

MARK SCHEME for the May/June 2011 question paper
for the guidance of teachers

0452 ACCOUNTING

0452/23

Paper 2, maximum raw mark 120

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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1 (a) Paul Ahmadi account

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

Irene Moyo account

		\$		\$	
2011			2011		
April 1	Balance b/d	110	April 24	Bank	80 (1)
2	Interest	<u>4 (1)</u>	30	Bad debts	<u>34 (1)</u>
		<u>114</u>			<u>114</u>
					[3]

Alternative presentation

Paul Ahmadi account

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

Irene Moyo account

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

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

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

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

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(d) A statement of account is not a transaction (1)
It is a summary of the account of the customer in the books of the supplier

Or

It is a reminder to the customer of the amount due (1)

[2]

(e)

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

[6]

[Total: 21]

2

Sabena Khan
Income Statement for the year ended 31 January 2011

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

Horizontal format acceptable

[Total: 18]

3 (a) Business entity [1]

(b)

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

[12]

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

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

Any two comments (1 each) [2]

(e) $\$560 (1) \times \frac{3}{4} (1) = \$420 (1)$ Decrease (1)

Or	\$	
Original profit share $\frac{3}{4} \times \$18\,500$	13 875	(1)
New profit share $\frac{3}{4} \times \$17\,940$	<u>13 455</u>	(1)
Reduction (1) in profit share	<u>420</u>	(1)

Other methods of calculation acceptable [4]

[Total: 20]

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4 (a) Consistency [1]

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

(c) Accruals (Or matching) [1]

(d) Office equipment account

	\$		\$	
2010		2010		
April 1 Balance b/d	7 500 (1)	Dec 31 Disposals	4 000 (1)	
Oct 1 Bank	3 500 (1)	2011		
	<u>11 000</u>	Mar 31 Balance c/d	<u>7 000 (1)</u>	
			<u>11 000</u>	
2011				
April 1 Balance b/d	7 000 (1) O/F			[5]

Provision for depreciation of office equipment account

	\$		\$	
2010		2010		
Dec 31 Disposals	1 600 (2)	April 1 Balance b/d	4 500 (1)	
2011		2011		
Mar 31 Balance c/d	3 950 (1)	Mar 31 Income statement		
	<u>5 550</u>	20% × (7500 – 4000)	700 (1)	
		Income statement		
		20% × 3500 × 6/12	<u>350 (1)</u>	
			<u>5 550</u>	
		2011		
		April 1 Balance b/d	3 950 (1)	
			O/F	[7]

Office equipment disposal account

	\$		\$	
2010		2010		
Dec 31 Office equipment	4 000 (1)	Dec 31 Prov for Dep	1 600 (1)	
	O/F		O/F	
		AH Company	2 000 (1)	
		2011		
		Mar 31 Income statement	400 (1)	
	<u>4 000</u>		O/F	
			<u>4 000</u>	[4]

Alternative presentation

Office equipment account

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

Depreciation of office equipment account

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

Office equipment disposal account

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

[Total: 20]

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5 (a)

Osama Mousa
Statement of Affairs at 31 March 2011

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

Horizontal presentation acceptable

[14]

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

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

Alternative presentation

Capital account

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

Three column running balance account acceptable

[6]

[Total: 20]

6 (a) Percentage of gross profit to sales

$$\text{Gross profit} = 585\,000 - (31\,600 + 390\,000 - 32\,100) = 195\,500 \text{ (1)}$$

$$\text{Gross profit percentage} = \frac{195\,500}{585\,000} \text{ (1)} \times \frac{100}{1} = 33.42\% \text{ (1)}$$

Percentage of net profit to sales

$$\text{Net profit} = 195\,500 \text{ (O/F)} - (51\,300 + 45\,200) = 99\,000 \text{ (1) O/F}$$

$$\text{Net profit percentage} = \frac{99\,000}{585\,000} \text{ (1) O/F} \times \frac{100}{1} = 16.92\% \text{ (1) O/F}$$

Rate of inventory turnover

$$\text{Cost of goods sold} = 31\,600 + 390\,000 - 32\,100 = 389\,500$$

$$\text{Average stock} = \frac{31\,600 + 32\,100}{2} = 31\,850$$

$$\text{Rate of turnover} = \frac{389\,500 \text{ (1)}}{31\,850 \text{ (1)}} = 12.23 \text{ times (1)}$$

[9]

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

Or other suitable point
Any one reason (2)

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

Or other suitable point
Any one reason (2)

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

Or other suitable point
Any one reason (2)

[6]

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

Or other suitable points
Any three points (2) each

[6]

[Total: 21]