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.

Cambridge is publishing the mark schemes for the March 2016 series for most Cambridge IGCSE® and Cambridge International A and AS Level components.
1 (a) B
(b) B
(c) D
(d) A
(e) B
(f) B
(g) C
(h) A
(i) A
(j) D

(1) mark each [10]

2 (a) Assets less (1) liabilities equal capital

Current assets less (1) current liabilities equal working capital

Owner's capital plus (1) non-current liabilities equals capital employed [3]

(b)

<table>
<thead>
<tr>
<th>Account debited</th>
<th>Account credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawings (1)</td>
<td>Bank (1)</td>
</tr>
</tbody>
</table>

[2]

(c) Business entity (1)
A distinction is made between the financial transactions of a business and those of its owner(s) (1) [2]

(d) Prepaid amount (1) [1]
(e) Accruals (matching) (1)
Income should be matched with costs (1) in an accounting period (1) [3]

(f)

<table>
<thead>
<tr>
<th>Account</th>
<th>Ledger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises</td>
<td>Nominal/general</td>
</tr>
<tr>
<td>Sales</td>
<td>Nominal/general</td>
</tr>
<tr>
<td>Drawings</td>
<td>Nominal/general</td>
</tr>
<tr>
<td>Amit, a credit customer</td>
<td>Sales</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>Nominal/general</td>
</tr>
<tr>
<td>Discount allowed</td>
<td>Nominal/general</td>
</tr>
<tr>
<td>Enoch, a credit supplier</td>
<td>Purchases</td>
</tr>
</tbody>
</table>

Any two correct for (1) mark [3]

(g) So that accounts of the same type can be kept together
To allow division of work
To allow easier reference
To allow checking procedures to be introduced
Any one reason (1) [1]

(h) The total sales are credited to the sales account (1)
Each sale is debited to the individual debtor's account on a daily basis (1) [2]

(i) Sales returns journal – return of goods sold on credit
Purchases journal – purchase of good bought on credit
Purchases returns journal – return of goods bought on credit
Cash book – cash sales/receipt from credit customer/any sort of payment
Petty cash book – any minor expense
General journal – correction of error/purchase of non-current asset on credit

Any two books for (1) each and any two examples for (1) each
Allow any reasonable example [4]

[Total: 21]
3 (a) To check the arithmetical accuracy of the double entry (1)
   As a basis for the preparation of the financial statements (1) [2]

(b) Deepa
   Trial Balance at 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixtures and fittings</td>
<td>17 000</td>
<td></td>
</tr>
<tr>
<td>Provision for depreciation of fixtures and fittings</td>
<td></td>
<td>7 500 (1)</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>72 000 (1)</td>
</tr>
<tr>
<td>Sales returns</td>
<td>3 100</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>36 800</td>
<td></td>
</tr>
<tr>
<td>Purchases returns</td>
<td></td>
<td>2 260 (1)</td>
</tr>
<tr>
<td>Drawings</td>
<td>5 200</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>2 700 (1)</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>12 450</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>2 400 (1)</td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>21 810</td>
<td></td>
</tr>
<tr>
<td>Discount allowed</td>
<td>1 000 (1)</td>
<td></td>
</tr>
<tr>
<td>Sundry expenses</td>
<td>10 100</td>
<td></td>
</tr>
<tr>
<td>Ali (a credit customer)</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>Kelvin (a credit customer)</td>
<td>970</td>
<td></td>
</tr>
<tr>
<td>Jules (a credit supplier)</td>
<td>4 210 (1)</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td>28 160 (1of)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>114 130</td>
</tr>
<tr>
<td></td>
<td></td>
<td>114 130</td>
</tr>
</tbody>
</table>

[9]
(c) (i)  

\[
\begin{align*}
\text{Sales (72 000 – 3100)} & \quad 68 900 \text{ (1)} \\
\times 0.6 & \quad (1) \\
\text{Cost of sales} & \quad 41 340 \text{ (1of)} \\
\end{align*}
\]

OR

\[
\begin{align*}
\text{Sales} & \quad 68 900 \text{ (1)} \\
\text{Gross profit (at 0.4)} & \quad 27 560 \text{ (1)} \\
\text{Cost of sales} & \quad 41 340 \text{ (1of)} \\
\end{align*}
\]

(ii)  

\[
\begin{align*}
\text{Inventory at 1 January 2015} & \quad 12 450 \\
\text{Purchases} & \quad 36 800 \\
\text{Purchases returns} & \quad (2 260) \text{ (1)} \\
\text{Inventory at 31 December 2015} & \quad (5 650) \text{ (1of)} \\
\text{Cost of sales} & \quad 41 340 \text{ (1of)} \\
\end{align*}
\]

OR

\[
\begin{align*}
\text{Cost of sales} & \quad 41 340 \text{ (1of)} \\
\text{Purchases} & \quad 36 800 \\
\text{Purchases returns} & \quad (2 260) \text{ (1)} \\
\text{Inventory at 1 January 2015} & \quad (12 450) \text{ (1of)} \\
\text{Inventory at 31 December 2015} & \quad (5 650) \text{ (1of)} \\
\end{align*}
\]

(d)  

Deepa Ali account  

\[
\begin{align*}
\text{2016} & \quad $ & \quad 2016 & \quad $ \\
1 \text{ Jan} & \quad \text{Balance b/d} & 600 & \text{(1)} \\
6 \text{ Jan} & \quad \text{Sales} & 800 & \text{(1)} \\
8 \text{ Jan} & \quad \text{Bank} & 582 & \text{(1)} \\
10 \text{ Jan} & \quad \text{Discount allowed} & 18 & \text{(1)} \\
12 \text{ Jan} & \quad \text{Sales returns} & 120 & \text{(1)} \\
31 \text{ Jan} & \quad \text{Balance c/d} & 680 & \text{(1)} \\
1 \text{ Feb} & \quad \text{Balance b/d} & 680 & \text{(1of)} \\
\end{align*}
\]

\[+1 \text{ for dates}\]
(e) Advantage
Money can be used elsewhere
Cash is not tied up
Reduces risk of theft/deterioration/obsolescence/damage
Reduces inventory holding cost e.g. insurances

Any one advantage (1) mark

Disadvantage
If buying in smaller quantity risk of losing quantity discounts
Risk of inventory running out
Risk of not meeting customer demand

Any one disadvantage (1) mark

(f) Current assets (1)

(g) Long term loan/debt (1)
OR debentures (1)
OR mortgage (1)

[Total: 28]

4 (a) A provision for doubtful debts stops current assets from being overstated (1) and profit from being overstated (1) [2]

(b) Nesbit Limited
Provision for doubtful debts account

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance c/d</th>
<th>2014</th>
<th>Income statement</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 31</td>
<td>Balance c/d</td>
<td>$1,900</td>
<td>Dec 31 Income statement</td>
<td>$1,900</td>
</tr>
<tr>
<td>2015</td>
<td>Balance c/d</td>
<td>$1,900</td>
<td>Dec 31 Income statement</td>
<td>$1,900</td>
</tr>
<tr>
<td>Dec 31</td>
<td>Balance c/d</td>
<td>$2,200</td>
<td>Dec 31 Income statement</td>
<td>$2,200</td>
</tr>
<tr>
<td>2016</td>
<td>Balance c/d</td>
<td>$2,200</td>
<td>Dec 31 Income statement</td>
<td>$2,200</td>
</tr>
<tr>
<td>Jan 1</td>
<td>Balance b/d</td>
<td>$1,900</td>
<td>Jan 1 Balance b/d</td>
<td>$1,900</td>
</tr>
<tr>
<td>2016</td>
<td>Balance b/d</td>
<td>$2,200</td>
<td>Jan 1 Balance b/d</td>
<td>$2,200</td>
</tr>
</tbody>
</table>

+1 for dates [6]

(c) Nesbit Limited
Income Statement (extract) for the year ended 31 December 2015

$ Expenses
Bad debts 1,000 (1)
Increase in provision for doubtful debts 300 (1of)

[2]
(d) Nesbit Limited
Statement of Financial Position (extract) at 31 December 2015

$  

Current assets
Trade receivables 44 000 (1)
Provision for doubtful debts 2 200 (1 of)

41 800 (1 of)  

[3]

(e) Provision for depreciation (1)  

[1]

(f)  

<table>
<thead>
<tr>
<th>cost</th>
<th>capital expenditure</th>
<th>revenue expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>cost of machinery</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>delivery charges</td>
<td>√ (1)</td>
<td></td>
</tr>
<tr>
<td>installation costs</td>
<td>√ (1)</td>
<td></td>
</tr>
<tr>
<td>supply of cleaning materials</td>
<td></td>
<td>√ (1)</td>
</tr>
<tr>
<td>machine oil</td>
<td></td>
<td>√ (1)</td>
</tr>
</tbody>
</table>

[4]

(g) Proceeds of sale of non-current asset
Issue of shares/Capital introduced by owner
Receipt of loan

Any one for (1) mark  

[1]

[Total: 19]

5 (a)  

<table>
<thead>
<tr>
<th></th>
<th>prime cost section of the manufacturing account</th>
<th>overheads section of the manufacturing account</th>
<th>income statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>office rent</td>
<td></td>
<td></td>
<td>√ (1)</td>
</tr>
<tr>
<td>factory supervisor’s salary</td>
<td></td>
<td></td>
<td>√ (1)</td>
</tr>
<tr>
<td>carriage on raw materials</td>
<td></td>
<td></td>
<td>√ (1)</td>
</tr>
<tr>
<td>purchase of finished goods</td>
<td></td>
<td></td>
<td>√ (1)</td>
</tr>
<tr>
<td>salesman’s commission</td>
<td></td>
<td></td>
<td>√ (1)</td>
</tr>
</tbody>
</table>

[5]
(b) Advantage
– more capital introduced to business
– more expertise available
– responsibilities are shared e.g. holidays, sickness
– risk is shared
– losses are shared
Any one for (1) mark

Disadvantage
– profits must be shared
– decision making may be more difficult
– disagreements may occur
Any one for (1) mark

[2]

(c) To avoid disagreements in the future (1)

[1]

(d) Interest on capital – to reward partners who invest more (1)
Interest on drawings – to discourage drawings (1)

[2]

(e)

Sumit and Theo
Appropriation account for the year ended 31 December 2015

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>$64K</td>
<td></td>
</tr>
<tr>
<td>Interest on drawings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Sumit</td>
<td>$1.8K</td>
<td>$3K</td>
</tr>
<tr>
<td>– Theo</td>
<td>$1.2K</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$67K</td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Sumit</td>
<td>$(7K )</td>
<td></td>
</tr>
<tr>
<td>– Theo</td>
<td>$(15K)</td>
<td>$(25K)</td>
</tr>
<tr>
<td></td>
<td>$(35K)</td>
<td></td>
</tr>
<tr>
<td>Profit shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Sumit</td>
<td>$21K</td>
<td></td>
</tr>
<tr>
<td>– Theo</td>
<td>$14K</td>
<td>$35K</td>
</tr>
</tbody>
</table>

[6]

(f)

Theo
Current account

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 1</td>
<td>$6.9K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drawings</td>
<td>$12K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on drawings</td>
<td>$1.2K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance c/d</td>
<td>$8.9K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 1</td>
<td>$8.9K</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[6]

[Total: 22]
6 (a)

<table>
<thead>
<tr>
<th>Error</th>
<th>Working capital</th>
<th>Owner’s capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increase $3000</td>
<td>Increase $3000</td>
</tr>
<tr>
<td>2</td>
<td>No effect (1)</td>
<td>No effect (1)</td>
</tr>
<tr>
<td>3</td>
<td>Decrease $99 (1)</td>
<td>Decrease $99 (1)</td>
</tr>
<tr>
<td>4</td>
<td>Decrease $70 (1)</td>
<td>Decrease $70 (1)</td>
</tr>
<tr>
<td>5</td>
<td>No effect (1)</td>
<td>Increase $2500 (1)</td>
</tr>
</tbody>
</table>

[8]

(b)

Error 2: commission (1)
Error 3: original entry (1)
Error 4: reversal (1)
Error 5: omission (1)

[4]

(c)

<table>
<thead>
<tr>
<th>Error number</th>
<th>Details</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>D Bones</td>
<td>1500 (1)</td>
<td>1500 (1)</td>
</tr>
<tr>
<td></td>
<td>J Jones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bank charges</td>
<td>99 (1)</td>
<td>99 (1)</td>
</tr>
<tr>
<td></td>
<td>Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Stationery</td>
<td>70 (1)</td>
<td>70 (1)</td>
</tr>
<tr>
<td></td>
<td>Petty cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Motor vehicles</td>
<td>2500 (1)</td>
<td>2500 (1)</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[8]

[Total: 20]