

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

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

### **0452 ACCOUNTING**

**0452/23**

Paper 2, maximum raw mark 120

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- 1 (a) Removes small cash payments from the main cash book  
 Reduces the number of entries in the main cash book  
 Reduces the number of entries in the ledger  
 Allows the chief cashier to delegate some of the work  
 Provides training for junior staff members  
 Or other suitable reasons  
 Any 2 reasons **(1)** each **[2]**
- (b) At the end of the period the chief cashier will make up or reimburse **(1)** the cash remaining so that each month starts off with the same amount **(1)**. **[2]**
- (c) The chief cashier knows exactly how much is spent each month  
 The cash remaining and the vouchers received should equal the imprest  
 Can help reduce fraud  
 Or other suitable advantage  
 Any 1 advantage **(1)** **[1]**
- (d) \$207 **(1)** CF **[1]**
- (e)
- | Debit                      | Credit                    |
|----------------------------|---------------------------|
| Petty cash book <b>(1)</b> | Bank (or Cash) <b>(1)</b> |
- [2]**
- (f) Total of column, \$108, is debited to the cleaning account in the ledger **(1)** **[1]**
- (g) B Smith account is debited with \$36 **(1)**  
 W Jones account is debited with \$18 **(1)** **[2]**

(h)

Peter Pickard  
Sales Journal

Date 2014	Details	\$	\$
Aug 5	S Bower Goods Less trade discount	1480 <u>296</u>	1184 (1)
13	C Brooke Goods Less trade discount	1340 <u>201</u>	1139 (1)
31	Transferred to sales account		<u>2323</u> (1)OF

[3]

Sales Returns Journal

Date 2014	Details	\$	\$
Aug 19	S Bower Goods Less trade discount	160 <u>32</u>	128 (1)
31	Transferred to sales returns account		<u>128</u> (1)OF

[2]

Sales Ledger  
S Bower account

Date 2014	Details	\$	Date 2014	Details	\$
Aug 5	Sales	1184 (1)OF	Aug 19	Sales returns	128 (1)OF

[2]

C Brooke account

Date 2014	Details	\$	Date	Details	\$
Aug 13	Sales	1139 (1)OF			

[1]

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Nominal (General) Ledger  
Sales Account

Date	Details	\$	Date	Details	\$
			2014		
			Aug 31	Total for month	2323 (1)OF

[1]

Sales Returns account

Date	Details	\$	Date	Details	\$
2014					
Aug 31	Total for month	128 (1)OF			

[1]

(i)  $\frac{2340}{29\ 600} \times \frac{365}{1}$  } (1) whole formula = 28.85 = 29 days (1)CF [2]

(j) Satisfied (if the answer to (i) is 30 days or less)

**Or**

Unsatisfied (if the answer to (i) is more than 31 days)

[1]

(k) The business may not have enough liquid funds (1) with which to pay the credit suppliers until money is received from credit customers (1).

**Or**

If the credit customers pay within the set time (1), the business may be able to pay the credit suppliers within the set time (1) without any significant impact on the bank balance.

**Or**

If credit customers fail to pay within the set time it may be necessary to obtain short-term funds (1) in order to pay the credit suppliers (1).

Or other suitable point

Any 1 point (1) mark each

[2]

[Total: 26]

- 2 (a) Reduce credit sales  
 Obtain references from new credit customers  
 Fix a credit limit for each customer  
 Improve credit control  
 Issue invoices and monthly statements promptly  
 Refuse further supplies until outstanding balance paid  
 Offer cash / settlement discount for early payment  
 Only sell to reliable customers  
 Charge interest on overdue accounts  
 Or other suitable points  
 Any 2 points **(1)** each **[2]**

(b)

Alina Tan  
Journal

	Debit \$	Credit \$	
Bad debts Yeung & Co	66	66	<b>(1)</b> <b>(1)</b>
Bad debt written off			<b>(1)</b>

**[3]**

- (c) An estimate or prediction **(1)** of the amount which a business will lose in a financial year because of bad debts **(1)** **[2]**

- (d) Accruals (matching) **(1)**  
 Prudence **(1)** **[2]**

(e)

Alina Tan  
Journal

	Debit \$	Credit \$	
Provision for doubtful debts Income statement	45	45	<b>(1)</b> <b>(1)</b>
Reduction in provision for doubtful debts			<b>(1)</b>

**[3]**

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(f) When a debtor pays some, or all, of the amount owed (1) after the amount was written off as a bad debt (1) [2]

(g) Capital expenditure:  
Money spent on acquiring, improving and installing non-current assets (1)

Revenue expenditure:  
Money spent on running a business on a day-to-day basis (1)

Capital receipts:  
Amount received which do not form part of the day-to-day trading activities (1)

Revenue receipts:  
Amount received in the day-to-day trading activities from revenue and other items of income (1) [4]

(h)

non-current assets at 31 March 2014		profit for the year ended 31 March 2014	
Overstated	Understated	Overstated	Understated
	✓ (1)		✓ (1)

[2]

[Total: 20]

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- 3 (a) Share losses  
 Share responsibilities  
 Share risks  
 Share decision-making  
 Additional finance may be available  
 Additional skills and experience are available  
 Or other suitable advantage  
 Any 2 advantages (1) mark each. [2]

(b)

Shahid and Hamza Hussain  
 Income Statement for the year ended 31 July 2014

	\$		\$
Receipts from customers			76 400
Less Wages	(41 600 (1) – 1500 (1))	40 100	
Insurance	(12 / 14 × 1232)	1 056	(2)
General expenses	(3090(1) + 94(1))	3 184	
Depreciation motor vehicles	(20% × (25 000 – 9000))	3 200	(2)
Depreciation equipment	(2900 + 1150 – 3150)	<u>900</u>	(2)
Profit for the year			<u>48 440</u> <u>27 960</u> (1)OF

Horizontal format acceptable

[11]

(c)

Shahid and Hamza Hussain  
 Profit and Loss Appropriation Account for the year ended 31 July 2014

		\$	\$
Profit for the year			27 960 (1)OF
Interest on drawings	S Hussain	300}	
	H Hussain	<u>240}</u>	(1)CF
			<u>540</u>
			28 500
Interest on capital	S Hussain		
	(5% × 80 000 × 6 mths +		
	5% × 60 000 × 6 mths)		3 500 (1)
	H Hussain	6 500	3 000 (1)
Partner's salary	S Hussain	<u>9 000</u>	(1)CF
Share of profit	S Hussain	6 500	(1)OF
	H Hussain	<u>6 500</u>	(1)OF
			<u>13 000</u>

Horizontal format acceptable

[7]

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(d)

		Hamza Hussain Current account			
		\$		\$	
2013					
Aug 1	Balance b / d	1 960			
			2014		
			July 31	Interest on capital	3 000 (1)OF
				Profit share	6 500 (1)OF
				Balance c/d	700
2014					
July 31	Drawings	8 000 (1)			
	Interest on drawings	240 (1)			
		<u>10 200</u>			
					<u>10 200</u>
2014					
Aug 1	Balance b/d	700 (1)OF			

Balance b/d can be on either side  
Three column running balance format acceptable

[5]

[Total: 25]



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4 (a)

	\$		
Payments to credit suppliers	31 600	(1)	
Returns to credit suppliers	2 100	(1)	
Balance 30 September 2014	<u>1 990</u>	(1)	
	35 690		
Less Interest charged on overdue account	<u>40</u>	(1)	
Credit purchases for the year	<u>35 650</u>	(2)CF (1)OF	

Alternative calculation

				Total Trade Payables account			
				\$			
2014				2014			
Sept 30	Bank	31 600	(1)	Sept 30	Interest	40	(1)
	Returns	2 100	(1)		Purchases	35 650	(2)CF
	Balance c/d	<u>1 990</u>	(1)			<u>35 690</u>	(1)OF
		<u>35 690</u>				<u>35 690</u>	

[6]

(b)

	\$		
Receipts from credit customers	35 100	(1)	
Discount allowed to credit customers	900	(1)	
Bad debts written off	100	(1)	
Balance 30 September 2014	<u>3 950</u>	(1)	
Credit sales for the year	<u>40 050</u>	(2)CF (1)OF	

Alternative calculation

				Total Trade Receivables account			
				\$			
2014				2014			
Sept 30	Sales	40 050	(2)CF	Sept 30	Bank	35 100	(1)OF
					Discount	900	(1)
					Bad debts	100	(1)
					Balance	3 950	(1)
					c / d	<u>40 050</u>	
		<u>40 050</u>				<u>40 050</u>	

[6]

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(c)

Grace Mhando			
Income Statement for the year ended 30 September 2014			
	\$	\$	
Revenue (sales)		40 050	<b>(1)OF</b>
Less Cost of sales			
Purchases	35 650		<b>(1)OF</b>
Less: Purchases returns	<u>2 100</u>		<b>(1)OF</b>
	33 550		
Add: Carriage inwards	<u>1 090</u>		<b>(1)</b>
	34 640		
Less Closing Inventory	<u>2 600</u>		<b>(1)OF</b>
Gross profit (20%)		<u>32 040</u>	
		<u>8 010</u>	<b>(2)OF</b>

Horizontal format acceptable

[7]

- (d) Assessment of the liquidity position  
 Identify how long it takes to pay credit suppliers  
 Identify future prospects of the business  
 Establishment of a credit limit  
 Any 2 reasons **(1)** each

[2]

- (e) Bank manager  
 Lender  
 Manager (if any)  
 Employee  
 Government body  
 Competitor  
 Take-over bidder  
 Potential partner  
 Investors  
 Owner

Or other suitable interested person  
 Any 2 persons **(1)** each

[2]

[Total: 23]

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5 (a)  $\frac{480\,000 - 310\,000}{480\,000} (1) \times \frac{100}{1} = 35.42\% (1)CF$  [2]

- (b) Reduction in selling price  
 Increase in trade discount allowed to customers  
 Selling at a lower mark-up  
 Increase in cost price  
 Decrease in trade discount allowed by suppliers  
 Not taking advantage of bulk buying  
 Or other suitable reason  
 Any 2 reasons (1) each [2]

(c)  $\frac{170\,000\text{ OF} - 94\,000}{480\,000} (1) \times \frac{100}{1} = 15.83\% (1)OF$  [2]

- (d) Reduce expenses  
 Increase other income  
 Increase gross profit percentage  
 Any 2 points (1) each [2]

(e)  $\frac{76\,000\text{ OF}}{635\,000} (1) \times \frac{100}{1} = 11.97\% (1)OF$  [2]

- (f) It shows the profit earned for each \$100 used in the business. (1)  
 The higher the percentage the more efficiently the capital is being employed. (1) [2]

(g)  $86\,800 : 71\,800 (1) = 1.21 : 1 (1)$  [2]

(h)  $56\,000 : 71\,800 (1) = 0.78 : 1 (1)$  [2]

- (i) Inventory is not included in the calculation of the quick ratio (1)  
**Either**  
 Inventory is not regarded as a liquid asset – a buyer has to be found and then the money collected (1)  
**Or**  
 The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets (1) [2]

(j)

	Increase	Decrease	No effect
Issue of additional shares	✓		
Cheque paid to credit supplier			✓
Repayment of long term loan		✓	
Purchase of goods on credit			✓
Sale of unused non-current asset	✓		
Cheque paid for repairs to non-current asset		✓	

[6]

- (k) To be able to meet debts when they fall due  
 To be able to take advantage of cash discounts  
 To be able to take advantage of business opportunities as they arise  
 To ensure that there is no difficulty in obtaining further supplies  
 Or other suitable explanation  
 Any 2 points (1) each

[2]

[Total: 26]