



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING

0452/21

Paper 2

May/June 2016

MARK SCHEME

Maximum Mark: 120

Published

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1 (a)

Katie
Stationery account

Date	Details	\$	Date	Details	\$
2015			2015		
May 1	Balance b/d	182	Dec 6	A1 Stationers (1)	53
12	Cash (1)	95	2016		
Nov 30	A1 Stationers (1)	217	Apl 30	Income Statement (1)OF	245
				Balance c/d	<u>196</u>
		<u>494</u>			<u>494</u>
2016					
May 1	Balance b/d (1)	196			

A1 Stationers account

Date	Details	\$	Date	Details	\$
2015			2015		
July 9	Bank (1)	114	May 1	Balance b/d	114
Dec 6	Stationery (1)	53	Nov 30	Stationery (1)	217
2016					
Apl 30	Balance c/d	<u>164</u>			
		<u>331</u>			<u>331</u>
			2016		
			May 1	Balance b/d (1)OF	164

Commission receivable account

Date	Details	\$	Date	Details	\$
2015			2015		
May 1	Balance b/d	1680	Jun 16	Bank (1)	1680
2016			Sep 10	Bank (1)	1710
Apl 30	Income Statement (1)OF		2016		
		<u>3300</u>	Apl 30	Balance c/d	<u>1590</u>
		<u>4980</u>			<u>4980</u>
2016					
May 1	Balance b/d (1)	1590			

+ (1) dates **[14]**

(b) General/nominal ledger (1) **[1]**

(c) Current assets (1)
It is an amount owing to Katie, payable in the next 12 months (1) **[2]**

[Total: 17]

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- 2 (a) (i) Cost is the purchase price of the goods plus any additional costs incurred in bringing the inventory to its present condition and position **(1)**
- (ii) Net realisable value is the estimated receipts from the sale of the inventory less any costs of completing or selling the goods **(1)** **[2]**

- (b) Inventory should always be valued at the lower of cost and net realisable value
This is an application of the principle of prudence
Over-valuing the inventory causes the profit for the year to be overstated
Over-valuing the inventory causes the current assets to be overstated
Any 2 points (1) each **[2]**

(c)

	overstated	understated
cost of sales	✓(1)	
profit for the year		✓(1)

[2]

- (d) (i) **Either** $\frac{\text{cost of goods sold}}{\text{average inventory}}$ **(1) whole formula**
- Or** $\frac{\text{average inventory}}{\text{cost of goods sold}} \times 365$ **whole formula** **[1]**

- (ii) **Either** $\frac{49\,900}{7500}$ **(1) whole formula = 6.65 times (1)**
- Or** $\frac{7500}{49\,900} \times 365$ **(1) whole formula = 54.86 days = 55 days (1)** **[2]**

- (e) Unsatisfied **(1)**
Or OF based on answer to (d) (ii)
- Not selling goods as quickly as previously **(1)**
OR OF based on answer to (d) (ii) **[2]**

- (f) Reduce inventory levels
Increase sales activity
Only replace inventory when necessary
Any one point (1) **[1]**

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- (g) (i) Cash represents the cash the trader possesses (1)
Bank represents an overdraft/what the trader owes the bank (1) [2]
- (ii) Not enough money in the account
Cheque unsigned
Amount in words and figures disagree
Cheque undated/out of date
Takes account into unauthorised overdraft
Or other acceptable reason
Any two reasons (1) each [2]
- (iii) Received (1) [1]
- (iv) $\frac{15}{(585 + 15)} \times \frac{100}{1} = 2.50\%$ (1) [1]
- (v) This is a contra entry (1)
Money was transferred from the cash into the bank (1) [2]
- (vi) Debited (1) [1]
- (vii) Cash balance \$2 debit (1)
Bank balance \$638 debit (1) [2]

[Total: 23]

3 (a)

Hillcrest Athletics Club
Café Income Statement for the year ended 30 April 2016

	\$	\$
Revenue		10430 (1)
Less Cost of sales		
Opening inventory	790 (1)	
Purchases (7998 (1) + 1137 (1) – 1292 (1))	<u>7843</u>	
	8633	
Less Closing inventory	<u>850 (1)</u>	<u>7783</u>
Profit on café		<u>2647 (1) OF</u>

[7]

(b)

	\$	
Subscriptions received	16910 (1)	
Add Opening prepayment	<u>1045 (1)</u>	
	17955	
Add Closing accrual	<u>285 (1)</u>	
	18240	
Less Opening accrual	<u>760 (1)</u>	
Subscriptions for the year	<u>17480 (1) OF</u>	

Alternative presentation acceptable

[5]

(c)

Hillcrest Athletics Club
Income and Expenditure Account for the year ended 30 April 2016

		\$	\$
Income	Subscriptions		17480 (1) OF
	Café profit		2647 (1) OF
	Profit on sale of equipment (1059 – 956)		<u>103 (1)</u>
			20230
Expenditure	Rent, rates & insurance (4860 (1) + 155 (1) – 180 (1))	4835	
	General expenses	14794	
	Depreciation – equipment	<u>2445</u>	<u>22074</u>
Deficit			<u>1844 (1) OF</u>

[9]

[Total: 21]

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4 (a) $\$19\,360 - (4\% \times 80\,000) = \$16\,160$ (1) [2]

(b) (i) $\frac{8000}{200\,000} \times \frac{100}{1} = 4\%$ (1) [1]

(ii) $\frac{(6250 + 5000)}{(200\,000 + 50\,000)} \times \frac{100}{1} = 4.5\%$ (1) OF [3]

(c)

Nyeko Limited
Statement of Changes in Equity for the year ended 29 February 2016

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 March 2015	200 000	34 000	8 000	242 000	(1)
Share issue	50 000			50 000	(1)
Profit for the year			16 160	16 160	(1) OF
Dividend paid (for year ended 28 February 2015)			(8 000)	(8 000)	(1)
Dividend paid (for year ended 29 February 2016)			(6 250)	(6 250)	(1)
Transfer to general reserve		6 000	(6 000)		(1)
On 29 February 2016	250 000	40 000	3 910	293 910	(1)
	OF	OF	OF	OF	

[7]

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(d) (i) $\frac{16\ 160}{180\ 200} \text{ OF} \times \frac{100}{1} \text{ (1) OF whole formula} = 8.97\% \text{ (1) OF}$ [2]

- (ii) Increase gross profit
Reduce expenses
Increase other income
Any 2 points (1) each [2]

(e) (i) $\frac{16\ 160}{242\ 000} \text{ OF} \times \frac{100}{1} \text{ (1) OF whole formula} = 6.68\% \text{ (1) OF}$ [2]

- (ii) Increase profit for the year
Increase efficiency
Use resources more efficiently
Or other suitable point
Any 2 points (1) each [2]

- (f) Reduction in profit available for ordinary shareholders
Prior claim on the profits of the company
Prior claim on the assets of the company in the event of a winding-up
Or other suitable comment
Any 2 points (1) each [2]

[Total: 23]

5 (a)

Samar
Provision for doubtful debts account

Date		\$	Date	Details	\$
2016			2015		
Apl 30	Income statement (1)	38	May 1	Balance b/d (1)	474
	Balance c/d	<u>436</u>			
		<u>474</u>			<u>474</u>
			2016		
			May 1	Balance b/d (1)OF	436

+ (1) dates

[4]

(b)

Samar
Extract from Statement of Financial Position at 30 April 2016

Current assets	\$	\$
Trade receivables	17 440	
Less Provision for doubtful debts	<u>436</u> (1)OF	17 004 (1)OF

[2]

- (c) A bad debt is an amount owing to a business which will not be paid by a credit customer (1)
A provision for doubtful debts is an estimate of the amount which a business will lose in the financial year because of bad debts (1) [2]
- (d) Ensures that the profit for the year is not overstated (1)
Ensures that the trade receivables (current assets) are not overstated (1) [2]
- (e) Accruals/matching (1) [1]
- (f) 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
Invoice discounting/debt factoring
Any 2 points (1) each [2]

(g)

Samar
Journal

	Debit \$	Credit \$	
Bank	49		(1)
Bad debts recovered		49	(1)
Recovery of debt previously written off			(1)
Alternative presentation			
M Khan	49		}(1)
Bad debts recovered		49	}
Bank	49		}(1)
M Khan		49	}
Recovery of debt previously written off			(1)

[3]

[Total: 16]

6 (a)

Wasim
Suspense account

Date 2016	Details	\$	Date 2016	Details	\$
Mar 31	Difference on trial balance (1)	495	Mar 31	Purchases (1)	18
	Balance c/d	190		Petty cash (1)	100
				Discount Alld (1)	250
				Discount Recd (1)	250
				Stationery (1)	<u>67</u>
		<u>685</u>			<u>685</u>
			2016 Apr 1	Balance b/d (1)OF	190

[7]

(b)

Wasim
Journal

Error number		Debit \$	Credit \$
2	DDE Limited DEC Limited Correction of error – DDE Limited wrongly credited	150	150
4	Motor repairs Motor vehicles Correction of error – repairs wrongly debited	283	283
5	Fixtures Office Supplies Company Correction of reversal of entries	4400	4400

Any TWO of the above journal entries (1) debit entry
(1) credit entry
(1) narrative

[6]

(c) Error of commission (1)

[1]

(d)

error number	affects profit for the year	does not affect the profit for the year
1	✓	
2		✓(1)
3		✓(1)
4	✓(1)	
5		✓(1)
6	✓(1)	
7	✓(1)	

[6]

[Total: 20]