Published

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1 (a) A 
(b) B 
(c) D 
(d) B 
(e) A 
(f) C 
(g) B 
(h) A 
(i) D 
(j) C [10]

2 (a) Assets – liabilities = capital (1) [1] 
   Or suitable alternative

(b) account debited account credited 
drawings (1) cash (1) [2]

(c) Decreased (1) [1]

(d) Goods for own use 
   Private expenses paid by business 
   Business asset taken over by owner 
   Any one (1) mark [1]
(e) Capital employed = owner’s capital + non-current liabilities (1)

OR

Capital employed = assets less current liabilities (1)

(f) The recording of all financial transactions in the books of account (1)

(g) Any one of:

To avoid multiple entries in the ledger
Different books of prime entry can be maintained by different people
Acts as an aid for posting to the ledger by analysing a transaction into debit and credit entry
Helps to reduce the amount of detail in the ledger as only totals are posted to the ledger
Provides evidence of transactions since they are recorded from source documents
Helps in the auditing/tracking process/facilitates cross referencing
Easy reference to source of transaction
Helps in gathering and summarising of accounting information
Groups together similar types of transactions in one book in date order

(h)

<table>
<thead>
<tr>
<th>Book of Prime (Original) Entry</th>
<th>Source Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Book</td>
<td>Cheque Counterfoil</td>
</tr>
<tr>
<td>Sales Journal</td>
<td>Sales Invoice (1)</td>
</tr>
<tr>
<td>Sales Returns Journal</td>
<td>Credit Note Issued (1)</td>
</tr>
<tr>
<td>Purchases Journal</td>
<td>Purchase Invoice (1)</td>
</tr>
<tr>
<td>Petty Cash Book</td>
<td>Voucher (1)</td>
</tr>
</tbody>
</table>

(i) Any correct answer for (1) mark

E.g. depreciation, bad debt, creation of/increase in/decrease in provision for doubtful debts, correction of error, purchase/sale of non-current asset on credit, drawings of goods etc.

(j) Duality / dual aspect (1)
3 (a) A statement comprised of revenues and expenses (1) for a specific period (1) [2]

(b) To know if he has made a profit/has an adequate return on his investment (1) [1]

c) User | Reason
--- | ---
credit supplier | to check on likelihood of being paid
manager | to see efficiency and progress of the business
bank/lender | to check on suitability for loan
government | to use in tax calculation

OR other suitable user

(1) mark for any suitable user plus related reason for (1) mark [2]

(d) To check the arithmetical accuracy of the double entry (1) [1]

OR

As a basis for the preparation of the financial statements (1)

e) | debit side | credit side
--- | --- | ---
machinery | | ✓
bank overdraft | ✓ | 
inventory | ✓ | 
capital | | ✓
purchases | ✓ | 
discount received | | ✓
carriage outwards | ✓ | 
trade receivables | ✓ | 

Any two correct answers = 1 mark [4]

(f) (i) Machinery
Inventory
Trade receivables

all 3 correct for (2) marks, any 2 correct for (1) mark [2]
(ii) Bank overdraft (1) [3]

(g) Suspense (1) [1]

(h) Any two for 2 marks: [4]

- Omission (1) transaction totally omitted from the books (1)
- Commission (1) transaction posted to wrong account of right class (1)
- Principle (1) transaction posted to account of wrong class (1)
- Original entry (1) transaction incorrectly recorded in book of prime entry (1)
- Reversal (1) debit entry posted on credit side and vice versa (1)
- Compensating (1) errors cancel one another out (1)

[Total: 18]

4 (a) $ \\

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>10000</td>
<td>2500</td>
</tr>
<tr>
<td>Year 2</td>
<td>7500</td>
<td>1875</td>
</tr>
<tr>
<td>Total</td>
<td>4375</td>
<td></td>
</tr>
</tbody>
</table>

(b) Virginia Motor vehicle account

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1 Balance b/d</td>
<td>10000 (1)</td>
<td>May 28 Disposal</td>
</tr>
<tr>
<td>May 28 Bank</td>
<td>17000 (1)</td>
<td>Dec 31 Balance c/d</td>
</tr>
<tr>
<td></td>
<td>27000</td>
<td></td>
</tr>
<tr>
<td>2016 Jan 1 Balance b/d</td>
<td>17000 (1of)</td>
<td></td>
</tr>
</tbody>
</table>

Provision for depreciation of motor vehicle account

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 28 Disposal</td>
<td>4375 (1of)</td>
<td>Jan 1 Balance b/d</td>
</tr>
<tr>
<td>Dec 31 Balance c/d</td>
<td>4250</td>
<td>Dec 31 Income statement</td>
</tr>
<tr>
<td></td>
<td>8625</td>
<td></td>
</tr>
<tr>
<td>2016 Jan 1 Balance b/d</td>
<td>4250 (1of)</td>
<td></td>
</tr>
</tbody>
</table>

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Motor vehicle disposal account

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 28</td>
<td>Motor vehicle</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>Dec 31</td>
<td>Income statement</td>
<td>$1,585</td>
<td></td>
</tr>
</tbody>
</table>

Provision for depreciation: $4,375

Cash: $7,210

11,585

+(1) for dates

(c) Statement of financial position (1) [2]

Non-current assets (1)

(d) The cost of the non-current asset and the revenues arising from its use are matched (1) in an accounting period (1) [2]

OR

The cost of the non-current asset is spread (1) over its useful life (1)

(e) Prudence (1) [1]

(f) Small items of equipment e.g. loose tools (1) [1]

[Total: 23]

5 (a) Separate legal identity from its owner (1) [max 3]
Limited liability (1)
Can issue shares to raise capital (1)
May find it easier to obtain loans/issue debentures (1)
Continuity (1)

Other reasonable answers acceptable

(b) definition | term
---|---
the value of shares which a company has requested from its shareholders | called up capital (1)
the value of shares for which the company has received cash | paid up capital (1)

[2]
AC Industries Limited
Statement of Changes in Equity for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Details</th>
<th>Share capital $</th>
<th>General reserve $</th>
<th>Retained earnings $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>On 1 April 2015</td>
<td>100 000</td>
<td>20 000</td>
<td>36 800</td>
<td>156 800</td>
</tr>
<tr>
<td>Share issue</td>
<td>10 000</td>
<td></td>
<td></td>
<td>10 000</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td>19 300</td>
<td>19 300</td>
</tr>
<tr>
<td>Dividend paid</td>
<td></td>
<td></td>
<td>(7 000)</td>
<td>(7 000)</td>
</tr>
<tr>
<td>Transfer to general reserve</td>
<td></td>
<td>5 000</td>
<td>(5 000)</td>
<td>–</td>
</tr>
<tr>
<td>On 31 March 2016</td>
<td>110 000</td>
<td>25 000</td>
<td>44 100</td>
<td>179 100</td>
</tr>
</tbody>
</table>

(1) of
(d) 

AC Industries Limited 
Statement of Financial Position at 31 March 2016 

\[
\begin{array}{ll}
\text{\$} & \\
\text{Non-current assets} & 189,800 \quad (1\text{of}) \\
\text{Current assets} & \\
\text{Inventory} & 17,800 \quad (1) \\
\text{Trade receivables} & 8,000 \quad (1) \\
\text{Total assets} & 215,600 \\
\text{Equity and reserves (1)} & \\
\text{Ordinary share capital} & 110,000 \quad \} \\
\text{General reserve} & 25,000 \quad \}(1\text{of}) \\
\text{Retained earnings} & 44,100 \quad \} \\
\text{Non-current liabilities (1)} & \\
\text{Bankloan} & 15,000 \quad (1) \\
\text{Current liabilities} & \\
\text{Trade payables} & 19,000 \quad (1) \\
\text{Bank overdraft} & 2,500 \quad (1) \\
\text{Total liabilities} & 215,600 \\
\end{array}
\]

Accept alternative presentation \[10\]

(e) To reduce the overdraft \[1\] 
To fund an increase in inventory 
To purchase new non-current assets 
Growth/expansion 
Any reasonable answer for (1) mark
(f) Quick (acid test) ratio (1)

\[
\frac{8,000}{21,500} = 0.37:1 \quad \text{(1 of)}
\]

(g) Liquidity is poor (1)

Both ratios appear low (1)
There is insufficient cash to meet current liabilities as they fall due (1)
Current assets do exceed current liabilities (1)
There is already a bank overdraft (1)
Too high a proportion of current assets is made up of inventory (1)
Trade payables are much higher than trade receivables (1)
Overdraft facilities could be withdrawn at any time (1)
Relationship with credit suppliers could be damaged (1)

Award OF for comments linked to (d) and (f)

[Total: 30]

6  (a)

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>6100</td>
</tr>
<tr>
<td>Receipts (10,100 + 3,550)</td>
<td>13,650</td>
</tr>
<tr>
<td>Payments (2,800 + 3,920 + 2,400 + 2,750 + 1,880)</td>
<td>(13,750)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>6000</td>
</tr>
</tbody>
</table>

[4]

(b)

Cambridge Club
Subscriptions account

<table>
<thead>
<tr>
<th>2015</th>
<th>$</th>
<th>2016</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 1 Balance b/d</td>
<td>200</td>
<td>(1)</td>
<td>Mar 31 Bank</td>
</tr>
<tr>
<td>2016</td>
<td>Balance c/d</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Mar 31 Income and expenditure account</td>
<td>10,000</td>
<td>(1 of)</td>
<td></td>
</tr>
<tr>
<td>10,200</td>
<td></td>
<td>10,200</td>
<td></td>
</tr>
<tr>
<td>2016 Apr 1 Balance b/d</td>
<td>100</td>
<td>(1)</td>
<td></td>
</tr>
</tbody>
</table>

+ (1) for dates

[5]
(c) Cambridge Club
Calculation of shop profit for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3 550 (1)</td>
</tr>
<tr>
<td>Opening inventory</td>
<td>710 *</td>
</tr>
<tr>
<td>Purchases 2800 (1)– 350 (1) + 510 (1)</td>
<td>2 960</td>
</tr>
<tr>
<td></td>
<td>3 670</td>
</tr>
<tr>
<td>Closing inventory</td>
<td>560 *(1) 3 110 both</td>
</tr>
<tr>
<td>Profit</td>
<td>4 40 (1of)</td>
</tr>
</tbody>
</table>

Accept alternative formats [6]

(d) Cambridge Club
Income and Expenditure Account for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriptions</td>
<td>10 000 (1of)</td>
</tr>
<tr>
<td>Shop profit</td>
<td>440 (1of)</td>
</tr>
<tr>
<td></td>
<td>10 440</td>
</tr>
</tbody>
</table>

Less: expenditure

Rent paid for sports ground 2 400 (1)
Wages of football coach 2 750 (1)
Other operating expenses 1 880 (1)
Depreciation on equipment
( 3 600 + 3 920 – 5 920 ) 1 600 (2) 8 630
Surplus 1 810 (1of)

[8]

(e) Increase the selling price (1) [max 2]
Buy cheaper goods (1)
Other valid points acceptable [Total: 25]