Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/22**

Paper 2 **May/June 2017**

MARK SCHEME

Maximum Mark: 120

Published

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.

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

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE®, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Question	Answer	Marks
1(a)	Shiromi General Ledger Rent and Account 2017 $ April 4 Bank 495 **(1)** Motor Vehicle Account 2017 $ April 10 Bank 5 500 **(1)** Sales Account 2017 $ April 21 Cash 600 **}(1)** Bank 6 000 **}** Drawings Account 2017 $ April 26 Cash 150 **(1)** Purchases Account 2017 $ April 30 Total for Month 7 460 **(1)** Purchases Returns Account 2017 $ April 30 Total for month 560 **(1)** Discount received Account 2017 $ April 30 Total for month 156 **(1)**	**13**

Question	Answer	Marks
	Purchases Ledger Lincy account 2017 | | $ | | 2017 | | $ April 7 Returns 560 **(1)** April 5 Purchases 3 860 **(1)** April 18 Bank 3 234 **}(1)** Discount 66 **}** Gail Account 2017 | | $ | | 2017 | | $ April 24 Bank 3 510 **}(1)** April 16 Purchases 3 600 **(1)** Discount 90 **}** **+ (1) dates**	
1(b)	Decrease in inventory Decrease in bank/cash balance or increase in overdraft Increase in trade payables Increase in short term loans Increase in other payables Decrease in other receivables Purchase of non-current assets Increase in drawings Repayment of long term liabilities **Note: Not decrease in trade receivables as sells for cash only** **Any two reasons (1) each**	**2**
1(c)	May not be able to pay debts when they fall due May not be able to take advantage of cash discounts May not be able to take advantage of business opportunities as they arise May have difficulty in obtaining further supplies May not be able to take drawings May not have sufficient funds to pay for day to day expenses **Any two points (1) each**	**2**

Question	Answer	Marks
1(d)	<table><tr><td></td><td>increase</td><td>decrease</td><td>no effect</td></tr><tr><td>Take out a short-term bank loan</td><td></td><td></td><td>✓**(1)**</td></tr><tr><td>Repay a long-term bank loan</td><td></td><td>✓**(1)**</td><td></td></tr><tr><td>Sell goods on credit terms instead of for cash</td><td></td><td></td><td>✓**(1)**</td></tr><tr><td>Obtain a higher rate of cash discount</td><td>✓**(1)**</td><td></td><td></td></tr></table>	**4**
1(e)	These are goods for re-sale/These goods are purchased for re-sale not for business use/The inventory would increase/ These are short-term assets	**1**
1(f)	Lower profit for the year Higher capital employed/Higher owner's capital(Equity)/Higher long term loans **Any 2 reasons (1) each**	**2**

Question	Answer	Marks
2(a)	<table><tr><td></td><td>Book of prime (original) entry</td></tr><tr><td>Discount allowed</td><td>Cash book **(1)**</td></tr><tr><td>Bad debts</td><td>General journal **(1)**</td></tr><tr><td>Contra</td><td>General journal **(1)**</td></tr><tr><td>Returns</td><td>Sales returns journal **(1)**</td></tr></table>	**4**
2(b)	Meaning A contra entry is one which appears on the debit side of the purchases ledger control account and the credit side of the sales ledger control account. **(1)** Reason The entry is made when a sales ledger account is set off against a purchases ledger account of the same person/business. **(1)**	**2**
2(c)	Waheed Sales ledger control account <table><tr><td>2017</td><td></td><td>$</td><td></td><td>2017</td><td></td><td>$</td><td></td></tr><tr><td>March 1</td><td>Balance b/d</td><td>2 346</td><td></td><td>March 1</td><td>Balance b/d</td><td>140</td><td></td></tr><tr><td>March 31</td><td>Bank (dis.chq)</td><td>350</td><td>**(1)**</td><td>March 31</td><td>Bank</td><td>2 145</td><td>**(1)**</td></tr><tr><td></td><td>Sales</td><td>2 748</td><td>**(2)CF/(1)OF**</td><td></td><td>Discount</td><td>55</td><td>**(1)**</td></tr><tr><td></td><td>Balance c/d</td><td>86</td><td></td><td></td><td>Returns</td><td>276</td><td>**(1)**</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Contra</td><td>182</td><td>**(1)**</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Bad debts</td><td>62</td><td>**(1)**</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Balance c/d</td><td>2 670</td><td>**(1)**</td></tr><tr><td></td><td></td><td>5530</td><td></td><td></td><td></td><td>5 530</td><td></td></tr><tr><td>2017</td><td></td><td>$</td><td></td><td>2017</td><td></td><td>$</td><td></td></tr><tr><td>April 1</td><td>Balance b/d</td><td>2 670</td><td>**(1)**</td><td>April 1</td><td>Balance b/d</td><td>86</td><td>**(1)**</td></tr></table>	**10**
2(d)	Overpayment by customer Payment made by customer without deducting cash discount Goods returned by customer after payment of balance due Payment made in advance by customer **Any two points (1) each**	**2**

Question	Answer	Marks
2(e)	Satisfied **(1)** Credit customers are now paying earlier/within credit period allowed/other valid answer **(1)**	**2**
2(f)	Do not have to allow Waheed cash discount May charge interest on overdue account	**1**
2(g)	Have to wait longer for payment/Adversely affects liquidity position Increase risk of bad debt **Any 1 point (1)**	**1**
2(h)	Waheed has the use of the funds for other purposes for 17 days Waheed does not need to use his existing liquid funds to pay suppliers Improved liquidity position **Or other suitable comment** **Any 2 comments (1) each**	**2**

Question	Answer	Marks
3(a)	A1 Sports Club Receipts and Payments Account for the year ended 30 April 2017	12

2017		$		2016		$	
April 30	Subscriptions	7 140	**(1)**	March 1		3 180	
	Sales of equipment	430	**(1)**	2017			
	Café sales	5 280	**} (2)CF**	April 30	Café suppliers	3 796	**(1)**
			} (1)OF		Rates	960	**(1)**
	Balance c/d	2 626			General expenses	910	**(1)**
					Café wages	1 040	**(1)**
					Loan Repaid	1 500	**(1)**
					Loan interest	90	**(1)**
					Equipment	4 000	**(1)**
		15 476				15 476	**(1)**
				2017			
				May 1	Balance b/d	2626	**(1)**

Question	Answer	Marks
3(b)	A1 Sports Club Café Income Statement for the year ended 30 April 2017	8

	$		$	
Revenue			5 280	**(1) OF**
Cost of Sales				
Opening Inventory	298	**(1)**		
Purchases (3796 **(1)** – 311 **(1)** + 393 **(1)**)	3 878			
	4 176			
Closing inventory	216	**(1)**		
	3 960			
Café wages	1 040	**(1)**	5 000	
Café profit			280	**(1) OF**

Question	Answer	Marks
3(c)	$7000 **(1)** This is the amount of subscriptions which relates to this financial year **(1)**	2

Question	Answer	Marks
3(d)	Opening bank balance/closing bank balance Purchase of equipment Proceeds of sale of equipment Repayment of loan Café sales Payments to café suppliers Café wages Subscriptions accrued at the start of the year **Any five items (1) each**	**5**

Question	Answer	Marks
4(a)	see below	**1**

	$	$	
Premises	58 500		
Fixtures and fittings	9 400		
Inventory	9 700		
Trade receivables	8 120	85 720	
Trade payables	7 100		
Loan	15 000		
Bank overdraft	5 300	27 400	
Capital		58 320	**(1)**

Question	Answer						Marks
4(b)	Virat - Statement of Affairs at 31 January 2017						14
	Assets	$	$		$		
	Non-current assets	Cost	Accumulated depreciation		Book value		
	Premises	58 500			58 500		
	Fixtures and Fittings	9 400	1 880	**(1)**	7 520	**(1)OF**	
	Motor Vehicle	15 200	3 800	**(1)**	11 400	**(1)OF**	
		83 100	5 680		77 420	**(1)OF**	
	Current Assets				10 750	**(1)**	
	Inventory (12 900 × 100/120)		11 430				
	Trade receivables (8120 + 3310)		130				
	Less Bad debts written off		11 300	**(1)**			
	Less Provision for doubtful debts		226	**(1)**	11 074	**(1) OF**	
	Cash				100	**(1)**	
	Total Assets				21 924		
	Capital and Liabilities				99 344		
	Capital						
	Balance				73 418	**(1)OF**	
	Non-current liabilities						
	Loan – A Singh (repayable 2019)				10 000	**(1)**	
	Current Liabilities				7 526	**(1)**	
	Trade Payables (7100 + 6%)				8 400	**(1)**	
	Bank overdraft (5300 + 3100)				15 926		
	Total Liabilities				99 344		

Question	Answer	Marks
4(c)	Virat Capital account 2017 | | $ | | 2016 | | $ Jan 31 Drawings 11 320 **(1)** | Feb 1 Balance b/d 58 320 **(1)OF** Balance c/d 73 418 **(1) OF** | 2017 | Jan 31 Motor Vehicle 15 200 **(1)** | Profit 11 218 **(1)OF** 84 738 | 84 738 | 2017 | Feb 1 Balance b/d	**5**
4(d)	Should compare with a business in the same trade Should compare with a business of approximately the same size Should compare with a business of the same type (sole trader) The financial statements may be for one year which will not show trends The financial statements may be for one year which is not a typical year The financial year may end on different dates (when inventories are high/low) The businesses may operate different accounting policies The statements do not show non-monetary factors It may not be possible to obtain all the information needed to make comparisons **Or other suitable points** **Any 2 points (1) for basic statement and (1) for development**	**4**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>Duality (1)</td><td>1</td></tr>
<tr><td>5(b)</td><td>To ensure that the totals of the trial balance agree
To allow draft financial statements to be prepared
To facilitate the correction of errors
To make sure that all the errors are discovered
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>5(c)</td><td>Heng
Suspense account
<table>
<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</td><td>430</td><td>(1)</td><td>Dec 31</td><td>Petty Cash</td><td>150</td><td>(1)</td></tr>
<tr><td></td><td>General exp</td><td>90</td><td>(1)</td><td></td><td>Discount alld</td><td>1 024</td><td>(1)</td></tr>
<tr><td></td><td>Purchases Returns</td><td>454</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Balance c/d</td><td>200</td><td>(1)OF</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>1 174</td><td></td><td></td><td></td><td>1 174</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>200</td><td></td></tr>
</table></td><td>6</td></tr>
<tr><td>5(d)</td><td>Either
All the errors have not been found (1)
There is still a balance on the suspense account (1)
Or – if the suspense account in (c) is closed –
All the errors have been discovered (1)
There is no balance remaining on the suspense account (1)</td><td>2</td></tr>
</table>

Question	Answer	Marks
5(e)		10

Error	Profit for the year $	Non-current assets $	Current assets $	Current liabilities $
1	*281 overstated*	*281 overstated*	*No effect*	*No effect*
2	100 overstated **(1)**	No effect	100 overstated **(1)**	No effect
3	No effect	No effect	150 understated **(1)**	No effect
4	90 understated **(1)**	No effect	No effect	No effect
5	1024 overstated **(1)**	No effect	No effect	No effect
6	No effect	No effect	4 120 overstated **(2)** **Or** 2 060 overstated **(1)**	4 120 overstated **(2)** **Or** 2 060 overstated **(1)**
7	454 understated **(1)**	No effect	No effect	No effect