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**ACCOUNTING**

**0452/22**

Paper 2

**May/June 2018**

MARK SCHEME

Maximum Mark: 120

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**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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **11** printed pages.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

the specific content of the mark scheme or the generic level descriptors for the question  
the specific skills defined in the mark scheme or in the generic level descriptors for the question  
the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate  
marks are awarded when candidates clearly demonstrate what they know and can do  
marks are not deducted for errors  
marks are not deducted for omissions  
answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks										
1(a)(i)	Statement of account	1										
1(a)(ii)	\$335	1										
1(a)(iii)	$\frac{14}{(686 + 14)} \cdot 100 = 2\%$	1										
1(a)(iv)	Cash discount	1										
1(b)	<table border="1"> <tr> <td>debit entry in ledger account of W Jones</td> <td>credit entry in ledger account of W Jones</td> <td>no entry would be made</td> </tr> <tr> <td></td> <td></td> <td>✓(1)</td> </tr> </table>	debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made			✓(1)	1				
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1(c)	<table border="1"> <tr> <td rowspan="2">document issued</td> <td rowspan="2">name of person issuing document</td> <td colspan="2">entries made by W Jones</td> </tr> <tr> <td>account debited</td> <td>account credited</td> </tr> <tr> <td>Invoice (1)</td> <td>J Smith (1)</td> <td>Purchases (1)</td> <td>J Smith (1)</td> </tr> </table>	document issued	name of person issuing document	entries made by W Jones		account debited	account credited	Invoice (1)	J Smith (1)	Purchases (1)	J Smith (1)	4
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1(d)	<table border="1"> <tr> <td>book of prime (original) entry used by J Smith</td> <td>sales returns journal (1)</td> </tr> <tr> <td>book of prime (original) entry used by W Jones</td> <td>purchases returns journal (1)</td> </tr> </table>	book of prime (original) entry used by J Smith	sales returns journal (1)	book of prime (original) entry used by W Jones	purchases returns journal (1)	2						
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1(e)(i)	A bad debt is an amount owing to a business which will not be paid by the credit customer	1										
1(e)(ii)	A bad debt recovered is when a credit customer pays some, or all of a debt previously written off as a bad debt	1										
1(f)	<p>Reduce credit sales/sell on a cash basis  Obtain references from new credit customers  Fix a credit limit for each customer  Introduce/improve credit control  Issue invoices and monthly statements promptly  Refuse further supplies until outstanding balance is paid  Give cash discount/discount for prompt payment  Charge interest on overdue account</p> <p><b>Any 2 points (1) each</b>  <b>Accept other valid points</b></p>	2										
1(g)	<p>The profit for the year is not overstated (1)  The trade receivables (current assets) are not overstated (1)</p> <p><b>Accept other valid points</b></p>	2										
1(h)	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)	2										
1(i)	$\frac{460}{18\,400} \cdot \frac{100}{1} = 2\frac{1}{2}\%$	1										

Question	Answer	Marks																														
1(j)	<p style="text-align: center;">J Smith Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date 2018</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date 2017</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>Apl 30</td> <td>Income statement (1)OF</td> <td>20</td> <td>May 1</td> <td>Balance b/d (1)</td> <td>460</td> </tr> <tr> <td></td> <td>Balance c/d (1)</td> <td>440</td> <td></td> <td></td> <td>460</td> </tr> <tr> <td></td> <td></td> <td>460</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>2018 May 1</td> <td>Balance b/d (1)OF</td> <td>440</td> </tr> </tbody> </table> <p><b>+ (1) dates</b></p>	Date 2018	Details	\$	Date 2017	Details	\$	Apl 30	Income statement (1)OF	20	May 1	Balance b/d (1)	460		Balance c/d (1)	440			460			460							2018 May 1	Balance b/d (1)OF	440	<b>5</b>
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2(a)	<p>Capital expenditure Money spend on acquiring, improving and installing non-current assets <b>(1)</b> Example Purchase of any non-current asset, legal costs for purchase of premises, cost of installation of non-current asset, cost of carriage on delivery of non-current asset, etc. <b>Any suitable example (1)</b></p> <p>Capital receipt Amounts received which do not form part of the day-to-day trading activities <b>(1)</b> Example Receipt of loan, additional capital, proceeds of sale of non-current asset at book value, etc. <b>Any suitable example (1)</b></p> <p>Revenue expenditure Money spent on the running of a business on a day-to-day basis <b>(1)</b> Example Any expense such as wages, rent, insurance, etc. <b>Any suitable example (1)</b></p> <p>Revenue receipt Amounts received in the day-to-day trading activities and other items of income <b>(1)</b> Example Sales, commission received, interest received, rent received, etc. <b>Any suitable example (1)</b></p>	<b>8</b>

Question	Answer					Marks																																			
2(b)	<table border="1"> <thead> <tr> <th data-bbox="300 248 472 383" rowspan="2">error</th> <th colspan="2" data-bbox="472 248 823 383">effect on profit for the year</th> <th colspan="3" data-bbox="823 248 1334 383">effect on closing capital</th> </tr> <tr> <th data-bbox="472 383 639 416">overstated</th> <th data-bbox="639 383 823 416">understated</th> <th data-bbox="823 383 991 416">overstated</th> <th data-bbox="991 383 1174 416">understated</th> <th data-bbox="1174 383 1334 416">no effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 416 472 472">error 1</td> <td data-bbox="472 416 639 472"></td> <td data-bbox="639 416 823 472">✓</td> <td data-bbox="823 416 991 472"></td> <td data-bbox="991 416 1174 472">✓</td> <td data-bbox="1174 416 1334 472"></td> </tr> <tr> <td data-bbox="300 472 472 562">error 2</td> <td data-bbox="472 472 639 562"></td> <td data-bbox="639 472 823 562">✓(1)</td> <td data-bbox="823 472 991 562"></td> <td data-bbox="991 472 1174 562">✓(1)</td> <td data-bbox="1174 472 1334 562"></td> </tr> <tr> <td data-bbox="300 562 472 651">error 3</td> <td data-bbox="472 562 639 651">✓(1)</td> <td data-bbox="639 562 823 651"></td> <td data-bbox="823 562 991 651">✓(1)</td> <td data-bbox="991 562 1174 651"></td> <td data-bbox="1174 562 1334 651"></td> </tr> <tr> <td data-bbox="300 651 472 741">error 4</td> <td data-bbox="472 651 639 741">✓(1)</td> <td data-bbox="639 651 823 741"></td> <td data-bbox="823 651 991 741"></td> <td data-bbox="991 651 1174 741"></td> <td data-bbox="1174 651 1334 741">✓(1)</td> </tr> </tbody> </table>					error	effect on profit for the year		effect on closing capital			overstated	understated	overstated	understated	no effect	error 1		✓		✓		error 2		✓(1)		✓(1)		error 3	✓(1)		✓(1)			error 4	✓(1)				✓(1)	6
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2(c)	<p>It is a book of prime (original) entry because it is written up from business documents <b>(1)</b></p> <p>It is part of the double entry system as it acts as ledger accounts for cash and bank <b>(1)</b></p>					2																																			
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3(a)	Reducing (diminishing) balance method Revaluation method <b>Any one (1)</b>	<b>1</b>																
3(b)	Principle of materiality – not practical/too many items/too difficult/too costly to depreciate each item separately Do not depreciate by an equal amount each year May be certain amount of loss of tools each year <b>Or other suitable reason</b> <b>Any 2 reasons (1) each</b>	<b>2</b>																
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Question	Answer				Marks
4(a)	AB Limited Statement of Changes in Equity for the year ended 31 March 2018				<b>6</b>
		Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
	On 1 April 2017	200 000	14 000	6 000	220 000
	Profit for the year			35 000 (1)	35 000
	Final dividend paid (for year ended 31 March 2017)	.....	.....	(10 000) (1)	(10 000)
	Interim dividend paid (for year ended 31 March 2018)	.....	.....	(4 000) (1)	(4 000)
	Transfer to general reserve	.....	2 000	(2 000) (1)	.....
	At 31 March 2018	200 000	16 000	25 000 (1)	241 000 (1)



Question	Answer	Marks																																																																																																																																																	
4(b)	<p style="text-align: center;">AB Limited Statement of Financial Position at 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%;"></th> </tr> <tr> <th style="text-align: left;">Non-current assets</th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Depreciation to date</th> <th style="text-align: center;">Book value</th> <th></th> </tr> </thead> <tbody> <tr> <td>Premises</td> <td style="text-align: right;">195 000</td> <td></td> <td style="text-align: right;">195 000</td> <td></td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">98 000</td> <td style="text-align: right;">35 280</td> <td style="text-align: right;">62 720</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Office equipment</td> <td style="text-align: right;">39 500</td> <td style="text-align: right;">15 800</td> <td style="text-align: right;">23 700</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; 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Question	Answer	Marks
4(d)	Dilution of ownership of company New shares rank equally with existing ordinary shares with regard to dividend (even though profit expected to increase after two years dividend may reduce) New shares rank equally with existing ordinary shares with regard to repayment in a winding up <b>Or other relevant point</b> <b>Any 2 points (1) each</b>	2

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5(d)	Proposal number 6 <b>(1)</b>  Current Ratio Total of current assets remains unchanged <b>(1)</b> OR inventory decreases and cash/bank increases by same amount <b>(1)</b>  Quick (acid test) Ratio Total of current assets excluding inventory increases <b>(1)</b> OR Inventory is excluded from the calculation but cash/bank increases <b>(1)</b>	<b>3</b>
5(e)	Should compare with a business of approximately the same size/same capital Should compare with a business of the same type (sole trader) The length of time the business has been operating The financial year may end at different times of the trading cycle The financial statements may be for one year which will not show trends The financial statements may be for a year which is not a typical year The businesses may operate different accounting policies The businesses may have different types of expenses The statements do not show non-monetary factors It may not be possible to obtain all the information needed to make comparisons <b>Or other suitable points excluding type of business (given in the question)</b> <b>Any 2 points (1) basic statement and (1) for development</b>	<b>4</b>