

**MARK SCHEME for the May/June 2013 series**

**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.

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.

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1 (a)

Nathan Kershaw  
Income Statement for the year ended 31 March 2013

|  |                  |                      |
|--|------------------|----------------------|
|  | \$               | \$                   |
| Income from clients                        |                  | 94 060 (1)           |
| Commission received (1050 (1) + 190 (1))   |                  | <u>1 240</u>         |
|  |                  | 95 300               |
| Wages (42 000 (1) – 7800 (1))              | 34 200           |                      |
| Office expenses (6250 (1) + 540 (1))       | 6 790            |                      |
| Rates and insurance (10 000 (1) – 600 (1)) | 9 400            |                      |
| Depreciation –                             |                  |                      |
| Motor vehicle (25% × (12 480 – 5460))      | 1 755 (2)        |                      |
| Office equipment (15% × 9800)              | <u>1 470 (2)</u> | <u>53 615</u>        |
| Profit for the year                        |                  | <u>41 685 (1) OF</u> |

[14]

(b)

| Error | Effect on profit for the year |                   |           |
|-------|-------------------------------|-------------------|-----------|
|       | Overstated<br>\$              | Understated<br>\$ | No effect |
| 2     |                               | 210 (2)           |           |
| 3     | 10 (2)                        |                   |           |
| 4     | 150 (2)                       |                   |           |

[6]

[Total: 20]

|        |                       |          |       |
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2 (a)

Valley Music Club  
Receipts and Payments Account for the year ended 28 February 2013  
\$

|        |                 |                             |        |                  |               |
|--------|-----------------|-----------------------------|--------|------------------|---------------|
|        |                 |                             |        |                  |               |
| 2012   |                 |                             | 2013   |                  |               |
| Mar 1  | Balance b/d     | 3 090 (1)                   | Feb 28 | Rent             | 2 200 (1)     |
| 2013   |                 |                             |        | Refreshment      |               |
| Feb 28 | Subscriptions   | 5 000 (1)                   |        | suppliers        | 950 (1)       |
|        | Subscriptions   | 550 (1)                     |        | Concert expenses | 2 140 (1)     |
|        | Concert tickets | 1 960 (1)                   |        | General expenses | 3 460 (1)     |
|        | Sale of         |                             |        | Balance c/d      | 4 790         |
|        | Instruments     | 190 (1)                     |        |                  |               |
|        | Refreshment     |                             |        |                  |               |
|        | revenue*        | <u>2 750 (2) CF (1) OF</u>  |        |                  |               |
|        |                 | <u>13 540</u>               |        |                  | <u>13 540</u> |
| 2013   |                 |                             |        |                  |               |
| Mar 1  | Balance b/d     | 4 790 (1) for both balances |        |                  |               |

+ (1) dates

[13]

**Accept any reasonable wording – e.g. sales instead of sale of instruments**

(b)

Valley Music Club  
Café Income Statement for the year ended 28 February 2013  
\$

|  |  |                |                      |
|--|--|----------------|----------------------|
|  |  |                |                      |
| Revenue  |  |                | 2750 (1)OF           |
| Cost of sales                                    |  |                |                      |
| Opening inventory                                |  | 190            |                      |
| Purchases (950 (1) + 170 (1))                    |  | <u>1120</u>    |                      |
|  |  | 1310           |                      |
| Less Closing inventory                           |  | <u>260</u>     |                      |
|  |  | 1050           |                      |
| General expenses ( $\frac{1}{4} \times 3460$ )   |  | 865 (1)        |                      |
| Depreciation fixtures and fittings (2600 – 2150) |  | <u>450 (1)</u> | <u>2365</u>          |
| Profit on café (1)                               |  |                | <u>385 (2CF/1OF)</u> |

[8]

[Total: 21]

- 3 (a) Dishonoured cheque – a cheque which the bank refuses to pay (1)  
Cheque not presented – cheque paid by the business but which has not yet been presented to the bank for payment/not yet paid by the bank (1) [2]
- (b) Standing order – an instruction by a customer to the bank to pay **fixed amounts** at stated dates to a named person or firm (1)  
Direct debit – authority given to the bank to make payments (**at irregular dates and amounts**) on request by a named person or firm (1) [2]

|               |                              |                 |              |
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(c)

| Cash Book (bank columns only) |             |             |       |                      |             |
|-------------------------------|-------------|-------------|-------|----------------------|-------------|
|                               |             | \$          |       |                      | \$          |
| 2013                          |             |             | 2013  |                      |             |
| May 1                         | Balance b/d | 2141 (1)    | May 1 | Error correction (1) | 1000 (1)    |
|                               |             |             |       | Rent                 | 280 (1)     |
|                               |             |             |       | Aziz & Co (1)        | 110 (1)     |
|                               |             |             |       | Balance c/d          | <u>751</u>  |
|                               |             | <u>2141</u> |       |                      | <u>2141</u> |
| 2013                          |             |             |       |                      |             |
| May 1                         | Balance b/d | 751 (1) OF  |       |                      |             |

[7]

(d)

| Bank Reconciliation Statement at 30 April 2013 |  |               |                   |
|--|--|---------------|-------------------|
|  |  | \$            | \$                |
| Balance shown on bank statement (1)            |  |               | 681 (1)           |
| Add Cheques not credited – Khalid              |  |               | <u>530 (1)</u>    |
|  |  |               | 1211              |
| Less Cheques not presented –                   |  |               |                   |
| Assistant's salary                             |  | 450 (1)       |                   |
| Bank error (1)                                 |  | <u>10 (1)</u> | <u>460</u>        |
| Balance in cash book (1)                       |  |               | <u>751 (1) OF</u> |
|  |  |               | (OF from qu 3c)   |

**Alternative presentation**

| Bank Reconciliation Statement at 30 April 2013 |  |               |                    |
|--|--|---------------|--------------------|
|  |  | \$            | \$                 |
| Balance shown in cash book (1)                 |  |               | 751 (1) OF (qu 3c) |
| Add Cheques not presented –                    |  |               |                    |
| Assistant's salary                             |  | 450 (1)       |                    |
| Bank error (1)                                 |  | <u>10 (1)</u> | <u>460</u>         |
|  |  |               | 1211               |
| Less Cheques not credited – Khalid             |  |               | <u>530 (1)</u>     |
| Balance on bank statement (1)                  |  |               | <u>681 (1)</u>     |

[8]

(e) April 24 Bank

Safiya Shendi introduced additional capital (1) to the business bank account (1).

[2]

April 30 Purchases

Safiya Shendi withdrew goods (1) for her own use (1).

[2]

April 30 Loss

This is the loss for the year (1) which reduces Safiya Shendi's capital (1) in the business. [2]

[Total: 25]

|               |                              |                 |              |
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- 4 (a) Calculation of credit purchases  
(suitable alternative presentations acceptable)

|  |  |               |            |
|--|--|---------------|------------|
|  |  | \$            |            |
| Payments to credit suppliers             |  | 34 420        | (1)        |
| Discounts received from credit suppliers |  | 880           | (1)        |
| Returns to credit suppliers              |  | 1 250         | (1)        |
| Trade payables at 30 April 2013          |  | <u>2 950</u>  | (1)        |
| Credit purchases for the year            |  | <u>39 500</u> | (2)CF(1)OF |
|  |  |               | [6]        |

- (b) Calculation of amount received from credit customers  
(suitable alternative presentations acceptable)

|                                    |                |  |                     |
|------------------------------------|----------------|--|---------------------|
|                                    | \$             |  | \$                  |
| Credit sales for the year          |                |  | 55 490 (1)          |
| Trade receivables at 30 April 2013 | 4 600 (1)      |  |                     |
| Bad debts                          | <u>210 (1)</u> |  | <u>4 810</u>        |
| Receipts from credit customers     |                |  | <u>50 680 (2)CF</u> |
|                                    |                |  | (1)OF               |
|                                    |                |  | [5]                 |

- (c) Calculation of expenses paid  
(suitable alternative presentations acceptable)

|                                |                   |                |       |
|--------------------------------|-------------------|----------------|-------|
|                                | \$                |                | \$    |
| Capital introduced             |                   | 80 000         | (1)   |
| Receipts from credit customers |                   | <u>50 680</u>  | (1)OF |
|                                |                   | 130 680        |       |
| Non-current assets             | 55 000 (1)        |                |       |
| Payments to credit suppliers   | 34 420 (1)        |                |       |
| Balance at bank 30 April 2013  | <u>27 940 (1)</u> | <u>117 360</u> |       |
| Expenses paid                  |                   | <u>13 320</u>  | (2)CF |
|                                |                   |                | (1)OF |
|                                |                   |                | [7]   |

- (d) To apply the principle of prudence  
To ensure that the current assets are not overstated  
To ensure that the profit is not overstated  
Inventory should be valued at the lower of cost and net realisable value

**Any 2 reasons (2) each** [4]

|               |                              |                 |              |
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(e)

|   | Overstated | Understated | No effect |
|---|------------|-------------|-----------|
| Profit for the year ended<br>30 April <b>2013</b> | ✓ (2)      |             |           |
| Profit for the year ended<br>30 April <b>2014</b> |            | ✓ (2)       |           |

[4]

- (f) Assessment of the liquidity position  
Identify how long it takes to pay credit suppliers  
Identify future prospects of the business  
Establishment of a credit limit

**Any one reason (2)**

[2]

[Total: 28]

5 (a) To see the average time the trade receivables take to pay their accounts. [1]

(b) No (1)  
She has to wait 6 more days (1) for them to settle their accounts. (1) [3]

(c) No (1) unless justified by suitable reason  
It is shorter than the payment period for the previous year (1) but is still 10 days longer than the period of credit allowed. (1) [3]

(d) To be able to meet debts when they fall due  
To be able to take advantage of cash discounts  
To be able to take advantage of business opportunities as they arise  
To ensure that there is no difficulty in obtaining further supplies

**Or other suitable explanation**

**Any 1 point (2)**

[2]

(e)

| Transaction  | Effect on working capital | Reason  |
|--|---------------------------|---|
| Goods, \$135, were purchased on credit from Abu & Co                       | No change (1)             | Current assets increase<br>Current liabilities increase by same amount (1)                                    |
| Paid \$280 to Farouk, a credit supplier, in full settlement of \$300 owing | Increase \$20 (1)         | Current assets decrease by \$280<br>Current liabilities decrease by \$300 (1)                                 |
| Withdrew \$150 from the bank to restore the petty cash imprest             | No change (1)             | No change in current assets (bank decreases and petty cash increases)<br>No change in current liabilities (1) |

[6]

(f) Satisfied: Yes (1)

The profit earned for every \$100 used in the business has increased/the business is more profitable (2)

OR The capital is now being used more efficiently (2)

[3]

(g)

| Transaction   | Effect on return on capital employed | Reason  |
|---|--------------------------------------|---|
| Additional capital, \$10 000, was placed in the business bank account | Decrease (1)                         | No change in profit for the year (1)<br>Capital employed has increased (1)  |
| Fixtures, \$500, were purchased by cheque                             | No change (1)                        | No change in profit for the year (1)<br>No change in capital employed (non-current assets increase and current assets decrease) (1) |

[6]

(h) Only items which can be recorded in monetary terms are shown in the financial statements (1)

There are many important factors which influence the performance of a business which will not appear in the financial statements. (1)

[2]

[Total: 26]