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

**ACCOUNTING** **0452/23**

Paper 2 **October/November 2019**

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 International will not enter into discussions about these mark schemes.

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## 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.

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|---|
| GENERIC MARKING PRINCIPLE 5:<br><br>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:<br><br>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. |

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| Question | Answer | Marks |
|---|---|---|
| 1(a) | | **9** |

Sophie
Cash Book

| Date | Details | Disc. $ | Cash $ | Bank $ | Date | Details | Disc. $ | Cash $ | Bank $ |
|---|---|---|---|---|---|---|---|---|---|
| *2019* | | | | | *2019* | | | | |
| *Aug 1* | *Balance b/d* | | *250* | | *Aug 1* | *Balance b/d* | | | *4010* |
| *17* | *Jack* | | | *156* | *2* | *Petty cash* | | *94* | |
| *24* | *Sales* | | *3820* | | *30* | *Bank* | | *2000* | |
| *29* | *Capital* | | | *5000* | 31 | Ellie **(1)** | 22 | | 858 |
| *30* | *Cash* | | | *2000* | | Bank charges **(1)** | | | 53 |
| 31 | Jason **(1)** | 11 | | 539 | | Jack (Dis. chq) **(1)** | | | 156 |
| | Bella **(1)** | | | 260 | | Insurance **(1)** | | | 50 |
| | | | | | | Balance c/d | | 1976 | 2828 |
| | | 11 | 4070 | 7955 | | | 22 | 4070 | 7955 |
| 2019 Sept 1 | Balance b/d | | | | | | | | |
| | | | 1976 **(1)OF** | 2828 **(1)OF** | | | | | |

**+ (1) OF totalling both discount columns**

| | | |
|---|---|---|
| 1(b) | Bank overdraft/amount Sophie owed the bank | **1** |
| 1(c) | Amount withdrawn from the cash to transfer to the petty cash book/amount given in cash to the petty cashier | **1** |
| 1(d) | This is a contra entry **(1)** Money was transferred to the bank account from the cash account **(1)** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 1(e) | | 5 |

Sophie
Bank Reconciliation Statement at 31 August 2019

| | | $ | $ |
|---|---|---|---|
| Balance on bank statement | **(1)OF** | | 1147 |
| Amounts not yet credited | | | |
| Cash | **(1)** | 2000 | |
| Cheque – Jason | **(1)OF** | 539 | 2539 |
| | | | 3686 |
| Cheque not yet presented | | | |
| Ellie | **(1)OF** | | 858 |
| Balance in cash book | **(1)OF** | | 2828 |

**Alternative presentation**

Sophie
Bank Reconciliation Statement at 31 August 2019

| | | $ | $ |
|---|---|---|---|
| Balance in cash book | **(1)OF** | | 2828 |
| Cheque not yet presented | | | |
| Ellie | **(1)OF** | | 858 |
| | | | 3686 |
| Amounts not yet credited | | 2000 | |
| Cash | **(1)** | 539 | 2539 |
| Cheque – Jason | **(1)OF** | | 1147 |
| Balance on bank statement | **(1)OF** | | |

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| Question | Answer | Marks |
|---|---|---|
| 1(f) | Obtain the correct bank balance<br>Identify errors in the bank columns of the cash book<br>Identify errors on the bank statement<br>Assist in discovering fraud and embezzlement<br>Identify amounts/cheques not credited by the bank<br>Identify cheques not presented<br>Identify stale cheques<br>Understand/reconcile the differences between the bank account/bank column in cash book and the bank statement<br>**Any 2 reasons (1) each** | **2** |
| 1(g)(i) | August 17 Cheque received from Jack<br>31 Return of dishonoured cheque to Jack<br>31 Cheque received from Jason<br>31 Discount allowed to Jason<br>31 Payment by credit transfer from Bella<br>**Any 1 transaction (1) mark** | **1** |
| 1(g)(ii) | August 31 Cheque paid to Ellie<br>Discount received from Ellie<br>**Any 1 transaction (1) mark** | **1** |
| 1(g)(iii) | August 24 Sales<br>29 Capital<br>31 Bank charges<br>Insurance<br>**Any 2 transactions (1) mark each** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 2(a) | CS Limited<br>Statement of Changes in Equity for the year ended 30 September 2019 | **4** |

| Details | Ordinary share capital $ | General reserve $ | Retained earnings $ | Total $ | |
|---|---|---|---|---|---|
| On 1 October 2018 | *150 000* | *7 000* | *16 000* | *173 000* | |
| Profit for the year | …… | …..…….. | *15 000* | *15 000* | **(1)** |
| Final dividend paid | …….. | …… | (6 000) | (6 000) | **(1)** |
| Transfer to general reserve | …… | 5 000 | (5 000) | …….. | **(1)** |
| On 30 September 2019 | 150 000 | 12 000 | 20 000 | 182 000 | **(1)OF** |
| | | | | | |

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| Question | Answer | Marks |
|---|---|---|
| 2(b) | CS Limited<br>Statement of Financial Position at 30 September 2019 | 14 |

| Assets | $ Cost | $ Accumulated depreciation | $ Book value |
|---|---|---|---|
| Non-current assets | | | |
| Premises | 172 000 | | 172 000 |
| Machinery | 38 000 | 13 680 | 24 320 **(1)** |
| Fixtures and fittings | 19 500 | 3 900 | 15 600 **(1)** |
| | 229 500 | 17 580 | 211 920 **(1)** |
| Current assets | | | |
| Inventory | | | |
| Trade receivables | | | 14 360 |
| Less provision for doubtful debts | | | |
| Other receivables | | 16 800 | 16 296 **(1)** |
| Petty cash | | 504 | 110 |
| | | | 200 **(1)** |
| | | | 30 966 **(1)** |
| Total assets | | | 242 886 |
| Equity and liabilities | | | |
| Equity and reserves | | | |
| Ordinary shares | | | 150 000 |
| General reserve | | | 12 000 **(1)OF** |
| Retained earnings | | | 20 000 **(1)OF** |
| | | | 182 000 **(1)OF** |

**Continued**

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| Question | Answer | Marks |
|---|---|---|
| 2(b) | Non-current liabilities<br>5% Debentures (repayable 1 October 2030) — 25 000 **(1)**<br>Current Liabilities<br>Trade payables — 14 866<br>Other payables — 198 **(1)**<br>Bank overdraft — 10 822 **(1)**<br>Bank loan (repayable 1 April 2020) — 10 000 **(1)**<br>35 886 **(1)**<br>Total equity and liabilities — 242 886 | |
| 2(c) | The difference between the two percentages represents the percentage of expenses to revenue **(1)**<br>The lower the percentage the more efficiently the expenses are being controlled **(1)**<br>**Or other suitable comments**<br>**Any 2 comments (1) each** | **2** |
| 2(d) | The profit earned for every $100 used in the business | **1** |
| 2(e) | The return on capital employed will decrease **(1)** because the capital employed will increase **(1)** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 3(a) | Yabani<br>Income Statement for the year ended 30 September 2019 | **12** |

| | $ | $ | $ |
|---|---|---|---|
| Revenue | | | 205 000 **(1)** |
| Cost of sales | | | |
| Opening inventory of finished goods | | | |
| Cost of production | | 21 340 **(1)*** | |
| Purchases of finished goods | | 141 220 **(1)** | |
| Carriage on finished goods | 22 000 **(1)OF** | | |
| | 2 000 **(1)** | 24 000 | |
| Closing inventory of finished goods | | 186 560 **(1)OF** | |
| Gross profit | | 22 560* **both** | 164 000 **(1)** |
| Administration and selling expenses | | | 41 000 **(1)** |
| Depreciation – delivery vehicle (20% · (19 500 – 3900)) | | 22 120 **(1)** | |
| office fixtures and fittings (10% · 14 100) | | 3 120 **(1)** | |
| Profit for the year | | 1 410 **(1)** | 26 650 |
| | | | 14 350 **(1)OF** |

| | | |
|---|---|---|
| 3(b)(i) | Gross profit increases **(1)** the cost of production reduces **(1)**<br>**OR**<br>Gross profit may decrease **(1)** if the raw materials are lower quality there may be more wastage and cost of production may increase **(1)** so<br>**OR**<br>Gross profit may decrease **(1)**<br>If the finished goods are of a lower quality the customers may seek other suppliers so the revenue may decrease **(1)**<br>**Max 2** | **2** |
| 3(b)(ii) | Gross profit would increase **(1)** cost of goods sold would decrease **(1)**<br>**OR**<br>Gross profit may decrease **(1)** the total sales may reduce as customers go elsewhere if Yabani cannot supply these goods **(1)**<br><br>**Max 2** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 3(b)(iii) | No effect on gross profit **(1)** the wages of the sales staff are a selling expense not a manufacturing expense/are not included in the calculation of the gross profit **(1)**<br>**OR**<br>Gross profit would reduce **(1)** reducing the number of sales staff may result in a reduction in sales **(1)**<br><br>**Max 2** | **2** |
| 3(b)(iv) | Gross profit would increase **(1)** the cost of production would decrease **(1)**<br>**OR**<br>gross profit may decrease **(1)** machine operators may take industrial action resulting in reduction of production/reduction in revenue **(1)**<br>**Max 2** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 4(a) | Calculation of amount paid to credit suppliers | 5 |

| | $ | $ |
|---|---|---|
| Credit purchases | | 38 450 **(1)** |
| Less Returns to credit suppliers | 1 980 **(1)** | |
| Cash discount received | 981 **(1)** | |
| Amount owing to credit suppliers 31 July 2019 | 3 770 **(1)** | 6 731 |
| Amount paid to credit suppliers | | 31 719 **OF(1)** |

**Alternative presentation**

Total trade payables account

| Date 2019 | Details | $ | Date 2019 | Details | $ |
|---|---|---|---|---|---|
| Aug 31 | Returns **(1)** | 1 980 | Aug 31 | Purchases **(1)** | 38 450 |
| | Discount **(1)** | 981 | | | |
| | *Bank **(1)OF** | 31 719 | | | |
| | Balance c/d **(1)** | 3 770 | | | |
| | | 38 450 | | | 38 450 |

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| Question | Answer | Marks |
|---|---|---|
| 4(b) | Calculation of credit sales | 5 |

| | | $ |
|---|---|---|
| Amount received from credit customers | | 47 385 **(1)** |
| Cash discount allowed | | 1 215 **(1)** |
| Bad debts | | 150 **(1)** |
| Amount owing by credit customers 31 July 2019 | | 7 650 **(1)** |
| Credit sales | | 56 400 **(1)OF** |

**Alternative presentation**

Total trade receivables account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| 2019 | | | 2019 | | |
| Aug 31 | *Sales **(1)OF** | 56 400 | Aug 31 | Bank **(1)** | 47 385 |
| | | | | Discount **(1)** | 1 215 |
| | | | | Bad debts **(1)** | 150 |
| | | | | Balance c/d **(1)** | 7 650 |
| | | 56 400 | | | 56 400 |

| | | | |
|---|---|---|---|
| 4(c) | Calculation of cash banked | $ | 2 |

| | $ | |
|---|---|---|
| Amount of cash sales | 14 100 | **(1)OF** |
| Less Cash kept for personal use | 3 000 | |
| Amount paid into bank for cash sales | 11 100 | **(1)OF** |

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| Question | Answer | Marks |
|---|---|---|
| 4(d) | Ishaq<br>Bank account | 8 |

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| 2018 | | | 2018 | | |
| Aug 1 | Capital **(1)** | 95 000 | Aug 1 | Non-current assets **(1)** | 70 000 |
| 2019 | | | 2019 | | |
| July 31 | Credit customers **(1)** | 47 385 | July 31 | Operating expenses **(1)** | 21 451 |
| | Sales **(1)OF** | 11 100 | | Credit suppliers **(1)OF** | 31 719 |
| | | | | *Drawings **(1)OF** | 9 000 |
| | | | | Balance c/d **(1)** | 21 315 |
| | | 153 485 | | | 153 485 |

| | | |
|---|---|---|
| 4(e)(i) | Lower of cost and net realisable value | 1 |
| 4(e)(ii) | Prudence **Or** Accruals (matching) | 1 |
| 4(f) | | 4 |

| | overstated | understated |
|---|---|---|
| gross profit for the year ended 31 July 2019 | | ✓**(1)** |
| current assets at 31 July 2019 | | ✓**(1)** |
| cost of sales for the year ending 31 July 2020 | | ✓**(1)** |
| profit for the year ending 31 July 2020 | ✓**(1)** | |

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| Question | Answer | Marks |
|---|---|---|
| 5(a) | | **9** |

Lili
SS Limited account

| Date | Details | | $ | Date | Details | | $ |
|---|---|---|---|---|---|---|---|
| 2018 | | | | *2018* | | | |
| Sept 3 | Bank | **(1)** | 429 | *Aug 1* | *Balance b/d* | | *440* |
| | Discount | **(1)** | 11 | 2019 | | | |
| 2019 | | | | July 6 | Stationery | **(1)** | 322 |
| July 31 | Balance c/d | | 322 | | | | |
| | | | 762 | | | | 762 |
| | | | | 2019 | | | |
| | | | | Aug 1 | Balance b/d | **(1)OF** | 322 |

Stationery account

| Date | Details | | $ | Date | Details | | $ |
|---|---|---|---|---|---|---|---|
| *2018* | | | | 2019 | | | |
| *Aug 1* | *Balance b/d* | | 85 | July 31 | Income statement | **(1)OF** | 356 |
| 2019 | | | | | Balance c/d | | 96 |
| Mar 30 | Cash | **(1)** | 45 | | | | |
| July 6 | SS Limited | **(1)** | 322 | | | | |
| | | | 452 | | | | 452 |
| 2019 | | | | | | | |
| Aug 1 | Balance b/d | **(1)** | 96 | | | | |

**+ (1) Dates**

| | | |
|---|---|---|
| 5(b) | Credit customers paying early to take advantage of cash discount<br>Increase in rate of cash discount<br>Introduction of interest charge on overdue accounts<br>Improved credit control<br>Issue invoices/statements of account promptly<br>Refusal of further supplies until outstanding balance paid<br>**Any 2 reasons (1) each** | **2** |

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| Question | Answer | Marks |
|---|---|---|
| 5(c) | Have to wait longer for the money/could cause cash flow problems<br>Increased risk of bad debts<br>**Or other suitable disadvantage**<br>**Any 1 disadvantage (1)** | **1** |
| 5(d) | Opportunity to earn more cash discount/pay smaller amount<br>Have to pay earlier/deprived of use of the money earlier/may create cash flow problems<br>If credit customers delay in paying the business will have to use existing money to pay the credit suppliers if wish to earn the cash discount<br>If cannot pay on time may be charged interest on overdue account<br>If cannot pay on time relationship with suppliers may be damaged<br>Will have little impact as is not earning the cash discount now<br>**Any two comments (1) each** | **2** |
| 5(e) | Capital expenditure<br>Money spend on acquiring, improving and installing non-current assets **(1)**<br><br>Capital receipt<br>Amounts received which do not form part of the day-to-day trading activities **(1)**<br><br>Revenue expenditure<br>Money spent on the running of a business on a day-to-day basis **(1)**<br><br>Revenue receipt<br>Amounts received in the day-to-day trading activities and other items of income **(1)** | **4** |

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| Question | Answer | Marks |
|---|---|---|
| 5(f) | | **9** |

| | effect on non-current assets | | | effect on profit for the year | |
|---|---|---|---|---|---|
| | overstated $ | understated $ | no effect | overstated $ | understated $ |
| error 1 | | *3000* | | | *3000* |
| error 2 | 1630 **(1)** | | | 1630 **(1)** | |
| error 3 | | | ✓**(1)** | 1280 * | |
| error 4 | | 1350* | | | 1350* |

***(1) position and (1) amount**

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