

**MARK SCHEME for the October/November 2011 question paper  
for the guidance of teachers**

**0452 ACCOUNTING**

**0452/21**

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)** Cash Book (bank columns only)

|        |                      | \$                 |        | \$           |                 |
|--------|----------------------|--------------------|--------|--------------|-----------------|
| 2011   |                      |                    | 2011   |              |                 |
| Sept 1 | Rent received        | 200 (1)            | Sept 1 | Balance b/d  | 1052 (1)        |
|        | Error correction (1) | 100 (1)            |        | Bank charges | 39 (1)          |
|        | Balance c/d          | <u>791 (1) C/F</u> |        |              |                 |
|        |                      | <u>1 091</u>       |        |              |                 |
|        |                      |                    | Sept 1 | Balance b/d  | <u>1 091</u>    |
|        |                      |                    |        |              | 791 (1) O/F [7] |

**(b)** Bank Reconciliation Statement at 31 August 2011

|                                     | \$            |  | \$                   |  |
|-------------------------------------|---------------|--|----------------------|--|
| Balance shown on bank statement (1) |               |  | (1 047) (1)          |  |
| Add Amounts not credited – sales    | 490 (1)       |  |                      |  |
| Bank error (1)                      | <u>50 (1)</u> |  | <u>540</u>           |  |
|                                     |               |  | (507)                |  |
| Less Cheques not yet presented –    |               |  |                      |  |
| Omega Supply Co                     |               |  | <u>284 (1)</u>       |  |
| Balance shown in cash book (1)      |               |  | <u>(791) (1) O/F</u> |  |

**Alternative presentation**

Bank Reconciliation Statement at 31 August 2011

|                                     | \$            |  | \$                |     |
|-------------------------------------|---------------|--|-------------------|-----|
| Balance shown in cash book (1)      |               |  | (791) (1) O/F     |     |
| Add Cheques not yet presented –     |               |  |                   |     |
| Omega Supply Co                     |               |  | <u>284 (1)</u>    |     |
|                                     |               |  | (507)             |     |
| Less Amounts not credited – sales   | 490 (1)       |  |                   |     |
| Bank error (1)                      | <u>50 (1)</u> |  | <u>540</u>        |     |
| Balance shown on bank statement (1) |               |  | <u>(1047) (1)</u> | [8] |

**(c)**  $\frac{1790}{15\ 500} \times \frac{365}{1} = 42.15 \text{ days} = 43 \text{ days (1)}$  [2]

**(d)** Unsatisfied if O/F in (c) over 30 days (1)  
They are not receiving the amount due within the period of credit allowed (2)

**Or**

Satisfied if O/F in (c) is 30 days or below (1)  
They are receiving the amount due within the period of credit allowed (2) [3]

**(e)** May be able to take advantage of cash discounts  
Improve the relationship with suppliers

**Or other suitable comment**

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

|               |                                       |                 |              |
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(f) The business is deprived of the use of the money earlier than necessary

**Or other suitable comment**

**Any one point (1)**

**[1]**

(g) At the end of the period the chief cashier will make up the cash remaining so that it is equal to the imprest amount **(2)**

**[2]**

(h)

|              |  | Debit<br>or credit | Name of account                       |
|--------------|--|--------------------|---------------------------------------|
| <b>(i)</b>   | Total of sundry expenses column                                  | <i>Debit</i>       | <i>Sundry expenses account</i>        |
| <b>(ii)</b>  | Cash received to restore the imprest                             | Credit <b>(1)</b>  | Cash account (cash book) <b>(1)</b>   |
| <b>(iii)</b> | Cash received from employee for cost of personal telephone calls | Credit <b>(1)</b>  | Telephone expenses account <b>(1)</b> |

**[4]**

**[Total: 29]**

|        |                                |          |       |
|--------|--------------------------------|----------|-------|
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2 (a)

Oasis Trading Co Ltd  
Balance Sheet at 31 August 2011

|   | \$           | \$            | \$                   |
|---|--------------|---------------|----------------------|
| Non-current Assets at cost                                  |              |               | 230 000              |
| Less Provision for depreciation                             |              |               | <u>69 000</u>        |
|   |              |               | 161 000 (1)          |
| Current Assets  |              |               |                      |
| Inventory   |              | 36 500        | }(1)                 |
| Petty cash  |              | 100           | }                    |
| Trade receivables   | 18 400       |               |                      |
| Less Provision for doubtful debts                           | <u>368</u>   | <u>18 032</u> | (1)                  |
|   |              | 54 632        |                      |
| Current Liabilities   |              |               |                      |
| Trade payables  | 17 950       | }(1)          |                      |
| Bank overdraft  | 8 942        | }             |                      |
| Other payables – proposed dividends (2 000 (1) + 6 000 (1)) | <u>8 000</u> | <u>34 892</u> |                      |
| Net current assets  |              |               | <u>19 740</u> (1)O/F |
|   |              |               | 180 740              |
| Non-current Liabilities                                     |              |               |                      |
| 4% Debentures   |              |               | <u>20 000</u> (1)    |
|   |              |               | <u>160 740</u>       |
| Capital and Reserves  |              |               |                      |
| 5% Preference shares of \$1 each                            |              |               | 40 000 (1)           |
| Ordinary shares of \$0.50 each                              |              |               | 100 000 (1)          |
| General reserve (9 000 (1) + 3 000 (1))                     |              |               | 12 000               |
| Retained profits (4 000 (1) + 4 740 (1))                    |              |               | <u>8 740</u>         |
|   |              |               | <u>160 740</u>       |

**Horizontal format acceptable** [14]

(b) \$70 000 [2]  
(\$20 000 preference shares + \$50 000 ordinary shares)

(c) (i) Debentures [1]  
Long term loans  
Mortgage  
**Any one comment (1)**

(ii) Payment of fixed annual interest for duration of loan [1]  
Creation of a further liability for the company  
**Any one comment (1)**

(d) (i) Included (1) [2]  
Is an appropriation of the profit for the year (1)

(ii) Not included (1) [2]  
Is not a liability (1)  
**OR** it will have been paid during the year (1)

**[Total: 22]**

3 (a)

| Journal  | Debit<br>\$ | Credit<br>\$ |     |
|--|-------------|--------------|-----|
| Office equipment                                     | 360         |              | (1) |
| Office expenses (repairs to equipment)               | 30          |              | (1) |
| Computeck  |             | 390          | (1) |
| Purchase of new computer and repairs to old computer |             |              | (1) |

[4]

(b) A double entry has been made for the transaction.

**Or suitable explanation**

[2]

(c)

| Journal                                    | Debit<br>\$ | Credit<br>\$ |     |
|--|-------------|--------------|-----|
| Drawings                                   | 400         |              | (1) |
| Purchases                                  |             | 400          | (1) |
| Goods taken at cost price for personal use |             |              | (1) |

[3]

(d) Goods for personal use have been removed from those for re-sale. This will reduce the amount owed by the business to the owner.

**Or other suitable explanation**

[2]

(e)

| Journal                                  | Debit<br>\$ | Credit<br>\$ |     |
|--|-------------|--------------|-----|
| Income statement                         | 200         |              | (1) |
| Provision for doubtful debts             |             | 200          | (1) |
| Creation of provision for doubtful debts |             |              | (1) |

[3]

(f) Creating a provision for doubtful debts ensures that the profit is not overstated (1)  
the trade receivables are not overstated in the balance sheet (1)

**Or other suitable explanation**

[2]

- (g) Obtain references from new credit customers  
 Fix a credit limit for each customer  
 Issue invoices and statements promptly  
 Follow up overdue accounts promptly  
 Supply goods on a cash basis only  
 Refuse further supplies until outstanding balance is paid

**Or other suitable points**

**Any 2 points (1) each**

**[2]**

(h)

|   | Increase | Decrease | No effect |
|---|----------|----------|-----------|
| (i) Total expenses for the year                 | ✓ (1)    |          |           |
| (ii) Profit for the year                        |          | ✓ (1)    |           |
| (iii) Closing credit balance on capital account |          | ✓ (1)    |           |
| (iv) Amount owing by trade receivables          |          |          | ✓ (1)     |

**[4]**

**[Total: 22]**

**4 (a)**

**Deira Road Sailing Club**  
**Shop Income Statement for the year ended 30 September 2011**

|                                 |                |                   |
|---------------------------------|----------------|-------------------|
|                                 | \$             | \$                |
| Receipts from sales             |                | 5 492 (1)         |
| Less Cost of sales              |                |                   |
| Opening inventory               | 270 (1)        |                   |
| Purchases (3 150 (1) + 340 (1)) | <u>3 490</u>   |                   |
|                                 | 3 760          |                   |
| Less Closing inventory          | <u>310 (1)</u> |                   |
|                                 | 3 450          |                   |
| Shop assistant's wages          | 480 (1)        |                   |
| Shop rent (25% × 2 600)         | <u>650 (1)</u> | 4 580             |
| Profit for the year             |                | <u>912 (1)O/F</u> |

**Horizontal format acceptable**

**[8]**

|               |                                       |                 |              |
|---------------|---------------------------------------|-----------------|--------------|
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**(b)** Deira Road Sailing Club  
Income and Expenditure Account for the year ended 31 September 2011

|  | \$               | \$                  |
|--|------------------|---------------------|
| Income   |                  |                     |
| Subscriptions (3 060 (1) – 450 (1) – 360(1))         |                  | 2 250               |
| Profit for the year on the shop                      |                  | 912 (1)O/F          |
| Sailing competition – Entrance fees                  | 586 (1)          |                     |
| Less expenses  | <u>292 (1)</u>   | <u>294</u>          |
|  |                  | 3 456               |
| Expenditure  |                  |                     |
| Wages sailing tutor                                  | 940 (1)          |                     |
| Rent (75% × 2 600)                                   | 1 950 (1)        |                     |
| General expenses (230 (1) + 26 (1))                  | 256              |                     |
| Insurance (800 (1) + 190 (1) – 200 (1))              | 790              |                     |
| Depreciation of equipment<br>(20% × (4 400 + 1 500)) | <u>1 180 (2)</u> | <u>5 116</u>        |
| Deficit for the year                                 |                  | <u>1 660 (1)O/F</u> |

**Horizontal format acceptable**

**[16]**

**[Total: 24]**

- 5 (a)** Less risk of errors  
Less risk of fraud  
Easier to refer to previous transactions  
Financial position can be ascertained  
Easier to prepare financial statements  
Easier to make business decisions  
Easier to calculate accounting ratios

**Or other acceptable point**

**Any two points (2) each**

**[4]**

**(b) (i)** Calculation of credit sales

|                                     | \$                  |
|-------------------------------------|---------------------|
| Cheques received from customers     | 7 995 (1)           |
| Discounts allowed                   | 205 (1)             |
| Bad debts written off               | 180 (1)             |
| Amounts owing on 31 July 2011       | <u>8 020 (1)</u>    |
|                                     | 16 400              |
| Less Amounts owing on 1 August 2010 | <u>7 450 (1)</u>    |
| Credit sales                        | <u>8 950 (1)O/F</u> |

**[6]**

**(ii)** Calculation of credit purchases

|                                     | \$                  |
|-------------------------------------|---------------------|
| Cheques paid to suppliers           | 3 920 (1)           |
| Discounts received                  | 80 (1)              |
| Amounts owing on 31 July 2011       | <u>5 550 (1)</u>    |
|                                     | 9 550               |
| Less Amounts owing on 1 August 2010 | <u>4 390 (1)</u>    |
| Credit purchases                    | <u>5 160 (1)O/F</u> |

**[5]**

**Alternative calculations on next page**

|               |                                       |                 |              |
|---------------|---------------------------------------|-----------------|--------------|
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**(b) Alternative presentations**

**(i) Credit sales**

Total trade receivables account

|         |             | \$            |         |                   | \$               |
|---------|-------------|---------------|---------|-------------------|------------------|
| 2010    |             |               | 2011    |                   |                  |
| Aug 1   | Balance b/d | 7 450 (1)     | July 31 | Bank              | 7 995 (1)        |
| 2011    |             |               |         | Discounts allowed | 205 (1)          |
| July 31 | Sales *     | 8 950 (1)O/F  |         | Bad debts         | 180 (1)          |
|         |             |               |         | Balance c/d       | <u>8 020 (1)</u> |
|         |             | <u>16 400</u> |         |                   | <u>16 400</u>    |
| 2011    |             |               |         |                   |                  |
| Aug 1   | Balance b/d | 8 020         |         |                   |                  |

**Three column running balance account acceptable**

**[6]**

**(ii) Credit purchases**

Total trade payables account

|         |                    | \$               |         |             | \$                  |
|---------|--------------------|------------------|---------|-------------|---------------------|
| 2011    |                    |                  | 2010    |             |                     |
| July 31 | Bank               | 3 920 (1)        | Aug 1   | Balance b/d | 4 390 (1)           |
|         | Discounts received | 80 (1)           | 2011    |             |                     |
|         | Balance c/d        | <u>5 550 (1)</u> | July 31 | Purchases * | <u>5 160 (1)O/F</u> |
|         |                    | <u>9 550</u>     |         |             | <u>9 550</u>        |
|         |                    |                  | 2011    |             |                     |
|         |                    |                  | Aug 1   | Balance b/d | 5 550               |

**Three column running balance account acceptable**

**[5]**

- (c) To apply the prudence principle (1)**  
**To avoid overstating the assets (1)**  
**To avoid overstating the profit for the year (1)**

**Or other relevant comment**

**Any 2 points (1) each**

**[2]**



(d)

|              |  | overstated |           | understated |         | no effect |
|--------------|--|------------|-----------|-------------|---------|-----------|
| <b>(i)</b>   | net profit for the year ended 31 July 2010   | ✓          | \$<br>250 | –           | –       | –         |
| <b>(ii)</b>  | capital employed at 31 July 2010             | ✓ (1)      | 250 (1)   |             |         |           |
| <b>(iii)</b> | gross profit for the year ended 31 July 2011 |            |           | ✓ (1)       | 250 (1) |           |
| <b>(iv)</b>  | current assets at 31 July 2011               |            |           |             |         | ✓ (2)     |

[6]

[Total: 23]