

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the October/November 2012 series

0452 ACCOUNTING

0452/23

Paper 2, maximum raw mark 120

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1 (a)

Nadia Dhari
Statement of Affairs at 30 June 2012

	\$	\$	\$
	Cost	Depreciation to date	Book value
Non-current assets			
Fixtures & fittings	7 000	2 520 (1)	4 480 (1)
Motor vehicles	<u>12 000</u>	<u>7 200 (1)</u>	<u>4 800 (1)</u>
	<u>19 000</u>	<u>9 720</u>	9 280
Current assets			
Inventory		2 800 (1)	
Trade receivables (3500 (1) – 70 (1))		3 430	
Other receivables		220 (1)	
Bank		<u>4 120 (1)</u>	
		10 570	
Current liabilities			
Trade payables	3 100 (1)		
Other payables	<u>350 (1)</u>	<u>3 450</u>	
Net current assets			<u>7 120</u>
			16 400
Non-current liabilities			
Loan			<u>3 000 (1)</u>
			<u>13 400</u>
Financed by			
Capital			
Balance			<u>13 400 (1) O/F</u>
			<u>13 400</u>

[13]

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(b) Calculation of profit for the year

	\$		
Closing capital	13 400	(1)	O/F
Drawings – cash	2 800	(1)	
goods	350	(1)	
	<u>16 550</u>		
Less Opening capital	8 200	(1)	
	<u>8 350</u>		
Less Capital introduced	5 000	(1)	
Profit for the year	<u>3 350</u>	(2)	O/F

Alternative presentation

Nadia Dhari
Capital Account

2012		\$		2011		\$	
June 30	Cash	2 800	(1)	July 1	Balance	8 200	(1)
	Purchases	350	(1)	Dec 1	Bank	5 000	(1)
	Balance	c/d 13 400	(1)	2012			
			O/F	June 30	Profit	<u>3 350</u>	(2) O/F
		<u>16 550</u>				<u>16 550</u>	
				2012			
				July 1	Balance	b/d 13 400	

[7]

(c) $\frac{3430}{28900} \times \frac{365}{1} = 43.32 = 44 \text{ days (2)}$

[2]

(d) Unsatisfied (1)

Or satisfied if answer to (c) is 30 or below

[1]

(e) The business may not have enough liquid funds with which to pay the credit suppliers until money is received from credit customers.

Or

If the credit customers pay within the set time the business may be able to pay the credit suppliers within the set time without any significant impact on the bank balance.

Or

If the credit customers fail to pay within the set time it may be necessary to obtain short-term funds in order to pay the credit suppliers.

Any 1 point (2)

[2]

[Total: 25]

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2 (a) (i)

		Sajeev Kumar Fixtures account					
		\$		2011		\$	
2010				2011			
Aug 1	Bank		<u>2 600</u>	July 31	Balance	c/d	<u>2 600</u>
2011				2012			
Aug 1	Balance	b/d	2 600	July 31	Balance	c/d	4 040
Dec 1	A1 Supplies		<u>1 440</u>				
2012			<u>4 040</u>				<u>4 040</u>
Aug 1	1 Balance	b/d	4 040				

[3]

(ii)

		Provision for depreciation of fixtures account					
		\$		2011		\$	
2011				2011			
July 31	Balance	c/d	650	July 31	Income statement		650 (1)
2012				2011			
July 31	Balance	c/d	1 540	Aug 1	Balance	b/d	650 (1) OF
				2012			
				July 31	Income statement	650 (1)	
						<u>240 (1)</u>	<u>890</u>
			<u>1 540</u>				<u>1 540</u>
				2012			
				Aug 1	Balance	b/d	1 540 (1) OF

[5]

(b)

	account to be debited	account to be credited
Transferring the accumulated depreciation on the fixtures from the ledger	Provision for depreciation of fixtures (1)	Disposal of fixtures (1)
Transferring the original cost of the fixtures from the ledger	Disposal of fixtures (1)	Fixtures (1)
Recording the proceeds of sale of the fixtures	Cash (1)	Disposal of fixtures (1)

[6]

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(c)

Capital expenditure	Revenue expenditure
Money spent on purchasing, improving or extending non-current assets	Money spent on running the business on a day-to-day basis
Money spent on items which increase the profit-earning ability of the business	Money spent on the costs of running the business
Money spent on items which will be used in the business over several years	Money spent on items which only benefit the business for one financial year
Are recorded in the statement of financial position	Are recorded in the income statement

Explanation of any one difference (2)**[2]****(d) (i)** Profit for the year ended 31 July 2012Effect Overstated by \$300 **(1)**Reason An expense has been omitted from the income statement **(1)****(i)** Capital employed at 31 July 2012Effect Overstated by \$300 **(1)**Reason The non-current assets include \$300 which is an expense **(1)****Or**The total capital is overstated because the profit for the year was overstated **(1)****[4]**

(e) (i) Selling goods at higher prices
Purchasing goods at lower prices
Reduction in cost of sales
Change in proportions of different goods
Any 1 reason (2)

[2]

(ii) More expenses
Reduction in other income
Change in type of expenses
Expenses not controlled as well as previously
Any 1 reason (2)

[2]

(iii) Decreased **(1)**
The percentage of expense to sales (revenue) has increased **(1)**

[2]**[Total: 26]**

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3 (a)

Daisy Matumo			
Income statement for the year ended 31 October 2012			
	\$		\$
Fees (35 120 (1) + 520 (1))			35 640
Rent received (2 750 (1) – 150 (1))			2 600
			38 240
Less Wages (18 750 (1) + 450 (1) – 300(1))	18 900		
Office expenses	11 265		
Loss on disposal			
((3 450 – 3 025) (1) – 200 (1))	225		
Depreciation – equipment	<u>150</u> (2)		<u>30 540</u>
(20% × 3 000 × $\frac{3}{12}$)			<u>7 700</u> (1) O/F

[12]

(b)

				Daisy Matumo			
				Capital account			
				\$			\$
2012					2011		
Oct 31	Drawings			6 200 (1)	Nov 1	Balance b/d	60 000 (1)
	Balance	c/d		61 500	2012		
				<u>67 700</u>	Oct 31	Profit	<u>7 700</u> (1) O/F
							<u>67 700</u>
					2012		
					Nov 1	Balance b/d	61 500 (1) O/F

[4]

(c) $\frac{7\,700}{100} \times \frac{100}{1} = 12.52\%$ (2) C/F
(1) O/F

[2]

(d) Error 2 Effect Increase (1)
Reason The capital employed decreases because of the drawings.
There is no change in the profit. (1)

Error 3 Effect No effect (1)
Reason There is no change in the capital employed.
There is no change in the profit. (1)

[4]

[Total: 22]

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4 (a)

Parnell Sport Club								
Receipts and Payments Account for the year ended 31 July 2012								
2011			\$		2012		\$	
Aug 1	Balance	b/d	3 200	(1)	July 31	Equipment	9 530	(1)
2012						Rent	2 400	(1)
July 31	Sale of equipment		320	(1)		General expenses	2 760	(1)
	Subscriptions					Insurance	1 800	(1)
	2011		180	(1)		Suppliers	2 840	(1)
	2012		12 000	(1)				
	Cash sales		3 450	(1)				
	Balance	c/d	180					
			19 330				19 330	
					2012			
					Aug 1	Balance b/d	180	(1) O/F
								[11]

(b) Current liability [1]

(c) Subscriptions are amounts paid by members of a club or society to use the facilities provided by the club [1]

(d) This is a non-current asset and the income and expenditure account only contains revenue expenditure.
(1) for basic statement + (1) for development [2](e) Part of the payment for insurance is for the next financial year. **(1)**
Either
The income and expenditure account includes only expenses for that year
This is an application of the matching/accruals principle **(1)** [2]

(f) Calculation of purchases for the year

	\$	
Payments to suppliers	2 840	(1)
Amount owing 31 July 2012	670	(1)
	3 510	
Less Amounts owing 1 August 2011	750	(1)
Purchases for the year	2 760	(1)

Alternative presentation

Total trade payables account

2012			\$		2011		\$	
July 31	Bank		2 840	(1)	Aug 1	Balance	750	(1)
	Balance	c/d	670	(1)	2012		2 760	(1)
			3 510		July 31	Purchases *	3 510	

[4]

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(g)	\$		
Shop sales	3 450		
Shop purchases	2 760	O/F	
Profit	690	(1) O/F	[1]

(h)	$\frac{690}{2\,760} \times \frac{100}{1} = 25\%$	(2) C/F	
		(1) O/F	[2]

[Total: 24]

5 (a)

Tun and Min
Journal

	Debit \$	Credit \$	
Motor vehicles	7000		(1)
Tun Capital		7000	(1)
Motor vehicle introduced by Tun			(1)
Min Capital	3000		(1)
Min Current		3000	(1)
Debit balance on Min's current account transferred to his capital account			(1)

[6]

(b)

Tun and Min
Balance Sheet extract at 30 September 2012

	\$ Tun	\$ Min	\$ Total	
Capital account	47 000 (1)	47 000 (1)	94 000	
Current account	<u>(1 180) (1)</u>	<u>230 (1)</u>	<u>(950)</u>	
	<u>45 820</u>	<u>47 230</u>	<u>93 050</u>	(1)

[5]

(c) This represents the amount owing by Tun to the business **[2]**

(d) To compensate for an unequal workload
Or In recognition of work done in the business **[2]**

(e) To discourage the partners from making excessive drawings **[2]**

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(f) Interest on capital $\frac{1\,880}{47\,000} \times \frac{100}{1} = 4\%$ (2) [2]

- (g) Should compare with a business in the same trade
Should compare with a business of approximately the same size/same capital
Should compare with a business of the same type (partnership)
The accounts may be for one year only which will not show trends
The accounts may be for one year only which may not be a typical year
The financial year may end on different dates (when inventories are high/low)
The businesses may operate different accounting policies
The businesses may have different types of expenses
The statements do not show non-monetary factors
It may not be possible to obtain all the information needed to make comparisons

Any two acceptable points (2) each

[4]

[Total: 23]