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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.

Question	Answer						Marks
1(a)	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)						13

Question	Answer	Marks
	2017 April 7 April 18 Returns Bank Discount \$ 560 3 234 66 2017 April 5 Purchases (1) (1) } Gail Account \$ 3 510 90 2017 April 16 Purchases (1) } \$ 3 860 (1) + (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)			increase	decrease	no effect	4
	Take out a short-term bank loan				✓(1)	
	Repay a long-term bank loan			✓(1)		
	Sell goods on credit terms instead of for cash				✓(1)	
	Obtain a higher rate of cash discount		✓(1)			
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>					Book of prime (original) entry	Discount allowed	Cash book (1)	Bad debts	General journal (1)	Contra	General journal (1)	Returns	Sales returns journal (1)	4																																																																																						
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Returns	Sales returns journal (1)																																																																																																				
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 <table><tr><td>2017</td><td></td><td>\$</td><td></td><td>2017</td><td></td><td>\$</td><td></td></tr><tr><td>March 1</td><td>Balance b/d</td><td>2 346</td><td></td><td>March 1</td><td>Balance b/d</td><td>140</td><td></td></tr><tr><td>March 31</td><td>Bank (dis.chq)</td><td>350</td><td>(1)</td><td>March 31</td><td>Bank</td><td>2 145</td><td>(1)</td></tr><tr><td></td><td>Sales</td><td>2 748</td><td>(2)CF/(1)OF</td><td></td><td>Discount</td><td>55</td><td>(1)</td></tr><tr><td></td><td>Balance c/d</td><td>86</td><td></td><td></td><td>Returns</td><td>276</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Contra</td><td>182</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Bad debts</td><td>62</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Balance c/d</td><td>2 670</td><td>(1)</td></tr><tr><td></td><td></td><td><u>5530</u></td><td></td><td></td><td></td><td><u>5 530</u></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>2017</td><td>\$</td><td></td><td>2017</td><td>\$</td><td></td><td></td></tr><tr><td>April 1</td><td>Balance b/d</td><td>2 670</td><td>(1)</td><td>April 1</td><td>Balance b/d</td><td>86</td><td>(1)</td></tr></table>				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)			<u>5530</u>				<u>5 530</u>											2017	\$		2017	\$			April 1	Balance b/d	2 670	(1)	April 1	Balance b/d	86	(1)	10
2017		\$		2017		\$																																																																																															
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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

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Question	Answer	Marks																																																																																																							
3(a)	A1 Sports Club Receipts and Payments Account for the year ended 30 April 2017 <table><tr><td>2017</td><td></td><td>\$</td><td></td><td>2016</td><td></td><td>\$</td><td></td></tr><tr><td>April 30</td><td>Subscriptions</td><td>7 140</td><td>(1)</td><td>March 1</td><td></td><td>3 180</td><td></td></tr><tr><td></td><td>Sales of equipment</td><td>430</td><td>(1)</td><td>2017</td><td></td><td></td><td></td></tr><tr><td></td><td>Café sales</td><td>5 280</td><td rowspan="2">} (2)CF } (1)OF</td><td>April 30</td><td>Café suppliers</td><td>3 796</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td>Rates</td><td>960</td><td>(1)</td></tr><tr><td></td><td>Balance c/d</td><td>2 626</td><td></td><td></td><td>General expenses</td><td>910</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Café wages</td><td>1 040</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Loan Repaid</td><td>1 500</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Loan interest</td><td>90</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Equipment</td><td>4 000</td><td>(1)</td></tr><tr><td></td><td></td><td><u>15 476</u></td><td></td><td></td><td></td><td><u>15 476</u></td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>May 1</td><td>Balance b/d</td><td>2626</td><td>(1)</td></tr></table>	2017		\$		2016		\$		April 30	Subscriptions	7 140	(1)	March 1		3 180			Sales of equipment	430	(1)	2017					Café sales	5 280	} (2)CF } (1)OF	April 30	Café suppliers	3 796	(1)					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)			<u>15 476</u>				<u>15 476</u>	(1)					2017								May 1	Balance b/d	2626	(1)	12
2017		\$		2016		\$																																																																																																			
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3(b)	A1 Sports Club Café Income Statement for the year ended 30 April 2017 <table><tr><td></td><td></td><td>\$</td><td></td><td>\$</td><td></td></tr><tr><td></td><td>Revenue</td><td></td><td></td><td>5 280</td><td>(1) OF</td></tr><tr><td></td><td>Cost of Sales</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Opening Inventory</td><td>298</td><td>(1)</td><td></td><td></td></tr><tr><td></td><td>Purchases (3796 (1) – 311 (1) + 393 (1))</td><td><u>3 878</u></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>4 176</td><td></td><td></td><td></td></tr><tr><td></td><td>Closing inventory</td><td><u>216</u></td><td>(1)</td><td></td><td></td></tr><tr><td></td><td></td><td>3 960</td><td></td><td></td><td></td></tr><tr><td></td><td>Café wages</td><td><u>1 040</u></td><td>(1)</td><td><u>5 000</u></td><td></td></tr><tr><td></td><td>Café profit</td><td></td><td></td><td><u>280</u></td><td>(1) OF</td></tr></table>			\$		\$			Revenue			5 280	(1) OF		Cost of Sales						Opening Inventory	298	(1)				Purchases (3796 (1) – 311 (1) + 393 (1))	<u>3 878</u>						4 176					Closing inventory	<u>216</u>	(1)					3 960					Café wages	<u>1 040</u>	(1)	<u>5 000</u>			Café profit			<u>280</u>	(1) OF	8																																											
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3(c)	\$7000 (1) This is the amount of subscriptions which relates to this financial year (1)	2																																																																																																							

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)	<table> <tr> <td></td><td>\$</td><td>\$</td></tr> <tr> <td>Premises</td><td>58 500</td><td></td></tr> <tr> <td>Fixtures and fittings</td><td>9 400</td><td></td></tr> <tr> <td>Inventory</td><td>9 700</td><td></td></tr> <tr> <td>Trade receivables</td><td><u>8 120</u></td><td>85 720</td></tr> <tr> <td>Trade payables</td><td>7 100</td><td></td></tr> <tr> <td>Loan</td><td>15 000</td><td></td></tr> <tr> <td>Bank overdraft</td><td><u>5 300</u></td><td><u>27 400</u></td></tr> <tr> <td>Capital</td><td></td><td><u>58 320</u> (1)</td></tr> </table>		\$	\$	Premises	58 500		Fixtures and fittings	9 400		Inventory	9 700		Trade receivables	<u>8 120</u>	85 720	Trade payables	7 100		Loan	15 000		Bank overdraft	<u>5 300</u>	<u>27 400</u>	Capital		<u>58 320</u> (1)	1
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Question	Answer					Marks
4(b)	Virat - Statement of Affairs at 31 January 2017					14
	Assets	\$	\$	\$		
	Non-current assets	Cost	Accumulated depreciation	Book value		
	Premises	58 500		58 500		
	Fixtures and Fittings	9 400	1 880	7 520	(1)OF	
	Motor Vehicle	15 200	3 800	11 400	(1)OF	
		<u>83 100</u>	<u>5 680</u>	<u>77 420</u>	(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			<u>100</u>	(1)	
	Total Assets			<u>21 924</u>		
	Capital and Liabilities			<u>99 344</u>		
	Capital					
	Balance			<u>73 418</u>	(1)OF	
	Non-current liabilities					
	Loan – A Singh (repayable 2019)			<u>10 000</u>	(1)	
	Current Liabilities			7 526	(1)	
	Trade Payables (7100 + 6%)			8 400	(1)	
	Bank overdraft (5300 + 3100)			<u>15 926</u>		
	Total Liabilities			<u>99 344</u>		

Question	Answer	Marks																																																														
4(c)	Virat Capital account <table><tr><td>2017</td><td></td><td>\$</td><td>2016</td><td></td><td>\$</td></tr><tr><td>Jan 31</td><td>Drawings</td><td>11 320</td><td>(1)</td><td>Feb 1</td><td>Balance b/d</td><td>58 320</td><td>(1)OF</td></tr><tr><td></td><td>Balance c/d</td><td>73 418</td><td>(1) OF</td><td>2017</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>Jan 31</td><td>Motor Vehicle</td><td>15 200</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Profit</td><td>11 218</td><td>(1)OF</td></tr><tr><td></td><td></td><td><u>84 738</u></td><td></td><td></td><td></td><td><u>84 738</u></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>Feb 1</td><td>Balance b/d</td><td></td><td></td></tr></table>	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			<u>84 738</u>				<u>84 738</u>						2017								Feb 1	Balance b/d			5
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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 <table><tr><td>2016</td><td></td><td>\$</td><td></td><td>2016</td><td></td><td>\$</td><td></td></tr><tr><td>Dec 31</td><td>Balance</td><td>430</td><td>(1)</td><td>Dec 31</td><td>Petty Cash</td><td>150</td><td>(1)</td></tr><tr><td></td><td>General exp</td><td>90</td><td>(1)</td><td></td><td>Discount alld</td><td>1 024</td><td>(1)</td></tr><tr><td></td><td>Purchases Returns</td><td>454</td><td>(1)</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Balance c/d</td><td>200</td><td>(1)OF</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>1 174</u></td><td></td><td></td><td></td><td><u>1 174</u></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d</td><td>200</td><td></td></tr></table>	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							<u>1 174</u>				<u>1 174</u>						2017								Jan 1	Balance b/d	200		6
2016		\$		2016		\$																																																												
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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																																																																

Question	Answer					Marks
5(e)	Error	Profit for the year \$	Non-current assets \$	Current assets \$	Current liabilities \$	10
	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	