

**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**

**0452/23**

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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<b>Page 2</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>23</b>

- 1 (a) The cash book is a book of prime (original) entry because it is written up from business documents. (1)  
The cash book is part of the double entry system as it acts as ledger accounts for cash and bank. (1)

[2]

(b)

Stewart Hanson  
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2012 Jan 1	Balances b/d		100	1942	2012 Jan 3	Paul Yim (1)	12		398
28	Sales (1)		1970		8	Office equipment (1)			1795
30	Cash c (1)			2020	13	Drawings (1)			250
					20	Sue West (dis. cheque) (1)			115
					30	Bank c (1)		2020	
					31	Balances c/d		50	1404
2012 Feb 1	Balances b/d		2070	3962			12	2070	3962
			50 (1)OF	1404 (1)OF					

+ (1) dates

[10]

<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>23</b>

(c) (i) Between 8 and 29 January the payments from the bank exceeded the money in the bank account. [2]

(ii) Purchase of equipment could possibly have been delayed until later in the month. [2]

(d) The personal motor expenses have been treated as drawings and not as a business expense. [2]

(e) Journal

	Debit \$	Credit \$	
Bad debts	115		(1)
Sue West		115	(1)
Amount owed by Sue West written off as a bad debt			(1)

[3]

(f)

Account debited	Account credited
Bank (1)	Bad debts recovered (1)

OR

Account debited	Account credited
Sue West } Bank } (1)	Bad debts recovered } Sue West } (1)

[2]

- (g) Reduce credit sales/sell on a cash basis  
Obtain references from new credit customers  
Fix a credit limit for each customer  
Improve credit control  
Issue invoices and monthly statements promptly  
Refuse further supplies until outstanding balance is paid

**Any 2 points (1) each**

[2]

**[Total: 25]**

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – May/June 2012	0452	23

- 2 (a) To assist in the location of errors  
 To provide instant totals of trade receivables and trade payables  
 To prove the arithmetical accuracy of the sales and purchases ledgers  
 To enable a balance sheet to be prepared quickly  
 To provide a summary of transactions relating to trade receivables and trade payables  
 To provide an internal check on sales and purchases ledgers – may reduce fraud

**Any 2 points (1) each**

**[2]**

- (b) The purchases ledger control account acts as a check on the purchases ledger. If there is an error in the purchases ledger it will not be revealed by a control account prepared from the individual accounts in the ledger. **[2]**

(c)

Fatima Ayub					
Purchases ledger control account					
2012		\$	2012		\$
April 1	Balance b/d	38	April 1	Balance b/d	4 260
30	Purchases returns	243 (1)	30	Purchases	6 680 (1)
	Bank	3 705 (1)		Interest charged	11 (1)
	Discount received	95 (1)		Balance c/d	22 (1)
	Contra entry	320 (1)			
	Balance c/d	6 572 (1)			
		<u>10 973</u>			<u>10 973</u>
2012			2012		
May 1	Balance b/d	22 (1)	May 1	Balance b/d	6 572 (1)OF

**+ (1) dates**

**[12]**

- (d) Overpayment to supplier  
 Payment made without deducting cash discount  
 Goods returned to supplier after payment of balance due  
 Payment made in advance to supplier

**Any 2 points (1) each**

**[2]**

- (e) A contra entry is one which appears on the debit of the purchases ledger control account and the credit of the sales ledger control account. (1)  
 This entry is made when a sales ledger account is set off against an a purchases ledger account of the same person/business. (1) **[2]**

**[Total: 20]**

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – May/June 2012	0452	23

3 (a)

Mark Mutanda

Income Statement for the year ended 31 January 2012

	\$	\$	
Income from clients		82 100	(1)
Rent received (2 600 – 200)		2 400	(2)
Decrease in provision for doubtful debts (154 – 136)		<u>18</u>	(2)
		84 518	
Less Insurance (5 630 – 2 320)	3 310		(2)
Wages and salaries (33 000 + 3 200)	36 200		(2)
Rates	5 200		(1)
Loan interest (900 + 300)	1 200		(2)
Office expenses (17 177 – 214)	16 963		(2)
Depreciation – Office equipment (1 900 + 600 (1) – 2 100 (1))	400		
Depreciation – Fixtures & fittings (10% × 5250)	<u>525</u>		(1)
Profit for the year		<u>63 798</u>	
		<u>20 720</u>	(1)OF [18]

(b)

Mark Mutanda

Capital account

2012	\$	2011	\$
Jan 31 Office expenses		Feb 1 Balance b/d	200 000 (1)
(drawings)	214 (1)	2012	
Cash (drawings)	16 000 (1)	Jan 31 Profit	20 720 (1)OF
Balance c/d	<u>204 506</u>		<u>220 720</u>
	<u>220 720</u>		
		2012	
		Feb 1 Balance b/d	204 506 (1)OF

+ (1) dates

[6]

(c)  $\frac{20\,720\text{ (1)OF}}{200\,000 + 20\,000\text{ (1)}} \times \frac{100}{1} = 9.42\% \text{ (1)OF}$  [3]

(d) This shows the profit earned for every \$100 used in the business. (1)  
The higher the percentage the more efficiently the capital is being employed. (1) [2]

(e) Lower profit for the year  
Higher capital employed

Any 1 point (2)

[2]

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – May/June 2012	0452	23

- 4 (a) The accumulated fund represents the surpluses (less any deficits) the club has made since it was formed. [2]

(b)

Dhavari Sports Club			
Calculation of Corrected Surplus for the year ended 31 March 2012			
	\$	\$	
Original surplus		17 400	
Add Insurance prepaid		300	(1)
Expenditure overcast		<u>100</u>	(1)
		17 800	
Less Depreciation of equipment	1 400	(1)	
Bank charges	150	(1)	
Subscriptions prepaid	<u>600</u>	<u>2 150</u>	
Corrected surplus		<u>15 650</u>	(1)OF [6]

- (c) The income and expenditure account includes only revenue items  
 The income and expenditure account includes non-monetary items  
 The income and expenditure account adjusts figures for accruals and prepayments  
 The receipts and payments account shows total money paid and received

Any 2 points (2) each

[4]

(d)

Dhavari Sports Club			
Balance Sheet at 31 March 2012			
	\$	\$	\$
Non-current assets			
Premises at cost			70 000
Sports equipment at valuation			<u>11 600</u> (1)
			81 600 (1)
Current assets			
Shop inventory		8 500	
Subscriptions owing		1 500	(1)
Other receivables		300	(1)
Petty cash		<u>200</u>	(1)
		10 500	(1)OF
Current liabilities			
Trade payables	4 300	(1)	
Bank overdraft (1 400 + 150)	1 550	(1)	
Subscriptions prepaid	<u>600</u>	<u>6 450</u>	(1)OF
Net current assets			<u>4 050</u>
			85 650
Non-current liabilities			
Loan (repayable 1 January 2015)			<u>10 000</u> (1)
			<u>75 650</u>
Financed by			
Accumulated fund			60 000
Opening balance			<u>15 650</u> (1)OF
Plus Surplus for the year			<u>75 650</u>

[12]

[Total: 24]

Page 7	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – May/June 2012	0452	23

- 5 (a) The cost of inventory is the actual purchase price of the goods (1) plus any additional costs incurred in bringing the goods to their present position and condition. (1) [2]
- (b) The net realisable value is the estimated receipts from selling the goods (1) less any costs of completing the goods or costs of selling. (1) [2]
- (c) This ensures that the profit is not overstated (1)  
This ensures that the inventory is not overstated (1) [2]

(d)

		overstated	understated	no effect
(ii)	profit for the year ended 31 December 2012		✓ (2)	
(iii)	credit balance on capital account on 1 January 2013		✓ (2)	

[4]

- (e) Cost of sales =  $80\% \times 87\,000 = 69\,600$  (1)

$$\text{Average inventory} = \frac{6\,000 + 7\,400}{2} = 6\,700 \text{ (1)}$$

$$\text{Rate of turnover} = \frac{69\,600}{6\,700} = 10.39 \text{ times (1)} \quad [3]$$

- (f) Lower inventory levels  
More sales activity

Any 1 reason (2) [2]

- (g) The business should be selling similar goods  
The business should be of a similar size

Or other acceptable point

Any 1 point (1) [1]

- (h) To assess the liquidity position  
To calculate the payment period for trade payables  
To determine the period of credit to be allowed  
To determine the credit limit  
To identify future prospects

Any 2 reasons (1) each [2]

<b>Page 8</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2012</b>	<b>0452</b>	<b>23</b>

- (i) (i) Employee  
 To assess the ability of the business to continue operating  
 To consider the prospects for jobs and wages

**Any 1 point (1)**

**[1]**

- (ii) Bank manager  
 To assess the prospect of any requested loan/overdraft being repaid when due  
 To assess the prospects of any interest on loan/overdraft being paid when due  
 To determine the security available to cover any loan/overdraft

**Any 1 point (1)**

**[1]**

**[Total: 20]**