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Cambridge International General Certificate of Secondary Education

ACCOUNTING

0452/21

Paper 2

May/June 2018

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.

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PUBLISHED**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer				Marks																																																						
1(a)			Book of prime (original) entry		2																																																						
	Returns by credit customers		Sales returns journal	(1)																																																							
	Bad debts written off		Journal	(1)																																																							
1(b)	Lydia Purchases ledger control account <table> <tr> <th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr> <tr> <td>2018</td><td></td><td></td><td>2018</td><td></td><td></td></tr> <tr> <td>Apl 30</td><td>Returns (1)</td><td>113</td><td>Apl 1</td><td>Balance b/d (1)</td><td>4 215</td></tr> <tr> <td></td><td>Discount received (1)</td><td>95</td><td>30</td><td>Purchases (1)</td><td>4 855</td></tr> <tr> <td></td><td>Contra/SLCA (1)</td><td>250</td><td></td><td>Carriage inwards (1)</td><td>210</td></tr> <tr> <td></td><td>*Bank (1)OF</td><td>4 685</td><td></td><td>Balance c/d</td><td>100</td></tr> <tr> <td></td><td>Balance c/d</td><td>4 237</td><td></td><td></td><td></td></tr> <tr> <td></td><td></td><td><u>9 380</u></td><td></td><td></td><td><u>9 380</u></td></tr> <tr> <td>May 1</td><td>Balance b/d (1)</td><td>100</td><td>May 1</td><td>Balance b/d (1)</td><td>4 237</td></tr> </table>				Date	Details	\$	Date	Details	\$	2018			2018			Apl 30	Returns (1)	113	Apl 1	Balance b/d (1)	4 215		Discount received (1)	95	30	Purchases (1)	4 855		Contra/SLCA (1)	250		Carriage inwards (1)	210		*Bank (1)OF	4 685		Balance c/d	100		Balance c/d	4 237						<u>9 380</u>			<u>9 380</u>	May 1	Balance b/d (1)	100	May 1	Balance b/d (1)	4 237	9
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Question	Answer	Marks
1(c)	Overpayment of amount owing to credit supplier Return of goods to credit supplier after payment made Cash discount not deducted when payment was made to credit supplier Payment made to credit supplier in advance Any 2 reasons (1) each	2
1(d)	Ensures that the profit for the year is not overstated by anticipating losses (1) Ensures that the trade receivables are shown at a realistic level in the statement of financial position (1)	2
1(e)(i)	Liquidity If trade receivables take up the offer Lydia will receive the money earlier This money could then be used within the business Will receive a lower amount than previously Or other relevant point Any 2 relevant points (1) each	2
1(e)(ii)	Profitability Profit for the year will decrease because of the extra cash discount This policy may reduce bad debts so may increase profit Or other relevant points Any 2 relevant points (1) each	2

Question	Answer	Marks																																								
2(a)	Nabil Journal <table><thead><tr><th>Date</th><th>Details</th><th>Debit \$</th><th>Credit \$</th></tr></thead><tbody><tr><td>2017</td><td></td><td></td><td></td></tr><tr><td>Mar 1</td><td>Premises }</td><td>200 000</td><td></td></tr><tr><td></td><td>Fixtures and fittings } (1)</td><td>22 000</td><td></td></tr><tr><td></td><td>Inventory }</td><td>5 500</td><td></td></tr><tr><td></td><td>Bank (1)</td><td>7 500</td><td></td></tr><tr><td></td><td> Loan – AB Loans (1)</td><td></td><td>80 000</td></tr><tr><td></td><td> Capital (1)</td><td></td><td>155 000</td></tr><tr><td></td><td>Assets, liabilities and capital at this date (1)</td><td>235 000</td><td>235 000</td></tr><tr><td></td><td></td><td></td><td></td></tr></tbody></table>	Date	Details	Debit \$	Credit \$	2017				Mar 1	Premises }	200 000			Fixtures and fittings } (1)	22 000			Inventory }	5 500			Bank (1)	7 500			Loan – AB Loans (1)		80 000		Capital (1)		155 000		Assets, liabilities and capital at this date (1)	235 000	235 000					5
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2(b)	Correction of errors Purchase/sale of non-current assets on credit Year-end transfers Transactions not entered in any other book of prime (original) entry Accept other relevant points. Any 2 uses (1) each	2																																																																												
2(c)	Nabil Corrected Trial Balance at 28 February 2018 <table><thead><tr><th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th><th></th></tr></thead><tbody><tr><td>Revenue</td><td></td><td style="text-align: right;">119 100</td><td style="text-align: right;">}</td></tr><tr><td>Purchases</td><td style="text-align: right;">72 000</td><td></td><td style="text-align: right;">}{(1)</td></tr><tr><td>Capital</td><td></td><td style="text-align: right;">155 000</td><td></td></tr><tr><td>Loan – AB Loans</td><td></td><td style="text-align: right;">80 000</td><td></td></tr><tr><td>Premises</td><td style="text-align: right;">200 000</td><td></td><td></td></tr><tr><td>Fixtures and fittings</td><td style="text-align: right;">22 000</td><td></td><td></td></tr><tr><td>Trade receivables (7 500 – 140)</td><td style="text-align: right;">7 460</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Trade payables (6 850 – 150)</td><td></td><td style="text-align: right;">6 700</td><td style="text-align: right;">(2)*</td></tr><tr><td>Bank overdraft (3 950 + 210)</td><td></td><td style="text-align: right;">4 160</td><td style="text-align: right;">(1)</td></tr><tr><td>Wages (32 300 – 10 000)</td><td style="text-align: right;">22 300</td><td></td><td></td></tr><tr><td>General expenses</td><td style="text-align: right;">25 400</td><td></td><td style="text-align: right;">(1)**</td></tr><tr><td>Inventory 1 March 2017</td><td style="text-align: right;">5 500</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Drawings</td><td style="text-align: right;">10 000</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Purchases returns</td><td></td><td style="text-align: right;">150</td><td style="text-align: right;">(1)</td></tr><tr><td>Bad debts</td><td style="text-align: right;">140</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Bank charges</td><td style="text-align: right;">210</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td>Petty cash</td><td style="text-align: right;">100</td><td></td><td style="text-align: right;">(1)</td></tr><tr><td></td><td style="text-align: right; border-top: 1px solid black;">365 110</td><td style="text-align: right; border-top: 1px solid black;">365 110</td><td style="text-align: right;">(1)***</td></tr></tbody></table> *(1) position + (1) amount ** (1) provided closing inventory not included *** (1) matching OF totals		\$	\$		Revenue		119 100	}	Purchases	72 000		}{(1)	Capital		155 000		Loan – AB Loans		80 000		Premises	200 000			Fixtures and fittings	22 000			Trade receivables (7 500 – 140)	7 460		(1)	Trade payables (6 850 – 150)		6 700	(2)*	Bank overdraft (3 950 + 210)		4 160	(1)	Wages (32 300 – 10 000)	22 300			General expenses	25 400		(1)**	Inventory 1 March 2017	5 500		(1)	Drawings	10 000		(1)	Purchases returns		150	(1)	Bad debts	140		(1)	Bank charges	210		(1)	Petty cash	100		(1)		365 110	365 110	(1)***	13
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Question	Answer	Marks
3(b)	February 1 Motor vehicles Explanation Original cost of the motor vehicle disposed of/sold (1) Double entry Credit motor vehicles account (1) February 1 Provision for depreciation of motor vehicles Explanation Total depreciation written of the motor disposed of/sold up to the date of sale (1) Double entry Debit provision for depreciation of motor vehicles account (1) February 1 M6Vans Explanation Price M6Vans agreed to pay for the motor vehicle (1) Double entry Debit M6Vans account (1) March 31 Income statement Explanation Loss on disposal of motor vehicle (1) Double entry Debit income statement (1)	8

Question	Answer	Marks																																							
4(a)	Asim Income Statement for the year ended 31 January 2018 <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th></tr> </thead> <tbody> <tr> <td>Fees from clients (28 350 (1) + 2 400 (1))</td><td></td><td style="text-align: right;">30 750</td></tr> <tr> <td>Rent receivable (5 600 – 800)</td><td></td><td style="text-align: right;">4 800 (1)</td></tr> <tr> <td></td><td></td><td style="text-align: right;">35 550</td></tr> <tr> <td>Wages</td><td style="text-align: right;">19 000 }</td><td></td></tr> <tr> <td>General expenses</td><td style="text-align: right;">1 358 }(1)</td><td></td></tr> <tr> <td>Motor expenses (970 (1) + 110 (1) · $\frac{3}{4}$ (1))</td><td style="text-align: right;">810</td><td></td></tr> <tr> <td>Rates & Insurance (2 280 (1) · 12/15 (1))</td><td style="text-align: right;">1 824</td><td></td></tr> <tr> <td>Provision for doubtful debts (2% · 2 400)</td><td style="text-align: right;">48 (1)</td><td></td></tr> <tr> <td>Depreciation</td><td></td><td></td></tr> <tr> <td> Motor vehicle (20% · (15 000 – 5 400))</td><td style="text-align: right;">1 920 (1)</td><td></td></tr> <tr> <td> Office equipment (6 180 – 5 500)</td><td style="text-align: right;">680 (1)</td><td style="text-align: right;">25 640</td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;">9 910 (1)OF</td></tr> </tbody> </table>		\$	\$	Fees from clients (28 350 (1) + 2 400 (1))		30 750	Rent receivable (5 600 – 800)		4 800 (1)			35 550	Wages	19 000 }		General expenses	1 358 }(1)		Motor expenses (970 (1) + 110 (1) · $\frac{3}{4}$ (1))	810		Rates & Insurance (2 280 (1) · 12/15 (1))	1 824		Provision for doubtful debts (2% · 2 400)	48 (1)		Depreciation			Motor vehicle (20% · (15 000 – 5 400))	1 920 (1)		Office equipment (6 180 – 5 500)	680 (1)	25 640	Profit for the year		9 910 (1)OF	13
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4(b)	$\frac{\text{Profit for the year}}{\text{Capital employed}} \times \frac{100}{1} \text{ whole formula (1)}$	1																																							

Question	Answer	Marks
4(c)	$\frac{9910}{120\,000} \times \frac{100}{1}$ (1) OF whole formula = 8.26% (1) OF	2
4(d)	Higher profit for the year Lower capital employed Or other suitable reason Any 2 reasons (1) each	2
4(e)	Financial statements only include information which can be expressed in monetary terms (1) This means that many important factors which affect the performance of a business are not included in the financial statements (1)	2

Question	Answer	Marks																																								
5(a)	Ravi Income Statement (Trading Account section) for the year ended 31 March 2018 <table><tr><td></td><td>\$</td><td>\$</td><td>\$</td></tr><tr><td>Revenue (8 750 + 34 450)</td><td></td><td></td><td>43 200 (1)</td></tr><tr><td>Cost of sales</td><td></td><td></td><td></td></tr><tr><td>Opening inventory</td><td></td><td>2 900 (1)</td><td></td></tr><tr><td>Purchases</td><td>38 400</td><td>}(2)CF</td><td></td></tr><tr><td></td><td></td><td>}(1)OF</td><td></td></tr><tr><td>Less Purchase returns</td><td><u>950</u> (1)</td><td><u>37 450</u></td><td></td></tr><tr><td></td><td></td><td>40 350</td><td></td></tr><tr><td>Less Closing inventory</td><td></td><td><u>4 350</u> (1)</td><td><u>36 000</u> (1)OF</td></tr><tr><td>Gross profit</td><td></td><td></td><td><u>7 200</u> (1)OF</td></tr></table>		\$	\$	\$	Revenue (8 750 + 34 450)			43 200 (1)	Cost of sales				Opening inventory		2 900 (1)		Purchases	38 400	}(2)CF				}(1)OF		Less Purchase returns	<u>950</u> (1)	<u>37 450</u>				40 350		Less Closing inventory		<u>4 350</u> (1)	<u>36 000</u> (1)OF	Gross profit			<u>7 200</u> (1)OF	8
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5(b)	Cost of sales <u>Average inventory</u> (1)	1																																								

Question	Answer				Marks																		
5(c)	Higher inventory levels Lower sales activity Or other suitable reason Any 2 reasons (1) each				2																		
5(d)	Lower of cost and net realisable value (1)				1																		
5(e)	Prudence (1)				1																		
5(f)	<table><tr><td></td><td>Overstated</td><td>Understated</td></tr><tr><td>current assets at 31 March 2018</td><td>✓</td><td></td></tr><tr><td>cost of sales for the year ended 31 March 2018</td><td></td><td>✓(1)</td></tr><tr><td>gross profit for the year ended 31 March 2018</td><td>✓(1)</td><td></td></tr><tr><td>cost of sales for the year ending 31 March 2019</td><td>✓(1)</td><td></td></tr><tr><td>profit for the year ending 31 March 2019</td><td></td><td>✓(1)</td></tr></table>					Overstated	Understated	current assets at 31 March 2018	✓		cost of sales for the year ended 31 March 2018		✓(1)	gross profit for the year ended 31 March 2018	✓(1)		cost of sales for the year ending 31 March 2019	✓(1)		profit for the year ending 31 March 2019		✓(1)	4
	Overstated	Understated																					
current assets at 31 March 2018	✓																						
cost of sales for the year ended 31 March 2018		✓(1)																					
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5(g)	<table><tr><td></td><td>Increase</td><td>Decrease</td><td>No effect</td></tr><tr><td>Reduce the rate of trade discount allowed to credit customers</td><td>✓(1)</td><td></td><td></td></tr><tr><td>Reduce the rate of cash discount allowed to credit customers</td><td></td><td></td><td>✓(1)</td></tr></table>					Increase	Decrease	No effect	Reduce the rate of trade discount allowed to credit customers	✓(1)			Reduce the rate of cash discount allowed to credit customers			✓(1)	2						
	Increase	Decrease	No effect																				
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Reduce the rate of cash discount allowed to credit customers			✓(1)																				

Question	Answer	Marks
5(h)	Increase in selling price so possibility of greater gross profit (1) Customers may go to cheaper suppliers, so sales and profit may decrease (1) Accept other valid points	2

Question	Answer	Marks														
6(a)	<table><tr><th>Debentures</th><th>Ordinary shares</th></tr><tr><td>Receive interest</td><td>Receive dividends</td></tr><tr><td>Receive fixed interest</td><td>Receive variable dividends</td></tr><tr><td>Interest paid irrespective of profit</td><td>Dividends depend on profit</td></tr><tr><td>Do not carry voting rights</td><td>Carry voting rights</td></tr><tr><td>Are lenders/loans/(non-current) liabilities/creditors</td><td>Are members of the company/equity/capital</td></tr><tr><td>Priority for repayment in winding-up</td><td>Last to be repaid in winding-up</td></tr></table> Any two comparative statements (2) each	Debentures	Ordinary shares	Receive interest	Receive dividends	Receive fixed interest	Receive variable dividends	Interest paid irrespective of profit	Dividends depend on profit	Do not carry voting rights	Carry voting rights	Are lenders/loans/(non-current) liabilities/creditors	Are members of the company/equity/capital	Priority for repayment in winding-up	Last to be repaid in winding-up	4
Debentures	Ordinary shares															
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Priority for repayment in winding-up	Last to be repaid in winding-up															

Question	Answer	Marks
6(b)	Transfers made in the statement of changes of equity from the retained earnings (1)	1
6(c)	In situations where there is not enough cash to pay a dividend To retain cash within the business rather than using it for dividends To use in future when the profits may be low/there may be a loss Or other acceptable comments Any 2 acceptable comments (1) each	2

Question	Answer					Marks																														
6(d)	<table><tr><td></td><td>Income statement</td><td>Statement of changes in equity</td><td>Statement of financial position</td><td>No entry</td></tr><tr><td>1 September 2017 Repayment of long term loan</td><td></td><td></td><td></td><td>✓</td></tr><tr><td>1 November 2017 Payment of half year interest on debentures</td><td>✓(1)</td><td></td><td></td><td></td></tr><tr><td>31 December 2017 Payment of interim ordinary share dividend</td><td></td><td>✓(1)</td><td></td><td></td></tr><tr><td>30 April 2018 Half year interest on debentures accrued</td><td>✓(1)</td><td></td><td>✓(1)</td><td></td></tr><tr><td>30 April 2018 Proposed ordinary share dividend</td><td></td><td></td><td></td><td>✓(1)</td></tr></table>						Income statement	Statement of changes in equity	Statement of financial position	No entry	1 September 2017 Repayment of long term loan				✓	1 November 2017 Payment of half year interest on debentures	✓(1)				31 December 2017 Payment of interim ordinary share dividend		✓(1)			30 April 2018 Half year interest on debentures accrued	✓(1)		✓(1)		30 April 2018 Proposed ordinary share dividend				✓(1)	5
	Income statement	Statement of changes in equity	Statement of financial position	No entry																																
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6(e)	Will not dilute their stake in the company Will not dilute their voting power If expansion profitable, potential for higher dividend as debenture holders receive fixed interest Or other acceptable comment Any 1 comment (1)					1																														

Question	Answer	Marks																												
6(f)	Annual profit reduced because of debenture interest Reduced profit available for ordinary shareholders Prior claim on assets in a winding-up Or other acceptable comment Any 1 comment (1)	1																												
6(g)	Current assets : current liabilities(1)	1																												
6(h)	<table><tr><td></td><td>Increase</td><td>Decrease</td><td>No effect</td></tr><tr><td>Sell surplus non-current assets for cash</td><td>✓</td><td></td><td></td></tr><tr><td>Sell goods on cash terms only</td><td></td><td></td><td>✓(1)</td></tr><tr><td>Obtain a further long-term loan</td><td>✓(1)</td><td></td><td></td></tr><tr><td>Buy additional non-current assets on credit rather than paying immediately</td><td></td><td>✓(1)</td><td></td></tr><tr><td>Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount</td><td></td><td>✓(1)</td><td></td></tr><tr><td>Pay trade payables after 2 months instead of after 1 month</td><td></td><td></td><td>✓(1)</td></tr></table>		Increase	Decrease	No effect	Sell surplus non-current assets for cash	✓			Sell goods on cash terms only			✓(1)	Obtain a further long-term loan	✓(1)			Buy additional non-current assets on credit rather than paying immediately		✓(1)		Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount		✓(1)		Pay trade payables after 2 months instead of after 1 month			✓(1)	5
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