MARK SCHEME for the May/June 2013 series

0452 ACCOUNTING

0452/23  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

(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)

(c) See following page

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

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

   Any 2 items (1) each

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

   Any 2 items (1) each

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

#### Annie Rongsen – Petty Cash Book

<table>
<thead>
<tr>
<th>Total received</th>
<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>$</td>
<td>2013</td>
<td>Balance b/d</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>23</td>
<td>Mar  1</td>
<td>Bank/cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Postages</td>
<td>19</td>
<td>19 (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Taxi fares</td>
<td>16</td>
<td></td>
<td>16 (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 (1)</td>
<td>13</td>
<td>Loan repayment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Parcel post</td>
<td>4</td>
<td>4 (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>R Singh</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td>24 (1)</td>
</tr>
<tr>
<td>29</td>
<td></td>
<td>Window Cleaner</td>
<td>12</td>
<td></td>
<td></td>
<td>12 (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>Balance c/d</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>110</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>35 (1) OF</td>
<td>Apr 1</td>
<td>Balance b/d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 (1) OF</td>
<td></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

\[
\begin{array}{ll}
\text{Revenue} & 323 000 \text{ (1)} \\
\text{Cost of sales} & \\
\text{Cost of production} & 267 100 \text{ (1)} \\
\text{Purchases of finished goods} & 4 300 \text{ (1)} \\
\hline
\text{Gross profit} & 71 200 \text{ (1) OF} \\
\end{array}
\]

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)  
Ashraf Zayed  
Journal

<table>
<thead>
<tr>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income statement</td>
<td>1130</td>
</tr>
<tr>
<td>Carriage outwards</td>
<td>1130</td>
</tr>
<tr>
<td>Transfer of carriage outwards to income statement</td>
<td></td>
</tr>
<tr>
<td>Income statement</td>
<td>600</td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>600</td>
</tr>
<tr>
<td>Creation of provision for doubtful debts</td>
<td></td>
</tr>
</tbody>
</table>

[6]
(d)

Ashraf Zayed
Motor insurance account

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

2013
Mar 1 Balance b/d $90 (1) OF

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 2013</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></th>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>6,100</td>
<td>53,000</td>
</tr>
<tr>
<td>Drawings</td>
<td>43,350</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>66,000</td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
<td>1,150</td>
</tr>
<tr>
<td>Inventory</td>
<td>3,700</td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td></td>
<td>3,050</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>5,320</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>3,450</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></td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>126,720</td>
<td>126,720</td>
</tr>
</tbody>
</table>

(1) OF  (2)  (1) CF

(b)  

<table>
<thead>
<tr>
<th></th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii) General expenses</td>
<td>400</td>
<td>(1) Non-current assets 400 (1)</td>
</tr>
<tr>
<td>(iii) -</td>
<td>-</td>
<td>(1) Suspense 80 (1)</td>
</tr>
<tr>
<td>(iv) Suspense</td>
<td>100</td>
<td>(1) Purchases returns 100 (1)</td>
</tr>
<tr>
<td>(v) Suspense</td>
<td>50</td>
<td>(1) General expenses 50 (1)</td>
</tr>
</tbody>
</table>

[7]  

[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

\[
\begin{align*}
\text{Profit for the year} & \quad 24800 \\
\text{Less Debenture interest} & \quad 1600 \quad (1) \\
\text{Less Interim ordinary share dividend} & \quad 14000 \quad (1) \\
\text{Transfer to general reserve} & \quad 5000 \quad (1) \\
\text{Profit retained in the year} & \quad 4200 \quad (1) \quad \text{CF}
\end{align*}
\]

Alternative forms of presentation acceptable [4]

(b) Sildean Ltd

Balance Sheet at 30 April 2013

\[
\begin{align*}
\text{Non-current assets} & \quad \begin{array}{c|c|c}
\text{Cost} & \text{Depreciation to date} & \text{Book value} \\
206000 & 12500 & 193500 \\
\end{array} \\
\text{Current assets} & \quad \begin{array}{c|c|c}
\text{Inventory} & 16300 \quad \{1\} \\
\text{Petty cash} & 200 \quad \{1\} \\
\text{Trade receivables} & 15400 \\
\text{Provision for doubtful debts} & 462 \quad (1) \\
\end{array} \\
\text{Current liabilities} & \quad \begin{array}{c|c|c}
\text{Trade payables} & 14156 \quad \{1\} \\
\text{Bank overdraft} & 7982 \quad (1) \\
\text{Other payables (deb. int.)} & 1600 \quad (1) \\
\end{array} \\
\text{Net current assets} & \quad 7700 \quad (1) \\
\text{4% Debentures} & \quad 40000 \quad (1) \\
\text{Capital and reserves} & \quad 161200 \quad (1) \\
\text{Ordinary shares of $0.50 each} & \quad 140000 \quad (1) \\
\text{General reserve (10000 (1) + 5000(1))} & \quad 15000 \\
\text{Retained profits (2000 (1) + 4200 (1)OF)} & \quad 6200 \quad (1) \\
\end{align*}
\]

Horizontal format acceptable [10]
(c) (i) \(31.438 \text{ (OF)} : 23\,738 \text{ (OF)} \) (1) 
\(1.32 \text{ (1) OF} \) [2]

(ii) \((31\,438 \text{ (OF)} - 16\,300) : 23\,738 \text{ (OF)} \) (1) 
\(0.64 \text{ (1) (OF)} \) [2]

(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) [2]

(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 [2]

(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 [2]

(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 [2]

[Total: 26]
5 (a)

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

$      $  
Profit for the year  22 500
Add Advertising prepaid  600 (2)
   Goods taken for own use  1 000 (2)
   Motor vehicle expenses accrued  320 (2)  1 920
Less Stationery purchased  260 (2)  24 420
Corrected profit for the year  24 160 (1) O/F

Alternative forms of presentation acceptable [9]

(b)

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

$      $  
Corrected profit for the year  24 160 (1) O/F
Interest on drawings  
   Tom Kayumba  1 040
   Gill Kayumba 1 300 (1)  2 340
Interest on capital  
   Tom Kayumba  5% × 60 000 × 6 mths  1 500 (1)
   5% × 80 000 × 6 mths  2 000 (1)
   3 500
   Gill Kayumba  5% × 40 000  2 000 (1)
   5 500
Partnership salary  
   Gill Kayumba  (5000 (1) + 7000 (1))  12 000  17 500
Residual profit  
   Share of profit  
      Tom Kayumba  2000 (1) +
         (½ x 7000) (1) OF  5 500
      Gill Kayumba  ½ x 7000 (1) OF  3 500  9 000

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)

(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)

(d) Selling goods at higher prices  
    Purchasing goods at lower prices  
    Change in proportions of different goods
    
    Any 2 points (1) each

(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)
    
    [Total: 26]