

**MARK SCHEME for the October/November 2011 question paper
for the guidance of teachers**

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.

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	21

1 (a) Cash Book (bank columns only)

		\$			\$		
2011				2011			
Sept 1	Rent received	200	(1)	Sept 1	Balance b/d	1052	(1)
	Error correction (1)	100	(1)		Bank charges	39	(1)
	Balance c/d	<u>791</u>	(1) C/F			<u>1 091</u>	
		<u>1 091</u>		Sept 1	Balance b/d	791	(1) O/F [7]

(b) Bank Reconciliation Statement at 31 August 2011

	\$	\$
Balance shown on bank statement (1)		(1 047) (1)
Add Amounts not credited – sales	490 (1)	
Bank error (1)	<u>50</u> (1)	<u>540</u>
		(507)
Less Cheques not yet presented –		
Omega Supply Co		<u>284</u> (1)
Balance shown in cash book (1)		<u>(791)</u> (1) O/F

Alternative presentation

Bank Reconciliation Statement at 31 August 2011

	\$	\$	
Balance shown in cash book (1)		(791) (1) O/F	
Add Cheques not yet presented –			
Omega Supply Co		<u>284</u> (1)	
		(507)	
Less Amounts not credited – sales	490 (1)		
Bank error (1)	<u>50</u> (1)	<u>540</u>	
Balance shown on bank statement (1)		<u>(1047)</u> (1)	[8]

(c) $\frac{1790}{15\ 500} \times \frac{365}{1} = 42.15 \text{ days} = 43 \text{ days}$ (1) [2]

(d) Unsatisfied if O/F in (c) over 30 days (1)
They are not receiving the amount due within the period of credit allowed (2)

Or

Satisfied if O/F in (c) is 30 days or below (1)
They are receiving the amount due within the period of credit allowed (2) [3]

(e) May be able to take advantage of cash discounts
Improve the relationship with suppliers

Or other suitable comment

Any two points (1) each [2]

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	21

(f) The business is deprived of the use of the money earlier than necessary

Or other suitable comment

Any one point (1)

[1]

(g) At the end of the period the chief cashier will make up the cash remaining so that it is equal to the imprest amount **(2)**

[2]

(h)

		Debit or credit	Name of account
(i)	Total of sundry expenses column	<i>Debit</i>	<i>Sundry expenses account</i>
(ii)	Cash received to restore the imprest	Credit (1)	Cash account (cash book) (1)
(iii)	Cash received from employee for cost of personal telephone calls	Credit (1)	Telephone expenses account (1)

[4]

[Total: 29]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	21

2 (a)

Oasis Trading Co Ltd
Balance Sheet at 31 August 2011

	\$	\$	\$
Non-current Assets at cost			230 000
Less Provision for depreciation			<u>69 000</u>
			161 000 (1)
Current Assets			
Inventory		36 500	}(1)
Petty cash		100	}
Trade receivables	18 400		
Less Provision for doubtful debts	<u>368</u>	<u>18 032</u>	(1)
		54 632	
Current Liabilities			
Trade payables	17 950	}(1)	
Bank overdraft	8 942	}	
Other payables – proposed dividends (2 000 (1) + 6 000 (1))	<u>8 000</u>	<u>34 892</u>	
Net current assets			<u>19 740</u> (1)O/F
			180 740
Non-current Liabilities			
4% Debentures			<u>20 000</u> (1)
			<u>160 740</u>
Capital and Reserves			
5% Preference shares of \$1 each			40 000 (1)
Ordinary shares of \$0.50 each			100 000 (1)
General reserve (9 000 (1) + 3 000 (1))			12 000
Retained profits (4 000 (1) + 4 740 (1))			<u>8 740</u>
			<u>160 740</u>

Horizontal format acceptable [14]

(b) \$70 000 [2]
(\$20 000 preference shares + \$50 000 ordinary shares)

(c) (i) Debentures [1]
Long term loans
Mortgage
Any one comment (1)

(ii) Payment of fixed annual interest for duration of loan [1]
Creation of a further liability for the company
Any one comment (1)

(d) (i) Included (1) [2]
Is an appropriation of the profit for the year (1)

(ii) Not included (1) [2]
Is not a liability (1)
OR it will have been paid during the year (1)

[Total: 22]

3 (a)

Journal	Debit \$	Credit \$	
Office equipment	360		(1)
Office expenses (repairs to equipment)	30		(1)
ComputeK		390	(1)
Purchase of new computer and repairs to old computer			(1)

[4]

(b) A double entry has been made for the transaction.

Or suitable explanation

[2]

(c)

Journal	Debit \$	Credit \$	
Drawings	400		(1)
Purchases		400	(1)
Goods taken at cost price for personal use			(1)

[3]

(d) Goods for personal use have been removed from those for re-sale. This will reduce the amount owed by the business to the owner.

Or other suitable explanation

[2]

(e)

Journal	Debit \$	Credit \$	
Income statement	200		(1)
Provision for doubtful debts		200	(1)
Creation of provision for doubtful debts			(1)

[3]

(f) Creating a provision for doubtful debts ensures that the profit is not overstated (1)
the trade receivables are not overstated in the balance sheet (1)

Or other suitable explanation

[2]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	21

- (g) Obtain references from new credit customers
 Fix a credit limit for each customer
 Issue invoices and statements promptly
 Follow up overdue accounts promptly
 Supply goods on a cash basis only
 Refuse further supplies until outstanding balance is paid

Or other suitable points

Any 2 points (1) each

[2]

(h)

	Increase	Decrease	No effect
(i) Total expenses for the year	✓ (1)		
(ii) Profit for the year		✓ (1)	
(iii) Closing credit balance on capital account		✓ (1)	
(iv) Amount owing by trade receivables			✓ (1)

[4]

[Total: 22]

4 (a)

Deira Road Sailing Club
 Shop Income Statement for the year ended 30 September 2011

	\$	\$
Receipts from sales		5 492 (1)
Less Cost of sales		
Opening inventory	270 (1)	
Purchases (3 150 (1) + 340 (1))	<u>3 490</u>	
	3 760	
Less Closing inventory	<u>310 (1)</u>	
	3 450	
Shop assistant's wages	480 (1)	
Shop rent (25% × 2 600)	<u>650 (1)</u>	4 580
Profit for the year		<u>912 (1)O/F</u>

Horizontal format acceptable

[8]

Page 7	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	21

(b) Deira Road Sailing Club
Income and Expenditure Account for the year ended 31 September 2011

	\$	\$
Income		
Subscriptions (3 060 (1) – 450 (1) – 360(1))		2 250
Profit for the year on the shop		912 (1)O/F
Sailing competition – Entrance fees	586 (1)	
Less expenses	<u>292 (1)</u>	<u>294</u>
		3 456
Expenditure		
Wages sailing tutor	940 (1)	
Rent (75% × 2 600)	1 950 (1)	
General expenses (230 (1) + 26 (1))	256	
Insurance (800 (1) + 190 (1) – 200 (1))	790	
Depreciation of equipment (20% × (4 400 + 1 500))	<u>1 180 (2)</u>	<u>5 116</u>
Deficit for the year		<u>1 660 (1)O/F</u>

Horizontal format acceptable

[16]

[Total: 24]

- 5 (a)** Less risk of errors
Less risk of fraud
Easier to refer to previous transactions
Financial position can be ascertained
Easier to prepare financial statements
Easier to make business decisions
Easier to calculate accounting ratios

Or other acceptable point

Any two points (2) each

[4]

(b) (i) Calculation of credit sales

	\$
Cheques received from customers	7 995 (1)
Discounts allowed	205 (1)
Bad debts written off	180 (1)
Amounts owing on 31 July 2011	<u>8 020 (1)</u>
	16 400
Less Amounts owing on 1 August 2010	<u>7 450 (1)</u>
Credit sales	<u>8 950 (1)O/F</u>

[6]

(ii) Calculation of credit purchases

	\$
Cheques paid to suppliers	3 920 (1)
Discounts received	80 (1)
Amounts owing on 31 July 2011	<u>5 550 (1)</u>
	9 550
Less Amounts owing on 1 August 2010	<u>4 390 (1)</u>
Credit purchases	<u>5 160 (1)O/F</u>

[5]

Alternative calculations on next page

Page 8	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	21

(b) Alternative presentations

(i) Credit sales

Total trade receivables account

		\$			\$
2010			2011		
Aug 1	Balance b/d	7 450 (1)	July 31	Bank	7 995 (1)
2011				Discounts allowed	205 (1)
July 31	Sales *	8 950 (1)O/F		Bad debts	180 (1)
				Balance c/d	<u>8 020 (1)</u>
		<u>16 400</u>			<u>16 400</u>
2011					
Aug 1	Balance b/d	8 020			

Three column running balance account acceptable

[6]

(ii) Credit purchases

Total trade payables account

		\$			\$
2011			2010		
July 31	Bank	3 920 (1)	Aug 1	Balance b/d	4 390 (1)
	Discounts received	80 (1)	2011		
	Balance c/d	<u>5 550 (1)</u>	July 31	Purchases *	<u>5 160 (1)O/F</u>
		<u>9 550</u>			<u>9 550</u>
			2011		
			Aug 1	Balance b/d	5 550

Three column running balance account acceptable

[5]

- (c) To apply the prudence principle (1)**
To avoid overstating the assets (1)
To avoid overstating the profit for the year (1)

Or other relevant comment

Any 2 points (1) each

[2]

(d)

		overstated		understated		no effect
(i)	net profit for the year ended 31 July 2010	✓	\$ 250	–	\$ –	–
(ii)	capital employed at 31 July 2010	✓ (1)	250 (1)			
(iii)	gross profit for the year ended 31 July 2011			✓ (1)	250 (1)	
(iv)	current assets at 31 July 2011					✓ (2)

[6]

[Total: 23]