UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/22 Paper 2, maximum raw mark 120

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

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1 (a)

Dalia Said
Purchases journal

Date	Details	$	$	
2012				
March 2	Essam Wholesalers		1950	(1)
8	Ramy El Din	680		
	Less 20% Trade discount	136	544	(1)
31	Transfer to Purchases a/c		2494	(1)

[3]

Purchases returns journal

Date	Details	$	$	
2012				
March 14	Ramy El Din	120		
	Less 20% Trade discount	24	96	(1)
31	Transfer to Purchases returns a/c		96	(1)

[2]

(b)

Dalia Said
Essam Wholesalers account

2012		$	2012		$
Mar 21	Bank	1911 **(1)**	Mar 2	Purchases	1950 **(1)**
	Discount	39 **(1)**			
		1950			1950

[3]

Ramy El Din account

2012		$	2012		$
Mar 14	Returns	96 **(1)**	Mar 8	Purchases	544 **(1)**
28	Bank	300 **(1)**			
31	Balance c/d	148			
		544			544
			2012		
			Apl 1	Balance b/d	148 **(1)O/F**

[4]

(c) Purchases ledger/Creditors ledger **[1]**

(d) $\frac{2600}{33\,400} \times \frac{365}{1}$ **(1)** = 28.41 = 29 days **(1)** **[2]**

(e) Money can be used for other things within the business
May avoid bank charges/bank interest

Any 1 point (1) **[1]**

(f) Loss of cash discounts
Creditors may refuse further supplies
Creditors may insist on cash purchases in future
Damage to good relationship with suppliers
May be charged interest

Any 1 point (1) **[1]**

(g) 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 3 points (1) each **[3]**

[Total: 20]

2 (a)

Simon Nyemba
Commission received account

2011		$	2011		$
Feb 1	Balance b/d	280 **(1)**	Feb 5	Bank	280} **(1)**
2012			Aug 3	Bank	312}
Jan 31	Income Statement	608 **(2) O/F**	2012 Jan 31	Balance c/d	296
		888			888
2012					
Feb 1	Balance b/d	296 **(1)**			

+ (1) dates [6]

(b)

Simon Nyemba
Property tax account

2011		$	2012		$
Feb 1	Balance b/d	520 **(1)**	Jan 31	Income statement	3220 **(2)O/F**
Apl 24	Bank	1620} **(1)**		Balance c/d	540
Oct 4	Bank	1620}			
		3760			3760
2012					
Feb 1	Balance b/d	540 **(1)**			

+ (1) dates **[6]**

(c) Accruals (matching) **[1]**

(d) (i) Current assets **(1)**

(ii) Current assets **(1)** **[2]**

(e)

Journal

	Debit $	Credit $	
Income statement	324		**(1)**
Discount allowed		324	**(1)**
Total discount allowed transferred to the income statement			**(1)**

[3]

Continued/

(f) Simon Nyemba
Provision for doubtful debts account

2012		$	2011		$
Jan 31	Income Statement	31 **(2) O/F**	Feb 1	Balance b/d	460 **(1)**
	Balance c/d	429			
		460			460
2012					
Feb 1	Balance b/d	429 **(1)**			

+ (1) dates **[5]**

(g) Prudence
OR
Accruals (matching) **[1]**

[Total: 24]

3 (a) Herman Wagner
Manufacturing Account for the year ended 30 April 2012

	$	$	
Cost of materials consumed **(1)**			
Opening inventory of raw materials	14 300		
Purchases of raw material	168 900		
Carriage on purchases	2 600		
	185 800		
Less Closing inventory of raw materials	16 400	169 400 **(1)**	
Direct factory wages		193 700 **(1)**	
Prime cost		363 100 **(1)**	**O/F**
Factory overheads			
Indirect wages (43 600 – 10 000)	33 600 **(2)**		
General expenses (24 450 – (¼ × 6200))	22 900 **(2)**		
Depreciation – Factory machinery (20% × (98 000 – 35 280))	12 544 **(2)**		
Loose tools (950 + 45 – 890)	105 **(2)**	69 149	
		432 249 **(1)**	**O/F**
Add Opening work in progress		6 520 **(1)**	
		438 769	
Less Closing work in progress		6 970 **(1)**	
Production cost of goods completed		431 799 **(1)**	**O/F**

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(b) **(i)** Inventory of raw materials
Goods remaining at the year-end which were originally purchased for converting into finished articles **(1)**
Example – wood, nails, screws, handles or other suitable example **(1)** **[2]**

(ii) Inventory of work in progress
Furniture which is partly made at the year end **(1)**
Example – partly made table/ wardrobe/chair/other suitable example **(1)** **[2]**

(iii) Inventory of finished goods
Completed furniture which is awaiting sale **(1)**
Example – finished table/wardrobe/chair/other suitable example **(1)** **[2]**

(c) This is an application of the principle of materiality.
It is not practical to keep detailed records of loose tools.

Any 1 comment (2) **[2]**

(d) $$\frac{(170\,200 - 144\,000)\,\mathbf{(1)}}{(130\,000 + 20\,000)\,\mathbf{(1)}} \times \frac{100}{1} = 17.47\%$$ **[3]**

(e) Unsatisfied **(1)**

The ratio is lower than the previous year. **(1)**
The capital is not being employed as efficiently as in the previous year. **(1)**

Accept answer based on the answer to (d) **[3]**

[Total: 31]

4 (a)

Creekside Ltd
Balance Sheet at 30 April 2012

	$	$	$
Non-current assets	Cost	Depreciation to date	Book value
Premises	120 000		120 000
Plant and machinery	90 000	15 500	74 500 **(1)**
Fixtures and fittings	32 000	6 400	25 600 **(1)**
	242 000	21 900	220 100 **(1) O/F**
Current assets			
Inventory		24 660 **(1)**	
Trade receivables	21 600		
Less Provision for doubtful debts	660	20 940 **(1)**	
Cash		200 **(1)**	
		45 800	
Current liabilities			
Trade payables	26 960 **(1)**		
Bank overdraft	5 340 **(1)**	32 300	
Net current assets			13 500 **(1) O/F**
	233 600		
4% Debentures			30 000 **(1)**
	203 600		
Capital and reserves			
5% Preference shares of $1 each			80 000 **(1)**
Ordinary shares of $1 each			100 000 **(1)**
General reserve			10 000 **(1)**
Retained profits (6 500 **(1)** + 7 100 **(1)**)			13 600
			203 600

[15]

(b) (i) $1600 **[1]**

(ii) Effect Profit for the year is reduced **(1)**
Reason Debenture interest is an expense **(1** **[2]**

(c) (i) $2000 **[1]**

(ii) Reduction in profit (or dividend) available for ordinary shareholders
Prior claim on the assets of the company in the event of a winding up

Any 1 point (2) **[2]**

(d) The new shares rank equally with the existing ordinary shares with regard to dividend.

The new shares rank equally with the existing ordinary shares with regard to repayment in a winding up.

The percentage of ownership of the existing ordinary shareholders is diluted.

Any 1 point (2) **[2]**

[Total: 23]

5 (a)

Bethany Searle
Journal

		Debit $	Credit $	
2	Suspense	340		**(1)**
	Rent received		340	**(1)**
3	Purchases returns	24		**(1)**
	Stationery		24	**(1)**
4	-	–		**(1)**
	Suspense		100	**(1)**
5	Sales	1000		**(1)**
	Suspense		1000	**(1)**

[8]

(b) Bethany Searle
Statement of corrected profit for the years ended 31 March 2012

		Effect on profit Increase	Effect on profit Decrease	$
Profit for the year before corrections				14 940
		$	$	
Error	1	*96*		
	2	340 **(2)**		
	3	No effect **(2)**		
	4	No effect **(2)**		
	5		1 000 **(2)**	
		436	1 000	564
Corrected profit for the year				14 376 **(1) O/F**

[9]

(c) (19 540 + 100) : (21 570 + 2 880)
= 19 640 : 24 450 **(1)** = 0.80 : 1 **(1)** **[2]**

(d) Shows whether the immediate liabilities can be paid from liquid assets
Shows whether the business relies on the sale of inventory to pay the immediate liabilities

Any 1 comment (2) **[2]**

(e) The quick ratio does not include inventory. **(1)**
Either
Inventory is not regarded as a liquid asset **(1)**
Or
Inventory is two stages away from being a liquid asset. **(1)** **[2]**

[Total: 23]