Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING	**0452/23**
Paper 2	**May/June 2017**
MARK SCHEME	
Maximum Mark: 120	

Published

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This document consists of **12** printed pages.

[Turn over

Question	Answer	Marks
1(a)	**Shiromi** **General Ledger** **Rent and Account**	**13**

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)**

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
	
	2017 $ 2017 $
	March 1 Balance b/d 2 346 March 1 Balance b/d 140
	March 31 Bank (dis.chq) 350 **(1)** March 31 Bank 2 145 **(1)**
	          Sales 2 748 **(2)CF/(1)OF** Discount 55 **(1)**
	          Balance c/d 86 Returns 276 **(1)**
	                                        Contra 182 **(1)**
	                                        Bad debts 62 **(1)**
	                                        Balance c/d 2 670 **(1)**
	                 5 530 5 530
	
	2017 $ 2017 $
	April 1 Balance b/d 2 670 **(1)** April 1 Balance b/d 86 **(1)**
		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**
3(b)	A1 Sports Club Café Income Statement for the year ended 30 April 2017	**8**
3(c)	$7000 **(1)** This is the amount of subscriptions which relates to this financial year **(1)**	**2**

3(a)

A1 Sports Club
Receipts and Payments Account for the year ended 30 April 2017

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)**

3(b)

A1 Sports Club
Café Income Statement for the year ended 30 April 2017

	$	$
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(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)		**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**

Virat - Statement of Affairs at 31 January 2017

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**

Question	Answer	Marks
5(a)	Duality **(1)**	**1**
5(b)	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**	**2**
5(c)	Heng Suspense account	**6**
5(d)	**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)**	**2**

5(c) Heng Suspense account:

2016		$		2016		$	
Dec 31	Balance	430	**(1)**	Dec 31	Petty Cash	150	**(1)**
	General exp	90	**(1)**		Discount alld	1 024	**(1)**
	Purchases Returns	454	**(1)**				
	Balance c/d	200	**(1)OF**				
		1 174				1 174	
				2017			
				Jan 1	Balance b/d	200	

Question	Answer	Marks
5(e)	(see table below)	**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