



ACCOUNTING

0452/21

Paper 2

October/November 2016

MARK SCHEME

Maximum Mark: 120

Published

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1 (a)

	Book of prime (original) entry	
Cheque refund to credit customer	Cash book	(1)
Bad debts written off	Journal	(1)
Returns by credit customers	Sales returns journal	(1)
Interest charged on customer's overdue account	Journal	(1)

[4]

- (b) To assist in the location of errors
 To provide instant total of trade payables
 To prove the arithmetical accuracy of the purchases ledger
 To enable a statement of financial position to be prepared quickly
 To provide a summary of transactions relating to trade payables
 To help reduce fraud
Any 2 reasons (1) each

[2]

- (c) Amira
Purchases ledger control account

Date	Details	\$	Date	Details	\$
2016			2016		
Sep 1	Balance b/d (1)	93	Sep 1	Balance b/d (1)	4210
30	Bank (1)	3705	30	Purchases (1)	5366
	Dis. Received (1)	95		Interest (1)	12
	Returns (1)	197		Cash (1)	150
	Contra (1)	494		Balance c/d	68
	Balance c/d	<u>5222</u>			
		<u>9806</u>			<u>9806</u>
2016			2016		
Oct 1	Balance b/d (1)	68	Oct 1	Balance b/d (1)OF	5222

+ (1) dates

[12]

- (d) May be able to take advantage of cash discount
 Improve the relationship with suppliers
 Avoid paying interest
Or other suitable comment
Any 1 advantage (1)

[1]

- (e) The business is deprived of the use of the money earlier than necessary
Or other suitable comment
Any 1 disadvantage (1)

[1]

[Total: 20]

2 (a)

Date	Document	Book of prime entry used by Diana	Book of prime entry used by Udomo
Oct 8	Invoice \$560	Purchases (1)	Sales (1)
12	Debit note \$115	No entry (1)	No entry (1)
16	Credit note \$100	Purchases returns (1)	Sales returns (1)
24	Cheque \$720	Cash book (1)	Cash book (1)
31	Statement of account \$460	No entry (1)	No entry (1)

[10]

- (b) (i) Debit note 12 October
Diane (1)
To request a reduction in the invoice (1) [2]
- (ii) Credit note 16 October
Udomo (1)
To notify of a reduction of the invoice (1) [2]
- (iii) Statement of account 31 October
Udomo (1)
To notify the customer of the amount owing at the month end (1) [2]

(c) Udomo
Diane account

Date	Details	\$	Date	Details	\$
2016			2016		
Oct 1	Balance c/d	720	Oct 16	Returns (1)	100
8	Sales (1)	560	24	Bank (1)	720
			31	Balance c/d	460
		<u>1280</u>			<u>1280</u>
2016					
Nov 1	Balance b/d (1)	460			

[4]

[Total: 20]

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- 3 (a) Subscriptions**
Amount paid by members of a club to use the facilities provided by the club **(1)**
- Accumulated fund
Surpluses which accumulate over the years/equivalent to capital of a business **(1)**
- Receipts and payments account
Account summarising the money received and paid by a club during a financial year **(1)**

[3]

(b) Bolton Road Music Club
Shop Income Statement for the year ended 31 August 2016

	\$	\$
Revenue		15 520 (1)
Less Cost of sales		
Purchases (12 422 (1) + 1112 (1))	13 534	
Less Closing inventory	<u>1 964 (1)</u>	
	11 570	
Shop wages (1850 – 100)	1 750 (1)	
Shop insurance (1200 × 10%)	120 (1)	
Shop rent & rates (50% × (3300 +300))	<u>1 800 (1)</u>	<u>15 240</u>
Shop profit		<u>280 (1)OF</u>

[8]

(c) Bolton Road Music Club
Income and Expenditure Account for the year ended 31 August 2016

	\$	\$
Income		
Subscriptions (6300 (1) + 200 (1) – 500 (1))		6 000
Profit on shop		<u>280 (1)OF</u>
		6 280
Expenditure		
Insurance (1200 × 90%)	1 080 (1)	
Rent and rates (50% × (3300 + 300))	1 800 (1)	
Repairs to instruments	197}	
General expenses	2 293}{ (1)	
Loan interest (4% × 20 000 (1) × 6 months (1))	400	
Depreciation of instruments (15% × 4800)	<u>720 (1)</u>	<u>6 490</u>
Deficit		<u>210 (1)OF</u>

[11]

[Total: 22]

- 4 (a) Bad debts
 Amounts owing to a business which will not be paid by credit customers (1)
 Bad debts recovered
 When a credit customer pays some, or all, of the amount owed after the amount was previously written off (1)
 Provision for doubtful debts
 An estimate of the amount a business will lose in a financial year because of bad debts (1) [3]

- (b) Prudence (1)
 Accruals/matching (1) [2]

- (c) Reduce credit sales/sell on a cash basis
 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 is paid
 Allow cash discount for prompt payment
 Charge interest on overdue accounts
Any 2 points (1) each [2]

- (d) Nawaz
Journal

	Debit \$	Credit \$	
Bad debts	250		(1)
Uzma		250	(1)
Income statement	2314		(1)
Bad debts		2314	(1)
Income statement	138		(1)
Provision for doubtful debts		138	(1)

[6]

- (e) Nawaz
Extract from Statement of Financial Position at 31 August 2016
- | | | |
|-----------------------------------|-------------------|-------------|
| Current assets | \$ | \$ |
| Trade receivables (79650 – 250) | 79400 | |
| Less Provision for doubtful debts | <u>1588</u> (1)OF | 77812 (1)OF |

[2]

[Total: 15]

5 (a)

Sandton Limited
Statement of Changes in Equity for the year ended 30 September 2016

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 October 2015	150 000	14 000	31 000	195 000	
Profit for the year			14 750	14 750	(1)
Dividend paid			(4 500)	(4 500)	(1)
Transfer to general reserve		5 000	(5 000)		(1)
On 30 September 2016	150 000	19 000	36 250	205 250	(1)

[4]

(b)

Sandton Limited
Statement of Financial Position at 30 September 2016

Assets	\$	\$	\$
Non-current assets	Cost	Accumulated depreciation	Book value
Premises	135 200		135 200
Fixtures and equipment	37 600	7 520	30 080 (1)
Motor vehicles	<u>54 000</u>	<u>10 800</u>	<u>43 200 (1)</u>
	<u>226 800</u>	<u>18 320</u>	<u>208 480 (1)</u>
Current assets			
Inventory			12 613
Trade receivables		10 840	
Less Provision for doubtful debts		<u>271</u>	10 569 (1)
Other receivables			<u>472</u>
			<u>23 654 (1)</u>
Total assets			<u>232 134</u>
Equity and liabilities			
Equity and reserves			
Ordinary share capital			150 000 (1)
General reserve (14 000 (1) + 5 000 (1))			19 000
Retained earnings (31 000 (1) + 5 250 (1))			<u>36 250</u>
			<u>205 250 (1)</u>
Non-current liabilities			
3% Debentures (repayable 2020)			<u>15 000 (1)</u>
Current liabilities			
Trade payables			7 460
Other payables			130
Bank overdraft			<u>4 294 (1)</u>
			<u>11 884 (1)</u>
Total liabilities			<u>232 134</u>

[14]

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(c) (i) $\frac{10840}{152500} \times \frac{365}{1}$ (1) whole formula = 25.94 days = 26 days (1)OF [2]

(ii) $\frac{7460}{95000} \times \frac{365}{1}$ (1) whole formula = 28.66 days = 29 days (1)OF [2]

(iii) Trade receivables pay before the due date and trade payables are paid before the due date
Liquidity is affected favourably
May have to allow cash discount and may receive cash discount
Or suitable comments based on OF answers to (i) and (ii)
Any 2 comments (1) each [2]

[Total: 24]

6 (a) (i) $30\% \times \$285\,000 = \$85\,500$ (1) [1]

(ii) $\$285\,000 + \$85\,500$ OF = $\$370\,500$ (1)OF [1]

(iii) $\frac{85\,500}{370\,500}$ OF $\times \frac{100}{1}$ } (1)whole formula = 23.08% (1)OF [2]

(iv) $\frac{36\,000}{370\,500}$ OF $\times \frac{100}{1}$ } (1) whole formula = 9.72% (1)OF [2]

(b) Higher mark up
Lower cost price of goods
Higher selling price of goods
Lower rate of trade discount allowed to customers
Higher rate of trade discount received from suppliers
Different mix of goods
Or other suitable reason
Any 2 reasons (1) each [2]

(c) Different type of expenses
Higher amount of expenses
Lower amount of other income
Or other suitable reason
Any 2 reasons (1) each [2]

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(d)

Daniel

Statement of corrected profit for the year ended 31 July 2016

			\$
Draft profit for the year before corrections			41 000
	Increase in profit	Decrease in profit	
	\$	\$	
Error 1		110	
Error 2	90 (2)	
Error 3	450 (2)	
Error 4	125 (2)	
Error 5	34 (2)	
	<u>484</u>	<u>325</u>	<u>159</u>
Corrected profit for the year			<u>41 159(1)OF</u>
For each error – (1) for figure and (1) for position			

[9]

[Total: 19]