Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/21**

Paper 2 **May/June 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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE®, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Question	Answer	Marks
1(a)	The bank statement is a copy of the account of the business as it appears in the books of the bank **/** the bank statement is prepared from the viewpoint of the bank **(1)** The bank account in the cash book is prepared from the viewpoint of the business **(1)**	**2**

Question	Answer	Marks
1(b)	Amjad Cash Book	**13**

Date	Details		Discount allowed	Cash	Bank	Date			Discount received	Cash	Bank
2017			$	$	$	2017			$	$	$
Mar 1	*Balances b/d*			*38*	2750	March 6	Office Equipment	**(1)**			790
13	XY Limited	**(1)**	4		196						
29	Sales	**(1)**		2148			Repairs to office equipment	**(1)**			160
30	Cash	**(1)**			2000	21	Furniture Store	**(1)**	9		351
31	Idris	**(1)**			474	30	Bank c	**(1)**		2000	
						31	Bank charges	**(1)**			29
							Insurance	**(1)**			50
							Balances c/d				4040
			4	2186	5420				9	2186	5420
2017											
April 1	Balances b/d			186	4040						
	+(1) dates			**(1)OF**	**(1)OF**						

Question	Answer	Marks
1(c)	Amjad Bank Reconciliation Statement at 31 March 2017 <table><tr><td></td><td></td><td>$</td><td></td></tr><tr><td>Balance in cash book</td><td></td><td>4 040</td><td>**(1) OF**</td></tr><tr><td>Cheques not yet presented</td><td>**(1)**</td><td>351</td><td>**(1)**</td></tr><tr><td></td><td></td><td>4 391</td><td></td></tr><tr><td>Amounts not yet credited</td><td>**(1)**</td><td>2 000</td><td>**(1)**</td></tr><tr><td>Balance on bank statement</td><td></td><td>2 391</td><td>**(1) OF**</td></tr></table> **Alternative presentation** <table><tr><td></td><td></td><td>$</td><td></td></tr><tr><td>Balance on bank statement</td><td></td><td>2 391</td><td>**(1) OF**</td></tr><tr><td>Amounts not yet credited</td><td>**(1)**</td><td>2 000</td><td>**(1)**</td></tr><tr><td></td><td></td><td>4 391</td><td></td></tr><tr><td>Cheques not yet presented</td><td>**(1)**</td><td>351</td><td>**(1)**</td></tr><tr><td>Balance in cash book</td><td></td><td>4 040</td><td>**(1) OF**</td></tr></table>	**6**
1(d)(i)	The financial transactions are recorded at the actual cost **(1)** Because of this it is difficult to compare transactions taking place at different times **(1)**	**2**
1(d)(ii)	The accounting records only show information which can be expressed in monetary terms/non-monetary items cannot be recorded **(1)** There are many other factors which affect the performance of the business **(1)**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Sales invoice (1)
Credit note (1)</td><td>2</td></tr>
<tr><td>2(b)</td><td>Cash book (1)
General journal (1)</td><td>2</td></tr>
<tr><td>2(c)</td><td>Harum
Kalgi account
<table>
<tr><th></th><th></th><th>$</th><th></th><th></th><th></th><th>$</th><th></th></tr>
<tr><td>2017</td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td>Mar 1</td><td>Balance b/d</td><td>520</td><td></td><td>Mar 10</td><td>Bank</td><td>520</td><td>(1)</td></tr>
<tr><td>4</td><td>Sales</td><td>224</td><td>(1)</td><td>12</td><td>Returns</td><td>96</td><td>(1)</td></tr>
<tr><td>18</td><td>Bank (dis chq)</td><td>520</td><td>(1)</td><td>28</td><td>Cash</td><td>600</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td>30</td><td>Bad debts</td><td>48</td><td>(1)</td></tr>
<tr><td></td><td></td><td>1264</td><td></td><td></td><td></td><td>1264</td><td></td></tr>
</table></td><td>6</td></tr>
<tr><td>2(d)</td><td>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</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(e)	(see table below)	**7**

Error	Entry required to correct the error					
	Debit			Credit		
	Account	$		Account	$	
Goods returned, $310, to Ali, a credit supplier entered into the account of Alam.	*Ali*	*310*		*Alam*	*310*	
Wages paid in cash, $1200, had been correctly entered in the cash book but posted to the wages account as $2100.	*Suspense*	900	**(1)**	Wages	900	**(1)**
The total of the general expenses column in the petty cash book, $48, had not been posted to the general expenses account.	*General expenses*	48	**(1)**	Suspense	48	**(1)**
The total of the discount received column in the cash book, $114, had been debited to the discount allowed account	*Suspense*	228	**(1)**	Discount allowed	114	**(1)**
				Discount received	114	**(1)**

Question	Answer	Marks
2(f)	Comparability **(1)** Reliability **(1)** Understandability **(1)**	**3**

Question	Answer	Marks
3(a)	Meena and Rafah Profit and Loss Appropriation Account for the year ended 30 April 2017	8

			$		$	
Profit for the year					7 534	
Interest on drawings –	Meena		292			
	Rafah		204		496	(1)
					8 030	
Interest on capital –	Meena		1 200	(1)		
	Rafah					
	3% × 20 000 × 6 / 12 = 300	(1)				
	3% × 30 000 × 6 / 12 = 450	(1)	750			
			1 950			
Partner's salary –	Meena					
	6000 × 6 / 12 = 3000	(1)				
	7000 × 6 /12 = 3500	(1)	6 500		8 450	
					(420)	
Share of loss –	Meena		280	(1) OF		
	Rafah		140	(1) OF	(420)	

Alternative calculations *3% × 20 000 = 600 **(1)** + 3% × 10 000 × 6 / 12 = 150 **(1)**
** 6000 **(1)** + (100 × 6 / 12) = 500 **(1)**

Question	Answer	Marks
3(b)	Meena Current account	5

		$				$		
2016				*2017*				
May 1	Balance b/d	1 490		April 30	Interest on capital	1 200	(1) OF	
2017					Salary	6 500	(1) OF	
April 30	Drawings	7 300	}		Balance c/d	1 662		
	Int on drawings	292	}(1)					
	Share of loss	280	(1) OF					
		9 392				9 362		
2017								
May 1	Balance b/d	1 662	(1) OF					

Question	Answer	Marks
3(c)	Inventory is not included in the calculation of the quick ratio **(1)** **Either** The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets **(1)** **OR** Shows the ability of the business to pay immediate / current liabilities from immediate/liquid assets **(1)**	**2**
3(d)	Change from positive bank balance to overdraft Increased level of inventory Purchases of non-current assets Repayment of long-term loan Increase in current liabilities/increase in trade payables/increase in bank overdraft Decrease in trade receivables Increase in drawings **Any 2 points (1) each**	**2**
3(e)	(19 400 + 15 100) : (17 350 + 2300 + 100) 34 500 : 19 750 **(1)** 1.75 : 1 **(1)**	**2**
3(f)	Cannot meet debts when they fall due Cannot take advantage of cash discounts Cannot take advantage of business opportunities as they arise May have difficulty in obtaining further supplies on credit/cannot replace inventory Cannot meet day-to-day expenses May not be able to take cash drawings **Or other suitable points** **Any 2 points (1) each**	**2**
3(g)	Introduce more cash as capital/admit another partner Reduce drawings Obtain long-term loan Sell surplus non-current assets Increase profit **Or other acceptable points** **Any 2 points (1) each**	**2**

Question	Answer	Marks
4(a)	Costs which can be traced to a product/the cost of the essentials necessary for production **(1)** It is the total of the direct materials, direct labour and direct expenses **(1)**	**2**
4(b)(i)	The costs involved in operating the factory/factory indirect expenses **(1)** They cannot be directly linked with/traced to the product being manufactured **(1)**	**2**
4(b)(ii)	Any specific factory expense such as factory indirect wages, factory rates, depreciation of factory machinery, etc. **Any 2 suitable examples (1) each**	**2**
4(c)(i)	Goods which are partly completed **(1)**	**1**
4(c)(ii)	Greater **(1)**	**1**

Question	Answer	Marks
4(d)	Msamati Manufacturing Income Statement for the year ended 31 January 2017	10

	$		$		$	
Revenue					816 370	
Opening inventory			56 120			
Cost of production	669 950	}				
Purchases of finished goods	17 200	} (1)				
	687 150					
Less goods for own use	1 620	(1)	685 530		685 530	
			741 650		741 650	
Less Closing inventory			61 340 *	(1) both	680 310	
Gross profit					136 060	(1)OF
Commission receivable (2700 + 130)					2 830	(1)
					138 890	
Administration expenses			38 160	}		
Selling expenses			28 270	} (1)		
Loan interest (5% × 15 000 × 10 / 12)			625	(1)		
Depreciation						
Office equipment						
(15% × 32 000)			4800	(1)		
Delivery vehicles						
(25% × (68 000 – 17 000)			12 750	(1)	84 605	
Profit for the year					54 285	(1)OF

Question	Answer	Marks
4(e)	**Either** The expenses of the year were matched against the revenue of the same period **(1)** **Or** Only the expenses for the year were included in the income statement **(1)** Example – **Either** Commission receivable outstanding was added **(1)** **Or** Loan interest outstanding was added **(1)** **Or** Depreciation for the year was included **(1)**	2
4(f)(i)	Will increase revenue and so increase gross profit **(1)** Customers may find cheaper suppliers so revenue and gross profit may decrease **(1)** **Or other suitable comments**	2

Question	Answer	Marks
4(f)(ii)	Will reduce cost of production and so increase gross profit **(1)** Factory workers may take industrial action resulting in reduction of production/reduction of revenue and so gross profit may decrease **(1)** **Or other suitable comment**	**2**
4(g)	Reduce/control expenses Increase other income Increase profit margin Reduce costs of manufacturing Increase sales activity **Any two points (1) each**	**2**
5(a)	Bradley Delivery vehicles account	**12**

		$				$
2015				2015		
Jan 1	Balance A b/d	35 000		Dec 31	Balance c/d	75 000
Oct 1	BANK b	40 000	**(1)**			75 000
		75 000				
2016	Balance b/d			2016		
Jan 1	A 35 000			Dec 31	Balance c/d	103 000
	B 40 000	75 000	**(1)**			
July 1	XZ Motors C	28 000	**(1)**			
		103 000				103 000
2017						
Jan 1	Balance b/d					
	A 35 000					
	B 40 000					
	C 28 000	103 000	**(1)**			

Question	Answer	Marks

Provision for depreciation of delivery vehicles account

		$					$	
2015			2015					
Dec 31	Balance c/d	24 375	Jan 1	Balance A c/d			*13 125*	
			Dec 31	Income Statement			75 000	
					A 8 750	**(1)**		
					B 2 500	**(1)**	11 250	
		24 375					24 375	
2016			2016	Balance b/d				
Dec 31	Balance c/d	46 625	Jan 1		A 21 875			
					B 2 500		24 375	**(1) OF**
			Dec 31	Income Statement				
					A 8 750	**(1)**		
					B 10 000	**(1)**		
					C 3 500	**(1)**	22 250	
							46 625	
			2017					
			Jan 1	Balance b/d				
					A 30 625			
					B 12 500			
					C 3 500		46 625	**(1) OF**

+ (1) dates

Question	Answer	Marks
5(b)	Bradley Journal <table><tr><td></td><td>Debit $</td><td>Credit $</td><td></td></tr><tr><td>Disposal of delivery vehicle</td><td>28 000</td><td></td><td>**(1)**</td></tr><tr><td>Delivery vehicles</td><td></td><td>28 000</td><td>**(1)**</td></tr><tr><td>Provision for depreciation of delivery vehicles</td><td>3 500</td><td></td><td>**(1) OF**</td></tr><tr><td>Disposal of delivery vehicle</td><td></td><td>3 500</td><td>**(1) OF**</td></tr><tr><td>DDE Transport</td><td>25 500</td><td></td><td>**(1)**</td></tr><tr><td>Disposal of delivery vehicle</td><td></td><td>25 500</td><td>**(1)**</td></tr></table>	**6**
5(c)	Increase in rate of cash discount allowed Improvement in credit control Introduction of interest charge on overdue accounts Refusal of further supplies until outstanding balance cleared **Any two points (1) each**	**2**
5(d)	Cash discount will be received No/less interest will be charged on late payments Improve relationship with suppliers Reduction in liquid funds earlier Deprived of use of money for other things earlier **Any two points (1) each**	**2**
5(e)	If credit customers continue to pay before 30 days the money received can be used to pay the credit suppliers Will not have the use of the money from credit customers as long as previously, before it is required to pay the credit suppliers If the credit customers delay paying, the business will have to use existing money to pay the credit suppliers If the business is unable to pay the credit suppliers within 30 days no cash discount will be received **Any two points (1) each**	**2**