CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/22   Paper 2, maximum raw mark 120

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	0452	22

1 (a)

Nyasha Chingono
Purchases journal

Date	Details	$	$	
2015 3 April	Wholesalers Limited		358	**(1)**
12	John Moyo Less 25% trade discount	480 120	360	**(1)**
30	Transfer to purchases a/c		718	**(1)**

Purchases returns journal

Date	Details	$	$	
2015 18 April	John Moyo Less 25% trade discount	160 40	120	**(1)**
30	Transfer to purchases returns a/c		120	**(1)**

[5]

(b)

Nyasha Chingono
John Moyo account

		$				$	
2015				2015			
18 Apr	Returns	120 **(1)**		1 Apr	Balance b/d	560	
27	Bank	546 **(1)**		12	Purchases	360 **(1)**	
	Discount	14 **(1)**					

Purchases account

		$			$
2015					
30 Apr	Total for month	718 **(1 o.f.)**			

Purchases returns account

		$				$
				2015		
				30 Apr	Total for month	120 **(1 o.f.)**

+ (1) dates
Three column running balance presentation acceptable   [7]

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Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	0452	22

(c) May be able to take advantage of cash discounts
Improve the relationship with suppliers
Avoid paying interest
Or other suitable comment

Any one advantage **(1)**

The business is deprived of the use of the money earlier than necessary
Or other suitable comment

Any one disadvantage **(1)** [2]

(d) Sales returns
Explanation   The total sales returns for the month **(1)**
Source of information   Sales returns journal **(1)**

Contra
Explanation   This is the total set off against accounts in the purchases ledger during the month **(1)**
Source of information   Journal **(1)**

Interest charged
Explanation   This is the total interest charged on credit customers' accounts which are overdue **(1)**
Source of information   Journal **(1)** [6]

(e) 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 two points **(1)** each [2]

(f) $\left.\dfrac{800}{12\,600} \times \dfrac{365}{1} \right\} \textbf{(1)} = 24 \text{ days } \textbf{(1)}$ [2]

(g) Unsatisfied
Or o.f. based on answer to **(f)** [1]

(h) 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 is paid
Invoice discounting and debt factoring

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

[Total: 27]

2 (a) Obtain correct bank balance
Identify errors on the bank account
Identify errors on the bank statement
Assist in discovering fraud and embezzlement
Identify amounts not credited by the bank
Identify cheques not presented
Identify any stale cheques

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

(b)   David Jones
                                        Cash book (bank columns only)
                                              $ $
        2015   2015
        1 Feb   Balance b/d   114   1 Feb   Bank charges   62 **(1)**
                Bank interest   130 **(1)**   K Taylor
                Balance c/d   101   (Dis. chq.)   143 **(1)**
                                                     Insurance   40 **(1)**
                                 ___   Error correction 100 **(1)**
                                 345   345
                                                     2015
                                                     1 Feb   Balance b/d   101 **(1 o.f.)**   [6]

(c)   David Jones
                              Bank Reconciliation Statement at 31 January 2015
                                                                    $
        Balance on bank statement   154 **(1)**
        Add Amounts not credited – cash sales **(1)**   235 **(1)**
                                                                   389
        Less Cheques not presented – M Sharp **(1)**   490 **(1)**
        Balance in cash book   (101) **(1 o.f.)**

        Alternative presentation
                                              David Jones
                              Bank Reconciliation Statement at 31 January 2015
                                                                    $
        Balance in cash book   (101) **(1 o.f.)**
        Add Cheques not presented – M Sharp **(1)**   490 **(1)**
                                                                   389
        Less Amounts not credited – cash sales **(1)**   235 **(1)**
        Balance on bank statement   154 **(1)**   [6]

(d) (i) Cash book balance **(1)**

     (ii) **Either**
            The statement of financial position would not balance if the bank statement balance was
            included **(2)**
            Or
            Only balances on the books of the business can be included in the statement of financial
            position of the business **(2)**   [3]

(e) Assess prospects of any requested loan/overdraft being repaid when due
Assess prospects of any interest on loan/overdraft being paid when due
Assess security available to cover any loan/overdraft
Or other acceptable reason

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

[Total: 19]

3 (a)

Akhtar Hussain
Inventory account

		$			$	
2014			2015			
1 April	Balance b/d	<u>3560</u>	31 Mar	Income Statement	<u>3560</u>	(1)
		<u>3560</u>			<u>3560</u>	
2015			2015			
31 Mar	Income Statement	<u>4150</u> (1)	31 Mar	Balance c/d	<u>4150</u>	
		<u>4150</u>			<u>4150</u>	
2015						
1 April	Balance b/d	4150 (1)				

Bad debts account

		$			$	
2015			2015			
10 Jan	ABC Stores	136	31 Mar	Income Statement	190	(1)
31 Mar	XY Limited	<u>54</u> (1)			<u></u>	
		<u>190</u>			<u>190</u>	

Provision for doubtful debts account

		$			$	
2015			2014			
31 Mar	Income Statement	120 (1)	1 April	Balance b/d	1130	
	Balance c/d	<u>1010</u> (1)			<u></u>	
		<u>1130</u>			<u>1130</u>	
			2015			
			1 April	Balance b/d	1010	(1)

Provision for depreciation of machinery account

		$			$	
2015			2014			
1 Mar	Disposal	2250 (1)	1 April	Balance b/d	4500	
31	Balance c/d	3500 (1)	2015			
		<u></u>	31 Mar	Income Statement	<u>1250</u> (1)	
		<u>5750</u>			<u>5750</u>	
			2015			
			1 April	Balance b/d	3500	(1 o.f.)

Disposal of machinery account

		$			$	
2015			2015			
1 Mar	Machinery	3000 (1)	1 Mar	Bank	550	
				Prov. for Dep.	2250	(1)
		<u></u>	31	Income Statement	<u>200</u>	(1 o.f.)
		<u>3000</u>			<u>3000</u>	

Drawings account

		$			$	
2015			2015			
1 Feb	Bank	<u>1000</u>	31 Mar	Capital	<u>1000</u> (1)	
		<u>1000</u>			<u>1000</u>	

+ (1) dates
Three column running balance presentation acceptable   [17]

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Page 7	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	**0452**	**22**

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(b)   Akthar Hussain
                                                    Journal

	Debit $	Credit $	
Motor vehicles	9000		}
Motor repairs	360		} **(1)**
PJ Autos		9360	**(1)**
Invoice received for purchase of new vehicle and motor repairs			**(1)**

                                                                                                              [3]

(c) Capital expenditure
Money spent on acquiring, improving and installing non-current assets **(1)**

Revenue expenditure
Money spent on running a business on a day-to-day basis **(1)**   [2]

(d)

	overstated	understated
non-current assets at 31 March 2015	✓ **(1)**	
profit for the year ended 31 March 2015	✓ **(1)**	

                                                                                                              [2]

                                                                                                    [Total: 24]

4   (a)   Rania Gharib
                        Income Statement for the year ended 31 January 2015

	$	$
Revenue		63 660
Cost of sales		
Opening inventory	4 700	*
Purchases (40 120 **(1)** + 3 720 **(1)** + 820 **(1)** – 2 950 **(1)**)	41 710	
	46 410	
Closing inventory	3 150	* **(1) for both**
		43 260
Gross profit		20 400 **(1 o.f.)**
Discount received		820 **(1)**
		21 220
Wages	9 520	
Rent and rates	5 200 **(1)**	
Insurance (840 **(1)** – 120 **(1)**)	720	
Depreciation fixtures and fittings (6 900 + 1 100 – 7 300)	700 **(2)**	16 140
Profit for the year		5 080 **(1 o.f.)**

Horizontal format acceptable   [13]

(b) $\dfrac{43260}{(4700+3150)\div 2}$ **(1 o.f.)** $\dfrac{(1)}{} = \dfrac{43260}{3925} = 11.02$ times **(1 o.f.)**　　　　　　　　　[3]

(c) Lower inventory levels
More sales activity
Or other suitable explanation
Any two reasons **(1)** each　　　　　　　　　　　　　　　　　　　[2]

(d) It shows the profit earned for each $100 used in the business **(1)**
It shows how efficiently the capital is being employed **(1)**　　　　[2]

(e) $\dfrac{5080}{83000}$ **o.f.}(1)** $\times \dfrac{100}{1} = 6.12\%$ **(1 o.f.)**　　　　　　　　　[2]

(f) Higher profit for the year
Lower capital employed

Any one reason **(1)**　　　　　　　　　　　　　　　　　　　　　[1]

(g)

	overstated	understated	no effect
gross profit for the year ended 31 January 2014	✓		
credit balance on capital account on 1 February 2014	✓ **(1)**		
gross profit for the year ended 31 January 2015		✓ **(1)**	
profit for the year ended 31 January 2015		✓ **(1)**	
current assets at 31 January 2015			✓ **(1)**

　　　　　　　　　　　　　　　　　　　　　　　　　　　　　　[4]

[Total: 27]

5 (a)

Craven Limited
Statement of Changes in Equity for the year ended 31 March 2015

Details	Share capital $	General reserve $	Retained earnings $	Total $	
On 1 April 2014	200 000	17 000	9 000	226 000	
Profit for the year	....	....	43 000	43 000	**(1)**
Dividend paid	....	....	(16 000)	(16 000)	**(1)**
Transfer to general reserve	....	15 000	(15 000)	....	**(1)**
On 31 March 2015	200 000	32 000	21 000	253 000	**(1)**

[4]

(b)

Craven Limited
Statement of Financial Position at 31 March 2015

Assets	$	$
Non-current assets		
Premises at cost		179 000
Fixtures and equipment at book value		54 000
Motor vehicles at book value		22 500
		255 500 **(1)**
Current assets		
Inventory		26 525 **(1)**
Trade receivables	21 000 **(1)**	
Less Provision for doubtful debts	525	20 475 **(1)**
		47 000 **(1 o.f.)**
Total assets		302 500
Equity and liabilities		
Equity and Reserves		
Ordinary share capital		200 000 **(1)**
General reserve (17 000 **(1)** + 15 000 **(1)**)		32 000
Retained earnings (9 000 **(1)** + 12 000 **(1)**)		21 000
		253 000 **(1 o.f.)**
Non-current liabilities		
5% Debentures		15 000 **(1)**
Current liabilities		
Trade payables		26 375
Bank		8 125
		34 500 **(1)**
Total liabilities		302 500

Horizontal format acceptable [13]

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Page 10	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	0452	22

(c) Ordinary shareholders are members of the company
Ordinary shares carry voting rights
Ordinary share dividend is a share of the profit
Ordinary share dividend is variable
Ordinary share dividend is paid after any dividend on preference shares
Ordinary shareholders are repaid last in the event of a winding up

Any two features **(1)** each   [2]

(d) Debentures are long-term loans
Debenture-holders are not members of the company
Debentures do not carry voting rights
Debentures carry a fixed rate of interest
Debenture interest is not dependent on the company's profit
Debentures are often secured on the assets of the company
Debenture-holders are repaid before the shareholders in the event of a winding up

Any two features **(1)** each   [2]

(e) 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 two points **(1)** each   [2]

[Total: 23]