**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

International General Certificate of Secondary Education

# MARK SCHEME for the May/June 2012 question paper

# for the guidance of teachers

## 0452 ACCOUNTING

**0452/22**     Paper 2, maximum raw mark 120

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1   (a)

Dalia Said
Purchases journal

| Date | Details | $ | $ | |
|------|---------|---|---|---|
| 2012 March  2 | Essam Wholesalers | | 1950 | **(1)** |
| 8 | Ramy El Din Less 20% Trade discount | 680 136 | 544 | **(1)** |
| 31 | Transfer to Purchases a/c | | 2494 | **(1)** |

[3]

Purchases returns journal

| Date | Details | $ | $ | |
|------|---------|---|---|---|
| 2012 March  14 | Ramy El Din Less 20% Trade discount | 120 24 | 96 | **(1)** |
| 31 | Transfer to Purchases returns a/c | | 96 | **(1)** |

[2]

(b)                              Dalia Said
Essam Wholesalers account

| 2012 | | $ | 2012 | | $ |
|------|------|-----|------|------|-----|
| Mar  21 | Bank | 1911 **(1)** | Mar  2 | Purchases | 1950 **(1)** |
| | Discount | 39 **(1)** | | | |
| | | 1950 | | | 1950 |

[3]

Ramy El Din account

| 2012 | | $ | 2012 | | $ |
|------|------|-----|------|------|-----|
| Mar 14 | Returns | 96 **(1)** | Mar  8 | Purchases | 544 **(1)** |
| 28 | Bank | 300 **(1)** | | | |
| 31 | Balance c/d | 148 | | | |
| | | 544 | | | 544 |
| | | | 2012 Apl  1 | Balance b/d | 148 **(1)**O/F |

[4]

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**(c)** Purchases ledger/Creditors ledger **[1]**

**(d)** $\dfrac{2600}{33\,400} \times \dfrac{365}{1}$ **(1)** = 28.41 = 29 days **(1)** **[2]**

**(e)** Money can be used for other things within the business
May avoid bank charges/bank interest

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

**(f)** Loss of cash discounts
Creditors may refuse further supplies
Creditors may insist on cash purchases in future
Damage to good relationship with suppliers
May be charged interest

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

**(g)** Offer cash discount for prompt payment
Charge interest on overdue accounts
Improve credit control/send invoices or statements promptly
Refuse further supplies until outstanding balance paid
Invoice discounting and debt factoring

**Any 3 points (1) each** **[3]**

**[Total: 20]**

**2** **(a)**
<div align="center">Simon Nyemba<br>Commission received account</div>

| 2011 | | $ | 2011 | | $ |
|---|---|---|---|---|---|
| Feb 1 | Balance b/d | 280 **(1)** | Feb 5 | Bank | 280} **(1)** |
| 2012 | | | Aug 3 | Bank | 312} |
| Jan 31 | Income | | 2012 | | |
| | Statement | <u>608</u> **(2)** | Jan 31 | Balance c/d | <u>296</u> |
| | | **O/F** | | | |
| | | <u>888</u> | | | <u>888</u> |
| 2012 | | | | | |
| Feb 1 | Balance b/d | 296 **(1)** | | | |

**+ (1) dates  [6]**


**(b)**
<div align="center">Simon Nyemba<br>Property tax account</div>

| 2011 | | $ | 2012 | | $ |
|---|---|---|---|---|---|
| Feb 1 | Balance b/d | 520 **(1)** | Jan 31 | Income | |
| Apl 24 | Bank | 1620} **(1)** | | statement | 3220 **(2)O/F** |
| Oct 4 | Bank | <u>1620</u>} | | Balance c/d | <u>540</u> |
| | | <u>3760</u> | | | <u>3760</u> |
| 2012 | | | | | |
| Feb 1 | Balance b/d | 540 **(1)** | | | |

**+ (1) dates**                                                                                     **[6]**


**(c)** Accruals (matching)                                                                          **[1]**


**(d)** **(i)** Current assets **(1)**

**(ii)** Current assets **(1)**                                                                      **[2]**


**(e)**                                    <div align="center">Journal</div>

| | Debit $ | Credit $ | |
|---|---|---|---|
| Income statement | 324 | | **(1)** |
| Discount allowed | | 324 | **(1)** |
| Total discount allowed transferred to the income statement | | | **(1)** |

                                                                                                    **[3]**


**Continued/**


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**(f)** Simon Nyemba
Provision for doubtful debts account

| 2012 | | $ | 2011 | | $ |
|------|---|---|------|---|---|
| Jan 31 | Income Statement | 31 **(2)** O/F | Feb 1 | Balance b/d | 460 **(1)** |
| | Balance c/d | 429 | | | |
| | | 460 | | | 460 |
| 2012 | | | | | |
| Feb 1 | Balance b/d | 429 **(1)** | | | |

**+ (1) dates** [5]

**(g)** Prudence
**OR**
Accruals (matching) [1]

[Total: 24]

**3 (a)** Herman Wagner
Manufacturing Account for the year ended 30 April 2012

| | $ | $ | |
|---|---|---|---|
| Cost of materials consumed **(1)** | | | |
| Opening inventory of raw materials | 14 300 | | |
| Purchases of raw material | 168 900 | | |
| Carriage on purchases | 2 600 | | |
| | 185 800 | | |
| Less Closing inventory of raw materials | 16 400 | 169 400 **(1)** | |
| Direct factory wages | | 193 700 **(1)** | |
| Prime cost | | 363 100 **(1)** | O/F |
| Factory overheads | | | |
| Indirect wages (43 600 – 10 000) | 33 600 **(2)** | | |
| General expenses (24 450 – (¼ × 6200)) | 22 900 **(2)** | | |
| Depreciation – Factory machinery (20% × (98 000 – 35 280)) | 12 544 **(2)** | | |
| Loose tools (950 + 45 – 890) | 105 **(2)** | 69 149 | |
| | | 432 249 **(1)** | O/F |
| Add Opening work in progress | | 6 520 **(1)** | |
| | | 438 769 | |
| Less Closing work in progress | | 6 970 **(1)** | |
| Production cost of goods completed | | 431 799 **(1)** | O/F |

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**(b) (i)** Inventory of raw materials
Goods remaining at the year-end which were originally purchased for converting into finished articles **(1)**
Example – wood, nails, screws, handles or other suitable example **(1)**     **[2]**

  **(ii)** Inventory of work in progress
Furniture which is partly made at the year end **(1)**
Example – partly made table/ wardrobe/chair/other suitable example **(1)**     **[2]**

  **(iii)** Inventory of finished goods
Completed furniture which is awaiting sale **(1)**
Example – finished table/wardrobe/chair/other suitable example **(1)**     **[2]**

**(c)** This is an application of the principle of materiality.
It is not practical to keep detailed records of loose tools.

**Any 1 comment (2)**     **[2]**

**(d)** $\dfrac{(170\,200 - 144\,000)\,\textbf{(1)}}{(130\,000 + 20\,000)\,\textbf{(1)}} \times \dfrac{100}{1} = 17.47\%$     **[3]**

**(e)** Unsatisfied **(1)**

The ratio is lower than the previous year. **(1)**
The capital is not being employed as efficiently as in the previous year. **(1)**

**Accept answer based on the answer to (d)**     **[3]**

     **[Total: 31]**

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**4 (a)**

Creekside Ltd
Balance Sheet at 30 April 2012

| | $ Cost | $ Depreciation to date | $ Book value |
|--|--------|------------------------|--------------|
| Non-current assets | | | |
| Premises | 120 000 | | 120 000 |
| Plant and machinery | 90 000 | 15 500 | 74 500 **(1)** |
| Fixtures and fittings | 32 000 | 6 400 | 25 600 **(1)** |
| | 242 000 | 21 900 | 220 100 **(1)** O/F |
| Current assets | | | |
| Inventory | | 24 660 **(1)** | |
| Trade receivables | 21 600 | | |
| Less Provision for doubtful debts | 660 | 20 940 **(1)** | |
| Cash | | 200 **(1)** | |
| | | 45 800 | |
| Current liabilities | | | |
| Trade payables | 26 960 **(1)** | | |
| Bank overdraft | 5 340 **(1)** | 32 300 | |
| Net current assets | | | 13 500 **(1)** O/F |
| | | 233 600 | |
| 4% Debentures | | | 30 000 **(1)** |
| | | 203 600 | |
| Capital and reserves | | | |
| 5% Preference shares of $1 each | | | 80 000 **(1)** |
| Ordinary shares of $1 each | | | 100 000 **(1)** |
| General reserve | | | 10 000 **(1)** |
| Retained profits (6 500 **(1)** + 7 100 **(1)**) | | | 13 600 |
| | | | 203 600 |

**[15]**

**(b) (i)** $1600 **[1]**

**(ii)** Effect    Profit for the year is reduced **(1)**
Reason    Debenture interest is an expense **(1** **[2]**

**(c) (i)** $2000 **[1]**

**(ii)** Reduction in profit (or dividend) available for ordinary shareholders
Prior claim on the assets of the company in the event of a winding up

**Any 1 point (2)** **[2]**

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**(d)** The new shares rank equally with the existing ordinary shares with regard to dividend.

The new shares rank equally with the existing ordinary shares with regard to repayment in a winding up.

The percentage of ownership of the existing ordinary shareholders is diluted.

**Any 1 point (2)**                                                                                    **[2]**

**[Total: 23]**

**5   (a)**                                                  Bethany Searle
                                                            Journal

|   |                   | Debit $ | Credit $ |     |
|---|-------------------|---------|----------|-----|
| 2 | Suspense          | 340     |          | (1) |
|   | Rent received     |         | 340      | (1) |
| 3 | Purchases returns | 24      |          | (1) |
|   | Stationery        |         | 24       | (1) |
| 4 | -                 | –       |          | (1) |
|   | Suspense          |         | 100      | (1) |
| 5 | Sales             | 1000    |          | (1) |
|   | Suspense          |         | 1000     | (1) |

**[8]**

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**(b)** Bethany Searle
Statement of corrected profit for the years ended 31 March 2012

|                                        |          |               |            | $     |
|----------------------------------------|----------|---------------|------------|-------|
| Profit for the year before corrections |          |               |            | 14 940 |

Effect on profit

| | | Increase | Decrease | |
|---|---|----------|----------|---|
| | | $ | $ | |
| Error | 1 | *96* | | |
| | 2 | 340 **(2)** | | |
| | 3 | | No effect **(2)** | |
| | 4 | | No effect **(2)** | |
| | 5 | ___ | 1 000 **(2)** | |
| | | 436 | 1 000 | 564 |
| Corrected profit for the year | | | | 14 376 **(1)** **O/F** |

[9]

**(c)** (19 540 + 100)  :  (21 570 + 2 880)
= 19 640  :  24 450 **(1)** = 0.80  :  1 **(1)**          [2]

**(d)** Shows whether the immediate liabilities can be paid from liquid assets
Shows whether the business relies on the sale of inventory to pay the immediate liabilities

**Any 1 comment (2)**          [2]

**(e)** The quick ratio does not include inventory. **(1)**
**Either**
Inventory is not regarded as a liquid asset **(1)**
**Or**
Inventory is two stages away from being a liquid asset. **(1)**          [2]

[Total: 23]