
ACCOUNTING**0452/22**

Paper 2

October/November 2018

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **12** 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)	This represents an overdraft/what the trader owes the bank on that date	1																																																						
1(a)(ii)	To restore the petty cash balance to the imprest amount	1																																																						
1(a)(iii)	3%	1																																																						
1(a)(iv)	Not enough money in the account Cheque unsigned/incorrect signature Amount in words and figures disagree Cheque undated/out of date/wrong date Takes account in to unauthorised overdraft Or other acceptable reason Any 1 reason (1)	1																																																						
1(a)(v)	This is a contra entry (1) Money has been transferred from the cash into the bank account (1)	2																																																						
1(a)(vi)	Money was received from selling goods for \$1100. Of this, \$220 was paid into the cash account and \$880 paid into bank account.	1																																																						
1(b)	Cash balance \$290 (1) Current asset (1) Bank balance \$4027 (1) Current liability (1)	4																																																						
1(c)	<p style="text-align: center;">Rajinder Sales account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 July 31</td> <td>Income statement (1)OF</td> <td>14 600</td> <td>2018 June 30</td> <td>Total to date</td> <td>13 500</td> </tr> <tr> <td></td> <td></td> <td>14 600</td> <td>July 29</td> <td>Cash/bank (1)</td> <td>1 100</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>14 600</td> </tr> </tbody> </table> <p style="text-align: center;">AM Limited account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 July 27</td> <td>Bank (1)</td> <td>312</td> <td>2018 July 1</td> <td>Balance b/d</td> <td>250</td> </tr> <tr> <td></td> <td>Discount (1)</td> <td>8</td> <td>14</td> <td>Purchases</td> <td>440</td> </tr> <tr> <td>31</td> <td>Balance c/d</td> <td>370</td> <td></td> <td></td> <td>690</td> </tr> <tr> <td></td> <td></td> <td>690</td> <td>2018 Aug 1</td> <td>Balance b/d (1)OF</td> <td>370</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 July 31	Income statement (1)OF	14 600	2018 June 30	Total to date	13 500			14 600	July 29	Cash/bank (1)	1 100						14 600	Date	Details	\$	Date	Details	\$	2018 July 27	Bank (1)	312	2018 July 1	Balance b/d	250		Discount (1)	8	14	Purchases	440	31	Balance c/d	370			690			690	2018 Aug 1	Balance b/d (1)OF	370	5
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2(a)	<p>Bad debts Amounts owing to a business which will not be paid by credit customers (1)</p> <p>Bad debts recovered Money received from credit customers in payment/part payment of debts after they have been written off as bad debts (1)</p> <p>Provision for doubtful debts An estimate of the amount which a business will lose in a financial year because of bad debts (1)</p>	3																																																				
2(b)	<p style="text-align: center;">Adil Mahinda account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 Feb 1</td> <td>Sales</td> <td>600</td> <td>2018 Feb 10</td> <td>Sales returns</td> <td>30</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Aug 31</td> <td>Bank (1)</td> <td>114</td> </tr> <tr> <td></td> <td></td> <td>600</td> <td></td> <td>Bad debts (1)</td> <td>456</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>600</td> </tr> </tbody> </table> <p style="text-align: center;">Bad debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018 Aug 30</td> <td>Total to date</td> <td>710</td> <td>2018 Aug 31</td> <td rowspan="3">Income Statement (1)OF</td> <td></td> </tr> <tr> <td>31</td> <td>Mahinda (1)OF</td> <td>456</td> <td></td> <td>1166</td> </tr> <tr> <td></td> <td></td> <td>1166</td> <td></td> <td>1166</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018 Feb 1	Sales	600	2018 Feb 10	Sales returns	30				Aug 31	Bank (1)	114			600		Bad debts (1)	456						600	Date	Details	\$	Date	Details	\$	2018 Aug 30	Total to date	710	2018 Aug 31	Income Statement (1)OF		31	Mahinda (1)OF	456		1166			1166		1166	4
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2(c)(i)	Eliminates possibility of bad debts No cash discount for prompt payment is required Improvement in cash flow Or other suitable response Any 1 advantage (1)	1																		
2(c)(ii)	Customers may move to other suppliers May be reduction in sales Or other suitable response Any 1 disadvantage (1)	1																		
2(d)	Obtain references from new credit customers Fix a credit limit for each credit customer Improve credit control Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid/overdue account Charge interest on late payment Allow cash discount/discount for prompt payment Invoice discounting/debt factoring Any 2 methods (1) each Not stop selling on credit/sell on cash terms only – given in question	2																		
2(e)	<p style="text-align: center;">Adil Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="vertical-align: top;">2018 Aug 31</td> <td rowspan="3" style="vertical-align: top;">Income Statement (1)OF Balance c/d</td> <td style="text-align: right;">276</td> <td rowspan="2" style="vertical-align: top;">2017 Sept 1</td> <td rowspan="2" style="vertical-align: top;">Balance b/d (1)</td> <td style="text-align: right;">1326</td> </tr> <tr> <td style="text-align: right;">1 050</td> <td style="text-align: right;">1 326</td> </tr> <tr> <td style="text-align: right;">1 326</td> <td rowspan="2" style="vertical-align: top;">2018 Sept 1</td> <td rowspan="2" style="vertical-align: top;">Balance b/d (1)</td> <td style="text-align: right;">1 050</td> </tr> </tbody> </table> <p>+ (1) dates</p>	Date	Details	\$	Date	Details	\$	2018 Aug 31	Income Statement (1)OF Balance c/d	276	2017 Sept 1	Balance b/d (1)	1326	1 050	1 326	1 326	2018 Sept 1	Balance b/d (1)	1 050	4
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2(f)	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																		
2(g)	Prudence (1) Consistency (1)	2																		

Question	Answer	Marks													
2(h)	<p>Either</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="width: 50%;">debit</th> <th style="width: 50%;">credit</th> </tr> </thead> <tbody> <tr> <td>Bank (1)</td> <td>Bad debts recovered (1)</td> </tr> </tbody> </table> <p>Or</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="width: 33%;">debit</th> <th style="width: 33%;">credit</th> <th style="width: 34%;"></th> </tr> </thead> <tbody> <tr> <td>Amaya</td> <td>Bad debts recovered</td> <td>(1)</td> </tr> <tr> <td>Bank</td> <td>Amaya</td> <td>(1)</td> </tr> </tbody> </table>	debit	credit	Bank (1)	Bad debts recovered (1)	debit	credit		Amaya	Bad debts recovered	(1)	Bank	Amaya	(1)	2
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Bank	Amaya	(1)													
2(i)	Increase by \$250	1													

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3(a)	<p style="text-align: center;">Paul and Ann Journal</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Debit \$</th> <th>Credit \$</th> <th></th> </tr> </thead> <tbody> <tr> <td rowspan="3">2018 April 1</td> <td>Motor vehicle</td> <td>14 500</td> <td></td> <td>(1)</td> </tr> <tr> <td>Bank</td> <td>15 500</td> <td></td> <td>(1)</td> </tr> <tr> <td>Paul Capital</td> <td></td> <td>30 000</td> <td>(1)</td> </tr> <tr> <td rowspan="2">Sept 30</td> <td>Ann Capital</td> <td>5 000</td> <td></td> <td>(1)</td> </tr> <tr> <td>Ann Current</td> <td></td> <td>5 000</td> <td>(1)</td> </tr> </tbody> </table>	Date	Details	Debit \$	Credit \$		2018 April 1	Motor vehicle	14 500		(1)	Bank	15 500		(1)	Paul Capital		30 000	(1)	Sept 30	Ann Capital	5 000		(1)	Ann Current		5 000	(1)	5
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3(b)	<p style="text-align: center;">Paul and Ann Profit and Loss Appropriation Account for the year ended 30 September 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Profit for the year:</td> <td style="width: 20%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">11 350</td> <td></td> </tr> <tr> <td>Interest on drawings:</td> <td>Paul</td> <td></td> <td style="text-align: right;">450</td> <td style="text-align: center;">}</td> <td></td> </tr> <tr> <td></td> <td>Ann</td> <td></td> <td style="text-align: right;"><u>550</u></td> <td style="text-align: center;">} (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">12 350</td> <td></td> </tr> <tr> <td>Interest on capital:</td> <td>Paul</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>$4\% \cdot 50\,000 \cdot 6/12 = 1000(1)$</td> <td></td> <td style="text-align: right;">2 600</td> <td style="text-align: center;">*</td> <td></td> </tr> <tr> <td></td> <td>$4\% \cdot 80\,000 \cdot 6/12 = 1600(1)$</td> <td></td> <td style="text-align: right;"><u>3 400</u></td> <td style="text-align: center;">(1)</td> <td></td> </tr> <tr> <td></td> <td>Ann</td> <td></td> <td style="text-align: right;">6 000</td> <td></td> <td></td> </tr> <tr> <td>Partner's salary:</td> <td>Paul</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>$7000 \cdot 6/12 = 3500(1)$</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>$8000 \cdot 6/12 = 4000(1)$</td> <td></td> <td style="text-align: right;"><u>7 500</u></td> <td style="text-align: center;">**</td> <td style="text-align: right;"><u>13 500</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">(1 150)</td> </tr> <tr> <td>Share of loss</td> <td>Paul</td> <td></td> <td style="text-align: right;">575</td> <td style="text-align: center;">(1)OF</td> <td></td> </tr> <tr> <td></td> <td>Ann</td> <td></td> <td style="text-align: right;"><u>575</u></td> <td style="text-align: center;">(1)OF</td> <td style="text-align: right;"><u>(1 150)</u></td> </tr> </table> <p>*Alternative calculation $4\% \cdot 50\,000 \cdot 12/12 = 2000(1)$ $4\% \cdot 30\,000 \cdot 6/12 = 600(1)$</p> <p>**Alternative calculation $7000 \cdot 12/12 = 7000(1)$ $1000 \cdot 6/12 = 500(1)$</p>	Profit for the year:		\$		\$						11 350		Interest on drawings:	Paul		450	}			Ann		<u>550</u>	} (1)						<u>1 000</u>						12 350		Interest on capital:	Paul						$4\% \cdot 50\,000 \cdot 6/12 = 1000(1)$		2 600	*			$4\% \cdot 80\,000 \cdot 6/12 = 1600(1)$		<u>3 400</u>	(1)			Ann		6 000			Partner's salary:	Paul						$7000 \cdot 6/12 = 3500(1)$						$8000 \cdot 6/12 = 4000(1)$		<u>7 500</u>	**	<u>13 500</u>						(1 150)	Share of loss	Paul		575	(1)OF			Ann		<u>575</u>	(1)OF	<u>(1 150)</u>	8
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total equity		4000 (1)																			
4(b)	<p>Prior claim on the profits of the business Reduction in profit available for ordinary shareholders Prior claim on the assets of the business in a winding-up Or other suitable comment</p> <p>Any 2 comments (1) each</p>				2																
4(c)	<p>In the event of winding up each shareholder may receive less The dividend per share may reduce Dilution of ownership Or other suitable comment</p> <p>Any 2 comments (1) each</p>				2																
4(d)	<p>Proposal 1 General reserve is not necessarily represented by actual money (1)</p> <p>Proposal 2 Bank overdraft not appropriate for long-term borrowing (1)</p> <p>Or other suitable comments</p>				2																
4(e)	<p>Long term loan from bank/financial institution Government grant if available Mortgage premises Sale and lease-back of non-current assets Or other suitable method</p> <p>Any 1 method (1)</p>				1																

Question	Answer	Marks																				
5(a)	<p>Current ratio 31 200 : 20 200 (1) whole formula 1.54 : 1 (1)</p> <p>Quick (acid test) ratio 16 300 : 20 200 (1) whole formula 0.81 : 1 (1)</p> <p>Trade receivables collection period $\frac{16\,200}{192\,000} \cdot \frac{365}{1}$ (1) whole formula</p> <p>= 31 days (1)</p> <p>Trade payables payment period $\frac{16\,500}{154\,500} \cdot \frac{365}{1}$ (1) whole formula</p> <p>= 39 days (1)</p>	8																				
5(b)	<p>Decrease in inventory/trade receivables/cash Increase in trade payables/bank overdraft Purchase of non-current assets Increase in drawings Repayment of long-term liabilities</p> <p>Any 2 reasons (1) each</p>	2																				
5(c)	<table border="1"> <thead> <tr> <th></th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>introduce \$4000 additional capital in order to pay off the bank overdraft</td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>sell half the inventory at cost price to a cash purchaser</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>convert a \$10 000 long-term bank loan into a bank overdraft</td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>increase the bank overdraft by \$16 500 in order to repay the trade payables</td> <td></td> <td></td> <td>✓(1)</td> </tr> </tbody> </table>		increase	decrease	no effect	introduce \$4000 additional capital in order to pay off the bank overdraft	✓(1)			sell half the inventory at cost price to a cash purchaser			✓(1)	convert a \$10 000 long-term bank loan into a bank overdraft		✓(1)		increase the bank overdraft by \$16 500 in order to repay the trade payables			✓(1)	4
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5(d)	<p>Inventory is not included in the calculation (1)</p> <p>Either Inventory is not regarded as a liquid asset – a buyer has to be found and then the money collected (1)</p> <p>Or 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)</p>	2																				

Question	Answer	Marks
5(e)	<p>Has decreased (1) OF Plus comment – Business is short of liquid funds Business cannot pay immediate liabilities from liquid assets Business needs injection of long term funds Or other relevant comment based on OF quick ratio</p> <p>Any 1 comment (1)</p>	2
5(f)	<p>Has increased/Credit customers are taking longer to settle their debts Change may affect business's ability to pay current liabilities when due Change adversely affects the liquidity of the business Or other relevant comment based on OF trade receivables period</p> <p>Any 2 comments (1) each</p>	2
5(g)(i)	<p>Has the use of the money for other purposes for longer than previous Allow comment based on OF trade payables period. Or other relevant comment</p> <p>Any 1 comment (1)</p>	1
5(g)(ii)	<p>Is not able to take advantage of cash discount May be charged interest Damages relationship with credit suppliers Allow comment based on OF trade payables period. Or other relevant comment</p> <p>Any 1 comment (1)</p>	1

Question	Answer	Marks																																																															
6(a)	<table border="1" data-bbox="304 248 1214 533"> <thead> <tr> <th colspan="2" data-bbox="304 248 1098 309">Calculation of purchases</th> <th data-bbox="1098 248 1214 309">\$</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 309 1098 344">Cheques paid to credit suppliers</td> <td data-bbox="1098 309 1214 344">33 150</td> <td data-bbox="1214 309 1348 344">(1)</td> </tr> <tr> <td data-bbox="304 344 1098 380">Discount received</td> <td data-bbox="1098 344 1214 380">850</td> <td data-bbox="1214 344 1348 380">(1)</td> </tr> <tr> <td data-bbox="304 380 1098 416">Returns to credit suppliers</td> <td data-bbox="1098 380 1214 416">1 670</td> <td data-bbox="1214 380 1348 416">(1)</td> </tr> <tr> <td data-bbox="304 416 1098 452">Amounts owing to credit suppliers 30 september 2018</td> <td data-bbox="1098 416 1214 452">3 180</td> <td data-bbox="1214 416 1348 452">(1)</td> </tr> <tr> <td data-bbox="304 452 1098 488">Cash withdrawn from bank for purchases</td> <td data-bbox="1098 452 1214 488">4 820</td> <td data-bbox="1214 452 1348 488">(1)</td> </tr> <tr> <td data-bbox="304 488 1098 533">Total purchases for the year</td> <td data-bbox="1098 488 1214 533">43 670</td> <td data-bbox="1214 488 1348 533">(1) OF</td> </tr> </tbody> </table> <p data-bbox="304 600 616 636">Alternative presentation</p> <table border="1" data-bbox="325 667 1310 952"> <thead> <tr> <th data-bbox="325 667 464 728">Date</th> <th data-bbox="464 667 762 728">Details</th> <th data-bbox="762 667 879 728">\$</th> <th data-bbox="879 667 1018 728">Date</th> <th data-bbox="1018 667 1198 728">Details</th> <th data-bbox="1198 667 1310 728">\$</th> </tr> </thead> <tbody> <tr> <td data-bbox="325 728 464 763">2018</td> <td data-bbox="464 728 762 763"></td> <td data-bbox="762 728 879 763"></td> <td data-bbox="879 728 1018 763">2018</td> <td data-bbox="1018 728 1198 763"></td> <td data-bbox="1198 728 1310 763"></td> </tr> <tr> <td data-bbox="325 763 464 799">Sept 30</td> <td data-bbox="464 763 762 799">Bank (1)</td> <td data-bbox="762 763 879 799">33 150</td> <td data-bbox="879 763 1018 799">Sept 30</td> <td data-bbox="1018 763 1198 799">Purchases</td> <td data-bbox="1198 763 1310 799">38 850</td> </tr> <tr> <td></td> <td data-bbox="464 799 762 835">Discount Recd. (1)</td> <td data-bbox="762 799 879 835">850</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td data-bbox="464 835 762 871">Returns outward (1)</td> <td data-bbox="762 835 879 871">1 670</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td data-bbox="464 871 762 907">Balance c/d (1)</td> <td data-bbox="762 871 879 907">3 180</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td data-bbox="762 907 879 943"><u>38 850</u></td> <td></td> <td></td> <td data-bbox="1198 907 1310 943"><u>38 850</u></td> </tr> </tbody> </table> <p data-bbox="341 987 970 1090"> Total purchases – Credit: 38 850 Cash: <u>4 820</u> (1) <u>43 670</u> (1)OF </p>	Calculation of purchases		\$	Cheques paid to credit suppliers	33 150	(1)	Discount received	850	(1)	Returns to credit suppliers	1 670	(1)	Amounts owing to credit suppliers 30 september 2018	3 180	(1)	Cash withdrawn from bank for purchases	4 820	(1)	Total purchases for the year	43 670	(1) OF	Date	Details	\$	Date	Details	\$	2018			2018			Sept 30	Bank (1)	33 150	Sept 30	Purchases	38 850		Discount Recd. (1)	850					Returns outward (1)	1 670					Balance c/d (1)	3 180						<u>38 850</u>			<u>38 850</u>	6
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