UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2011 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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1 (a) Mai Wang Cash Book

Date	Details		Discount Allowed	Cash	Bank	Date	Details		Discount Received	Cash	Bank
2011			$	$	$	2011			$	$	$
July 1	Balance b/d			250		July 1	Balance b/d				4 500
2	Sales	**(1)**		42	300	15	Drawings	**(1)**			500
9	Mark Fu	**(1)**	3		147	23	Sally Tan	**(1)**	12		468
30	Cash	**(1)**			192	29	Mulyani Ltd (dishonoured cheque)	**(1)**			330
31	Balance c/d				5 159						
						30	Bank	**(1)**		192	
						31	Balance c/d			100	
			3	292	5 798				12	292	5 798
2011						2011					
Aug 1	Balance b/d	**(1)O/F**		100		Aug 1	Balance b/d	**(1)O/F**			5 159

+ (1) dates **[10]**

(b) $5 159 **(1)O/F**
Liability **(1)O/F** **[2]**

(c) (i) A statement prepared by the trader **(1)** to explain why the balance on the bank column in the cash book differs from the balance on the bank statement **(1)** **[2]**

(ii) Cheques received by the trader and recorded in the cash book but which have not yet been recorded as being received by the bank **[2]**

(iii) Cheques paid by the trader and recorded in the cash book but which have not yet been recorded as being paid by the bank **[2]**

[Total: 18]

2 (a)

	$		
Profit for the year before preference share dividend	174 000		
Less Preference share dividend	4 000	**(2)**	
Profit for the year after preference share dividend	170 000	**(1)**	**[3]**

(b)

Kapiti Ltd
Profit and Loss Appropriation Account for the year ended 31 August 2011

	$		$	
Profit for the year			170 000	**(1)O/F**
Less Transfer to general reserve	25 000	**(1)**		
Dividends paid – Ordinary	20 000	**(2)**		
Dividends proposed – Ordinary	40 000	**(2)**	85 000	
Profit retained in the year			85 000	**(1)**
Retained profit brought forward			90 000	**(1)**
Retained profit carried forward			175 000	**(1)O/F**

Horizontal format acceptable **[9]**

(c) (i) general reserve $113 000 **(1)**

(ii) retained profit $175 000 **(1)O/F** **[2]**

(d) Interim ordinary share dividend will not appear in the balance sheet **(1)**

This has already been paid **(1)** and so is no longer a liability **(1)** **[3]**

(e) The liability of the member (shareholders) of a company for the debts of the company is limited to the amount they agree to pay the company for their shares **[2]**

(f) **(i)** Preference shareholders receive a fixed rate of dividend
Preference share dividend is payable before ordinary share dividend
Preference shareholders are members of the company
Preference shares are part of the capital of the company
Preference shareholders are repaid before ordinary shareholders in the event of the company being wound up
Preference shareholders are not usually entitled to vote at shareholders' meetings

Or other relevant point

Any 2 points (2) each **[4]**

(ii) $20 000 **[1]**

(iii) $1 000 **[1]**

(iv) 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 one point (2) **[2]**

[Total: 27]

3 **(a)** Assist in the location of errors
Provide instant totals of trade receivables and trade payables
Proves the arithmetical accuracy of the sales/purchases ledgers
Enable a balance sheet to be prepared quickly
Provide a summary of the transactions relating to trade receivables and trade payables
Provide an internal check on sales/purchases ledgers – may reduce fraud

Or other relevant points

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

(b) Overpayment of amount due by a debtor
Cash discount not deducted by debtor before payment made
Goods returned by debtor after payment of amount due
Payment made in advance by debtor

Any 1 point (1) **[1]**

(c)

Ajit Singh
Sales ledger control account

			$					$	
2011					2011				
Oct 1	Balance b/d		15 940		Oct 31	Bank		15 252	**(1)**
31	Sales		14 820	**(1)**		Discounts allowed		355	**(1)**
	Interest on overdue account		10	**(1)**		Sales returns		1 280	**(1)**
	Balance c/d		100	**(1)**		Bad debts		105	**(1)**
						Contra entry		485	**(1)**
						Balance c/d		13 393	**(1)**
			30 870					30 870	
2011					2011				
Nov 1	Balance b/d		13 393	**(1)**	Nov 1	Balance b/d		100	**(1)O/F**

+(1) for dates **[12]**

Alternative presentation

Ajit Singh
Sales ledger control account

		Debit $		Credit $		Balance $	
2011							
Oct 1	Balance	15 940				15 940	Dr
31	Sales	14 820	**(1)**			30 760	Dr
	Interest on overdue account	10	**(1)**			30 770	Dr
	Bank			15 252	**(1)**	15 518	Dr
	Discounts allowed			355	**(1)**	15 163	Dr
	Sales returns			1 280	**(1)**	13 883	Dr
	Bad debts			105	**(1)**	13 778	Dr
	Contra entry			485	**(1)**	13 293	Dr
	Balances	13 393	**(1)**	100	**(1)**	13 293	Dr **(2)O/F**

+ (1) for dates **[12]**

(d) $\dfrac{13\,393}{165\,900}$ **O/F} }(1)** $\times \dfrac{365}{1}$ = 29.47 days = 30 days **(1)O/F** **[2]**

(e) Satisfied if O/F in **(d)** 30 days or below **(1)**
He is receiving the amount due within period of credit allowed **(2)**

Or
Unsatisfied if O/F in **(d)** above 30 days **(1)**
He is not receiving the amount due within period of credit allowed **(2)** **[3]**

(f) Can use the money to pay the trade payables
Can use the money within the business
May reduce a bank overdraft
May reduce the need for a bank overdraft
Reduces the risk of bad debts

Or other relevant point

Any 1 point (1) **[1]**

[Total: 21]

4 (a)

Ahmed El Din
Manufacturing Account for the year ended 30 September 2011

	$		$	
Cost of raw materials				
Opening inventory of raw materials	17 300			
Purchases of raw materials	203 300	**(1)**		
			220 600	
Closing inventory of raw materials			19 400	
			201 200	**(1)**
Direct factory wages				
(199 500 **(1)** + 2 750 **(1)** – 2 300 **(1)**)			199 950	
Prime cost			401 150	**(1)**
Factory indirect wages	42 600	**(1)**		
Factory general expenses				
(122 400 **(1)** – 250 **(1)**)	122 150			
Depreciation factory machinery				
(132 500 + 5 900 **(1)** – 124 000 **(1)**)	14 400		179 150	
			580 300	**(1)O/F**
Add Opening work in progress	9 200			
Less Closing work in progress	10 400		(1 200)	**(1)**
Cost of production			579 100	**(1)O/F**

Horizontal format acceptable **[14]**

(b) Ahmed El Din
Income Statement for the year ended 30 September 2011

	$		$		$	
Revenue					858 000	**(1)**
Less Cost of sales						
Opening inventory finished goods			29 300	**(1)**		
Cost of production	579 100	**(1)O/F**				
Less Goods for own use	900	**(1)**	578 200			
			607 500			
Less Closing inventory of finished goods			31 200	**(1)**	576 300	
Gross profit					281 700	**(1)O/F**

Horizontal format acceptable **[6]**

(c) **Either** The profit should not be overstated
Or All possible losses should be provided for **(1)**

Example **Either** Inventories were valued at the lowest figure
Or Depreciation of the factory machinery was included **(1)** **[2]**

(d) Revenue of the accounting period must be matched against the costs of the same period **(1)**

Example **Either** Direct wages due at year end were added
Or Direct wages due at start of year were deducted
Or General expenses prepaid at year end were deducted
Or Loss in value of machinery was included in overheads **(1)** **[2]**

(e) The business is treated as being separate from the owner of the business **(1)**

Example Goods taken by owner were deducted **(1)** **[2]**

[Total: 26]

5 **(a)** Selling goods at higher prices
Reducing the rate of trade discount
Passing on increased costs to customers
Buying goods at cheaper prices

Or other suitable point

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

(b) Increase in the gross profit percentage
Reduction in expenses
Increase in other income

Or other suitable point

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

(c) **(i)** Year ended 31 July 2010
21% – 10% = 11% **(1)**

(ii) Year ended 31 July 2011
25% – 11% = 14% **(1)** **[2]**

(d) Percentage of expenses has increased **(1)**
The efficiency of the business in controlling expenses has decreased **(2)**

Or other suitable answer based on O/F answers to (c) **[3]**

(e) (4 500 + 3 800 + 50 + 1 000):5 600
= 9 350:5 600 **(1)**
= 1.67:1 **(1)** **[2]**

(f) (3 800 + 50 + 1 000):5 600
= 4 850:5 600 **(1)**
= 0.87:1 **(1)** **[2]**

(g) Unsatisfied **(1)**

The ratio has decreased. It is now below 1:1
She cannot pay her immediate liabilities from her liquid assets
She is relying on the sale of stock to be able to pay her immediate liabilities

Any two points (1) each

Accept alternative answers based on O/F answer to (f) **[3]**

(h) To be able to meet debts when they fall due
To be able to take advantage of cash discounts
To be able to take advantage of business opportunities as they arise
To ensure that there is not difficulty in obtaining further supplies

Or other suitable explanation

Any 1 point (2) **[2]**

(i) (ii) Effect — Working capital decreases by $20 **(1)**
Explanation — Current assets decrease by $20 as petty cash decreases. There is no change in the current liabilities. **(1)**

(iii) Effect — Working capital increases by $10 **(1)**
Explanation — The current assets decrease by $240 and the current liabilities decrease by $250. **(1)**

(iv) Effect — Working capital decreases by $40 **(1)**
Explanation — The current assets decrease by $40 as the inventory decreases by $270 and the cash increases by $230. There is no change in the current liabilities. **(1)** **[6]**

(j) (i) Bank manager
Prospects of any requested loan/overdraft being repaid when due
Prospects of any interest on loan/overdraft being paid when due
Security available to cover any loan/overdraft

(ii) Employee
Ability of business to continue operating
Prospects for jobs and wages

(iii) Supplier of goods on credit
Assessment of liquidity position
Identifying how long it takes the business to pay creditors
Identifying future prospects of the business
Establishing a credit limit

(iv) Potential purchaser of the business
Profitability of the business
Value of the assets of the business

Or other suitable reason in each case

Any 1 acceptable reason for each person **[4]**

[Total: 28]