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**ACCOUNTING****0452/13**

Paper 1

**October/November 2018**

MARK SCHEME

Maximum Mark: 120

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**Published**

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **20** printed pages.

**PUBLISHED****Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1(a)	C	<b>1</b>
1(b)	B	<b>1</b>
1(c)	B	<b>1</b>
1(d)	C	<b>1</b>
1(e)	A	<b>1</b>
1(f)	D	<b>1</b>
1(g)	A	<b>1</b>
1(h)	D	<b>1</b>
1(i)	D	<b>1</b>
1(j)	B	<b>1</b>

Question	Answer	Marks
1	<p>Glossary</p> <p><b>(c)</b> A <math>20\% \cdot (23\,000 - 4\,600)</math>            B <math>20\% \cdot 23\,000</math>            C <math>(20\% \cdot 18\,400) + 4\,600</math>            D <math>(20\% \cdot 23\,000) + 4\,600</math></p> <p><b>(d)</b> A <math>CA_s - CL_s = (35 + 29) - (9 + 25)</math>            B <math>Net\ As - LTL_s = (121 + 35 + 29 - 9 - 25) - 70</math>            C <math>Total\ As - CL_s = (121 + 35 + 29) - (9 + 25)</math>            D <math>Total\ As = 121 + 35 + 29</math></p> <p><b>(f)</b> A <math>42\,150 - 2\,120 - 2\,840</math>            B <math>42\,150 + 2\,120 - 2\,840</math>            C <math>42\,150 + 2\,840 - 2\,120</math>            D <math>42\,150 + 2\,120 + 2\,840</math></p> <p><b>(g)</b> A <math>(\frac{2}{3} \cdot 14\,700 - 9\,000) + 9\,000 - 2\,100</math>            B <math>(\frac{2}{3} \cdot 14\,700 - 9\,000) + 9\,000 + 2\,100</math>            C <math>(\frac{2}{3} \cdot 14\,700) + 9\,000 - 2\,100</math>            D <math>(\frac{2}{3} \cdot 14\,700) + 9\,000 + 2\,100</math></p>	

Question	Answer	Marks															
2(a)	Total resources provided by the owner for the business/amount the business owes the business owner Allow the amount the owner has invested, but not capital invested. Do not award for just the equation.	<b>1</b>															
2(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">transaction</th> <th style="width: 33%;">account to be debited</th> <th style="width: 33%;">account to be credited</th> </tr> </thead> <tbody> <tr> <td>obtained loan from bank</td> <td>Bank/cash at bank <b>(1)</b></td> <td>loan <b>(1)</b></td> </tr> <tr> <td>purchased office fixtures by cheque</td> <td>office fixtures <b>(1)</b></td> <td>Bank/cash at bank <b>(1)</b></td> </tr> <tr> <td>sold computer for cash</td> <td>Cash/cash in hand <b>(1)</b></td> <td>sales <b>(1)</b></td> </tr> <tr> <td>took printer for personal use</td> <td>drawings <b>(1)</b></td> <td>purchases <b>(1)</b></td> </tr> </tbody> </table>	transaction	account to be debited	account to be credited	obtained loan from bank	Bank/cash at bank <b>(1)</b>	loan <b>(1)</b>	purchased office fixtures by cheque	office fixtures <b>(1)</b>	Bank/cash at bank <b>(1)</b>	sold computer for cash	Cash/cash in hand <b>(1)</b>	sales <b>(1)</b>	took printer for personal use	drawings <b>(1)</b>	purchases <b>(1)</b>	<b>8</b>
transaction	account to be debited	account to be credited															
obtained loan from bank	Bank/cash at bank <b>(1)</b>	loan <b>(1)</b>															
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sold computer for cash	Cash/cash in hand <b>(1)</b>	sales <b>(1)</b>															
took printer for personal use	drawings <b>(1)</b>	purchases <b>(1)</b>															
2(c)	Check the arithmetical accuracy of the double entry Assist in preparation of financial statements <b>Any 1 reason</b> Do not allow just accuracy or references to ledgers	<b>1</b>															

Question	Answer	Marks																											
2(d)	<table border="1" data-bbox="730 229 1543 855"> <thead> <tr> <th></th> <th>debit column</th> <th>credit column</th> </tr> </thead> <tbody> <tr> <td>capital</td> <td></td> <td>✓</td> </tr> <tr> <td>drawings</td> <td>✓</td> <td></td> </tr> <tr> <td>provision for depreciation</td> <td></td> <td>✓</td> </tr> <tr> <td>carriage inwards</td> <td>✓</td> <td></td> </tr> <tr> <td>carriage outwards</td> <td>✓</td> <td></td> </tr> <tr> <td>rent received</td> <td></td> <td>✓</td> </tr> <tr> <td>stationery</td> <td>✓</td> <td></td> </tr> <tr> <td>sales returns</td> <td>✓</td> <td></td> </tr> </tbody> </table> <p><b>Each two correct items (1)</b></p>		debit column	credit column	capital		✓	drawings	✓		provision for depreciation		✓	carriage inwards	✓		carriage outwards	✓		rent received		✓	stationery	✓		sales returns	✓		<b>4</b>
	debit column	credit column																											
capital		✓																											
drawings	✓																												
provision for depreciation		✓																											
carriage inwards	✓																												
carriage outwards	✓																												
rent received		✓																											
stationery	✓																												
sales returns	✓																												
2(e)	<p>Error of commission Any suitable example such as crediting X instead of Y, debiting rent instead of rates <b>(1)</b></p> <p>Error of omission Any suitable example of transaction completely omitted from books, for example, payment of insurance completely missed out <b>(1)</b></p> <p>Compensating errors Any suitable example such as overcasting sales by \$100 and overcasting purchases by \$100 <b>(1)</b></p>	<b>3</b>																											
2(f)	<p>Capital expenditure <b>(1)</b> Revenue expenditure <b>(1)</b></p>	<b>2</b>																											

Question	Answer			Marks
2(g)		Income Statement	Statement of Financial Position	<b>4</b>
	purchase of motor vehicle		✓(1)	
	charge for delivering motor vehicle		✓(1)	
	insurance for motor vehicle	✓(1)		
	fuel for motor vehicle	✓(1)		



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Question	Answer	Marks																																																																																																																								
3(a)	Lefika  Cash Book	<b>12</b>																																																																																																																								
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	<p> <b>+ (1) dates</b> need all dates but do not have to bring balances down  <b>+ (1) totalling discount columns</b>                      Do not award non current asset for sale of non current asset in lieu of disposal                      Need correct label and amount(s) for 1 mark                      Must have bal c/d amount to gain bal b/d mark                 </p>																																																																																																																									

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3(b)	<p style="text-align: center;">Lefika                      Bank Reconciliation Statement at 31 August 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 15%; text-align: right;">\$</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">\$</td> <td style="width: 15%;"></td> </tr> <tr> <td>Balance shown on bank statement</td> <td></td> <td></td> <td style="text-align: right;">(812)</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Add Amounts not credited –</td> <td>Sales</td> <td style="text-align: right;">153</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td>Cash</td> <td style="text-align: right;">150</td> <td></td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td>Cheque not credited –</td> <td>Nyack</td> <td style="text-align: right;"><u>282</u></td> <td></td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>585</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">(227)</td> <td></td> </tr> <tr> <td>Less cheques not yet presented –</td> <td>Tebago</td> <td></td> <td style="text-align: right;">(273)</td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td>Balance shown in cash book</td> <td></td> <td></td> <td style="text-align: right;"><u>(500)</u></td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> </table>		\$		\$		Balance shown on bank statement			(812)	<b>(1)</b>	Add Amounts not credited –	Sales	153		<b>(1)</b>		Cash	150		<b>(1)OF</b>	Cheque not credited –	Nyack	<u>282</u>		<b>(1)OF</b>				<u>585</u>					(227)		Less cheques not yet presented –	Tebago		(273)	<b>(1)OF</b>	Balance shown in cash book			<u>(500)</u>	<b>(1)OF</b>	<b>6</b>
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3(b)	<p><b>Alternative presentation</b></p> <p style="text-align: center;">Lefika Bank reconciliation Statement at 31 August 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td style="padding-left: 20px;">Balance shown in cash book</td> <td></td> <td style="text-align: right;">(500)</td> <td></td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td style="padding-left: 20px;">Add Cheques not yet presented</td> <td style="padding-left: 20px;">Tebago</td> <td></td> <td style="text-align: right;"><u>273</u></td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td style="padding-left: 20px;">–</td> <td></td> <td></td> <td style="text-align: right;">(227)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Less amounts not credited –</td> <td style="padding-left: 20px;">Sales</td> <td style="text-align: right;">153</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td style="padding-left: 20px;">Cash</td> <td style="text-align: right;">150</td> <td></td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td style="padding-left: 20px;">Cheques not credited –</td> <td style="padding-left: 20px;">Nyack</td> <td style="text-align: right;"><u>282</u></td> <td style="text-align: right;"><b>(1)OF</b></td> <td style="text-align: right;">(585)</td> </tr> <tr> <td style="padding-left: 20px;">Balance shown on bank statement</td> <td></td> <td></td> <td style="text-align: right;"><u>(812)</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> </table>		\$	\$			Balance shown in cash book		(500)		<b>(1)OF</b>	Add Cheques not yet presented	Tebago		<u>273</u>	<b>(1)OF</b>	–			(227)		Less amounts not credited –	Sales	153		<b>(1)</b>		Cash	150		<b>(1)OF</b>	Cheques not credited –	Nyack	<u>282</u>	<b>(1)OF</b>	(585)	Balance shown on bank statement			<u>(812)</u>	<b>(1)</b>	
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3(c)	<p>Work can be shared amongst several people/division of work Easier for reference as same type of accounts are kept together/locate details of transactions Easier to introduce checking procedures Reduce possibility of fraud <b>Or other suitable advantage</b> <b>Any one advantage (1)</b></p>	<b>1</b>																																								
3(d)	<p>(i) sales/trade receivables ledger (1) (ii) nominal (general) ledger (1) (iii) nominal (general) ledger (1) (iv) purchases/trade payables ledger (1)</p>	<b>4</b>																																								

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Question	Answer						Marks																																			
4(a)	Ava Bad debts recovered account						<b>14</b>																																			
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Question	Answer	Marks
4(b)	Prudence Accruals (matching) Consistency <b>Any two (1) each</b>	<b>2</b>
4(c)	Both years are within the credit period allowed Slight improvement in 2018/or collection period has decreased Risk of bad debts is reduced by prompt payment Assists cash flow of business Allows funds to be available for payment of trade payables/running costs No cash discount will be allowed <b>Or other relevant comments</b> <b>Any two comments (1) each</b>	<b>2</b>
4(d)	Eliminates possibility of bad debts Improves cash flow/better liquidity Customers may go to other agencies where credit terms are available/sales decrease Reduce provision for doubtful debts Trade receivables will reduce/not exist <b>Or other relevant comments</b> <b>Any two comments (1) each</b>	<b>2</b>

Question	Answer	Marks																								
5(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Calculation of sales</td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td>Cheques received from trade receivables</td> <td style="text-align: right;">47 970</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">1 230</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts written off</td> <td style="text-align: right;">115</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade receivables at 30 September 2018</td> <td style="text-align: right;"><u>3 305</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">52 620</td> <td></td> </tr> <tr> <td>Less Trade receivables at 1 October 2017</td> <td style="text-align: right;"><u>4 620</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;"><u>48 000</u></td> <td style="text-align: right;">(1)</td> </tr> </table>	Calculation of sales	\$		Cheques received from trade receivables	47 970	(1)	Discount allowed	1 230	(1)	Bad debts written off	115	(1)	Trade receivables at 30 September 2018	<u>3 305</u>	(1)		52 620		Less Trade receivables at 1 October 2017	<u>4 620</u>	(1)	Sales	<u>48 000</u>	(1)	<b>6</b>
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Question	Answer						Marks
5(a)	<b>Alternative presentation</b>						
	Total trade receivables account						
	Date	Details	\$	Date	Details	\$	
	2017			2018			
	Oct 1	Balance b/d	(1) 4 620	Sept 30	Bank	(1) 47 970	
	2018				Discount allowed	(1) 1 230	
	Sept 30	Sales	(1)OF 48 000		Bad debts	(1) 115	
			<u>52 620</u>		Balance c/d	(1) 3 305	
						<u>52 620</u>	
	No aliens allowed for OF sales						



Question	Answer	Marks																																													
5(b)	<p style="text-align: center;">Khalid</p> <p style="text-align: center;">Income Statement (Trading Account section) for the year ended 30 September 2018</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 40px;">Revenue</td> <td></td> <td></td> <td style="text-align: right;">48 000</td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> <tr> <td style="padding-left: 40px;">Cost of sales</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 60px;">Opening inventory</td> <td></td> <td style="text-align: right;">3 100</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td style="padding-left: 60px;">Purchases</td> <td></td> <td style="text-align: right;">39 200</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">42 300</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Closing inventory on premises</td> <td style="text-align: right;">1 500</td> <td></td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td style="padding-left: 80px;">destroyed</td> <td style="text-align: right;"><u>2 400</u></td> <td style="text-align: right;"><b>(1)OF</b></td> <td style="text-align: right;"><u>3 900</u></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Gross profit</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">9 600</td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> </tbody> </table>		\$	\$	\$		Revenue			48 000	<b>(1)OF</b>	Cost of sales					Opening inventory		3 100		<b>(1)</b>	Purchases		39 200		<b>(1)</b>			42 300			Closing inventory on premises	1 500			<b>(1)</b>	destroyed	<u>2 400</u>	<b>(1)OF</b>	<u>3 900</u>		Gross profit			9 600	<b>(1)OF</b>	<b>7</b>
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5(c)(i)	$\frac{38\,400 \text{ OF}}{(3\,100 + 3\,900) \text{ OF} \div 2} = \frac{38\,400 \text{ OF(1) whole formula}}{3\,500 \text{ OF}} = 10.97 \text{ times (1) OF}$	<b>2</b>																																													
5(c)(ii)	The number of times the inventory is sold and replaced in the financial year <b>(1)</b>	<b>1</b>																																													

Question	Answer			Marks
5(d)		debit entry	credit entry	<b>5</b>
	opening balance owed to credit suppliers		✓(1)	
	credit purchases		✓(1)	
	cheques paid to credit suppliers	✓(1)		
	cash discount received	✓(1)		
	contra between sales and purchases ledgers	✓(1)		

Question	Answer		Marks																					
6(a)	<p style="text-align: center;">FW Limited Extract from Statement of Financial Position at 30 September 2018</p> <p style="text-align: center;">\$</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Equity and reserves</td> <td style="width: 20%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Ordinary share capital (100 000 + 50 000)</td> <td style="text-align: right;">150 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General reserve (15 000 + 5 000)</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Retained earnings (7 000 + 28 000 (1) – 5 000 (1) – 9 000 (1))</td> <td style="text-align: right;"><u>21 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>191 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Non-current liabilities</td> <td></td> <td></td> </tr> <tr> <td>5% Debentures (repayable 2024)</td> <td style="text-align: right;"><u>40 000</u></td> <td style="text-align: right;">(1)</td> </tr> </table>		Equity and reserves			Ordinary share capital (100 000 + 50 000)	150 000	(1)	General reserve (15 000 + 5 000)	20 000	(1)	Retained earnings (7 000 + 28 000 (1) – 5 000 (1) – 9 000 (1))	<u>21 000</u>			<u>191 000</u>	(1)	Non-current liabilities			5% Debentures (repayable 2024)	<u>40 000</u>	(1)	<b>7</b>
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6(b)(i)	Owners of the share capital of a limited liability company (1)		<b>1</b>																					
6(b)(ii)	The liability of shareholders for the debts of the company is limited to the amount they agree to pay for their shares (1)		<b>1</b>																					

Question	Answer	Marks										
6(c)(i)	<table border="1" data-bbox="618 229 1655 660"> <thead> <tr> <th data-bbox="618 229 1137 296">ordinary shares</th> <th data-bbox="1137 229 1655 296">preference shares</th> </tr> </thead> <tbody> <tr> <td data-bbox="618 296 1137 363">dividend rate varies</td> <td data-bbox="1137 296 1655 363">dividend is fixed percentage</td> </tr> <tr> <td data-bbox="618 363 1137 462">rank after preference shares for dividend</td> <td data-bbox="1137 363 1655 462">rank before ordinary shares for dividend</td> </tr> <tr> <td data-bbox="618 462 1137 561">rank after preference shares in a winding-up</td> <td data-bbox="1137 462 1655 561">rank before ordinary shares in a winding-up</td> </tr> <tr> <td data-bbox="618 561 1137 660">can vote at the annual general meeting</td> <td data-bbox="1137 561 1655 660">cannot vote at the annual general meeting</td> </tr> </tbody> </table> <p data-bbox="338 695 674 727"><b>Any one comparison (2)</b></p>	ordinary shares	preference shares	dividend rate varies	dividend is fixed percentage	rank after preference shares for dividend	rank before ordinary shares for dividend	rank after preference shares in a winding-up	rank before ordinary shares in a winding-up	can vote at the annual general meeting	cannot vote at the annual general meeting	<b>2</b>
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6(c)(ii)	<p data-bbox="338 762 1093 895">Get a fixed return Have priority over ordinary shares for the interest/dividend Have priority over ordinary shareholders in a winding-up Cannot vote at the annual general meeting</p> <p data-bbox="338 898 674 963"><b>Or other suitable point</b> <b>Any two points (1) each</b></p>	<b>2</b>										
6(d)	<p data-bbox="338 999 1697 1098">Proposal 1 Effect on profit – decrease of \$3 000 <b>(1)</b> Reason – debenture interest is an expense in the income statement/or deducted from operating profit <b>(1)</b></p> <p data-bbox="338 1133 1720 1232">Proposal 2 Effect on profit – no effect <b>(1)</b> Reason – ordinary shares dividend is an appropriation of profit not an expense in the income statement <b>(1)</b></p>	<b>4</b>										
6(e)	<p data-bbox="338 1270 1173 1369">(42 000 + 34 000 + 36 000) : (35 000 + 30 000) <b>(1) whole formula</b> = 112 000 : 65 000 =1.72 : 1 <b>(1)</b></p>	<b>2</b>										

Question	Answer			Marks	
6(f)		effect on current ratio			<b>4</b>
		increase	decrease	no effect	
	use the bank balance to repay the loan	✓(1)			
	purchase non-current assets on credit		✓(1)		
	sell half the inventory at cost price to cash customers			✓(1)	
pay amount owed to trade payables by cheque	✓(1)				