MARK SCHEME for the May/June 2013 series

0452 ACCOUNTING

0452/21  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.

Cambridge is publishing the mark schemes for the May/June 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.
1 (a) To record small cash payments
   - Removes small cash payments from the main cash book
   - Reduces the number of entries in the main cash book
   - Reduces the number of entries in the ledger
   - Allows the chief cashier to delegate some of the work
   - Provides training for any junior staff members

   Any 2 points (1) each [2]

(b) Chief cashier knows exactly how much is spent in each month/can control expenditure of petty cash
   - The cash remaining and the vouchers received should equal the imprest
   - Can help reduce fraud

   Any 1 advantage (1) [1]

(c) See following page [12]

(d) At the month end (1) the totals debited to postage account (1) [2]

(e) Cheques not presented
   - Amounts not credited
   - Cash book errors

   Any 2 items (1) each [2]

(f) Standing orders
   - Direct debits
   - Credit transfers
   - Dishonoured cheques
   - Bank charges/interest
   - Bank errors

   Any 2 items (1) each [2]

[Total: 21]
### Question 1 (c)

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Total paid</th>
<th>Postage</th>
<th>Travel</th>
<th>Sundries</th>
<th>Ledger accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 Mar 1</td>
<td>Balance b/d</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>67 Mar 1</td>
<td>Bank/cash</td>
<td>19</td>
<td>19 (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67 Apr 1</td>
<td>Postages</td>
<td>16</td>
<td></td>
<td></td>
<td>16 (1)</td>
<td></td>
</tr>
<tr>
<td>20 Apr 1</td>
<td>Loan repayment</td>
<td>4</td>
<td>4 (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 Apr 1</td>
<td>Parcel post</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Apr 1</td>
<td>R Singh</td>
<td>12</td>
<td></td>
<td></td>
<td>12 (1)</td>
<td>24 (1)</td>
</tr>
<tr>
<td>29 Apr 1</td>
<td>Window Cleaner</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 Apr 1</td>
<td>Balance c/d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr 1</td>
<td>Balance b/d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr 1</td>
<td>Bank/cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Dates
(1) OF totals of analysis columns
(1) OF totals and total columns

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2  (a)

Ashraf Zayed

Income statement for the year ended 28 February 2013

\[
\begin{array}{c|c}
\text{Item} & \text{Amount} \\
\hline
\text{Revenue} & 323,000 \text{ } (1) \\
\text{Cost of sales} & \\
\text{Cost of production} & 267,100 \text{ } (1) \\
\text{Purchases of finished goods} & 4,300 \text{ } (1) \\
\hline
\text{Total cost of sales} & 271,400 \\
\text{Less Closing inventory finished goods} & 19,600 \text{ } (1) \\
\hline
\text{Gross profit} & 71,200 \text{ } (1) \text{ OF} \\
\end{array}
\]

Horizontal format acceptable \[5\]

(b)  Production did not meet demand

It was cheaper to buy rather than make

Could not make those particular items

Not economical to make such a small amount

Any 2 reasons (1) each \[2\]

(c)

\[
\begin{array}{|c|c|c|}
\hline
\text{Item} & \text{Debit $} & \text{Credit $} \\
\hline
\text{Income statement} & 1130 & \text{ } (1) \\
\text{Carriage outwards} & & 1130 \text{ } (1) \\
\text{Transfer of carriage outwards to income statement} & & \text{ } (1) \\
\hline
\text{Income statement} & 600 & \text{ } (1) \\
\text{Provision for doubtful debts} & & 600 \text{ } (1) \\
\text{Creation of provision for doubtful debts} & & \text{ } (1) \\
\hline
\end{array}
\]

\[6\]
(d) Ashraf Zayed
Motor insurance account

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jun 1 Bank</td>
<td>Feb 28</td>
</tr>
<tr>
<td></td>
<td>$360 (1)</td>
<td>$270 (1)</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance c/d</td>
<td>$720</td>
<td>$90</td>
</tr>
</tbody>
</table>

+ (1) Dates

Accept three column running balance presentation [5]

(e) The accruals (matching) principle requires the revenue of the accounting period to be matched against the costs of the same period. (1)
The insurance relating to the financial year ended 28 February 2013 has been transferred to the income statement. (1) [2]

(f)

<table>
<thead>
<tr>
<th></th>
<th>Overstated $</th>
<th>Understated $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit of the year ended 28 February</td>
<td>$270 (2) O/F</td>
<td>........</td>
</tr>
</tbody>
</table>

[2]

(g) Applying the business (accounting entity principle the business is treated as being completely separate from the owner. (1)
Only the transactions of the business are recorded in the business' books. (1) [2]

[Total: 24]
3 (a)  
Sanath Jaffer
Trial Balance at 31 January 2013

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>6 100</td>
<td>-</td>
</tr>
<tr>
<td>Drawings</td>
<td>53 000</td>
<td>-</td>
</tr>
<tr>
<td>Revenue</td>
<td>66 000</td>
<td>-</td>
</tr>
<tr>
<td>Purchases</td>
<td>43 350</td>
<td>-</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>3 050</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>3 700</td>
<td>-</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>1 150</td>
<td>-</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>5 320</td>
<td>-</td>
</tr>
<tr>
<td>Trade payables</td>
<td>3 450</td>
<td>-</td>
</tr>
<tr>
<td>General expenses</td>
<td>17 850</td>
<td>-</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>50 400</td>
<td>-</td>
</tr>
<tr>
<td>Suspense (1)</td>
<td>70</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total                    | 126 720 | 126 720  |

[7]

(b)  

<table>
<thead>
<tr>
<th>Account</th>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>General expenses</td>
<td>400</td>
<td>(1)</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>400</td>
<td>(1)</td>
</tr>
<tr>
<td>Suspense</td>
<td>100</td>
<td>(1)</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>100</td>
<td>(1)</td>
</tr>
<tr>
<td>General expenses</td>
<td>50</td>
<td>(1)</td>
</tr>
</tbody>
</table>

[8]
(c) Either
   Error number (i) (1)
   Reasons it is an error or omission
      Neither a debit nor a credit entry has been made so the books balance

     Any 1 reason (1)

   Or
   Error number (ii) (1)
   Reason it is an error of principle
      A double entry has been made but in the wrong class of account.

     Any 1 advantage (1) [2]

(d) Money measurement [1]

(e) Realisation [1]

(f) (i) Work can be shared amongst several people
      Easier for reference as the same types of account are kept together
      Easier to introduce checking procedures
      Make fraud more difficult

     Any 1 advantage (1) [1]

      (ii) 1 Any non-current asset, inventory, capital, drawings, loan, sales, purchases, returns,
            expenses, incomes, etc. (1)

            2 Credit customers/debtors/trade receivables (1)

            3 Credit suppliers/creditors/trade payables (1)

     [3]

[Total: 23]
4 (a)  Sildean Ltd
Calculation of retained profit for the year ended 30 April 2013

\[
\begin{array}{l}
\text{Profit for the year} \\
\text{Less Debenture interest} \\
\text{Less Interim ordinary share dividend} \\
\text{Transfer to general reserve} \\
\text{Profit retained in the year}
\end{array}
\]

\[
\begin{array}{l}
\$ 24 800 \\
\(1) \text{1 600} \text{ (1)} \\
\(1) \text{14 000} \\
\(1) \text{5 000} \text{ (1)} \\
\(1) \text{4 200} \text{ (1) CF}
\end{array}
\]

Alternative forms of presentation acceptable

(b)  Sildean Ltd
Balance Sheet at 30 April 2013

\[
\begin{array}{l}
\text{Non-current assets} \\
\text{(Cost - Depreciation to date = Book value)}
\end{array}
\]

\[
\begin{array}{l}
\text{Cost} \\
\text{12 500} \\
\text{206 000}
\end{array}
\]

\[
\begin{array}{l}
\text{Current assets} \\
\text{Inventory} \\
\text{Petty cash} \\
\text{Trade receivables} \\
\text{Provision for doubtful debts}
\end{array}
\]

\[
\begin{array}{l}
\text{16 300} \\
\text{200} \text{ (1)} \\
\text{15 400} \\
\text{462} \\
\text{4 938} \text{ (1)}
\end{array}
\]

\[
\begin{array}{l}
\text{Net current assets} \\
\text{4% Debentures}
\end{array}
\]

\[
\begin{array}{l}
\text{1 600} \text{ (1)} \\
\text{40 000} \text{ (1)}
\end{array}
\]

\[
\begin{array}{l}
\text{Net current assets} \\
\text{4% Debentures}
\end{array}
\]

\[
\begin{array}{l}
\text{7 700} \\
\text{201 200}
\end{array}
\]

\[
\begin{array}{l}
\text{Net current assets} \\
\text{4% Debentures}
\end{array}
\]

\[
\begin{array}{l}
\text{23 738} \\
\text{161 200}
\end{array}
\]

\[
\begin{array}{l}
\text{Capital and reserves} \\
\text{Ordinary shares of $0.50 each} \\
\text{General reserve (10 000 (1) + 5000(1))} \\
\text{Retained profits (2000 (1) + 4200 (1)OF)}
\end{array}
\]

\[
\begin{array}{l}
\text{140 000} \text{ (1)} \\
\text{15 000} \\
\text{6 200}
\end{array}
\]

\[
\begin{array}{l}
\text{Horizontal format acceptable}
\end{array}
\]
(c) (i) \( 31.438 \text{ (OF)} : 23 \, 738 \text{ (OF)} \) (1)  
1.32 (1) OF  

(ii) \( (31 \, 438 \text{ (OF)} - 16 \, 300) : 23 \, 738 \text{ (OF)} \) (1)  
0.64 (1) (OF)  

(iii) Shows whether the company can pay its immediate (current) liabilities from the liquid assets (current assets less inventory) (1)  
Indication of the liquidity of the company (1)  
Or suitable answer based on O/F answer to (ii)  

(iv) Issue additional shares  
Issue additional debentures  
Obtain long term loan  
Sell surplus non-current assets  
Reduced dividends paid  
Reduce inventory level  
Any 2 points (1) each  

(d) Ordinary shareholders are members of the company  
Ordinary shares carry voting rights  
Ordinary shareholders receive a dividend  
Ordinary share dividend is a share of the profit  
Ordinary share dividend is variable  
Ordinary share dividend is paid after any dividend on preference shares  
Ordinary shareholders are repaid last in the event of a winding up  
Any 2 features (1) each  

(e) Debentures are loans  
Debenture holders are not members of the company  
Debentures do not carry voting rights  
Debentures carry a fixed rate of interest  
Debenture interest is not dependent on the company’s profit  
Debentures are often secured on the assets of the company  
Debentures holders are repaid before the shareholders in the event of a winding up  
Any 2 features (1) each  

[Total: 26]
Tom and Gill Kayumba  
Statement of corrected profit for the year ended 31 March 2013  

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td>22 500</td>
<td></td>
</tr>
<tr>
<td>Add Advertising prepaid</td>
<td>600 (2)</td>
<td></td>
</tr>
<tr>
<td>Goods taken for own use</td>
<td>1 000 (2)</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle expenses accrued</td>
<td>320 (2)</td>
<td>1 920</td>
</tr>
<tr>
<td><strong>Less Stationery purchased</strong></td>
<td>260 (2)</td>
<td></td>
</tr>
<tr>
<td><strong>Corrected profit for the year</strong></td>
<td>24 160 (1) O/F</td>
<td></td>
</tr>
</tbody>
</table>

*Alternative forms of presentation acceptable* [9]

(b) Tom and Gill Kayumba  
Statement of corrected profit for the year ended 31 March 2013  

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corrected profit for the year</strong></td>
<td>24 160 (1) O/F</td>
<td></td>
</tr>
<tr>
<td>Interest on drawings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Kayumba</td>
<td>1 040</td>
<td>2 340</td>
</tr>
<tr>
<td>Gill Kayumba</td>
<td>1 300 (1)</td>
<td>26 500</td>
</tr>
<tr>
<td>Interest on capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Kayumba</td>
<td>5% ( \times 60 000 \times 6 \text{ mths} )</td>
<td>1 500 (1)</td>
</tr>
<tr>
<td>Gill Kayumba</td>
<td>5% ( \times 80 000 \times 6 \text{ mths} )</td>
<td>2 000 (1)</td>
</tr>
<tr>
<td></td>
<td>3 500</td>
<td></td>
</tr>
<tr>
<td>Partnership salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gill Kayumba</td>
<td>5% ( \times 40 000 )</td>
<td>2 000 (1)</td>
</tr>
<tr>
<td></td>
<td>5 500</td>
<td></td>
</tr>
<tr>
<td>Residual profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5000 (1) + 7000 (1))</td>
<td>12 000</td>
<td>17 500</td>
</tr>
<tr>
<td>Share of profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Kayumba</td>
<td>2000 (1)</td>
<td>5 500</td>
</tr>
<tr>
<td>(( \frac{1}{2} \times 7000 )) (1) OF</td>
<td>5 500</td>
<td></td>
</tr>
<tr>
<td>Gill Kayumba</td>
<td>( \frac{1}{2} \times 7000 ) (1) OF</td>
<td>3 500</td>
</tr>
<tr>
<td></td>
<td>9 000</td>
<td></td>
</tr>
</tbody>
</table>

*Horizontal format acceptable* [10]
(c) (i) To reward the partner investing more capital
    To encourage partners to invest in the business

    Any 1 point (1) [1]

(ii) To discourage the partners from making drawings
    To discourage drawings early in the financial year
    To help the cash flow of the business

    Any 1 point (1) [1]

(d) Selling goods at higher prices
    Purchasing goods at lower prices
    Change in proportions of different goods

    Any 2 points (1) each [2]

(e) Year ended 31 March 2012 (1)

    The expenses/revenue were 11.90% in 2012 and 14.30% in 2013 (1)
    Although the profit for the year/revenue was higher in 2013 this was caused by an increase
    in gross profit/revenue (1) [3]

[Total: 26]