Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/22**

Paper 22 **March 2017**

MARK SCHEME

Maximum Mark: 120

Published

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Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Cambridge is publishing the mark schemes for the March 2017 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

Question	Answer	Marks
1(a)	Mandeep – Cash Book (see below)	**10**

Mandeep – Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		$	$	$	*2016*		$	$	$
Dec 1	*Balance b/d*		*150*		*Dec 1*	*Balance b/d*			*2 590*
11	Jabin **(1)**	6		294	4	Repairs **(1)**			387
27	Sales **(1)**		6 795		15	Rama **(1)**	18		702
31	Cash c **(1)OF**			1 745	29	Drawings **(1)**		5 000	
	Balance c/d			1 640	31	Bank c **(1)**		1 745	
						Balance c/d		200	
		6	6 945	3 679			18	6 945	3 679
2017					2017				
Jan 1	Balance b/d		200		Jan 1	Balance b/d			1 640
			(1)						**(1)OF**

+(1) dates

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Mandeep
Inventory account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2016</td><td></td><td></td><td></td><td>2016</td><td></td><td></td><td></td></tr>
<tr><td>Jan 1</td><td>Balance b/d</td><td>12 650</td><td></td><td>Dec 31</td><td>Income Statement</td><td>12 650</td><td>(1)</td></tr>
<tr><td>Dec 31</td><td>Income Statement</td><td>13 420</td><td>(1)</td><td>Dec 31</td><td>Balance c/d</td><td>13 420</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Jan 1</td><td>Balance b/d</td><td>13 420</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
</table>
Provision for depreciation of office fixtures account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2016</td><td></td><td></td><td></td><td>2016</td><td></td><td></td><td></td></tr>
<tr><td>Dec 31</td><td>Balance c/d</td><td>4 636</td><td></td><td>Jan 1</td><td>Balance b/d</td><td>3 420</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Dec 31</td><td>Income Statement</td><td>1 216</td><td>(1)</td></tr>
<tr><td></td><td></td><td>4 636</td><td></td><td></td><td></td><td>4 636</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d</td><td>4 636</td><td>(1)OF</td></tr>
</table>
General expenses account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2016</td><td></td><td></td><td></td><td>2016</td><td></td><td></td><td></td></tr>
<tr><td>Dec 31</td><td>Total payments</td><td>9 475</td><td></td><td>Dec 31</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Balance c/d</td><td>375</td><td></td><td></td><td>Income Statement</td><td>9 850</td><td>(1)</td></tr>
<tr><td></td><td></td><td>9 850</td><td></td><td></td><td></td><td>9 850</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d</td><td>375</td><td>(1)</td></tr>
</table>
</td><td>14</td></tr>
</table>

Question	Answer	Marks
	Rent receivable account	

		$				$	
2016				2016			
Dec 31				*Jan 1*	*Total receipts*	*5 060*	
	Income Statement	5 520	**(1)**	Dec 31	Balance c/d	460	
		5 520				5 520	
2017							
Jan 1	Balance b/d	460	**(1)**				

Drawings account

		$				$	
2016				2016			
Dec 31	*Total drawings*	*8 950*		Dec 31	Capital	8 950	**(1)**
		8 950				8 950	

Capital account

		$				$	
2016				2016			
Dec 31	Drawings	8 950	**(1)**	*Jan 1*	*Balance b/d*	*63 000*	
	Balance c/d	91 650		Dec 30	Motor vehicle	16 000	**(1)**
				31	Profit for year	21 600	**(1)**
		100 600				100 600	
				2017			
				Jan 1	Balance b/d	91 650	**(1)OF**

Question	Answer	Marks
2(a)(i)	A statement in which the profit or loss for the year is calculated	**1**
2(a)(ii)	A statement showing the assets and liabilities of a business on a certain date	**1**
2(a)(iii)	Assets which are purchased for use not for resale Assets whose values do not fluctuate frequently Assets which will be kept by the business for more than 12 months Assets which are acquired to aid the business earn revenue **Any two statements (1) each**	**2**
2(a)(iv)	Liabilities which are not due for repayment within 12 months	**1**
2(a)(v)	**Either** The amount the business owes the owner of that business **Or** Any resources provided for a business by the owner of that business	**1**
2(b)	Goodwill/patents/trademarks/other suitable example	**1**
2(c)	The current assets are more than three times the current liabilities/it is much higher than the “benchmark” of 2 : 1 The current liabilities can easily be paid from the current assets Funds are not being used very effectively **Any two comments (1) each**	**2**
2(d)	Inventory is excluded from the calculation of the quick ratio **(1)** **Either** Inventory is not regarded as a liquid asset **(1)** **Or** The ratio shows whether the business would have surplus liquid funds if the current liabilities were paid immediately from the liquid assets **(1)**	**2**
2(e)	Introduce more cash as capital Obtain long term loans Sell surplus non-current assets Reduce drawings Reduce inventory level **Any two points (1) each**	**2**

Question	Answer	Marks
2(f)(i)	Transactions are recorded at actual cost **(1)** It is difficult to compare transactions taking place at different times **(1)**	**2**
2(f)(ii)	Only information which was be expressed in monetary terms is recorded **(1)** Many important factors which affect the business are not recorded **(1)**	**2**

Question	Answer						Marks
3(a)	Doshi Manufacturing Company Manufacturing Account for the year ended 31 January 2017						12
		$	$		$		
	Cost of materials consumed						
	Opening inventory of raw materials		49 500				
	Purchases of raw materials	394 600					
	Less Purchases returns	16 400	378 200	**(1)**	427 700		
	Closing inventory of raw materials				41 100		
					386 600	**(1)OF**	
	Direct factory wages				297 100	**(1)**	
	Prime cost				683 700	**(1)OF**	
	Factory overheads						
	Factory supervisors' wages (152 000 **(1)** + 12 000 **(1)**)		164 000				
	General expenses (3/5 × 160 000)		96 000	**(1)**			
	Depreciation factory machinery (20% × (250 000 – 122 000)		25 600	**(1)**			
	Depreciation loose tools (21 150 – 19 050)		2 100	**(1)**	287 700		
					971 400	**(1)OF**	
	Opening work in progress				28 750	*	
					1 000 150		
	Closing work in progress				31 250	***(1) both**	
	Cost of production				968 900	**(1)OF**	

Question	Answer	Marks
3(b)	Doshi Manufacturing Company Income Statement for the year ended 31 January 2017	11

	$		$		$	
Revenue					1 246 850	
Less returns inwards					12 250	
					1 234 600	**(1)**
Cost of sales						
Opening inventory of finished goods			63 100			
Cost of production			968 900	**(1)OF**		
Purchases of finished goods	21 700	**(1)**				
Carriage inwards	1 500	**(1)**	23 200			
			1 055 200			
Closing inventory finished goods			59 100		996 100	**(1)OF**
Gross profit					238 500	**(1)OF**
Less Wages of office & sales staff						
(108 700 **(1)** + 4 300 **(1)**)			113 000			
General expenses						
(2/5 × 160 000)			64 000	**(1)**		
Depreciation office equipment						
(15% × 72 000)			10 800	**(1)**	187 800	
Profit for the year					50 700	**(1) OF**

Question	Answer	Marks
3(c)	Low value items which are not easy to depreciate separately/Not practical to keep detailed records of such assets/other suitable comment.	1

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Purchases ledger</td><td>1</td></tr>
<tr><td>4(b)</td><td>Lahiru has returned goods to Nusrath (1)
Credit purchases returns (returns outwards) account (1)</td><td>2</td></tr>
<tr><td>4(c)(i)</td><td>2½%</td><td>1</td></tr>
<tr><td>4(c)(ii)</td><td>Prompt payment/payment within the specified period</td><td>1</td></tr>
<tr><td>4(d)</td><td>Set off the amount Lahiru owes Nusrath against the amount Nusrath owes Lahiru/other suitable explanation</td><td>1</td></tr>
<tr><td>4(e)</td><td>Nusrath
Journal
<table>
<tr><th></th><th>Debit
$</th><th>Credit
$</th><th></th></tr>
<tr><td>Lahiru (purchases ledger)
Lahiru (sales ledger)
Contra entry to set balance in purchases ledger against balance in sales ledger</td><td>68</td><td>
68</td><td>(1)
(1)
(1)</td></tr>
</table></td><td>3</td></tr>
<tr><td>4(f)(i)</td><td>$564</td><td>1</td></tr>
<tr><td>4(f)(ii)</td><td>Current assets</td><td>1</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(g)</td><td>Lahiru
Provision for doubtful debts account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td>2016</td><td></td><td></td><td></td></tr>
<tr><td>Feb 28</td><td>Balance c/d</td><td>716</td><td>Mar 1</td><td>Balance b/d</td><td>500</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>Feb 28</td><td>Income statement</td><td>216</td><td>(1)</td></tr>
<tr><td></td><td></td><td>716</td><td></td><td></td><td>716</td><td></td></tr>
<tr><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>Mar 1</td><td>Balance b/d</td><td>716</td><td>(1)OF</td></tr>
</table>
+ (1) dates</td><td>4</td></tr>
<tr><td>4(h)</td><td>The profit for the year is not overstated (1)
The trade receivables (current assets) are not overstated (1)</td><td>2</td></tr>
<tr><td>4(i)</td><td>Either The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)
Or The provision for doubtful debts is an expense (1) and is matched against the revenue for the year in which those debts are incurred (1)</td><td>2</td></tr>
</table>

Question	Answer	Marks
5(a)		6

	$		$	
Payments to credit suppliers	32 725	**(1)**		
Cash discount received	640	**(1)**		
Trade payables 31 January 2017	5 350	**(1)**	38 715	
Less Trade payables 1 February 2016	4 600	**(1)**		
Interest on overdue account	15	**(1)**	4 615	
Purchases for the year			34 100	**(1) OF**

Alternative calculation

Total trade payables account

		$				$	
2017				2016			
Jan 31	Bank	32 725	**(1)**	Feb 1	Balance b/d	4 600	**(1)**
	Discount	640	**(1)**	2017			
	Balance c/d	5 350	**(1)**	Jan 31	Interest	15	**(1)**
					Purchases	34 100	**(1)OF**
		38 715				38 715	

Question	Answer	Marks
5(b)		7

Jai

Income Statement (Trading account section) for the year ended 31 January 2017

	$		$	
Revenue			42 000	**(1) OF**
Cost of sales				
Inventory 1 February 2016	2 900	**(1)**		
Purchases	34 100	**(1) OF**		
	37 000			
Less Inventory 31 January 2017	3 400	**(1)**	33 600	**(1) OF**
Gross profit			8 400	**}(2) CF/(1) OF**

Question	Answer	Marks
5(c)	$\dfrac{33\,600 \textbf{ OF}}{(2900+3400)/2} \}$ **(1)** $= \dfrac{33\,600}{3150} =$ 10.67 times **(1) OF**	2

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(d)</td><td>Reduce inventory levels
More sales activity
Or other suitable points
Any 2 points (1) each</td><td>2</td></tr>
<tr><td>5(e)</td><td>Prudence</td><td>1</td></tr>
<tr><td>5(f)</td><td><table><tr><td></td><td>overstated</td><td>understated</td></tr><tr><td>Current assets at 31 January 2017</td><td>✓</td><td></td></tr><tr><td>Profit for the year ended 31 January 2017</td><td>✓(1)</td><td></td></tr><tr><td>Profit for the year ending 31 January 2018</td><td></td><td>✓(1)</td></tr></table></td><td>2</td></tr>
<tr><td>5(g)</td><td>Increase selling price
Reduce trade discount allowed to customers
Reduce purchase price
Find cheaper supplier
Obtain better trade discount
Any 2 comments (1) each</td><td>2</td></tr>
</table>

Question	Answer	Marks
6(a)	Amina Journal <table><tr><td></td><td>Debit $</td><td>Credit S</td><td></td></tr><tr><td>Sales returns</td><td>960</td><td></td><td>**(1)**</td></tr><tr><td>Purchases returns</td><td>960</td><td></td><td>**(1)**</td></tr><tr><td>Suspense</td><td></td><td>1 920</td><td>**(1)**</td></tr><tr><td>*No entry*</td><td>–</td><td></td><td>**(1)**</td></tr><tr><td>Suspense</td><td></td><td>3 000</td><td>**(1)**</td></tr><tr><td>AK Stores</td><td>330</td><td></td><td>**(1)**</td></tr><tr><td>Suspense</td><td></td><td>330</td><td>**(1)**</td></tr></table>	**7**
6(b)	<table><tr><td rowspan="2">Error</td><td colspan="3">Effect on draft profit for the year of correcting the error</td><td></td></tr><tr><td>Increase $</td><td>Decrease $</td><td>No effect</td><td></td></tr><tr><td>1</td><td>1 000</td><td></td><td></td><td>**(1)**</td></tr><tr><td>2</td><td></td><td>484</td><td></td><td>**(2)***</td></tr><tr><td>3</td><td></td><td>1 920</td><td></td><td>**(2)***</td></tr><tr><td>4</td><td></td><td></td><td>✓</td><td>**(1)**</td></tr><tr><td>5</td><td></td><td></td><td>✓</td><td>**(1)**</td></tr></table> *** (1) position + (1) amount**	**7**