

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

## **MARK SCHEME for the October/November 2014 series**

### **0452 ACCOUNTING**

**0452/21**

Paper 2, maximum raw mark 120

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- 1 (a) Work can be shared amongst several people  
 Easier for reference as the same types of account are kept together  
 Easier to introduce checking procedures  
 Reduces the possibility of fraud  
**Or other suitable advantage**  
**Any 2 advantages (1) each** [2]

- (b) Any non-current asset, inventory, capital drawings, loan, sales, purchases, returns, expenses, incomes, provisions etc.  
**Any 1 example (1)** [1]

(c)

|                     |    |             |            |      |    |             |            |
|---------------------|----|-------------|------------|------|----|-------------|------------|
| Sahira Ali          |    |             |            |      |    |             |            |
| Waheed Khan account |    |             |            |      |    |             |            |
| \$                  |    |             |            | \$   |    |             |            |
| 2014                |    |             |            | 2014 |    |             |            |
| October             | 16 | Returns     | 168 (1)    | Oct  | 1  | Balance b/d | 390        |
|                     | 24 | Bank/cash   | 380 (1)    |      | 13 | Purchases   | 336 (1)    |
|                     |    | Discount    | 10 (1)     |      |    |             |            |
|                     | 31 | Balance c/d | <u>168</u> |      |    |             |            |
|                     |    |             | <u>726</u> |      |    |             | <u>726</u> |
|                     |    |             |            | 2014 |    |             |            |
|                     |    |             |            | Nov  | 1  | Balance b/d | 168 (1)    |
|                     |    |             |            |      |    |             | <b>OF</b>  |

  

|                           |    |             |            |      |    |             |                |
|---------------------------|----|-------------|------------|------|----|-------------|----------------|
| Iqbal Wholesalers account |    |             |            |      |    |             |                |
| \$                        |    |             |            | \$   |    |             |                |
| 2014                      |    |             |            | 2014 |    |             |                |
| Oct                       | 31 | Balance c/d | 936        | Oct  | 1  | Balance b/d | 650            |
|                           |    |             |            |      | 5  | Purchases   | 280            |
|                           |    |             |            |      | 31 | Interest    | <u>6 (1)</u>   |
|                           |    |             | <u>936</u> |      |    |             | <u>936 (1)</u> |
|                           |    |             |            | 2014 |    |             |                |
|                           |    |             |            | Nov  | 1  | Balance b/d | 936 (1)        |
|                           |    |             |            |      |    |             | <b>OF</b>      |

+ (1) dates

Three column running balance format acceptable

[9]

- (d)  $\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$  [1]

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- (e)  $\frac{3100}{21200} \times \frac{365 \text{ (1) (whole formula)}}{1} = 53.37 = 54 \text{ days (1)}$  [2]
- (f) May be able to take advantage of cash discounts  
 Improve the relationship with suppliers  
 Avoid paying interest  
**Or other suitable comment**  
**Any 1 advantage (1)** [1]
- (g) The business is deprived of the use of the money earlier than necessary  
**Or other suitable comment**  
**Any 1 disadvantage (1)** [1]
- (h) To avoid overstating the profit for the year  
 To avoid overstating the current assets  
 To apply the principle of prudence  
**Any 2 comments (1) each** [2]
- (i) The estimated receipts from the sale of the inventory (1) less any costs of completing the goods or costs of selling the goods (1) [2]

(i)

|   | Overstated | Understated | No effect |
|---|------------|-------------|-----------|
| Gross profit for the year ended 31 October 2013 | ✓ (1)      |             |           |
| Gross profit for the year ended 31 October 2014 |            | ✓ (1)       |           |
| Profit for the year ended 31 October 2013       | ✓ (1)      |             |           |
| Profit for the year ended 31 October 2014       |            | ✓ (1)       |           |
| Current assets at 31 October 2013               | ✓ (1)      |             |           |
| Current assets at 31 October 2014               |            |             | ✓ (1)     |

[6]

[Total: 27]

|        |   |          |       |
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2 (a)

Mochudi Manufacturing Company  
Manufacturing Account for the year ended 31 July 2014

|   | \$               | \$                    |
|---|------------------|-----------------------|
| Cost of materials used  |                  |                       |
| Purchases of raw materials  | 99 500           |                       |
| Less Returns  | <u>1 100</u>     | 98 400 (1)            |
| Closing inventory of raw materials                                |                  | <u>8 600</u>          |
|   |                  | 89 800 (1)            |
| Direct wages (94 200 + 3 100)                                     |                  | <u>97 300 (1)</u>     |
| Prime cost  |                  | 187 100 (1) OF        |
| Factory overheads   |                  |                       |
| Wages of factory supervisors                                      | 41 050 (1)       |                       |
| Factory general expenses  | 19 400 (1)       |                       |
| Factory rates and insurance ( $\frac{3}{4} \times (5000 - 400)$ ) | 3 450 (1)        |                       |
| Depreciation Machinery ( $15\% \times 102\,000$ )                 | 15 300 (1)       |                       |
| Loose tools (4400 – 3300)   | <u>1 100 (1)</u> | <u>80 300</u>         |
|   |                  | 267 400 (1) OF        |
| Closing work in progress  |                  | <u>8 200 (1)</u>      |
| Cost of production  |                  | <u>259 200 (1) OF</u> |

**Horizontal format acceptable**

[12]

|        |   |          |       |
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(b)

|   |                   |                       |
|---|-------------------|-----------------------|
|   | \$                | \$                    |
| Revenue   |                   | 400 400               |
| Cost of sales   |                   |                       |
| Cost of production  | 259 200 (1) OF    |                       |
| Purchases of finished goods   | <u>19 300 (1)</u> |                       |
|   | 278 500           |                       |
| Closing inventory of finished goods   | <u>21 100</u>     | <u>257 400 (1) OF</u> |
| Gross profit  |                   | 143 000 (1) OF        |
| Less Office staff salaries  | 33 100 (1)        |                       |
| Sales staff salaries  | 18 900 (1)        |                       |
| Office general expenses (17 530 – 280)  | 17 250 (1)        |                       |
| Rates and insurance ( $\frac{1}{4} \times (5000 - 400)$ )                         | 1 150 (1)         |                       |
| Depreciation office fixtures and fittings<br>( $12\frac{1}{2}\% \times 56\ 000$ ) | <u>7 000 (1)</u>  | <u>77 400</u>         |
| Profit for the year   |                   | <u>65 600 (1) OF</u>  |

Horizontal format acceptable

[10]

(c)

| Error | Effect on profit for the year |                |           |
|-------|-------------------------------|----------------|-----------|
|       | Increase<br>\$                | Decrease<br>\$ | No effect |
| 1     |                               | 200 (1)        |           |
| 2     |                               | 810 (1)        |           |
| 3     | 940 (1)                       |                |           |
| 4     |                               | 1050 (1)       |           |

[4]

[Total: 26]

3 (a)

|        |                      | Leeford Athletics Club<br>Subscriptions account |        |             | \$            |
|--------|----------------------|---|--------|-------------|---------------|
|        |                      | \$  |        |             | \$            |
| 2014   |                      |   | 2013   |             |               |
| Oct 31 | Income & Expenditure | 12 000 (1)                                      | Nov 1  | Balance b/d | 1 200 (1)     |
|        |                      |   | 2014   |             |               |
|        |                      |   | Oct 31 | Bank/cash   | 7 920 (1)     |
|        |                      |   |        | Balance c/d | <u>2 880</u>  |
|        |                      | <u>12 000</u>                                   |        |             | <u>12 000</u> |
| 2014   |                      |   |        |             |               |
| Nov 1  | Balance b/d          | 2 880 (1) OF                                    |        |             |               |

+ (1) dates

Three column running balance format acceptable

[5]

(b) Current assets (1) OF

Answer to be based on closing balance in (a)

[1]

(c)

|        |                   | Leeford Athletics Club<br>Subscriptions account |        |               | \$            |
|--------|-------------------|---|--------|---------------|---------------|
|        |                   | \$  |        |               | \$            |
| 2013   |                   |   | 2014   |               |               |
| Nov 1  | Balance b/d       | 4 590 (1)                                       | Oct 31 | Equipment     | 4 000 (1)     |
| 2014   |                   |   |        | General       |               |
| Oct 31 | Subscriptions     | 7 920 (1)                                       |        | expenses      | 9 310 (1)     |
|        | Sale of equipment | 1 500 (1)                                       |        | Loan interest | 400 (1)       |
|        | Open day receipts | 770 (1)   |        | Rent          | 4 500 (1)     |
|        | Balance c/d       | <u>3 460</u>                                    |        | Bank charges  | <u>30 (1)</u> |
|        |                   | <u>18 240</u>                                   |        |               | <u>18 240</u> |
|        |                   |   | 2014   |               |               |
|        |                   |   | Nov 1  | Balance b/d   | 3 460 (1) OF  |

[10]

(d)

| Item              | \$        | Reason   |
|-------------------|-----------|--|
| Sale of equipment | 700 (1)   | Only the loss (1) on the equipment is charged not the capital receipt. (1)   |
| Rent of clubhouse | 3 600 (1) | The accruals (matching) principle is applied.(1)<br>Only the expense for the year is charged to the income and expenditure account (1) |

[6]

[Total: 22]

|        |   |          |       |
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- 4 (a) 1 June 2013 Balance – rates \$70  
Explanation This represents rates prepaid (1). This was paid in the year ended 31 May 2013 but relates to the year ended 31 May 2014. (1)  
Statement of financial position section Current assets (1) [3]
- 1 June 2013 Balance – rent \$120  
Explanation This represents rent accrued (1). This relates to the year ended 31 May 2013 and remained unpaid at the end of the year. (1)  
Statement of financial position section Current liabilities (1) [3]
- (b) 31 May 2014 Bank \$2570  
This represents the total amount paid (1) by cheque (1) for rent and rates during the year ended 31 May 2014. [2]
- 31 May 2013 Income statement \$2280  
This is the amount transferred to the income statement (1) which represents the rent and rates for that financial year (1). [2]
- (c) Only the rent and rates relating to the current year are transferred to the income statement. (1) Adjustments are made for accruals and prepayments (1) [2]
- (d)  $\frac{47\,600 - 38\,400}{47\,600} \times \frac{100}{1} = 19.33\%$  (1) [2]
- (e) Selling goods at lower prices  
Purchasing goods at higher prices  
Changes in the proportions of goods sold  
**Or other acceptable reason**  
**Any 2 reasons (1) each** [2]
- (f) Assess prospects of any requested loan/overdraft being repaid when due  
Assess prospects of any interest on loan/overdraft being paid when due  
Assess security available to cover any loan/overdraft  
**Any 2 reasons (1) each** [2]
- (g) Lender  
Investor  
Credit supplier  
Customer  
Owner  
Manager (if any)  
Employee/trade union  
Government body  
Competitor  
Take-over bidder  
Potential partner  
**Or other suitable interested person**  
**Any 2 persons (1) each** [2]

[Total: 20]



|        |   |          |       |
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5 (a)

| Watson Limited                                       |                  |                               |                         |
|--|------------------|-------------------------------|-------------------------|
| Statement of Financial Position at 30 September 2014 |                  |                               |                         |
|  | \$<br>Cost       | \$<br>Depreciation<br>to date | \$<br>Net Book<br>value |
| <b>Non-current Assets</b>                            |                  |                               |                         |
| Premises   | 99 000           |                               | 99 000                  |
| Fixtures & fittings                                  | 65 000           | 2 300                         | 42 000 (1)              |
| Motor vehicles                                       | <u>33 000</u>    | <u>11 000</u>                 | <u>22 000 (1)</u>       |
|  | <u>197 000</u>   | <u>34 000</u>                 | 163 000 (1)             |
| <b>Current Assets</b>                                |                  |                               |                         |
| Inventory  |                  | 19 300                        |                         |
| Trade receivables                                    | 28 000           |                               |                         |
| Provision for doubtful debts                         | <u>1 400</u>     | 26 600 (1)                    |                         |
| Other receivables                                    |                  | 300 }                         |                         |
| Cash   |                  | <u>500 } (1)</u>              |                         |
|  |                  | 46 700 (1) OF                 | 46 700 (1) OF           |
| <b>Current Liabilities</b>                           |                  |                               |                         |
| Trade payables                                       | 16 300           |                               |                         |
| Other payables                                       | 350 }            |                               |                         |
| Bank   | 2 050 } (1)      |                               |                         |
| Proposed dividend                                    | <u>2 000 (1)</u> | <u>20 700 (1) OF</u>          |                         |
| Net Current Assets                                   |                  |                               | <u>26 000</u>           |
|  |                  |                               | 189 000                 |
| <b>Non-current Liabilities</b>                       |                  |                               |                         |
| 4% Debentures  |                  |                               | <u>10 000</u>           |
|  |                  |                               | <u>179 000</u>          |
| <b>Capital and Reserves</b>                          |                  |                               |                         |
| Ordinary share capital                               |                  |                               | 120 000 (1)             |
| General reserve (20 000 (1)<br>+ 12 000 (1) )        |                  |                               | 32 000                  |
| Retained profit                                      |                  |                               | <u>27 000 (1)</u>       |
| Shareholders' funds                                  |                  |                               | <u>179 000 (1) OF</u>   |

**Accept other suitable formats**

[15]

- (b) Debentures are long-term loans  
 Debenture holders are not members of the company  
 Debentures do not carry voting rights  
 Debentures carry a fixed rate of interest  
 Debenture interest is not dependent on the company's profit  
 Debentures are often secured on the assets of the company  
 Debenture holders are repaid before shareholders in the event of a winding up  
 Debentures are repaid by a set date

**Any 2 features (1) each**

[2]

|                |  |                 |              |
|----------------|--|-----------------|--------------|
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- (c) Reduction in profit available for ordinary shareholders  
Prior claim on the assets of the company in the event of a winding up

**Or other acceptable point**

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

- (d) (i) The number of times a business sells and replaces its inventory in a given period of time. [1]

(ii)  $\frac{\text{Cost of sales}}{\text{Average inventory}}$  [1]

(iii)  $\frac{243\,200}{22\,500 + 19\,300 / 2} = 11.64 \text{ times (1)}$  [2]

- (e) Rate falling over the three years  
May indicate reduction in efficiency  
May indicate that sales are slowing down  
May indicate the inventory is too high

**Or other suitable comments**

**Comment to be based in OF answer to (d)(iii)**

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

**[Total: 25]**