marks																																			
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Question	Answer				Marks
4(a)	AB Limited Statement of Changes in Equity for the year ended 31 March 2018				6
		Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
	On 1 April 2017	200 000	14 000	6 000	220 000
	Profit for the year			35 000 (1)	35 000
	Final dividend paid (for year ended 31 March 2017)	.....	.....	(10 000) (1)	(10 000)
	Interim dividend paid (for year ended 31 March 2018)	.....	.....	(4 000) (1)	(4 000)
	Transfer to general reserve	2 000	(2 000) (1)
	At 31 March 2018	200 000	16 000	25 000 (1)	241 000 (1)

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4(b)	<p style="text-align: center;">AB Limited Statement of Financial Position at 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center;">\$ Cost</th> <th style="width: 15%; text-align: center;">\$ Depreciation to date</th> <th style="width: 15%; text-align: center;">\$ Book value</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">195 000</td> <td></td> <td style="text-align: right;">195 000</td> <td></td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">98 000</td> <td style="text-align: right;">35 280</td> <td style="text-align: right;">62 720</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Office equipment</td> <td style="text-align: right;">39 500</td> <td style="text-align: right;">15 800</td> <td style="text-align: right;">23 700</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; 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Question	Answer	Marks
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Question	Answer	Marks
5(d)	Proposal number 6 (1) Current Ratio Total of current assets remains unchanged (1) OR inventory decreases and cash/bank increases by same amount (1) Quick (acid test) Ratio Total of current assets excluding inventory increases (1) OR Inventory is excluded from the calculation but cash/bank increases (1)	3
5(e)	Should compare with a business of approximately the same size/same capital Should compare with a business of the same type (sole trader) The length of time the business has been operating The financial year may end at different times of the trading cycle The financial statements may be for one year which will not show trends The financial statements may be for a year which is not a typical year The businesses may operate different accounting policies The businesses may have different types of expenses The statements do not show non-monetary factors It may not be possible to obtain all the information needed to make comparisons Or other suitable points excluding type of business (given in the question) Any 2 points (1) basic statement and (1) for development	4

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/11

Paper 1

May/June 2018

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, glue or correction fluid.
DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.
You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.
The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **22** printed pages and **2** blank pages.

There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers, **A**, **B**, **C** and **D**. Choose the one you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) For which accounts does the cash book act as a ledger account?

	bank	cash	discount allowed	discount received
A	✓	✓	✓	✓
B		✓	✓	✓
C			✓	✓
D	✓	✓		

[1]

(b) Which statement about the division of the ledger is **not** correct?

- A** Checking procedures can be introduced.
- B** Fewer entries are needed in the sales and purchases accounts.
- C** It is easier for reference and for locating accounts.
- D** Work can be shared between two or more book-keepers.

[1]

(c) Which account may appear as a credit balance in a trial balance?

- A** carriage outwards
- B** discount received
- C** drawings
- D** inventory

[1]

(d) Insurance prepaid, \$120, was treated as an accrual in the income statement.

Which effect did this have on the profit for the year?

- A** overstated \$120
- B** overstated \$240
- C** understated \$120
- D** understated \$240

[1]

- (e) Goods, \$250, sold on credit to Ahmed were credited to Aktar's account.

What is the correcting journal entry?

		debit \$	credit \$
A	Ahmed Aktar Suspense	250 250	500
B	Ahmed Suspense Aktar	250 250	500
C	Aktar Ahmed Suspense	500	250 250
D	Suspense Ahmed Aktar	500	250 250

[1]

- (f) Hassan sells two products, X and Y. He provided the following information on 31 December 2017.

product	number of units	cost per unit \$	net realisable value per unit \$
X	520	2.00	2.20
Y	390	3.00	2.80

50 units of product Y were damaged and will have to be destroyed.

What was the total value of Hassan's inventory?

- A** \$1992
B \$2132
C \$2164
D \$2314

[1]

(g) What would **not** be included in a statement of changes in equity?

- A** ordinary share dividend paid which relates to the previous year
- B** ordinary share dividend proposed which relates to the current year
- C** profit for the year
- D** transfer to general reserve

[1]

(h) Beth and Carla are in partnership, sharing profits and losses 3:2. They provided the following information at 31 January 2018.

	\$	\$
Profit for the year		42 000
Interest on capital: Beth	4 000	
Carla	<u>3 000</u>	7 000
Salary: Beth		10 000

What was the **total** amount credited to Beth's current account on 31 January 2018?

- A** \$15 000
- B** \$25 200
- C** \$29 000
- D** \$39 200

[1]

(i) Some members of a sports club had not paid their annual subscriptions at the end of the financial year.

Where will these unpaid subscriptions be shown in the financial statements?

	receipts and payments account	income and expenditure account	statement of financial position
A	✓	✓	✓
B	✓		✓
C	✓	✓	
D		✓	✓

[1]

- (j) On 1 April 2017 trade receivables owed \$4250 and on 31 March 2018 they owed \$3940. During the year \$46 750 was received from trade receivables and they returned goods, \$1130.

What were the credit sales for the year?

A \$46 440

B \$47 060

C \$47 570

D \$48 190

[1]

[Total: 10]

- 2 (a) Complete the following table indicating with a tick (✓) the section of a statement of financial position in which **each** item would appear.

	non-current assets	current assets	non-current liabilities	current liabilities
trade payables				
5-year loan				
inventory				
loose tools				
bank overdraft				
rent receivable accrued				

[3]

- (b) (i) State **one** advantage of being a partner rather than a sole trader.

.....[1]

- (ii) State **one** disadvantage of being a partner rather than a sole trader.

.....[1]

- (c) Name **three** interested parties (other than the business owner) who may wish to look at the financial statements of a business. For **each** interested party state a reason for their interest.

interested party	reason for their interest

[6]

- (d) State **two** causes of depreciation.

1.....

2.....[2]

- (e) Complete the following table by writing **either** True or False against **each** statement about depreciation.

	True or False
The depreciation is calculated on the cost price less residual value when the straight line (equal instalment) method is used.	
The percentage rate of depreciation decreases each year when the reducing (diminishing) balance method is used.	
The provision for depreciation of a non-current asset is deducted from the cost price in the statement of financial position.	
A provision for depreciation is a means of providing a fund to purchase a replacement non-current asset.	

[4]

- (f) Name **one** accounting objective.

.....[1]

- (g) Name the accounting principle described by **each** of the following statements.

	Accounting Principle
The same accounting treatment is applied to similar items at all times.	
Accounting assumes that a business will continue to operate indefinitely.	
Transactions are expressed in monetary terms.	
Revenue is recognised as earned when ownership of goods passes to the customer.	

[4]

[Total: 22]

3 Amira owns an advertising agency. Her financial year ends on 30 April.

On 1 April 2018 she decided to use a petty cash book with a monthly imprest of \$80 which would be restored on the first day of each month.

REQUIRED

(a) State **one** reason for using a petty cash book.

.....
[1]

(b) State **one** advantage of the imprest system of petty cash.

.....
[1]

On 1 April 2018 Amira put \$80 cash in the petty cash box.

Her transactions for the month of April 2018 were as follows.

April 4	Bought stamps	\$ 3
7	Purchased printing paper	8
11	Purchased ink cartridges	12
19	Paid window cleaner	10
22	Paid KK Limited, a trade payable	35
29	Purchased flowers for reception desk	7

REQUIRED

(c) Enter these transactions in Amira's petty cash book on the page opposite.

Balance the petty cash book and bring down the balance on 1 May 2018.

[10]

Amira
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Postage \$	Computer supplies \$	General expenses \$	Ledger accounts \$
80	2018 April 1	Cash					

- (d) Complete the following table to show the double entry to restore the petty cash imprest on 1 May 2018.

debit	\$	credit	\$

[3]

- (e) Show the entry which would be made in the computer supplies account in April 2018. It is **not** necessary to close or balance the account.

Amira
Computer supplies account

Date	Details	\$	Date	Details	\$
.....
.....

[1]

Amira balanced her cash book on 30 April 2018. The bank column showed that she had \$17620 in the bank.

On the same date the bank statement showed a different balance.

REQUIRED

- (f) State **two** reasons for preparing a bank reconciliation statement.

- 1.....
.....
.....
- 2.....
.....
- [2]

A comparison of the cash book and the bank statement revealed the following.

	\$
1 Items appearing only on the bank statement	
Bank charges	28
Dishonoured cheque, Jabir	153
Business rates paid by direct debit	95
2 Items appearing only in the cash book	
Cheque received from Shadya	824
Cheque paid to Abasi	1075
3 Debit side of cash book was undercast	100

REQUIRED

(g) Update the cash book of Amira.

Bring down the updated balance on 1 May 2018.

Amira
Cash Book (bank columns only)

Date	Details	\$	Date	Details	\$
2018 April 30	Balance b/d	17 620	.....	.....	.....
.....
.....
.....
.....
.....
.....
.....
.....

[5]

(h) Prepare a bank reconciliation statement for Amira at 30 April 2018 to determine the balance shown on the bank statement.

Amira
Bank Reconciliation Statement at 30 April 2018

.....	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....

[4]

- (i) State the bank balance which would appear in the statement of financial position on 30 April 2018. Name the section in which it would appear.

Amount of bank balance \$.....

Section of statement of financial position [2]

- (j) Suggest **two** possible reasons why the cheque from Jabir was dishonoured.

1.....

2..... [2]

[Total: 31]

PLEASE TURN OVER

- 4 Harry is a trader in farm machinery. He maintains a full set of accounting records. His financial year ends on 31 March.

Harry made the following entries in his purchases journal and purchases returns journal in March 2018.

Harry
Purchases Journal

2018		\$	\$
March 15	AX Limited Goods	3250	
	Less Trade discount	<u>650</u>	2600
24	FM Limited Goods	1820	
	Less Trade discount	<u>273</u>	1547
31	Total for month		<u>4147</u>

Purchases Returns Journal

2018		\$	\$
March 17	AX Limited Goods	450	
	Less Trade discount	<u>90</u>	360
28	FM Limited Goods	200	
	Less Trade discount	<u>30</u>	170
31	Total for month		<u>530</u>

Harry made the following payments by cheque.

2018

March 4 AX Limited, \$2425, in full settlement of the amount due on that date.

30 FM Limited to settle the amount due on that date. No cash discount was received.

REQUIRED

- (a) Enter the transactions for March in the following ledger accounts.

Close the accounts on 31 March 2018 by balancing or by making a transfer to the income statement.

Some entries have already been made in the accounts during the year.

Harry
AX Limited account

Date	Details	\$	Date	Details	\$
.....	<i>2018 Mar 1</i>	<i>Balance b/d</i>	<i>2500</i>
.....
.....
.....
.....
.....
.....
.....

FM Limited account

Date	Details	\$	Date	Details	\$
.....	<i>2018 Mar 1</i>	<i>Balance b/d</i>	<i>750</i>
.....
.....
.....
.....

Purchases account

Date	Details	\$	Date	Details	\$
<i>2018 Feb 28</i>	<i>Total to date</i>	<i>43000</i>	.....	.....	.....
.....
.....
.....

Purchases returns account

Date	Details	\$	Date	Details	\$
.....	<i>2018</i> <i>Feb 28</i>	<i>Total to date</i>	<i>5020</i>
.....
.....
.....

[12]

- (b) (i) Suggest **one** reason why AX Limited allowed Harry trade discount on his purchases on 15 March 2018.

.....
[1]

- (ii) Calculate the percentage of trade discount AX Limited allowed Harry on his purchases on 15 March 2018.

.....
[1]

- (c) Name the following documents:

- (i) the document issued by AX Limited on 15 March 2018

.....[1]

- (ii) the document issued by Harry on 17 March 2018

.....[1]

- (iii) the document which AX Limited may issue on 31 March 2018

.....[1]

[Total: 17]

PLEASE TURN OVER

5 Addae opened a factory making children’s clothes on 1 February 2017.

He provided the following information at the end of his first year of trading.

	\$
Purchases of raw materials	48 400
Direct factory wages	38 800
Indirect factory wages	27 140
General factory expenses	3 150
Carriage inwards	1 950
Factory heat and light	1 110
Factory insurance	1 860
Inventory at 31 January 2018: raw materials	5 150
work in progress	7 260
finished goods	5 500

Factory machinery, \$75 000, was purchased on 1 February 2017 and is to be depreciated by 20% per annum.

REQUIRED

(a) Define and give **one** example of **each** of the following types of inventory in Addae’s business.

(i) Raw materials

Definition

.....

Example [2]

(ii) Work in progress

Definition

.....

Example [2]

(iii) Finished goods

Definition

.....

Example [2]

The cost of production was higher than Addae expected.

REQUIRED

(c) Suggest **two** ways in which the cost of production could be reduced apart from purchasing lower quality materials.

1.....
.....
.....

2.....
..... [2]

After the preparation of the manufacturing account, Addae provided the following additional information.

	\$
Revenue	179 250
Cost of sales	119 500
Administration and selling expenses	34 750

REQUIRED

(d) Calculate the percentage of gross profit to revenue (gross profit margin).
The calculation should be to **two** decimal places.

.....
.....
..... [2]

(e) Calculate the percentage of profit for the year to revenue (net profit margin).
The calculation should be to **two** decimal places.

.....
.....
..... [2]

(f) Suggest **two** ways in which the percentage of profit for the year to revenue could be improved.

1.....
.....
.....

2.....
..... [2]

[Total: 24]

- 6 Mai is a trader. At the end of her financial year on 31 March 2018 she opened a suspense account with a debit balance of \$650.

REQUIRED

- (a) State **two** reasons why it was necessary for Mai to open a suspense account.

1.....

 2.....
[2]

Mai discovered that some errors had been made in her accounting records.

REQUIRED

- (b) Complete the following table to show the entries required to correct **each** error.

The first one has been completed as an example.

error		entries required to correct the error			
		debit		credit	
		account	\$	account	\$
1	motor expenses, \$150, debited to motor vehicles account	<i>motor expenses</i>	<i>150</i>	<i>motor vehicles</i>	<i>150</i>
2	carriage inwards, \$120, debited to carriage outwards account				
3	sales journal overcast by \$1000				
4	wages, \$460, debited to wages account as \$640				

[6]

- (c) State whether all the errors in Mai’s books have been discovered.
Give a reason for your answer.

Have all the errors been discovered?

Reason

.....

 [2]

- (d) Complete the statement to show the effect on the profit for the year of **correcting** errors 1–4.
Where the error does not affect the profit **write** “no effect”.

Mai
Statement of corrected profit for the year ended 31 March 2018

		\$
Profit for the year before corrections		4150
	Increase in profit \$	Decrease in profit \$
Error 1
Error 2
Error 3
Error 4
	_____	_____
	_____	_____
Corrected profit for the year		_____

[6]

[Total: 16]

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CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/12

Paper 1

May/June 2018

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, glue or correction fluid.
DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.
You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.
The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers, **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Jim supplies Debbie with goods on credit.

Which business document might Debbie send to Jim?

- | | | |
|-------------------------------|--------------------------|-----|
| A credit note | <input type="checkbox"/> | |
| B debit note | <input type="checkbox"/> | |
| C invoice | <input type="checkbox"/> | |
| D statement of account | <input type="checkbox"/> | [1] |

(b) What would be recorded in the general journal?

- | | | |
|-------------------------------|--------------------------|-----|
| A bad debt written off | <input type="checkbox"/> | |
| B cash sale of goods | <input type="checkbox"/> | |
| C credit sale of goods | <input type="checkbox"/> | |
| D returns outwards | <input type="checkbox"/> | [1] |

(c) Which item is **not** included as part of the calculation of net realisable value when valuing inventory?

- | | | |
|--|--------------------------|-----|
| A carriage inwards | <input type="checkbox"/> | |
| B cost of completing the goods | <input type="checkbox"/> | |
| C estimated receipts from sale of the goods | <input type="checkbox"/> | |
| D selling expenses | <input type="checkbox"/> | [1] |

(d) How does a manufacturing business calculate the production cost of completed goods?

- | | | |
|---|--------------------------|-----|
| A prime cost + factory overheads + opening work in progress – closing work in progress | <input type="checkbox"/> | |
| B prime cost + factory overheads – opening work in progress + closing work in progress | <input type="checkbox"/> | |
| C prime cost – factory overheads + opening work in progress – closing work in progress | <input type="checkbox"/> | |
| D prime cost – factory overheads – opening work in progress + closing work in progress | <input type="checkbox"/> | [1] |

- (e) Anastasia purchased equipment, \$28 000, on 1 January 2016. Her depreciation policy is to use the reducing (diminishing) balance method at the rate of 20% per annum.

What was the net book value of the equipment on 31 December 2017?

- A \$10 080
- B \$11 200
- C \$16 800
- D \$17 920 [1]

- (f) Which is an item of capital expenditure?

- A annual redecoration of offices
- B buildings insurance
- C legal fees on purchase of factory
- D repairs to machinery [1]

- (g) Where will interest on drawings be recorded?

- A credited to partners' capital accounts
- B credited to partners' current accounts
- C debited to partners' capital accounts
- D debited to partners' current accounts [1]

- (h) B Limited provided the following details at 30 April 2018.

	\$
profit for the year ended 30 April 2018	72 500
ordinary share dividends paid	15 000
transfer to general reserve	5 000
retained earnings at 30 April 2018	285 000

What were retained earnings at the beginning of the financial year?

- A \$227 500
- B \$232 500
- C \$337 500
- D \$342 500 [1]

(i) What does the going concern principle mean?

- A** Non-current assets must be shown at expected sales value.
- B** Revenue is recognised when ownership of goods passes to the customer.
- C** The business will continue to operate for the foreseeable future.
- D** The financial statements should always use the same accounting principles.

[1]

(j) On 31 March 2018 Sasha had trade receivables of \$95 000. She wrote off a bad debt, \$750, and made a provision for doubtful debts of 2% of trade receivables.

What was the figure for net trade receivables in the statement of financial position at 31 March 2018?

- A** \$92 350
- B** \$92 365
- C** \$93 115
- D** \$94 250

[1]

[Total: 10]

2 Mary keeps a full set of accounting records including books of prime (original) entry.

REQUIRED

(a) State **two** reasons why Mary uses books of prime (original) entry.

- 1.....
.....
- 2.....
.....[2]

On 1 November 2017 the balance in Mary’s cash book (bank columns) was \$838 overdrawn. Mary banks all cash sales at the end of each week.

Mary had the following transactions during November.

- 1 Sold goods, \$220, for cash
- 2 Returned goods costing \$440, bought on credit from Jane
- 3 Purchased a motor vehicle on credit, \$12 400, including road tax of \$300, from Speedy Motors
- 4 Received a cheque from Tan, a credit customer, in settlement of an invoice for \$400 after deduction of 2% cash discount
- 5 Took goods for own use, \$120

REQUIRED

(b) Name the book of prime (original) entry where **each** of the transactions 1, 2 and 3 would be recorded.

- 1.....
- 2.....
- 3.....[3]

(c) Complete the following table to show how **each** transaction was recorded by Mary. The first one has been completed as an example.

	Account(s) debited	\$	Account(s) credited	\$
1	<i>Cash</i>	<i>220</i>	<i>Sales</i>	<i>220</i>
2				
3				
4				
5				

[10]

(d) Calculate the bank balance at 30 November 2017.

.....

.....

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.....

.....

.....[3]

(e) Name the ledger in which Mary maintains:

(i) Tan's account

.....[1]

(ii) Motor vehicles account

.....[1]

[Total: 20]

3 Kumu purchases goods for resale on both cash and credit terms.

Kumu’s credit suppliers allow 30 days for payment of invoices.

Kumu provided the following information for the year ended 30 April 2018.

	\$
Trade payables 1 May 2017	19 800
Trade payables 30 April 2018	22 200
Discount allowed	480
Discount received	330
Interest charged by suppliers	122
Credit purchases	180 870
Cash purchases	26 400
Sales ledger balances set off against purchases ledger balances	400

REQUIRED

(a) Select the relevant items and prepare the purchases ledger control account for the year ended 30 April 2018. Insert the amount paid to credit suppliers.

Kumu
Purchases ledger control account

Date	Details	\$	Date	Details	\$
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[8]

(b) State the formula for calculating the trade payables payment period.

.....
.....[1]

- (c) Calculate the trade payables payment period for the year ended 30 April 2018. Round up your answer to the next whole day.

.....
.....
.....
.....[2]

- (d) State whether Kumu’s suppliers would be satisfied with her trade payables payment period. Give a reason for your answer.

Satisfied?

Reason

.....
.....[2]

- (e) State **two** problems Kumu may face if her trade payables payment period is unsatisfactory.

1.....

.....

2.....

.....[2]

Kumu provided the following information for the year ended 30 April 2018.

	\$
Cost of sales	205 000
Gross profit	92 250
Inventory at 30 April 2018	35 000

REQUIRED

- (f) Calculate the percentage mark-up Kumu has applied.

.....
.....
.....
.....[2]

(g) Calculate the value of inventory at 1 May 2017.

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[3]

(h) State the formula for the rate of inventory turnover.

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.....

[1]

(i) Calculate Kumu's rate of inventory turnover for the year ended 30 April 2018. The calculation should be correct to **two** decimal places.

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[2]

[Total: 23]

4 Chandra is a driving instructor. His pupils pay for their lessons in advance.

REQUIRED

(a) Complete the following sentences by selecting the correct word.

The first sentence has been completed as an example. The correct word should be selected as shown in the example.

1	The motor vehicles account has a (debit/credit) balance in a trial balance.
2	A year end accrual is an amount (earned/owing) for an expense incurred in the (current/previous) financial period. It will be included in the statement of financial position as a current (asset/liability).
3	Accrued income is an amount (earned/owing) by the business which will be received in the (current/next) financial period. It will be included in the statement of financial position as a current (asset/liability).

[6]

Chandra started business on 1 February 2017. He charges \$20 per lesson. Pupils must pay for 10 lessons in advance.

Total receipts for lessons for the year ended 31 January 2018 amounted to \$20 200.

On 31 January 2018, Chandra's records showed that the following pupils had not received the full set of lessons paid for.

	Number of lessons given
Joe	6
Adam	4
Billy	8

REQUIRED

(b) Calculate the amount Chandra had received in advance for driving lesson fees at 31 January 2018.

.....

.....

.....

.....

.....

..... [3]

- (c) Calculate the amount of driving lesson fee income which Chandra included in his income statement for the year ended 31 January 2018.

.....

 [2]

- (d) Explain why Chandra’s income earned is not the same as the total receipts for lessons.

.....

 [2]

Chandra calculated a draft profit of \$8760 for the year ended 31 January 2018. The following errors were later discovered.

- 1 Advertising expenses owing at the year-end had been overstated by \$100.
- 2 Interest payable on a 6% bank loan of \$10000 had been omitted. The loan was taken on 1 February 2017.
- 3 Cost of petrol, \$89, for Chandra’s personal use had been recorded as a business expense.
- 4 Motor vehicle repairs, \$210, had been recorded as motor insurance.

REQUIRED

- (e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the No Effect column.

Chandra
 Statement of corrected profit for the year ended 31 January 2018

	No Effect	Increase \$	Decrease \$	\$
Draft profit				8760
Error 1				
Error 2				
Error 3				
Error 4				
Corrected profit				

[6]

- (f) Name the accounting principle being applied when correctly dealing with the transaction in error 3. Give a reason for your answer.

Accounting principle

Reason

.....[2]

Chandra wishes to compare his business results with those of LQ Limited, a large chain of driving schools.

REQUIRED

- (g) Suggest **two** reasons why Chandra may have difficulty comparing his business results with those of LQ Limited.

1.....

.....

.....

2.....

.....

.....[2]

[Total: 23]

PLEASE TURN OVER

- 5 WB Sports Club has 250 members. The annual subscription is \$20. The club provided the following information.

	\$
Subscriptions received in advance on 1 April 2017	120
Subscriptions received during the year ended 31 March 2018	4740
Subscriptions in arrears on 31 March 2018	140

REQUIRED

- (a) Prepare the subscriptions account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

WB Sports Club
Subscriptions account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
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.....
.....
.....
.....

[5]

WB Sports Club also provided the following information.

On 1 April 2017	\$
Balance at bank (as per cash book)	960 debit
During the year ended 31 March 2018	
Rent paid	2000
Entry fees received for gymnastics competition	900
Cost of prizes for gymnastics competition	220
General expenses	682
Insurance paid	430
Donations received	350
Purchase of sports equipment	2760

REQUIRED

(b) Prepare the receipts and payments account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

WB Sports Club
Receipts and Payments Account for the year ended 31 March 2018

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[10]

(d) State how the accumulated fund of WB Sports Club has arisen.

.....

.....

.....

..... [2]

[Total: 24]

Siegfried knows that he sold the same number of units and had applied the same mark-up in the year ended 31 December 2017 as he did in the previous year, but made a lower profit for the year.

REQUIRED

(f) Suggest **one** reason why Siegfried made a lower profit for the year for the year ended 31 December 2017 than the previous year.

.....
.....
.....[1]

(g) State **three** benefits to Siegfried of maintaining a full set of double entry records.

1.....
.....
2.....
.....
3.....
.....[3]

[Total: 20]

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NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/13

Paper 1

May/June 2018

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
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Answer **all** questions.
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There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers, **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Jim supplies Debbie with goods on credit.

Which business document might Debbie send to Jim?

- | | | |
|-------------------------------|--------------------------|-----|
| A credit note | <input type="checkbox"/> | |
| B debit note | <input type="checkbox"/> | |
| C invoice | <input type="checkbox"/> | |
| D statement of account | <input type="checkbox"/> | [1] |

(b) What would be recorded in the general journal?

- | | | |
|-------------------------------|--------------------------|-----|
| A bad debt written off | <input type="checkbox"/> | |
| B cash sale of goods | <input type="checkbox"/> | |
| C credit sale of goods | <input type="checkbox"/> | |
| D returns outwards | <input type="checkbox"/> | [1] |

(c) Which item is **not** included as part of the calculation of net realisable value when valuing inventory?

- | | | |
|--|--------------------------|-----|
| A carriage inwards | <input type="checkbox"/> | |
| B cost of completing the goods | <input type="checkbox"/> | |
| C estimated receipts from sale of the goods | <input type="checkbox"/> | |
| D selling expenses | <input type="checkbox"/> | [1] |

(d) How does a manufacturing business calculate the production cost of completed goods?

- | | | |
|---|--------------------------|-----|
| A prime cost + factory overheads + opening work in progress – closing work in progress | <input type="checkbox"/> | |
| B prime cost + factory overheads – opening work in progress + closing work in progress | <input type="checkbox"/> | |
| C prime cost – factory overheads + opening work in progress – closing work in progress | <input type="checkbox"/> | |
| D prime cost – factory overheads – opening work in progress + closing work in progress | <input type="checkbox"/> | [1] |

- (e) Anastasia purchased equipment, \$28 000, on 1 January 2016. Her depreciation policy is to use the reducing (diminishing) balance method at the rate of 20% per annum.

What was the net book value of the equipment on 31 December 2017?

- A \$10 080
- B \$11 200
- C \$16 800
- D \$17 920 [1]

- (f) Which is an item of capital expenditure?

- A annual redecoration of offices
- B buildings insurance
- C legal fees on purchase of factory
- D repairs to machinery [1]

- (g) Where will interest on drawings be recorded?

- A credited to partners' capital accounts
- B credited to partners' current accounts
- C debited to partners' capital accounts
- D debited to partners' current accounts [1]

- (h) B Limited provided the following details at 30 April 2018.

	\$
profit for the year ended 30 April 2018	72 500
ordinary share dividends paid	15 000
transfer to general reserve	5 000
retained earnings at 30 April 2018	285 000

What were retained earnings at the beginning of the financial year?

- A \$227 500
- B \$232 500
- C \$337 500
- D \$342 500 [1]

(i) What does the going concern principle mean?

- A** Non-current assets must be shown at expected sales value.
- B** Revenue is recognised when ownership of goods passes to the customer.
- C** The business will continue to operate for the foreseeable future.
- D** The financial statements should always use the same accounting principles.

[1]

(j) On 31 March 2018 Sasha had trade receivables of \$95 000. She wrote off a bad debt, \$750, and made a provision for doubtful debts of 2% of trade receivables.

What was the figure for net trade receivables in the statement of financial position at 31 March 2018?

- A** \$92 350
- B** \$92 365
- C** \$93 115
- D** \$94 250

[1]

[Total: 10]

2 Mary keeps a full set of accounting records including books of prime (original) entry.

REQUIRED

(a) State **two** reasons why Mary uses books of prime (original) entry.

- 1.....
.....
- 2.....
.....[2]

On 1 November 2017 the balance in Mary’s cash book (bank columns) was \$838 overdrawn. Mary banks all cash sales at the end of each week.

Mary had the following transactions during November.

- 1 Sold goods, \$220, for cash
- 2 Returned goods costing \$440, bought on credit from Jane
- 3 Purchased a motor vehicle on credit, \$12 400, including road tax of \$300, from Speedy Motors
- 4 Received a cheque from Tan, a credit customer, in settlement of an invoice for \$400 after deduction of 2% cash discount
- 5 Took goods for own use, \$120

REQUIRED

(b) Name the book of prime (original) entry where **each** of the transactions 1, 2 and 3 would be recorded.

- 1.....
- 2.....
- 3.....[3]

(c) Complete the following table to show how **each** transaction was recorded by Mary. The first one has been completed as an example.

	Account(s) debited	\$	Account(s) credited	\$
1	<i>Cash</i>	<i>220</i>	<i>Sales</i>	<i>220</i>
2				
3				
4				
5				

[10]

(d) Calculate the bank balance at 30 November 2017.

.....

 [3]

(e) Name the ledger in which Mary maintains:

(i) Tan's account
 [1]

(ii) Motor vehicles account
 [1]

[Total: 20]

(c) Calculate the trade payables payment period for the year ended 30 April 2018. Round up your answer to the next whole day.

.....
.....
.....
..... [2]

(d) State whether Kumu’s suppliers would be satisfied with her trade payables payment period. Give a reason for your answer.

Satisfied?

Reason

.....
..... [2]

(e) State **two** problems Kumu may face if her trade payables payment period is unsatisfactory.

1.....

.....

2.....

..... [2]

Kumu provided the following information for the year ended 30 April 2018.

	\$
Cost of sales	205 000
Gross profit	92 250
Inventory at 30 April 2018	35 000

REQUIRED

(f) Calculate the percentage mark-up Kumu has applied.

.....
.....
.....
..... [2]

- (c) Calculate the amount of driving lesson fee income which Chandra included in his income statement for the year ended 31 January 2018.

.....

 [2]

- (d) Explain why Chandra’s income earned is not the same as the total receipts for lessons.

.....

 [2]

Chandra calculated a draft profit of \$8760 for the year ended 31 January 2018. The following errors were later discovered.

- 1 Advertising expenses owing at the year-end had been overstated by \$100.
- 2 Interest payable on a 6% bank loan of \$10000 had been omitted. The loan was taken on 1 February 2017.
- 3 Cost of petrol, \$89, for Chandra’s personal use had been recorded as a business expense.
- 4 Motor vehicle repairs, \$210, had been recorded as motor insurance.

REQUIRED

- (e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the No Effect column.

Chandra
 Statement of corrected profit for the year ended 31 January 2018

	No Effect	Increase \$	Decrease \$	\$
Draft profit				8760
Error 1				
Error 2				
Error 3				
Error 4				
Corrected profit				

[6]

(f) Name the accounting principle being applied when correctly dealing with the transaction in error 3. Give a reason for your answer.

Accounting principle

Reason

.....[2]

Chandra wishes to compare his business results with those of LQ Limited, a large chain of driving schools.

REQUIRED

(g) Suggest **two** reasons why Chandra may have difficulty comparing his business results with those of LQ Limited.

1.....

.....

.....

2.....

.....

.....[2]

[Total: 23]

PLEASE TURN OVER

(d) State how the accumulated fund of WB Sports Club has arisen.

.....
.....
.....
..... [2]

[Total: 24]

Siegfried knows that he sold the same number of units and had applied the same mark-up in the year ended 31 December 2017 as he did in the previous year, but made a lower profit for the year.

REQUIRED

(f) Suggest **one** reason why Siegfried made a lower profit for the year for the year ended 31 December 2017 than the previous year.

.....
.....
.....[1]

(g) State **three** benefits to Siegfried of maintaining a full set of double entry records.

1.....
.....
2.....
.....
3.....
.....[3]

[Total: 20]

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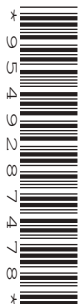
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NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

Paper 2

0452/21

May/June 2018

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

- 1 Lydia is a trader. She keeps a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

- (a) Name the book of prime (original) entry which Lydia would use to obtain the following information when preparing her control accounts.

	Book of prime (original) entry
Returns by credit customers	
Bad debts written off	

[2]

Lydia was able to provide the following information for the month ended 30 April 2018.

2018		\$
April 1	Amount owing by credit customers	3944
	Amount owing to credit suppliers	4215
April 30	Totals for the month	
	Cash purchases	996
	Credit purchases	4855
	Returns to credit suppliers	113
	Returns from credit customers	236
	Cheques received from credit customers	3332
	Discount allowed	68
	Discount received	95
	Contra entry	250
	Carriage charged by credit supplier	210
May 1	Debit balance in purchases ledger	100
	Credit balance in purchases ledger	4237

REQUIRED

- (b) Select the relevant figures and prepare the purchases ledger control account for the month of April 2018.
 Insert a figure for cheques paid to credit suppliers.
 Balance the account and bring down the balances on 1 May 2018.

Lydia is proposing to create and maintain a provision for doubtful debts at 2% of trade receivables at the end of each financial year.

REQUIRED

(d) Explain how maintaining a provision for doubtful debts is an example of the application of the principle of prudence.

.....
.....
.....
..... [2]

Lydia allows her credit customers a cash discount of 2% if accounts are settled within 30 days. From 1 June 2018 Lydia is proposing to offer a cash discount of 3% if accounts are settled within 21 days.

REQUIRED

(e) Discuss how this proposal could affect Lydia's:

(i) future liquidity

.....
.....
.....
..... [2]

(ii) future profit for the year.

.....
.....
.....
..... [2]

[Total: 19]

2 On 1 March 2017 Nabil started a business buying and selling office supplies on credit.

Nabil opened a business bank account on 1 March 2017 with capital, \$155 000 and a loan from AB Loans, \$80 000. On the same day he purchased premises, \$200 000, fixtures and fittings, \$22 000, and inventory, \$5500, paying by cheque.

REQUIRED

- (a) Prepare a journal entry to include all the above information to open the books of the business on 1 March 2017.
A narrative **is** required.

Nabil
Journal

Date 2017	Details	Debit \$	Credit \$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[5]

- (b) Name **two** uses of the general journal, apart from opening entries.

- 1
- 2 [2]

Despite having little knowledge of book-keeping, Nabil decided to prepare a trial balance at the end of his financial year on 28 February 2018.

The trial balance he prepared, which contains errors, was as follows.

	Debit	Credit
	\$	\$
Revenue		119 100
Purchases	72 000	
Capital		155 000
Loan – AB Loans		80 000
Premises	200 000	
Fixtures and fittings	22 000	
Trade receivables	7 600	
Trade payables		6 850
Bank overdraft	3 950	
Wages	32 300	
General expenses	25 400	
Inventory 1 March 2017	5 500	
28 February 2018	6 100	
Difference on trial balance		13 900
	<u>374 850</u>	<u>374 850</u>

The following errors were later discovered.

- 1 Nabil's cash drawings, \$10 000, had been posted to the wages account.
- 2 No entry had been made for purchases returns, \$150.
- 3 \$140 owed by a credit customer should have been written off as a bad debt.
- 4 No entry had been made for bank charges, \$210.
- 5 The balance of the petty cash book, \$100, had been omitted from the trial balance.

3 Masuma owns a furniture store. She maintains a full set of accounting records. Her financial year ends on 31 March.

Masuma provided the following information at 31 March 2018.

- 1 On 1 April 2017 Amina, a credit customer, owed \$160. On 1 March 2018 she paid 75% of this and the balance was written off as a bad debt.
- 2 On 4 January 2018 additional fixtures and fittings, \$2000, were purchased on credit from Office Traders, but this transaction was not recorded.
- 3 The fixtures and fittings are depreciated at the rate of 20% per annum on the cost of equipment held at the end of each financial year.
- 4 On 31 March 2018 the discount columns in the cash book showed the following totals for the month:
 discount column on debit side \$55
 discount column on credit side \$68
 These totals had not been transferred to the discount accounts in the ledger.

REQUIRED

(a) Record this information in the following accounts in Masuma’s ledger at 31 March 2018.

Some entries have already been made in the accounts during the year.

Close all the accounts by balancing or by making a transfer to an appropriate account.

Masuma
Amina account

Date <i>2017</i>	Details	\$	Date	Details	\$
<i>April 1</i>	<i>Balance b/d</i>	<i>160</i>	.....	.....	.....
.....
.....
.....

Bad debts account

Date 2018	Details	\$	Date	Details	\$
<i>Feb 28</i>	<i>Total written off</i>	<i>135</i>	.....	.....	.....
.....
.....
.....

Fixtures and fittings account

Date 2017	Details	\$	Date	Details	\$
<i>April 1</i>	<i>Balance b/d</i>	<i>4000</i>	.....	.....	.....
.....
.....
.....
.....

Provision for depreciation of fixtures and fittings account

Date	Details	\$	Date 2017	Details	\$
.....	<i>April 1</i>	<i>Balance b/d</i>	<i>1600</i>
.....
.....
.....
.....

Discount allowed account

Date 2018	Details	\$	Date	Details	\$
Feb 28	Total to date	3590	.....	.....	.....
.....
.....
.....

Discount received account

Date	Details	\$	Date 2018	Details	\$
.....	Feb 28	Total to date	4130
.....
.....
.....

[12]

The following account appeared in Masuma's ledger on 31 March 2018.

Disposal of motor vehicle account

Date 2018	Details	\$	Date 2018	Details	\$
Feb 1	Motor vehicles	9500	Feb 1	Provision for depreciation of motor vehicles	4636
				M6Vans	3500
			Mar 31	Income statement	1364
		<u>9500</u>			<u>9500</u>

REQUIRED

- (b) Explain **each** entry in the disposal of motor vehicle account.
Name the account in which the double entry would be made for **each** item.
State whether that account would be debited or credited.

February 1 Motor vehicles

Explanation

.....

.....

Double entry

February 1 Provision for depreciation of motor vehicles

Explanation

.....

.....

Double entry

February 1 M6Vans

Explanation

.....

.....

Double entry

March 31 Income statement

Explanation

.....

.....

Double entry [8]

[Total: 20]

4 Asim has an advertising agency. His financial year ends on 31 January.

He provided the following information on 31 January 2018.

	\$
Capital at 1 February 2017	120 000
Drawings	8 500
Office equipment at valuation at 1 February 2017	6 180
Motor vehicle at cost	15 000
Provision for depreciation of motor vehicle	5 400
Fees received from clients	28 350
Wages of assistant	19 000
General expenses	1 358
Motor expenses	970
Rates and insurance	2 280
Rent received from tenant	5 600

Additional information

- 1 At 31 January 2018
 - \$2400 was outstanding from clients for fees.
 - Motor expenses outstanding amounted to \$110.
 - A provision for doubtful debts of 2% of the amount owed by clients should be created.
- 2 The rates and insurance paid were for a period of 15 months from 1 February 2017.
- 3 Part of the premises were let to a tenant on 1 February 2017 at an annual rent of \$4800.
- 4 One quarter of the motor expenses are for Asim's personal use of the motor vehicle.
- 5 The motor vehicle is to be depreciated at 20% per annum using the reducing (diminishing) balance method.
- 6 The office equipment was valued at \$5500 on 31 January 2018.
No office equipment was purchased or sold during the year.

(b) State the formula for the calculation of the return on capital employed (ROCE).

.....
.....[1]

(c) Calculate Asim’s return on capital employed (ROCE) using his capital at 1 February 2017. The calculation should be correct to **two** decimal places.

.....
.....
.....
.....[2]

(d) Suggest **two** reasons why Asim’s return on capital employed (ROCE) is higher than that of Naqid who has a similar business.

1

.....

2

.....[2]

(e) Explain why Asim should consider non-financial factors when comparing his financial statements with those of Naqid.

.....
.....
.....
.....[2]

[Total: 20]

(c) Suggest **two** reasons why Ravi’s rate of inventory turnover is lower than the average for this type of business.

1

.....

2

..... [2]

(d) State the basis on which Ravi should value his inventory.
..... [1]

(e) Name the accounting principle which Ravi is applying by valuing his inventory on this basis.
..... [1]

(f) Complete the table by placing a tick (✓) in the correct column to indicate the effect of Ravi overvaluing his inventory at 31 March 2018.

The first one has been completed as an example.

	Overstated	Understated
current assets at 31 March 2018	✓	
cost of sales for the year ended 31 March 2018		
gross profit for the year ended 31 March 2018		
cost of sales for the year ending 31 March 2019		
profit for the year ending 31 March 2019		

[4]

Ravi is considering ways to increase his gross profit.

REQUIRED

(g) Complete the table by placing a tick (✓) in the correct column to indicate how **each** of the following proposals would affect Ravi’s gross profit.

	Increase	Decrease	No effect
Reduce the rate of trade discount allowed to credit customers			
Reduce the rate of cash discount allowed to credit customers			

[2]

(h) Comment on the possible effects of Ravi's proposal to increase the mark-up from 20% to 25%.

.....

.....

.....

.....

.....

..... [2]

[Total: 21]

6 The financial year of CD Limited ends on 30 April. The following information was provided on 30 April 2018.

	\$		\$
Non-current assets (book value)	227 000	Ordinary share capital	
Inventory	29 000	(300 000 shares of \$0.50)	150 000
Trade receivables	22 000	General reserve 1 May 2017	30 000
Bank	11 000	Retained earnings 1 May 2017	6 000
		Profit for the year ended	
		30 April 2018	13 000
		5% Debentures (repayable 2025)	50 000
		Trade and other payables	40 000

REQUIRED

(a) State **two** differences between debentures and ordinary shares.

1

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.....

.....

2

.....

.....

..... [4]

(b) State how the general reserve has arisen.

.....

.....

..... [1]

(c) State **two** reasons why CD Limited retains some profit each year.

1

.....

2

..... [2]

- (d) Complete the table by placing tick(s) (✓) in the correct column(s) to indicate where **each** of the following would be included in the financial statements of CD Limited at 30 April 2018.

Some items may appear in more than one statement.

The first one has been completed as an example.

	Income statement	Statement of changes in equity	Statement of financial position	No entry
1 September 2017 Repayment of long-term loan				✓
1 November 2017 Payment of half-year interest on debentures				
31 December 2017 Payment of interim ordinary share dividend				
30 April 2018 Half-year interest on debentures accrued				
30 April 2018 Proposed ordinary share dividend				

[5]

CD Limited requires an additional \$30 000 to pay for an expansion programme.

- (e) State **one** advantage to ordinary shareholders if CD Limited raises the money by issuing debentures.

.....
[1]

- (f) State **one** disadvantage to ordinary shareholders if CD Limited raises the money by issuing debentures.

.....
[1]

The current ratio of CD Limited on 30 April 2018 was 1.55 : 1.

The company is anxious to increase this ratio and several proposals are being considered.

REQUIRED

(g) State the formula for the calculation of the current ratio.

.....[1]

(h) Complete the table by placing a tick (✓) in the correct column to indicate the effect on the current ratio of **each** proposal.

The first one has been completed as an example.

	Increase	Decrease	No effect
Sell surplus non-current assets for cash	✓		
Sell goods on cash terms only			
Obtain a further long-term loan			
Buy additional non-current assets on credit rather than paying immediately			
Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount			
Pay trade payables after 2 months instead of after 1 month			

[5]

[Total: 20]

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NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

Paper 2

0452/22

May/June 2018

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

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The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **21** printed pages and **3** blank pages.

1 J Smith is a wholesaler. He provided the following incomplete document on 28 February 2018.

J Smith Wholesale Supplier 112 Long Road Westtown				
W Jones High Street Eastford			28 February 2018	
Date	Reference	Debit \$	Credit \$	Balance \$
2018				
Feb 1	Balance due			700
11	Goods	450		?
19	Returns		115	?
28	Payment		686	?
	Discount		14	?

REQUIRED

(a) (i) State the name of the document.

.....[1]

(ii) Calculate the balance on the document at the end of February 2018.

.....
[1]

(iii) Calculate the percentage of the discount on 28 February.

.....

[1]

(iv) Name the type of discount on 28 February.

.....[1]

(b) Complete the following table by placing a tick (✓) in the correct column to indicate how J Smith would record the issue of this document in his accounting records.

debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made

[1]

(c) Complete the following table relating to the transaction of 11 February.

document issued	name of person issuing document	entries made by W Jones	
		account debited	account credited
.....

[4]

(d) Name the book of prime (original) entry in which **each** trader would record the transaction of 19 February.

book of prime (original) entry used by J Smith	.....
book of prime (original) entry used by W Jones	.....

[2]

The financial year of J Smith ends on 30 April. During the year ended 30 April 2018 he recorded a bad debt and a bad debt recovered.

REQUIRED

(e) State the meaning of **each** of the following terms.

(i) Bad debt

.....

[1]

(ii) Bad debt recovered

.....

[1]

(f) Suggest **two** ways in which J Smith could reduce the risk of bad debts.

1

.....

2

.....[2]

J Smith maintains a provision for doubtful debts at the same percentage of the trade receivables at the end of each year.

REQUIRED

(g) Explain how maintaining a provision for doubtful debts is an application of the principle of prudence.

.....

.....

.....

.....[2]

(h) Explain how maintaining a provision for doubtful debts is an application of the principle of accruals (matching).

.....

.....

.....

.....[2]

J Smith provided the following information.

30 April 2017	Trade receivables	\$ 18 400
	Provision for doubtful debts	460
30 April 2018	Trade receivables	17 600

REQUIRED

(i) Calculate the rate of the provision for doubtful debts as a percentage.

.....

.....[1]

- (j) Prepare the provision for doubtful debts account for the year ended 30 April 2018. Balance the account and bring down the balance on 1 May 2018.

J Smith
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

[5]

[Total: 25]

2 Sophia is a food wholesaler. Her receipts and payments during the financial year ended 31 March 2018 included both capital and revenue items.

REQUIRED

(a) State the meaning of **each** of the following terms and give an example of each.

Capital expenditure

Meaning

.....

.....

Example

Capital receipt

Meaning

.....

.....

Example

Revenue expenditure

Meaning

.....

.....

Example

Revenue receipt

Meaning

.....

.....

Example [8]

After calculating her profit for the year ended 31 March 2018, Sophia discovered some errors had been made in her accounting records.

Error 1 Rent received from a tenant had been credited to the premises account.

Error 2 Legal costs on the purchase of a new warehouse had been debited to the general expenses account.

Error 3 Roof repairs to the existing warehouse had been debited to the premises account.

Error 4 Capital introduced had been included in the cash sales.

REQUIRED

(b) Complete the following table by placing a tick (✓) in the correct column to indicate the **effect** of **each** of the errors.

The first one has been completed as an example.

error	effect on profit for the year		effect on closing capital		
	overstated	understated	overstated	understated	no effect
error 1		✓		✓	
error 2					
error 3					
error 4					

[6]

Sophia maintains a full set of books of prime (original) entry including a three column cash book.

REQUIRED

- (c) Explain why Sophia's cash book is both a book of prime (original) entry and also part of the ledger.

.....

.....

.....

.....[2]

The bank columns of Sophia's cash book for the month of April 2018 were as follows.

Cash book (bank columns only)

Date 2018	Details	\$	Date 2018	Details	Cheque number	\$
April 1	Balance b/d	950	April 2	Petty cash	000198	106
8	Goodfoods	140	15	Expenses	000199	25
28	CD Limited	280	21	Lowlands Farm	000200	44
30	Sales	311	29	FF Limited	000201	90

Sophia's business bank statement for April 2018 was as follows.

Bank Statement for the month of April 2018

2018		Debit \$	Credit \$	Balance \$
April 1	Balance			850 Cr
5	000198	106		744 Cr
9	Credit		140	884 Cr
12	Standing order (insurance)	50		834 Cr
18	000199	25		809 Cr
20	Dishonoured cheque (Goodfoods)	140		669 Cr
27	000200	44		625 Cr
30	Charges	15		610 Cr
	Direct debit (rates)	400		210 Cr

The following errors were discovered.

- Sophia had brought down the cash book balance on 1 April 2018 incorrectly. It should have been \$850.
- The bank had incorrectly entered a standing order for insurance in Sophia's business bank account instead of her personal bank account.

REQUIRED

- (d) Select the items required to update Sophia’s cash book on 30 April 2018 and write these items in the table.
Indicate how **each** item would be entered in the cash book.
The first one has been completed as an example.

item	entry required in cash book	
	debit \$	credit \$
<i>cash book error</i>		100
.....
.....
.....
.....
.....

[3]

Sophia prepared a bank reconciliation statement on 30 April 2018. She started with the credit balance shown on the bank statement at that date.

REQUIRED

- (e) Select the items which would be entered in Sophia’s bank reconciliation statement on 30 April 2018 and write these items in the table.
Place a tick (✓) in the correct column to indicate how **each** item would be recorded in the bank reconciliation statement.

item	entry in bank reconciliation statement	
	added to bank statement balance	deducted from bank statement balance
.....
.....
.....
.....
.....
.....

[4]

[Total: 23]

[Turn over

3 Jamil started a business on 1 January 2014. He considered using the straight line (equal instalment) method to depreciate all his non-current assets.

REQUIRED

(a) Name **one** other method Jamil could use to depreciate his non-current assets.

.....[1]

(b) Suggest **two** reasons why the straight line (equal instalment) method would **not** be a suitable method of depreciation to apply to the hand tools used in Jamil’s factory.

1

.....

2

.....[2]

Jamil decided to depreciate his office machinery at 20% per annum using the straight line (equal instalment) method calculated on a month-by-month basis from the date of purchase to the date of disposal.

He provided the following information.

- 2014 January 1 Purchased office machine A, \$15 000, paying by cheque.
- 2016 October 1 Purchased office machine B, \$18 000, paying by cheque.
- 2017 July 1 Purchased office machine C, \$20 000, on credit from XY Limited.
XY Limited agreed to accept office machine A in part exchange at a valuation of \$6000.

REQUIRED

(c) Calculate the depreciation on office machinery for the year ended 31 December 2016. Show your calculations and insert your answers in the spaces provided.

Calculation of depreciation for the year ended 31 December 2016

depreciation on office machine A	depreciation on office machine B	total
calculation	calculation	
answer \$	answer \$	\$

[2]

- (d) Calculate the depreciation on office machinery for the year ended 31 December 2017. Show your calculations and insert your answers in the spaces provided.

Calculation of depreciation for the year ended 31 December 2017

depreciation on office machine A	depreciation on office machine B	depreciation on office machine C	total
calculation	calculation	calculation	
answer \$	answer \$	answer \$	\$

[3]

- (e) Prepare the following accounts in the ledger of Jamil for **each** of the two years ended 31 December 2016 and 31 December 2017.

Balance the accounts and bring down the balances on 1 January 2017 and 1 January 2018.

Jamil
Office machinery account

Date	Details	\$	Date	Details	\$
2016 Jan 1	Balance A b/d	15 000
.....
.....
.....
.....
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PLEASE TURN OVER

- 4 The financial year of AB Limited ends on 31 March. The income statement for the year ended 31 March 2018 showed a profit for the year of \$35 000.

REQUIRED

- (a) Complete the following statement of changes in equity for the year ended 31 March 2018, which has been partially prepared by the accountant.

AB Limited
Statement of Changes in Equity for the year ended 31 March 2018

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 April 2017	200 000	14 000	6 000	220 000
Profit for the year	.....	.....	.....	35 000
Final dividend paid (for year ended 31 March 2017)	.....	.....	.....	(10 000)
Interim dividend paid (for year ended 31 March 2018)	.....	.....	.....	(4 000)
Transfer to general reserve	.....	2 000	.....	.....
At 31 March 2018	.....	.....	.....	.....

[6]

The following additional information was available on 31 March 2018.

	\$	
4% Debentures (repayable 1 April 2022)	30 000	
Premises at cost	195 000	
Machinery at cost	98 000	
Office equipment at cost	39 500	
Provision for depreciation of machinery	35 280	
Provision for depreciation of office equipment	15 800	
Trade receivables	9 900	
Trade payables	10 020	
Other receivables	568	
Other payables	950	
Petty cash	200	
Bank	2 040	credit
Inventory	12 120	
Provision for doubtful debts	198	
Bank loan (repayable 1 January 2019)	20 000	

	\$	\$	\$
.....
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.....

[14]

The directors of AB Limited want to raise \$100 000 in order to expand the business. After the first two years this should increase the annual profit before interest by \$25 000.

It is proposed to raise the funds by either issuing more debentures or more ordinary shares.

REQUIRED

(c) Suggest **two** disadvantages to the existing ordinary shareholders if the funds are raised by the issue of debentures.

- 1
 -
 -
 -
 - 2
 -
 -
 -
- [2]

(d) Suggest **two** disadvantages to the existing ordinary shareholders if the funds are raised by the issue of additional ordinary shares.

- 1
 -
 -
 -
 - 2
 -
 -
 -
- [2]

[Total: 24]

PLEASE TURN OVER

5 Aretta opened a clothes store on 1 April 2018.

She invested \$12 800 as capital. Her father gave her a loan of \$7200, repayable on 1 October 2018. Interest of 5% per annum was to be paid on the loan at the end of each month.

The credit side of Aretta's cash book for April 2018 was as follows.

	\$
April 1 Shop fixtures and fittings	9 500
Credit suppliers	15 000
Rent of premises for 6 months	2 400
Insurance for 12 months	3 600
April 30 Operating expenses	980
Wages	1 900
Drawings	1 500

Additional information

- 1 All purchases were made on credit terms and all sales were made for cash.
- 2 Aretta's gross profit margin was 25%.
- 3 No record was made of cash sales.
- 4 Aretta decided to depreciate the shop fixtures and fittings at 12% per annum using the straight line (equal instalment) method.
- 5 On 30 April 2018 inventory was valued at \$4080 and \$810 was owed to credit suppliers.

REQUIRED

- (a) Prepare Aretta's income statement for the month ended 30 April 2018 to show the revenue, gross profit and profit for the month.

Aretta
Income Statement for the month ended 30 April 2018

	\$	\$
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[12]

On 30 April 2018 Aretta was concerned that her quick (acid test) ratio was very low. She considered six proposals to improve the ratio.

REQUIRED

(b) State the formula for the calculation of the quick (acid test) ratio.

.....
[1]

(c) Complete the following table by placing a tick (✓) in the correct column to indicate the effect of **each** proposal on Aretta’s quick (acid test) ratio.
 The first one has been completed as an example.

proposal		effect on quick ratio		
		increase	decrease	no effect
1	purchase a motor vehicle on credit		✓	
2	pay credit suppliers early to receive cash discount			
3	obtain a bank overdraft and repay the loan immediately			
4	arrange for the loan to be extended to 2 years			
5	sell on credit terms rather than on cash terms			
6	reduce inventory by selling half at cost price			

[5]

(d) State which proposal would affect the quick (acid test) ratio but **not** affect the current ratio.
 Explain the reason for your answer.

Proposal number

Reason

.....

[3]

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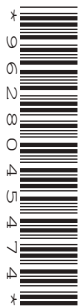
CANDIDATE
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NUMBER

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NUMBER

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ACCOUNTING

Paper 2

0452/23

May/June 2018

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **21** printed pages and **3** blank pages.

1 J Smith is a wholesaler. He provided the following incomplete document on 28 February 2018.

J Smith Wholesale Supplier 112 Long Road Westtown				
W Jones High Street Eastford			28 February 2018	
Date	Reference	Debit \$	Credit \$	Balance \$
2018				
Feb 1	Balance due			700
11	Goods	450		?
19	Returns		115	?
28	Payment		686	?
	Discount		14	?

REQUIRED

(a) (i) State the name of the document.

.....[1]

(ii) Calculate the balance on the document at the end of February 2018.

.....
[1]

(iii) Calculate the percentage of the discount on 28 February.

.....

[1]

(iv) Name the type of discount on 28 February.

.....[1]

(b) Complete the following table by placing a tick (✓) in the correct column to indicate how J Smith would record the issue of this document in his accounting records.

debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made

[1]

(c) Complete the following table relating to the transaction of 11 February.

document issued	name of person issuing document	entries made by W Jones	
		account debited	account credited
.....

[4]

(d) Name the book of prime (original) entry in which **each** trader would record the transaction of 19 February.

book of prime (original) entry used by J Smith	.....
book of prime (original) entry used by W Jones	.....

[2]

The financial year of J Smith ends on 30 April. During the year ended 30 April 2018 he recorded a bad debt and a bad debt recovered.

REQUIRED

(e) State the meaning of **each** of the following terms.

(i) Bad debt

.....

[1]

(ii) Bad debt recovered

.....

[1]

(f) Suggest **two** ways in which J Smith could reduce the risk of bad debts.

- 1
-
- 2
-[2]

J Smith maintains a provision for doubtful debts at the same percentage of the trade receivables at the end of each year.

REQUIRED

(g) Explain how maintaining a provision for doubtful debts is an application of the principle of prudence.

-
-
-
-[2]

(h) Explain how maintaining a provision for doubtful debts is an application of the principle of accruals (matching).

-
-
-
-[2]

J Smith provided the following information.

		\$
30 April 2017	Trade receivables	18 400
	Provision for doubtful debts	460
30 April 2018	Trade receivables	17 600

REQUIRED

(i) Calculate the rate of the provision for doubtful debts as a percentage.

-
-[1]

- (j) Prepare the provision for doubtful debts account for the year ended 30 April 2018. Balance the account and bring down the balance on 1 May 2018.

J Smith
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

[5]

[Total: 25]

2 Sophia is a food wholesaler. Her receipts and payments during the financial year ended 31 March 2018 included both capital and revenue items.

REQUIRED

(a) State the meaning of **each** of the following terms and give an example of each.

Capital expenditure

Meaning

.....

.....

Example

Capital receipt

Meaning

.....

.....

Example

Revenue expenditure

Meaning

.....

.....

Example

Revenue receipt

Meaning

.....

.....

Example [8]

After calculating her profit for the year ended 31 March 2018, Sophia discovered some errors had been made in her accounting records.

Error 1 Rent received from a tenant had been credited to the premises account.

Error 2 Legal costs on the purchase of a new warehouse had been debited to the general expenses account.

Error 3 Roof repairs to the existing warehouse had been debited to the premises account.

Error 4 Capital introduced had been included in the cash sales.

REQUIRED

(b) Complete the following table by placing a tick (✓) in the correct column to indicate the **effect** of **each** of the errors.

The first one has been completed as an example.

error	effect on profit for the year		effect on closing capital		
	overstated	understated	overstated	understated	no effect
error 1		✓		✓	
error 2					
error 3					
error 4					

[6]

Sophia maintains a full set of books of prime (original) entry including a three column cash book.

REQUIRED

- (c) Explain why Sophia's cash book is both a book of prime (original) entry and also part of the ledger.

.....

.....

.....

.....[2]

The bank columns of Sophia's cash book for the month of April 2018 were as follows.

Cash book (bank columns only)

Date 2018	Details	\$	Date 2018	Details	Cheque number	\$
April 1	Balance b/d	950	April 2	Petty cash	000198	106
8	Goodfoods	140	15	Expenses	000199	25
28	CD Limited	280	21	Lowlands Farm	000200	44
30	Sales	311	29	FF Limited	000201	90

Sophia's business bank statement for April 2018 was as follows.

Bank Statement for the month of April 2018

2018		Debit \$	Credit \$	Balance \$
April 1	Balance			850 Cr
5	000198	106		744 Cr
9	Credit		140	884 Cr
12	Standing order (insurance)	50		834 Cr
18	000199	25		809 Cr
20	Dishonoured cheque (Goodfoods)	140		669 Cr
27	000200	44		625 Cr
30	Charges	15		610 Cr
	Direct debit (rates)	400		210 Cr

The following errors were discovered.

- Sophia had brought down the cash book balance on 1 April 2018 incorrectly. It should have been \$850.
- The bank had incorrectly entered a standing order for insurance in Sophia's business bank account instead of her personal bank account.

REQUIRED

- (d) Select the items required to update Sophia’s cash book on 30 April 2018 and write these items in the table.
 Indicate how **each** item would be entered in the cash book.
 The first one has been completed as an example.

item	entry required in cash book	
	debit \$	credit \$
<i>cash book error</i>		100
.....
.....
.....
.....
.....

[3]

Sophia prepared a bank reconciliation statement on 30 April 2018. She started with the credit balance shown on the bank statement at that date.

REQUIRED

- (e) Select the items which would be entered in Sophia’s bank reconciliation statement on 30 April 2018 and write these items in the table.
 Place a tick (✓) in the correct column to indicate how **each** item would be recorded in the bank reconciliation statement.

item	entry in bank reconciliation statement	
	added to bank statement balance	deducted from bank statement balance
.....
.....
.....
.....
.....
.....

[4]

[Total: 23]

[Turn over

3 Jamil started a business on 1 January 2014. He considered using the straight line (equal instalment) method to depreciate all his non-current assets.

REQUIRED

(a) Name **one** other method Jamil could use to depreciate his non-current assets.

.....[1]

(b) Suggest **two** reasons why the straight line (equal instalment) method would **not** be a suitable method of depreciation to apply to the hand tools used in Jamil’s factory.

1

.....

2

.....[2]

Jamil decided to depreciate his office machinery at 20% per annum using the straight line (equal instalment) method calculated on a month-by-month basis from the date of purchase to the date of disposal.

He provided the following information.

- 2014 January 1 Purchased office machine A, \$15 000, paying by cheque.
- 2016 October 1 Purchased office machine B, \$18 000, paying by cheque.
- 2017 July 1 Purchased office machine C, \$20 000, on credit from XY Limited.
XY Limited agreed to accept office machine A in part exchange at a valuation of \$6000.

REQUIRED

(c) Calculate the depreciation on office machinery for the year ended 31 December 2016. Show your calculations and insert your answers in the spaces provided.

Calculation of depreciation for the year ended 31 December 2016

depreciation on office machine A	depreciation on office machine B	total
calculation	calculation	
answer \$	answer \$	\$

[2]

- (d) Calculate the depreciation on office machinery for the year ended 31 December 2017. Show your calculations and insert your answers in the spaces provided.

Calculation of depreciation for the year ended 31 December 2017

depreciation on office machine A	depreciation on office machine B	depreciation on office machine C	total
calculation	calculation	calculation	
answer \$	answer \$	answer \$	\$

[3]

- (e) Prepare the following accounts in the ledger of Jamil for **each** of the two years ended 31 December 2016 and 31 December 2017.

Balance the accounts and bring down the balances on 1 January 2017 and 1 January 2018.

Jamil
Office machinery account

Date	Details	\$	Date	Details	\$
2016					
Jan 1	Balance A b/d	15000
.....
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PLEASE TURN OVER

- 4 The financial year of AB Limited ends on 31 March. The income statement for the year ended 31 March 2018 showed a profit for the year of \$35 000.

REQUIRED

- (a) Complete the following statement of changes in equity for the year ended 31 March 2018, which has been partially prepared by the accountant.

AB Limited
Statement of Changes in Equity for the year ended 31 March 2018

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 April 2017	200 000	14 000	6 000	220 000
Profit for the year	.....	.....	.....	35 000
Final dividend paid (for year ended 31 March 2017)	.....	.....	.....	(10 000)
Interim dividend paid (for year ended 31 March 2018)	.....	.....	.....	(4 000)
Transfer to general reserve	.....	2 000	.....	.....
At 31 March 2018	.....	.....	.....	.....

[6]

The following additional information was available on 31 March 2018.

	\$	
4% Debentures (repayable 1 April 2022)	30 000	
Premises at cost	195 000	
Machinery at cost	98 000	
Office equipment at cost	39 500	
Provision for depreciation of machinery	35 280	
Provision for depreciation of office equipment	15 800	
Trade receivables	9 900	
Trade payables	10 020	
Other receivables	568	
Other payables	950	
Petty cash	200	
Bank	2 040	credit
Inventory	12 120	
Provision for doubtful debts	198	
Bank loan (repayable 1 January 2019)	20 000	

	\$	\$	\$
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[14]

The directors of AB Limited want to raise \$100 000 in order to expand the business. After the first two years this should increase the annual profit before interest by \$25 000.

It is proposed to raise the funds by either issuing more debentures or more ordinary shares.

REQUIRED

(c) Suggest **two** disadvantages to the existing ordinary shareholders if the funds are raised by the issue of debentures.

- 1
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 - 2
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- [2]

(d) Suggest **two** disadvantages to the existing ordinary shareholders if the funds are raised by the issue of additional ordinary shares.

- 1
 -
 -
 -
 - 2
 -
 -
 -
- [2]

[Total: 24]

PLEASE TURN OVER

5 Aretta opened a clothes store on 1 April 2018.

She invested \$12 800 as capital. Her father gave her a loan of \$7200, repayable on 1 October 2018. Interest of 5% per annum was to be paid on the loan at the end of each month.

The credit side of Aretta's cash book for April 2018 was as follows.

	\$
April 1 Shop fixtures and fittings	9 500
Credit suppliers	15 000
Rent of premises for 6 months	2 400
Insurance for 12 months	3 600
April 30 Operating expenses	980
Wages	1 900
Drawings	1 500

Additional information

- 1 All purchases were made on credit terms and all sales were made for cash.
- 2 Aretta's gross profit margin was 25%.
- 3 No record was made of cash sales.
- 4 Aretta decided to depreciate the shop fixtures and fittings at 12% per annum using the straight line (equal instalment) method.
- 5 On 30 April 2018 inventory was valued at \$4080 and \$810 was owed to credit suppliers.

On 30 April 2018 Aretta was concerned that her quick (acid test) ratio was very low. She considered six proposals to improve the ratio.

REQUIRED

(b) State the formula for the calculation of the quick (acid test) ratio.

.....
[1]

(c) Complete the following table by placing a tick (✓) in the correct column to indicate the effect of **each** proposal on Aretta’s quick (acid test) ratio. The first one has been completed as an example.

proposal		effect on quick ratio		
		increase	decrease	no effect
1	purchase a motor vehicle on credit		✓	
2	pay credit suppliers early to receive cash discount			
3	obtain a bank overdraft and repay the loan immediately			
4	arrange for the loan to be extended to 2 years			
5	sell on credit terms rather than on cash terms			
6	reduce inventory by selling half at cost price			

[5]

(d) State which proposal would affect the quick (acid test) ratio but **not** affect the current ratio. Explain the reason for your answer.

Proposal number

Reason

.....

[3]

Aretta decided to compare her business performance with that of another clothes store in the same town.

REQUIRED

(e) Explain **two** factors Aretta should consider when comparing her business performance with that of the other business.

- 1
.....
.....
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 - 2
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.....
.....
.....
-[4]

[Total: 25]

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