

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

**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.

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1 (a)

Mai Wang Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
		\$	\$	\$			\$	\$	\$
2011 July 1	Balance b/d		250		2011 July 1	Balance b/d			4 500
2	Sales (1)		42	300	15	Drawings (1)			500
9	Mark Fu (1)	3		147	23	Sally Tan (1)	12		468
30	Cash (1)			192	29	Mulyani Ltd (dishonoured cheque) (1)			330
31	Balance c/d			5 159	30	Bank (1)		192	
					31	Balance c/d		100	
		3	292	5 798			12	292	5 798
2011 Aug 1	Balance b/d (1)O/F		100		2011 Aug 1	Balance b/d (1)O/F			5 159

+ (1) dates

[10]

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(b) \$5 159 (1)O/F  
Liability (1)O/F [2]

(c) (i) A statement prepared by the trader (1) to explain why the balance on the bank column in the cash book differs from the balance on the bank statement (1) [2]

(ii) Cheques received by the trader and recorded in the cash book but which have not yet been recorded as being received by the bank [2]

(iii) Cheques paid by the trader and recorded in the cash book but which have not yet been recorded as being paid by the bank [2]

[Total: 18]

2 (a)		\$	
	Profit for the year before preference share dividend	174 000	
	Less Preference share dividend	<u>4 000</u> (2)	
	Profit for the year after preference share dividend	<u>170 000</u> (1)	[3]

(b) Kapiti Ltd  
Profit and Loss Appropriation Account for the year ended 31 August 2011

	\$	\$
Profit for the year		170 000 (1)O/F
Less Transfer to general reserve	25 000 (1)	
Dividends paid – Ordinary	20 000 (2)	
Dividends proposed – Ordinary	<u>40 000</u> (2)	<u>85 000</u>
Profit retained in the year		85 000 (1)
Retained profit brought forward		<u>90 000</u> (1)
Retained profit carried forward		<u>175 000</u> (1)O/F

**Horizontal format acceptable** [9]

(c) (i) general reserve \$113 000 (1)

(ii) retained profit \$175 000 (1)O/F [2]

(d) Interim ordinary share dividend will not appear in the balance sheet (1)

This has already been paid (1) and so is no longer a liability (1) [3]

(e) The liability of the member (shareholders) of a company for the debts of the company is limited to the amount they agree to pay the company for their shares [2]

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- (f) (i) Preference shareholders receive a fixed rate of dividend  
Preference share dividend is payable before ordinary share dividend  
Preference shareholders are members of the company  
Preference shares are part of the capital of the company  
Preference shareholders are repaid before ordinary shareholders in the event of the company being wound up  
Preference shareholders are not usually entitled to vote at shareholders' meetings

**Or other relevant point**

**Any 2 points (2) each** [4]

(ii) \$20 000 [1]

(iii) \$1 000 [1]

- (iv) Reduction in profit available for ordinary shareholders  
Prior claim on the assets of the company in the event of a winding up

**Or other relevant point**

**Any one point (2)** [2]

**[Total: 27]**

- 3 (a) Assist in the location of errors  
Provide instant totals of trade receivables and trade payables  
Proves the arithmetical accuracy of the sales/purchases ledgers  
Enable a balance sheet to be prepared quickly  
Provide a summary of the transactions relating to trade receivables and trade payables  
Provide an internal check on sales/purchases ledgers – may reduce fraud

**Or other relevant points**

**Any 2 points (1) each** [2]

- (b) Overpayment of amount due by a debtor  
Cash discount not deducted by debtor before payment made  
Goods returned by debtor after payment of amount due  
Payment made in advance by debtor

**Any 1 point (1)** [1]

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(c)

Ajit Singh  
Sales ledger control account

		\$			\$		
2011			2011				
Oct	1	Balance b/d	15 940	Oct	31	Bank	15 252 (1)
	31	Sales	14 820 (1)			Discounts allowed	355 (1)
		Interest on overdue account	10 (1)			Sales returns	1 280 (1)
		Balance c/d	100 (1)			Bad debts	105 (1)
						Contra entry	485 (1)
						Balance c/d	<u>13 393 (1)</u>
			<u>30 870</u>				<u>30 870</u>
2011				2011			
Nov	1	Balance b/d	13 393 (1)	Nov	1	Balance b/d	100 (1)O/F

**+(1) for dates** **[12]**

**Alternative presentation**

Ajit Singh  
Sales ledger control account

		Debit \$	Credit \$	Balance \$	
2011					
Oct	1	Balance	15 940	15 940	Dr
	31	Sales	14 820 (1)	30 760	Dr
		Interest on overdue account	10 (1)	30 770	Dr
		Bank		15 518	Dr
		Discounts allowed		15 163	Dr
		Sales returns		13 883	Dr
		Bad debts		13 778	Dr
		Contra entry		13 293	Dr
		Balances	13 393 (1)	13 293	Dr (2)O/F

**+ (1) for dates** **[12]**

(d)  $\frac{13\,393 \text{ O/F}}{165\,900} \times \frac{365}{1} = 29.47 \text{ days} = 30 \text{ days (1)O/F}$  **[2]**

(e) Satisfied if O/F in (d) 30 days or below (1)  
He is receiving the amount due within period of credit allowed (2)

**Or**

Unsatisfied if O/F in (d) above 30 days (1)  
He is not receiving the amount due within period of credit allowed (2) **[3]**

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- (f) Can use the money to pay the trade payables  
 Can use the money within the business  
 May reduce a bank overdraft  
 May reduce the need for a bank overdraft  
 Reduces the risk of bad debts

**Or other relevant point**

**Any 1 point (1)**

**[1]**

**[Total: 21]**

- 4 (a) Ahmed El Din  
 Manufacturing Account for the year ended 30 September 2011

	\$	\$
Cost of raw materials		
Opening inventory of raw materials	17 300	
Purchases of raw materials	<u>203 300</u> (1)	220 600
Closing inventory of raw materials		<u>19 400</u>
		201 200 (1)
Direct factory wages		
(199 500 (1) + 2 750 (1) – 2 300 (1))		<u>199 950</u>
Prime cost		401 150 (1)
Factory indirect wages	42 600 (1)	
Factory general expenses		
(122 400 (1) – 250 (1))	122 150	
Depreciation factory machinery		
(132 500 + 5 900 (1) – 124 000 (1))	<u>14 400</u>	<u>179 150</u>
		580 300 (1)O/F
Add Opening work in progress	9 200	
Less Closing work in progress	<u>10 400</u>	<u>(1 200)</u> (1)
Cost of production		<u>579 100</u> (1)O/F

**Horizontal format acceptable**

**[14]**

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(b) Ahmed El Din  
Income Statement for the year ended 30 September 2011

	\$	\$	\$
Revenue			858 000 (1)
Less Cost of sales			
Opening inventory finished goods		29 300 (1)	
Cost of production	579 100 (1)O/F		
Less Goods for own use	<u>900 (1)</u>	<u>578 200</u>	
		607 500	
Less Closing inventory of finished goods		<u>31 200 (1)</u>	<u>576 300</u>
Gross profit			<u>281 700 (1)O/F</u>

**Horizontal format acceptable** [6]

(c) **Either** The profit should not be overstated  
**Or** All possible losses should be provided for (1)

Example **Either** Inventories were valued at the lowest figure  
**Or** Depreciation of the factory machinery was included (1) [2]

(d) Revenue of the accounting period must be matched against the costs of the same period (1)

Example **Either** Direct wages due at year end were added  
**Or** Direct wages due at start of year were deducted  
**Or** General expenses prepaid at year end were deducted  
**Or** Loss in value of machinery was included in overheads (1) [2]

(e) The business is treated as being separate from the owner of the business (1)

Example Goods taken by owner were deducted (1) [2]

[Total: 26]

5 (a) Selling goods at higher prices  
Reducing the rate of trade discount  
Passing on increased costs to customers  
Buying goods at cheaper prices

**Or other suitable point**

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

(b) Increase in the gross profit percentage  
Reduction in expenses  
Increase in other income

**Or other suitable point**

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

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- (c) (i) Year ended 31 July 2010  
 $21\% - 10\% = 11\%$  (1)
- (ii) Year ended 31 July 2011  
 $25\% - 11\% = 14\%$  (1) [2]
- (d) Percentage of expenses has increased (1)  
The efficiency of the business in controlling expenses has decreased (2)
- Or other suitable answer based on O/F answers to (c)** [3]
- (e)  $(4\,500 + 3\,800 + 50 + 1\,000) : 5\,600$   
 $= 9\,350 : 5\,600$  (1)  
 $= 1.67:1$  (1) [2]
- (f)  $(3\,800 + 50 + 1\,000) : 5\,600$   
 $= 4\,850 : 5\,600$  (1)  
 $= 0.87:1$  (1) [2]
- (g) Unsatisfied (1)
- The ratio has decreased. It is now below 1:1  
She cannot pay her immediate liabilities from her liquid assets  
She is relying on the sale of stock to be able to pay her immediate liabilities
- Any two points (1) each**
- Accept alternative answers based on O/F answer to (f)** [3]
- (h) 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 not difficulty in obtaining further supplies
- Or other suitable explanation**
- Any 1 point (2)** [2]
- (i) (ii) Effect Working capital decreases by \$20 (1)  
Explanation Current assets decrease by \$20 as petty cash decreases. There is no change in the current liabilities. (1)
- (iii) Effect Working capital increases by \$10 (1)  
Explanation The current assets decrease by \$240 and the current liabilities decrease by \$250. (1)
- (iv) Effect Working capital decreases by \$40 (1)  
Explanation The current assets decrease by \$40 as the inventory decreases by \$270 and the cash increases by \$230. There is no change in the current liabilities. (1) [6]



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- (j) (i) Bank manager  
Prospects of any requested loan/overdraft being repaid when due  
Prospects of any interest on loan/overdraft being paid when due  
Security available to cover any loan/overdraft
- (ii) Employee  
Ability of business to continue operating  
Prospects for jobs and wages
- (iii) Supplier of goods on credit  
Assessment of liquidity position  
Identifying how long it takes the business to pay creditors  
Identifying future prospects of the business  
Establishing a credit limit
- (iv) Potential purchaser of the business  
Profitability of the business  
Value of the assets of the business

**Or other suitable reason in each case**

**Any 1 acceptable reason for each person**

**[4]**

**[Total: 28]**