CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

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.

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.
Nathan Kershaw
Income Statement for the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from clients</td>
<td>94,060 (1)</td>
</tr>
<tr>
<td>Commission received (1050 (1) + 190 (1))</td>
<td>1,240</td>
</tr>
<tr>
<td>Wages (42,000 (1) – 7,800 (1))</td>
<td>34,200</td>
</tr>
<tr>
<td>Office expenses (6,250 (1) + 540 (1))</td>
<td>6,790</td>
</tr>
<tr>
<td>Rates and insurance (10,000 (1) – 600 (1))</td>
<td>9,400</td>
</tr>
<tr>
<td>Depreciation –</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle (25% × (12,480 – 5,460))</td>
<td>1,755 (2)</td>
</tr>
<tr>
<td>Office equipment (15% × 9,800)</td>
<td>1,470 (2)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>41,685 (1) OF</td>
</tr>
</tbody>
</table>

(b)

<table>
<thead>
<tr>
<th>Error</th>
<th>Effect on profit for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overstated $</td>
</tr>
<tr>
<td>2</td>
<td>210 (2)</td>
</tr>
<tr>
<td>3</td>
<td>10 (2)</td>
</tr>
<tr>
<td>4</td>
<td>150 (2)</td>
</tr>
</tbody>
</table>

[Total: 20]
2 (a) Valley Music Club  
Receipts and Payments Account for the year ended 28 February 2013  

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 1 Balance</td>
<td>b/d</td>
<td>3 090 (1)</td>
</tr>
<tr>
<td>Feb 28 Rent</td>
<td></td>
<td>2 200 (1)</td>
</tr>
<tr>
<td>Feb 28 Subscriptions</td>
<td>5 000 (1)</td>
<td></td>
</tr>
<tr>
<td>Subscriptions</td>
<td></td>
<td>550 (1)</td>
</tr>
<tr>
<td>Concert tickets</td>
<td></td>
<td>1 960 (1)</td>
</tr>
<tr>
<td>Sale of Instruments</td>
<td>190 (1)</td>
<td></td>
</tr>
<tr>
<td>Refreshment revenue*</td>
<td>2 750 (2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CF (1) OF</td>
</tr>
<tr>
<td></td>
<td>13 540</td>
<td>13 540</td>
</tr>
<tr>
<td>Mar 1 Balance</td>
<td>b/d</td>
<td>4 790 (1) for both balances</td>
</tr>
</tbody>
</table>

+ (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  

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2750 (1) OF</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
</tr>
<tr>
<td>Opening inventory</td>
<td>190</td>
</tr>
<tr>
<td>Purchases (950 (1) + 170 (1))</td>
<td>1120</td>
</tr>
<tr>
<td>Less Closing inventory</td>
<td>260</td>
</tr>
<tr>
<td>General expenses (¼ × 3460)</td>
<td>865 (1)</td>
</tr>
<tr>
<td>Depreciation fixtures and fittings (2600 – 2150)</td>
<td>450 (1)</td>
</tr>
<tr>
<td>Profit on café (1)</td>
<td>385 (2CF/1OF)</td>
</tr>
</tbody>
</table>

[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]
(c) Cash Book (bank columns only)

\[
\begin{array}{cccc}
 & 2013 & 2013 \\
\text{May 1 Balance b/d} & 2141 & \text{(1)} & \text{Error correction (1)} & 1000 & \text{(1)} \\
\text{Rent} & 280 & \text{(1)} & \text{Aziz & Co (1)} & 110 & \text{(1)} \\
\text{Balance c/d} & 751 & & & & \\
\hline
& 2141 & & & & \\
\end{array}
\]

2013
May 1 Balance b/d 751 (1) OF

[7]

(d) Bank Reconciliation Statement at 30 April 2013

\[
\begin{array}{ccc}
& $ & $ \\
\text{Balance shown on bank statement (1)} & 681 & \text{(1)} \\
\text{Add Cheques not credited – Khalid} & 530 & \text{(1)} \\
\hline
& 1211 & \\
\text{Less Cheques not presented – Assistant’s salary} & 450 & \text{(1)} \\
\text{Bank error (1)} & 10 & \text{(1)} & 460 \\
\text{Balance in cash book (1)} & & 751 (1) \text{OF (OF from qu 3c)} \\
\hline
\end{array}
\]

Alternative presentation

\[
\begin{array}{ccc}
& $ & $ \\
\text{Balance shown in cash book (1)} & 751 & \text{(1) OF (qu 3c)} \\
\text{Add Cheques not presented – Assistant’s salary} & 450 & \text{(1)} \\
\text{Bank error (1)} & 10 & \text{(1)} & 460 \\
\hline
& 1211 & \\
\text{Less Cheques not credited – Khalid} & 530 & \text{(1)} \\
\text{Balance on bank statement (1)} & & 681 (1) \\
\hline
\end{array}
\]

[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]
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 2,950 (1)
Credit purchases for the year 39,500 (2) CF (1) OF

(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 210 (1)
Receipts from credit customers 50,680 (2) CF (1) OF

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

Capital introduced 80,000 (1)
Receipts from credit customers 50,680 (1) OF
Non-current assets 55,000 (1)
Payments to credit suppliers 34,420 (1)
Balance at bank 30 April 2013 27,940 (1)
Expenses paid 13,320 (2) CF (1) OF

(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
(e)  

<table>
<thead>
<tr>
<th></th>
<th>Overstated</th>
<th>Understated</th>
<th>No effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year ended</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 April 2013</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year ended</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>30 April 2014</td>
<td></td>
<td>(2)</td>
<td></td>
</tr>
</tbody>
</table>

[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)

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

(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)

(g)

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

(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)

[Total: 26]