



ACCOUNTING

0452/23

Paper 2

October/November 2016

MARK SCHEME

Maximum Mark: 120

Published

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1 (a)

Date	Details		Discount allowed	Cash	Bank	Date	Details		Discount received	Cash	Bank
			\$	\$	\$				\$	\$	\$
2016 Sep 1	Balance	b/d		193		2016 Sep 1	Balance	b/d			1560
5	Sales	(1)		115	400	10	C Barnes (dis cheque)	(1)			190
15	H Magagula	(1)	12		468	21	Office equipment	(1)			280
28	Cash	c (1)OF			258		Repairs	(1)			44
30	Balance	c/d			948	28	Bank	c (1)	258		
						30	Balance	c/d	50		
			12	308	2074					308	2074
2016 Oct 1	Balance	b/d (1)		50		2016 Oct 1	Balance	b/d (1)OF			948

+ (1) dates

[10]

(b) It is not possible to take out more cash than is in the cash box (1) [1]

(c) Obtain the correct bank balance
 Identify errors in the bank account
 Identify errors on the bank statement
 Assist in discovering fraud and embezzlement
 Identify cheques not credited by the bank
 Identify cheques not presented
 Identify any stale cheques
 Understand/reconcile the differences between cash book and bank statement
Any 2 reasons (1) each [2]

(d) Cheques not presented
 Cheques not credited
 Cash book errors
Any 2 items (1) each [2]

(e)

	Effect on working capital	Reason
Reduce credit sales and increase cash sales	<i>No effect</i>	<i>Trade receivables decrease and cash increases so total current assets is unchanged. No effect on current liabilities</i>
Create a provision for doubtful debts	Decrease (1)	The current assets reduce. No change to the current liabilities. (1)
Take a long term bank loan	Increase (1)	The current assets increase. No change to the current liabilities. (1)
Take a short term bank loan	No effect (1)	The current assets and the current liabilities increase by the same amount (1)
Pay credit suppliers early to earn cash discount	Increase (1)	The current assets reduce by a smaller amount than the current liabilities (1)

[8]

[Total: 23]

2 (a)

Crossroads Limited
Statement of Financial Position at 31 October 2016

Assets	\$	\$	\$
Non-current assets	Cost	Accumulated depreciation	Book value
Premises	363 000		363 000
Machinery and equipment	185 000	83 250	101 750 (1)
Fixtures and fittings	<u>70 000</u>	<u>24 073</u>	<u>45 927 (1)</u>
	<u>618 000</u>	<u>107 323</u>	<u>510 677 (1)</u>
Current assets			
Inventory			30 853
Trade receivables		28 000	
Less Provision for doubtful debts		<u>750</u>	27 250 (1)
Other receivables			<u>1 340 (1)</u>
			<u>59 443 (1)</u>
Total assets			<u>570 120</u>
Equity and liabilities			
Equity and reserves			
Ordinary share capital			400 000 (1)
General reserve			31 000 (1)
Retained earnings			<u>75 000 (1)</u>
			<u>506 000 (1)</u>
Non-current liabilities			
4% Debentures (repayable 2026)			<u>20 000 (1)</u>
Current liabilities			
Trade payables			31 600
Other payables (800 + 320)			1 120 (2)
Bank overdraft			<u>11 400 (1)</u>
			<u>44 120 (1)</u>
Total liabilities			<u>570 120</u>

[15]

(b) Issued share capital

The amount of share capital which is actually issued to the shareholders (1)

Called-up share capital

The total amount the company has requested from the shareholders (1)

Paid-up share capital

That part of the called-up share capital for which a company has received the money from its shareholders. (1)

[3]

[Total: 18]

- 3 (a) 1 November 2015 Balance b/d
 This is the total of the provision for doubtful debts on that date (1)
 Double entry – debit provision for doubtful debts account for previous year (1)

31 October 2016 Income statement
 This is the difference between the opening and closing provision for doubtful debts/the amount which is over-provided for doubtful debts (1)
 Double entry – credit income statement (1)

31 October 2016 Balance c/d
 This is the total of the provision for doubtful debts on that date (1)
 Double entry – credit provision for doubtful debts account for next year (1)

[6]

- (b) \$450 (1) deducted from the trade receivables (1)

[2]

- (c) Kristy
Journal

	Debit \$	Credit \$
Office equipment Capital Introduction of personal computer into the business	740	740
Repairs to office equipment Office equipment Comp4u Invoice received for repairs to equipment and purchase of printer	40 226	266

[7]

(d)

	Capital expenditure	Revenue expenditure
Wages paid to employees to build new office block	✓(1)	
Insurance premium for new office block		✓ (1)
Cost of painting new office block	✓(1)	
Cost of moving furniture into new office block		✓(1)

[4]

(e)

	Effect of error on profit	
	overstated	understated
Proceeds of sale of old fixtures(sold at book value) included in income statement	✓(1)	
Interest received on loan to employee recorded as part repayment of loan		✓(1)

[2]

[Total: 21]

4 (a)

	Effect on profit of correcting error	
	increase \$	decrease \$
Wages owing at 31 August 2015, \$450 were not recorded.		450
Discount allowed, \$115, had been recorded as discount received.		230
The provision for doubtful debts, \$950, should have been adjusted to 2 ½% of trade receivables, who owed \$36 000.	50	
Inventory at 1 September 2014 had been valued at net realisable value, \$16 700 instead of at cost, \$15 300.	1400	

(1) for amount and (1) for position for each item

[8]

(b)

Hamza

Income Statement for the year ended 31 August 2016

	\$	\$	
Revenue		385 500 (1)	
Less Sales returns		<u>7 500 (1)</u>	378 000
Less Cost of sales			
Opening inventory		14 100 (1)	
Purchases		312 500 (1)OF	
Carriage inwards		<u>2 100 (1)</u>	
328 700			
Less Closing inventory		<u>13 700 (1)</u>	<u>315 000 (1)OF</u>
Gross profit			63 000 } (2)CF/ } (1)OF
Less General expenses		3 910 (1)	
Wages and salaries		21 500 (1)	
Rates and insurance		5 320 (1)	
Depreciation: non-current assets		<u>5 660 (1)</u>	<u>36 390</u>
Profit for the year			<u>26 610 (1)OF</u>

[14]

[Total: 22]

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- 5 (a) Straight line/fixed instalment
Revaluation
Any 1 method (1) [1]
- (b) The loss in value of the non-current asset during the year (1) is set against the revenue for the same period (1)
OR
The cost of the non-current asset is spread (1) over the years which benefit from the use of that asset (1) [2]
- (c) Prudence (1) [1]
- (d) (i) Machine A
- | | | |
|--|----------------|-----|
| | \$ | |
| Cost 1 August 2014 | 3000 | |
| Depreciation to 1 August 2014 | <u>600</u> | |
| Book value 1 August 2014 | 2400 | |
| Depreciation for year ended 31 July 2015 | <u>480 (1)</u> | |
| Book value at 1 August 2015 | 1920 | |
| Depreciation for year ended 31 July 2016 | <u>384 (1)</u> | |
| Book value at 1 August 2016 | 1536 | [2] |
- (ii) Machine B
- | | | |
|--|----------------|-----|
| | \$ | |
| Cost 1 January 2015 | 3500 | |
| Depreciation for year ended 31 July 2015 | <u>700 (1)</u> | |
| Book value 1 August 2015 | 2800 | |
| Depreciation for year ended 31 July 2016 | <u>560 (1)</u> | |
| Book value at 1 August 2016 | 2240 | [2] |

(e) (i) Tom
Machinery account

Date	Details	\$	Date	Details	\$
2014 Aug 1	Balance (A) b/d	3000	2015 July 31	Balance c/d	6500
2015 Jan 1	Bank (B) (1)	<u>3500</u>			
		<u>6500</u>			<u>6500</u>
2015 Aug 1	Balance b/d (1)	6500			

(ii) Provision for depreciation of machinery account

Date	Details	\$	Date	Details	\$
2015 July 31	Balance c/d	1780	2014 Aug 1	Balance b/d	600
			2015 July 31	Income statement (480OF + 700OF) (1)OF	<u>1180</u>
		<u>1780</u>			<u>1780</u>
2016 July 31	Balance c/d	2724	2015 Aug 1	Balance b/d (1)OF	1780
			2016 July 31	Income statement (384OF + 560OF) (1)OF	<u>944</u>
		<u>2724</u>			<u>2724</u>
			2016 Aug 1	Balance b/d (1)OF	2724

+ (1) dates

[7]

(f)		\$	
Cost		3000 (1)	
Depreciation to date (600 + 480 + 384)		<u>1464 (1)OF</u>	
Book value		1536	
Proceeds of sale		<u>1640</u>	
Profit (1)OF on sale		<u>104 (1)OF</u>	[4]

[Total: 19]

6 (a) $\frac{(290\,000 - 224\,025)}{290\,000} \times \frac{100}{1} = 22.75\% \text{ (1)}$

$\frac{(65\,975\text{OF} - 38\,860)}{290\,000} \times \frac{100}{1} = 9.35\% \text{ (1)OF}$ [4]

- (b) They trade in different type of goods
 Joey has a higher mark-up
 Joey has a lower cost price of goods
 Joey sells at a higher price
 Joey allows a lower rate of trade discount to customers
 Joey received a higher rate of trade discount from suppliers
Or other suitable reason based on OF answer to (a)
Any 2 reasons (1) each [2]

- (c) DT Traders has a higher gross profit
 They have different types of expenses
 Joey has higher expenses
 DT Traders has more other income
Or other suitable reason based on OF answer to (a)
Any 2 reasons (1) each [2]

- (d) DT Traders (1)
OR Joey (1)**OF**
If difference between OF gross profit % and OF profit for the year % is lower than 8.25% achieved by DT Traders [1]

(e)

	Increase	Decrease	No effect
Buy in bulk from suppliers to obtain trade discount	✓(1)		
Offer cash discount to encourage credit customers to pay early		✓(1)	
Pay employees monthly instead of weekly			✓(1)
Write off damaged inventory at year end		✓(1)	

[4]

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- (f) Historical cost
Transactions are recorded at actual cost. (1)
It is difficult to compare transactions taking place at different times. (1)
- Non-financial factors
Only information which can be expressed in monetary terms is recorded. (1)
Many important factors which affect the business are not recorded. (1)

[4]

[Total: 17]