Cambridge IGCSE

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Cambridge International General Certificate of Secondary Education

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This document consists of **13** printed pages.

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Question	Answer	Marks
1(a)	Mandeep – Cash Book	**10**

Mandeep – Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		$	$	$	*2016*		$	$	$
Dec 1	*Balance b/d*		*150*		*Dec 1*	*Balance b/d*			*2 590*
11	Jabin **(1)**	6		294	4	Repairs **(1)**			387
27	Sales **(1)**		6 795		15	Rama **(1)**	18		702
31	Cash c **(1)OF**			1 745	29	Drawings **(1)**		5 000	
	Balance c/d			1 640	31	Bank c **(1)**		1 745	
						Balance c/d		200	
		6	6 945	3 679			18	6 945	3 679
2017					2017				
Jan 1	Balance b/d		200		Jan 1	Balance b/d			1 640
			(1)						**(1)OF**

+(1) dates

Question	Answer	Marks
1(b)	*(see below)*	**14**

<div align="center">

Mandeep
Inventory account

</div>

		$			$	
2016			*2016*			
Jan 1	*Balance b/d*	*12 650*	Dec 31	Income Statement	12 650	**(1)**
Dec 31	Income Statement	13 420 **(1)**	Dec 31	Balance c/d	13 420	
2017						
Jan 1	Balance b/d	13 420 **(1)**				

<div align="center">

Provision for depreciation of office fixtures account

</div>

		$			$	
2016			*2016*			
Dec 31	Balance c/d	4 636	*Jan 1*	*Balance b/d*	*3 420*	
			Dec 31	Income Statement	1 216	**(1)**
		4 636			4 636	
			2017			
			Jan 1	Balance b/d	4 636	**(1)OF**

<div align="center">

General expenses account

</div>

		$			$	
2016			*2016*			
Dec 31	*Total payments*	*9 475*	Dec 31			
	Balance c/d	375		Income Statement	9 850	**(1)**
		9 850			9 850	
			2017			
			Jan 1	Balance b/d	375	**(1)**

Question	Answer	Marks
	Rent receivable account	

$$\begin{array}{lllr}
& & \$ & \\
2016 & & & \\
\text{Dec 31} & & & \\
& \text{Income Statement} & 5\,520 \;\;(1) & \\
& & 5\,520 & \\
2017 & & & \\
\text{Jan 1} & \text{Balance b/d} & 460 \;\;(1) &
\end{array}$$

	$
2016	
Jan 1 Total receipts	5 060
Dec 31 Balance c/d	460
	5 520

Drawings account

		$			$	
2016			2016			
Dec 31	Total drawings	8 950	Dec 31	Capital	8 950	(1)
		8 950			8 950	

Capital account

		$			$	
2016			2016			
Dec 31	Drawings	8 950 (1)	Jan 1	Balance b/d	63 000	
	Balance c/d	91 650	Dec 30	Motor vehicle	16 000	(1)
			31	Profit for year	21 600	(1)
		100 600			100 600	
			2017			
			Jan 1	Balance b/d	91 650	(1)OF

Question	Answer	Marks
2(a)(i)	A statement in which the profit or loss for the year is calculated	1
2(a)(ii)	A statement showing the assets and liabilities of a business on a certain date	1
2(a)(iii)	Assets which are purchased for use not for resale Assets whose values do not fluctuate frequently Assets which will be kept by the business for more than 12 months Assets which are acquired to aid the business earn revenue **Any two statements (1) each**	2
2(a)(iv)	Liabilities which are not due for repayment within 12 months	1
2(a)(v)	**Either** The amount the business owes the owner of that business **Or** Any resources provided for a business by the owner of that business	1
2(b)	Goodwill/patents/trademarks/other suitable example	1
2(c)	The current assets are more than three times the current liabilities/it is much higher than the "benchmark" of 2 : 1 The current liabilities can easily be paid from the current assets Funds are not being used very effectively **Any two comments (1) each**	2
2(d)	Inventory is excluded from the calculation of the quick ratio **(1)** **Either** Inventory is not regarded as a liquid asset **(1)** **Or** The ratio shows whether the business would have surplus liquid funds if the current liabilities were paid immediately from the liquid assets **(1)**	2
2(e)	Introduce more cash as capital Obtain long term loans Sell surplus non-current assets Reduce drawings Reduce inventory level **Any two points (1) each**	2

Question	Answer	Marks
2(f)(i)	Transactions are recorded at actual cost **(1)** It is difficult to compare transactions taking place at different times **(1)**	**2**
2(f)(ii)	Only information which was be expressed in monetary terms is recorded **(1)** Many important factors which affect the business are not recorded **(1)**	**2**

Question	Answer	Marks
3(a)	Doshi Manufacturing Company Manufacturing Account for the year ended 31 January 2017	**12**

		$	$	$	
Cost of materials consumed					
Opening inventory of raw materials			49 500		
Purchases of raw materials		394 600			
Less Purchases returns		16 400	378 200 **(1)**	427 700	
Closing inventory of raw materials				41 100	
				386 600	**(1)OF**
Direct factory wages				297 100	**(1)**
Prime cost				683 700	**(1)OF**
Factory overheads					
Factory supervisors' wages					
(152 000 **(1)** + 12 000 **(1)**)			164 000		
General expenses (3/5 · 160 000)			96 000 **(1)**		
Depreciation factory machinery					
(20% · (250 000 – 122 000))			25 600 **(1)**		
Depreciation loose tools					
(21 150 – 19 050)			2 100 **(1)**	287 700	
				971 400	**(1)OF**
Opening work in progress				28 750	*
				1 000 150	
Closing work in progress				31 250	*(1) both
Cost of production				968 900	**(1)OF**

Question	Answer	Marks
3(b)	**Doshi Manufacturing Company** Income Statement for the year ended 31 January 2017	**11**

	$	$	$	
Revenue			1 246 850	
Less returns inwards			12 250	
			1 234 600	**(1)**
Cost of sales				
Opening inventory of finished goods		63 100		
Cost of production		968 900 **(1)OF**		
Purchases of finished goods	21 700 **(1)**			
Carriage inwards	1 500 **(1)**	23 200		
		1 055 200		
Closing inventory finished goods		59 100	996 100	**(1)OF**
Gross profit			238 500	**(1)OF**
Less Wages of office & sales staff				
(108 700 **(1)** + 4 300 **(1)**)		113 000		
General expenses				
(2/5 · 160 000)		64 000 **(1)**		
Depreciation office equipment				
(15% · 72 000)		10 800 **(1)**	187 800	
Profit for the year			50 700	**(1) OF**

Question	Answer	Marks
3(c)	Low value items which are not easy to depreciate separately/Not practical to keep detailed records of such assets/other suitable comment.	**1**

Question	Answer	Marks
4(a)	Purchases ledger	**1**
4(b)	Lahiru has returned goods to Nusrath **(1)** Credit purchases returns (returns outwards) account **(1)**	**2**
4(c)(i)	2½%	**1**
4(c)(ii)	Prompt payment/payment within the specified period	**1**
4(d)	Set off the amount Lahiru owes Nusrath against the amount Nusrath owes Lahiru/other suitable explanation	**1**
4(e)	Nusrath Journal <table><tr><td></td><td>Debit $</td><td>Credit $</td><td></td></tr><tr><td>Lahiru (purchases ledger) 　Lahiru (sales ledger) Contra entry to set balance in purchases ledger against balance in sales ledger</td><td>68</td><td> 68</td><td>**(1)** **(1)** **(1)**</td></tr></table>	**3**
4(f)(i)	$564	**1**
4(f)(ii)	Current assets	**1**

Question	Answer	Marks

4(g)	**Lahiru**
	Provision for doubtful debts account
	
	                  $ $
	2017 2016
	  Feb 28 Balance c/d 716 Mar 1 Balance b/d 500 **(1)**
	                   2017
	                  Feb 28 Income statement 216 **(1)**
	             716 716
	                  2017
	                  Mar 1 Balance b/d 716 **(1)OF**
	
	+ (1) dates
		4

4(h)	The profit for the year is not overstated **(1)** The trade receivables (current assets) are not overstated **(1)**	**2**
4(i)	**Either** The sales for which a business is unlikely to be paid **(1)** are regarded as an expense of the year in which those sales are made **(1)** **Or** The provision for doubtful debts is an expense **(1)** and is matched against the revenue for the year in which those debts are incurred **(1)**	**2**

Question	Answer	Marks

5(a)	
	                                                $ $
	 Payments to credit suppliers 32 725 **(1)**
	 Cash discount received 640 **(1)**
	 Trade payables 31 January 2017 5 350 **(1)** 38 715
	 Less Trade payables 1 February 2016 4 600 **(1)**
	
	 Interest on overdue account 15 **(1)** 4 615
	 Purchases for the year 34 100 **(1) OF**
	
	 Alternative calculation
	
	                       Total trade payables account
	                    $ $
	 2017 2016
	   Jan 31 Bank 32 725 **(1)** Feb 1 Balance b/d 4 600 **(1)**
	          Discount 640 **(1)** 2017
	          Balance c/d 5 350 **(1)** Jan 31 Interest 15 **(1)**
	                                            Purchases 34 100 **(1)OF**
	                  38 715 38 715
		6

5(b)	Jai
	 Income Statement (Trading account section) for the year ended 31 January 2017
	                                            $ $
	 Revenue 42 000 **(1) OF**
	 Cost of sales
	 Inventory 1 February 2016 2 900 **(1)**
	 Purchases 34 100 **(1)**
	                                     OF
	                              37 000
	 Less Inventory 31 January 2017 3 400 **(1)** 33 600 **(1) OF**
	 Gross profit 8 400 **}(2) CF/(1) OF**
		7

5(c)	$$\frac{33\,600 \textbf{ OF} \quad \textbf{\}(1)}}{(2900+3400)/2 \textbf{\}}} = \frac{33\,600}{3150} = 10.67 \text{ times } \textbf{(1) OF}$$	2

Question	Answer	Marks
5(d)	Reduce inventory levels More sales activity Or other suitable points **Any 2 points (1) each**	**2**
5(e)	Prudence	**1**
5(f)		**2**

	overstated	understated
Current assets at 31 January 2017	✓	
Profit for the year ended 31 January 2017	✓(1)	
Profit for the year ending 31 January 2018		✓(1)

Question	Answer	Marks
5(g)	Increase selling price Reduce trade discount allowed to customers Reduce purchase price Find cheaper supplier Obtain better trade discount **Any 2 comments (1) each**	**2**

Question	Answer	Marks
6(a)	Amina Journal	7

	Debit $	Credit S	
Sales returns	960		**(1)**
Purchases returns	960		**(1)**
Suspense		1 920	**(1)**
No entry	–		**(1)**
Suspense		3 000	**(1)**
AK Stores	330		**(1)**
Suspense		330	**(1)**

Question	Answer	Marks
6(b)		7

	Effect on draft profit for the year of correcting the error			
Error	Increase $	Decrease $	No effect	
1	1 000			**(1)**
2		484		**(2)***
3		1 920		**(2)***
4			✓	**(1)**
5			✓	**(1)**

* (1) position + (1) amount