



**Cambridge International Examinations**  
Cambridge International General Certificate of Secondary Education

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**ACCOUNTING**

**0452/21**

Paper 2

**May/June 2016**

**MARK SCHEME**

Maximum Mark: 120

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**Published**

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1 (a)

Katie  
Stationery account

Date	Details	\$	Date	Details	\$
2015			2015		
May 1	Balance b/d	182	Dec 6	A1 Stationers (1)	53
12	Cash (1)	95	2016		
Nov 30	A1 Stationers (1)	217	Apl 30	Income Statement (1)OF	245
				Balance c/d	<u>196</u>
		<u>494</u>			<u>494</u>
2016					
May 1	Balance b/d (1)	196			

A1 Stationers account

Date	Details	\$	Date	Details	\$
2015			2015		
July 9	Bank (1)	114	May 1	Balance b/d	114
Dec 6	Stationery (1)	53	Nov 30	Stationery (1)	217
2016					
Apl 30	Balance c/d	<u>164</u>			
		<u>331</u>			<u>331</u>
			2016		
			May 1	Balance b/d (1)OF	164

Commission receivable account

Date	Details	\$	Date	Details	\$
2015			2015		
May 1	Balance b/d	1680	Jun 16	Bank (1)	1680
2016			Sep 10	Bank (1)	1710
Apl 30	Income Statement (1)OF		2016		
		<u>3300</u>	Apl 30	Balance c/d	<u>1590</u>
		<u>4980</u>			<u>4980</u>
2016					
May 1	Balance b/d (1)	1590			

+ (1) dates

[14]

(b) General/nominal ledger (1)

[1]

(c) Current assets (1)

It is an amount owing to Katie, payable in the next 12 months (1)

[2]

[Total: 17]

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- 2 (a) (i) Cost is the purchase price of the goods plus any additional costs incurred in bringing the inventory to its present condition and position **(1)**
- (ii) Net realisable value is the estimated receipts from the sale of the inventory less any costs of completing or selling the goods **(1)** **[2]**

- (b) Inventory should always be valued at the lower of cost and net realisable value  
This is an application of the principle of prudence  
Over-valuing the inventory causes the profit for the year to be overstated  
Over-valuing the inventory causes the current assets to be overstated  
**Any 2 points (1) each** **[2]**

(c)

	overstated	understated
cost of sales	✓(1)	
profit for the year		✓(1)

**[2]**

- (d) (i) **Either**  $\frac{\text{cost of goods sold}}{\text{average inventory}}$  **(1) whole formula**

**Or**  $\frac{\text{average inventory}}{\text{cost of goods sold}} \times 365$  **whole formula** **[1]**

- (ii) **Either**  $\frac{49\,900}{7500}$  **(1) whole formula = 6.65 times (1)**

**Or**  $\frac{7500}{49\,900} \times 365$  **(1) whole formula = 54.86 days = 55 days (1)** **[2]**

- (e) Unsatisfied **(1)**  
**Or OF based on answer to (d) (ii)**

Not selling goods as quickly as previously **(1)**  
**OR OF based on answer to (d) (ii)** **[2]**

- (f) Reduce inventory levels  
Increase sales activity  
Only replace inventory when necessary  
**Any one point (1)** **[1]**

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- (g) (i) Cash represents the cash the trader possesses (1)  
Bank represents an overdraft/what the trader owes the bank (1) [2]
- (ii) Not enough money in the account  
Cheque unsigned  
Amount in words and figures disagree  
Cheque undated/out of date  
Takes account into unauthorised overdraft  
**Or other acceptable reason**  
**Any two reasons (1) each** [2]
- (iii) Received (1) [1]
- (iv)  $\frac{15}{(585 + 15)} \times \frac{100}{1} = 2.50\%$  (1) [1]
- (v) This is a contra entry (1)  
Money was transferred from the cash into the bank (1) [2]
- (vi) Debited (1) [1]
- (vii) Cash balance \$2 debit (1)  
Bank balance \$638 debit (1) [2]

[Total: 23]

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3 (a)

Hillcrest Athletics Club  
Café Income Statement for the year ended 30 April 2016

	\$	\$
Revenue		10 430 (1)
Less Cost of sales		
Opening inventory	790 (1)	
Purchases (7998 (1) + 1137 (1) – 1292 (1))	<u>7 843</u>	
	8 633	
Less Closing inventory	<u>850 (1)</u>	<u>7 783</u>
Profit on café		<u>2 647 (1) OF</u>

[7]

(b)

	\$
Subscriptions received	16 910 (1)
Add Opening prepayment	<u>1 045 (1)</u>
	17 955
Add Closing accrual	<u>285 (1)</u>
	18 240
Less Opening accrual	<u>760 (1)</u>
Subscriptions for the year	<u>17 480 (1) OF</u>

Alternative presentation acceptable

[5]

(c)

Hillcrest Athletics Club  
Income and Expenditure Account for the year ended 30 April 2016

		\$	\$
Income	Subscriptions		17 480 (1) OF
	Café profit		2 647 (1) OF
	Profit on sale of equipment (1059 – 956)		<u>103 (1)</u>
			20 230
Expenditure	Rent, rates & insurance (4860 (1) + 155 (1) – 180 (1))	4 835	
	General expenses	14 794	
	Depreciation – equipment	<u>2 445</u>	<u>22 074</u>
Deficit			<u>1 844 (1) OF</u>

[9]

[Total: 21]

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4 (a)  $\$19\,360 - (4\% \times 80\,000) = \$16\,160$  (1) [2]

(b) (i)  $\frac{8000}{200\,000} \times \frac{100}{1} = 4\%$  (1) [1]

(ii)  $\frac{(6250 + 5000)}{(200\,000 + 50\,000)} \times \frac{100}{1} = 4.5\%$  (1) OF [3]

(c)

Nyeko Limited  
Statement of Changes in Equity for the year ended 29 February 2016

	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 March 2015	200 000	34 000	8 000	242 000	(1)
Share issue	50 000			50 000	(1)
Profit for the year			16 160	16 160	(1) OF
Dividend paid (for year ended 28 February 2015)			(8 000)	(8 000)	(1)
Dividend paid (for year ended 29 February 2016)			(6 250)	(6 250)	(1)
Transfer to general reserve		6 000	(6 000)		(1)
On 29 February 2016	250 000	40 000	3 910	293 910	(1)
	OF	OF	OF	OF	

[7]

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(d) (i)  $\frac{16\,160}{180\,200} \text{ OF} \times \frac{100}{1} \text{ (1) OF whole formula} = 8.97\% \text{ (1) OF}$  [2]

- (ii) Increase gross profit  
 Reduce expenses  
 Increase other income  
**Any 2 points (1) each** [2]

(e) (i)  $\frac{16\,160}{242\,000} \text{ OF} \times \frac{100}{1} \text{ (1) OF whole formula} = 6.68\% \text{ (1) OF}$  [2]

- (ii) Increase profit for the year  
 Increase efficiency  
 Use resources more efficiently  
**Or other suitable point**  
**Any 2 points (1) each** [2]

- (f) Reduction in profit available for ordinary shareholders  
 Prior claim on the profits of the company  
 Prior claim on the assets of the company in the event of a winding-up  
**Or other suitable comment**  
**Any 2 points (1) each** [2]

[Total: 23]

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5 (a)

Samar  
Provision for doubtful debts account

Date 2016		\$	Date 2015	Details	\$
Apl 30	Income statement (1)	38	May 1	Balance b/d (1)	474
	Balance c/d	<u>436</u>			
		<u>474</u>			<u>474</u>
			2016 May 1	Balance b/d (1)OF	436

+ (1) dates

[4]

(b)

Samar  
Extract from Statement of Financial Position at 30 April 2016

Current assets	\$	\$
Trade receivables	17 440	
Less Provision for doubtful debts	<u>436</u> (1)OF	17 004 (1)OF

[2]

- (c) A bad debt is an amount owing to a business which will not be paid by a credit customer (1)  
A provision for doubtful debts is an estimate of the amount which a business will lose in the financial year because of bad debts (1) [2]
- (d) Ensures that the profit for the year is not overstated (1)  
Ensures that the trade receivables (current assets) are not overstated (1) [2]
- (e) Accruals/matching (1) [1]
- (f) 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  
Invoice discounting/debt factoring  
Any 2 points (1) each [2]



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(g)

Samar  
Journal

	Debit \$	Credit \$	
Bank	49		(1)
Bad debts recovered		49	(1)
Recovery of debt previously written off			(1)
<b>Alternative presentation</b>			
M Khan	49		}(1)
Bad debts recovered		49	}
Bank	49		}(1)
M Khan		49	}
Recovery of debt previously written off			(1)

[3]

[Total: 16]

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6 (a)

Wasim  
Suspense account

Date 2016	Details	\$	Date 2016	Details	\$
Mar 31	Difference on trial balance (1) Balance c/d	495 190	Mar 31	Purchases (1) Petty cash (1) Discount Alld (1) Discount Recd (1) Stationery (1)	18 100 250 250 <u>67</u>
		<u>685</u>			<u>685</u>
			2016 Apr 1	Balance b/d (1)OF	190

[7]

(b)

Wasim  
Journal

Error number		Debit \$	Credit \$
2	DDE Limited DEC Limited Correction of error – DDE Limited wrongly credited	150	150
4	Motor repairs Motor vehicles Correction of error – repairs wrongly debited	283	283
5	Fixtures Office Supplies Company Correction of reversal of entries	4400	4400

**Any TWO of the above journal entries** (1) debit entry  
(1) credit entry  
(1) narrative

[6]

(c) Error of commission (1)

[1]

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(d)

error number	affects profit for the year	does not affect the profit for the year
1	✓	
2		✓(1)
3		✓ (1)
4	✓(1)	
5		✓(1)
6	✓(1)	
7	✓(1)	

[6]

[Total: 20]