



Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING

0452/23

Paper 2

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **11** printed pages.



Cambridge Assessment
International Education

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer				Marks										
1(a)(i)	Statement of account				1										
1(a)(ii)	\$335				1										
1(a)(iii)	$\frac{14}{(686 + 14)} \times 100 = 2\%$				1										
1(a)(iv)	Cash discount				1										
1(b)	<table><tr><td>debit entry in ledger account of W Jones</td><td>credit entry in ledger account of W Jones</td><td colspan="2">no entry would be made</td></tr><tr><td></td><td></td><td colspan="2">✓(1)</td></tr></table>				debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made				✓(1)		1		
debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made													
		✓(1)													
1(c)	<table><tr><td rowspan="2">document issued</td><td rowspan="2">name of person issuing document</td><td colspan="2">entries made by W Jones</td></tr><tr><td>account debited</td><td>account credited</td></tr><tr><td>Invoice (1)</td><td>J Smith (1)</td><td>Purchases (1)</td><td>J Smith (1)</td></tr></table>				document issued	name of person issuing document	entries made by W Jones		account debited	account credited	Invoice (1)	J Smith (1)	Purchases (1)	J Smith (1)	4
document issued	name of person issuing document	entries made by W Jones													
		account debited	account credited												
Invoice (1)	J Smith (1)	Purchases (1)	J Smith (1)												
1(d)	<table><tr><td>book of prime (original) entry used by J Smith</td><td>sales returns journal (1)</td></tr><tr><td>book of prime (original) entry used by W Jones</td><td>purchases returns journal (1)</td></tr></table>				book of prime (original) entry used by J Smith	sales returns journal (1)	book of prime (original) entry used by W Jones	purchases returns journal (1)	2						
book of prime (original) entry used by J Smith	sales returns journal (1)														
book of prime (original) entry used by W Jones	purchases returns journal (1)														
1(e)(i)	A bad debt is an amount owing to a business which will not be paid by the credit customer				1										
1(e)(ii)	A bad debt recovered is when a credit customer pays some, or all of a debt previously written off as a bad debt				1										
1(f)	Reduce credit sales/sell on a cash basis Obtain references from new credit customers Fix a credit limit for each customer Introduce/improve credit control Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid Give cash discount/discount for prompt payment Charge interest on overdue account Any 2 points (1) each Accept other valid points				2										
1(g)	The profit for the year is not overstated (1) The trade receivables (current assets) are not overstated (1) Accept other valid points				2										
1(h)	The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)				2										
1(i)	$\frac{460}{18\,400} \times \frac{100}{1} = 2\frac{1}{2}\%$				1										

Question	Answer						Marks																														
1(j)	J Smith Provision for doubtful debts account <table><tr><td>Date 2018 Apl 30</td><td>Details</td><td>\$</td><td>Date 2017 May 1</td><td>Details</td><td>\$</td></tr><tr><td></td><td>Income statement (1)OF</td><td>20</td><td></td><td>Balance b/d (1)</td><td>460</td></tr><tr><td></td><td>Balance c/d (1)</td><td>440</td><td></td><td></td><td>460</td></tr><tr><td></td><td></td><td>460</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>2018 May 1</td><td>Balance b/d (1)OF</td><td>440</td></tr></table> + (1) dates						Date 2018 Apl 30	Details	\$	Date 2017 May 1	Details	\$		Income statement (1)OF	20		Balance b/d (1)	460		Balance c/d (1)	440			460			460							2018 May 1	Balance b/d (1)OF	440	5
Date 2018 Apl 30	Details	\$	Date 2017 May 1	Details	\$																																
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	Balance c/d (1)	440			460																																
		460																																			
			2018 May 1	Balance b/d (1)OF	440																																

Question	Answer	Marks
2(a)	Capital expenditure Money spend on acquiring, improving and installing non-current assets (1) Example Purchase of any non-current asset, legal costs for purchase of premises, cost of installation of non-current asset, cost of carriage on delivery of non-current asset, etc. Any suitable example (1) Capital receipt Amounts received which do not form part of the day-to-day trading activities (1) Example Receipt of loan, additional capital, proceeds of sale of non-current asset at book value, etc. Any suitable example (1) Revenue expenditure Money spent on the running of a business on a day-to-day basis (1) Example Any expense such as wages, rent, insurance, etc. Any suitable example (1) Revenue receipt Amounts received in the day-to-day trading activities and other items of income (1) Example Sales, commission received, interest received, rent received, etc. Any suitable example (1)	8

Question	Answer						Marks																																			
2(b)	<table><tr><th rowspan="2">error</th><th colspan="2">effect on profit for the year</th><th colspan="3">effect on closing capital</th></tr><tr><th>overstated</th><th>understated</th><th>overstated</th><th>understated</th><th>no effect</th></tr><tr><td>error 1</td><td></td><td>✓</td><td></td><td>✓</td><td></td></tr><tr><td>error 2</td><td></td><td>✓(1)</td><td></td><td>✓(1)</td><td></td></tr><tr><td>error 3</td><td>✓(1)</td><td></td><td>✓(1)</td><td></td><td></td></tr><tr><td>error 4</td><td>✓(1)</td><td></td><td></td><td></td><td>✓(1)</td></tr></table>						error	effect on profit for the year		effect on closing capital			overstated	understated	overstated	understated	no effect	error 1		✓		✓		error 2		✓(1)		✓(1)		error 3	✓(1)		✓(1)			error 4	✓(1)				✓(1)	6
error	effect on profit for the year		effect on closing capital																																							
	overstated	understated	overstated	understated	no effect																																					
error 1		✓		✓																																						
error 2		✓(1)		✓(1)																																						
error 3	✓(1)		✓(1)																																							
error 4	✓(1)				✓(1)																																					
2(c)	It is a book of prime (original) entry because it is written up from business documents (1) It is part of the double entry system as it acts as ledger accounts for cash and bank (1)						2																																			
2(d)	<table><tr><th rowspan="2">item</th><th colspan="2">entry required in cash book</th><th rowspan="2"></th></tr><tr><th>debit \$</th><th>credit \$</th></tr><tr><td><i>cash book error</i></td><td></td><td>100</td><td></td></tr><tr><td>dishonoured cheque</td><td></td><td>140</td><td>(1)</td></tr><tr><td>charges</td><td></td><td>15</td><td>(1)</td></tr><tr><td>rates (direct debit)</td><td></td><td>400</td><td>(1)</td></tr></table>						item	entry required in cash book			debit \$	credit \$	<i>cash book error</i>		100		dishonoured cheque		140	(1)	charges		15	(1)	rates (direct debit)		400	(1)	3													
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	debit \$	credit \$																																								
<i>cash book error</i>		100																																								
dishonoured cheque		140	(1)																																							
charges		15	(1)																																							
rates (direct debit)		400	(1)																																							
2(e)	<table><tr><th rowspan="2">item</th><th colspan="2">entry in bank reconciliation statement</th></tr><tr><th>added to bank statement balance</th><th>deducted from bank statement balance</th></tr><tr><td>CD Limited</td><td>✓(1)</td><td rowspan="4">✓(1)</td></tr><tr><td>sales</td><td>✓(1)</td></tr><tr><td>FF Limited</td><td></td></tr><tr><td>Bank error (standing order)</td><td>✓(1)</td></tr></table>						item	entry in bank reconciliation statement		added to bank statement balance	deducted from bank statement balance	CD Limited	✓(1)	✓(1)	sales	✓(1)	FF Limited		Bank error (standing order)	✓(1)	4																					
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	added to bank statement balance	deducted from bank statement balance																																								
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FF Limited																																										
Bank error (standing order)	✓(1)																																									

Question	Answer	Marks														
3(a)	Reducing (diminishing) balance method Revaluation method Any one (1)	1														
3(b)	Principle of materiality – not practical/too many items/too difficult/too costly to depreciate each item separately Do not depreciate by an equal amount each year May be certain amount of loss of tools each year Or other suitable reason Any 2 reasons (1) each	2														
3(c)	Calculation of depreciation for the year ended 31 December 2016 <table><tr><td>depreciation on office machine A</td><td>depreciation on office machine B</td><td rowspan="3">total</td></tr><tr><td>calculation</td><td>calculation</td></tr><tr><td>20% × 15 000</td><td>20% × 18 000 × 3/12</td></tr><tr><td>answer \$3 000 (1)</td><td>answer \$900 (1)</td><td>\$3 900</td></tr></table>	depreciation on office machine A	depreciation on office machine B	total	calculation	calculation	20% × 15 000	20% × 18 000 × 3/12	answer \$3 000 (1)	answer \$900 (1)	\$3 900	2				
depreciation on office machine A	depreciation on office machine B	total														
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Date 2016		Details	\$	Date 2016		Details	\$																																																																																																																																																																																																											
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3(f)	<table><tr><td></td><td>\$</td><td></td></tr><tr><td>Cost</td><td>15 000</td><td>(1)</td></tr><tr><td>Depreciation to date (6000 + 3000 + 1500)</td><td>10 500</td><td>(1) OF</td></tr><tr><td>Book value</td><td>4 500</td><td></td></tr><tr><td>Proceeds of sale</td><td>6 000</td><td></td></tr><tr><td>Profit (1) OF on disposal</td><td>1 500</td><td>(1) OF</td></tr></table>		\$		Cost	15 000	(1)	Depreciation to date (6000 + 3000 + 1500)	10 500	(1) OF	Book value	4 500		Proceeds of sale	6 000		Profit (1) OF on disposal	1 500	(1) OF	4																																																																																																																																																																																														
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Question	Answer	Marks																																								
4(a)	AB Limited Statement of Changes in Equity for the year ended 31 March 2018 <table><tr><th></th><th>Ordinary share capital \$</th><th>General reserve \$</th><th>Retained earnings \$</th><th>Total \$</th></tr><tr><td>On 1 April 2017</td><td>200 000</td><td>14 000</td><td>6 000</td><td>220 000</td></tr><tr><td>Profit for the year</td><td></td><td></td><td>35 000 (1)</td><td>35 000</td></tr><tr><td>Final dividend paid (for year ended 31 March 2017)</td><td>.....</td><td>.....</td><td>(10 000) (1)</td><td>(10 000)</td></tr><tr><td>Interim dividend paid (for year ended 31 March 2018)</td><td>.....</td><td>.....</td><td>(4 000) (1)</td><td>(4 000)</td></tr><tr><td>Transfer to general reserve</td><td>.....</td><td>2 000</td><td>(2 000) (1)</td><td>.....</td></tr><tr><td>At 31 March 2018</td><td>200 000</td><td>16 000</td><td>25 000 (1)</td><td>241 000 (1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table>		Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$	On 1 April 2017	200 000	14 000	6 000	220 000	Profit for the year			35 000 (1)	35 000	Final dividend paid (for year ended 31 March 2017)			(10 000) (1)	(10 000)	Interim dividend paid (for year ended 31 March 2018)			(4 000) (1)	(4 000)	Transfer to general reserve		2 000	(2 000) (1)		At 31 March 2018	200 000	16 000	25 000 (1)	241 000 (1)						6
	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$																																						
On 1 April 2017	200 000	14 000	6 000	220 000																																						
Profit for the year			35 000 (1)	35 000																																						
Final dividend paid (for year ended 31 March 2017)			(10 000) (1)	(10 000)																																						
Interim dividend paid (for year ended 31 March 2018)			(4 000) (1)	(4 000)																																						
Transfer to general reserve		2 000	(2 000) (1)																																							
At 31 March 2018	200 000	16 000	25 000 (1)	241 000 (1)																																						

Question	Answer	Marks																																																																																																																																																	
4(b)	AB Limited Statement of Financial Position at 31 March 2018 <table><thead><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th></th></tr><tr><th>Non-current assets</th><th>Cost</th><th>Depreciation to date</th><th>Book value</th><th></th></tr></thead><tbody><tr><td>Premises</td><td>195 000</td><td></td><td>195 000</td><td></td></tr><tr><td>Machinery</td><td>98 000</td><td>35 280</td><td>62 720</td><td>(1)</td></tr><tr><td>Office equipment</td><td>39 500</td><td>15 800</td><td>23 700</td><td>(1)</td></tr><tr><td></td><td><u>332 500</u></td><td><u>51 080</u></td><td><u>281 420</u></td><td>(1)OF</td></tr><tr><td>Current assets</td><td></td><td></td><td></td><td></td></tr><tr><td>Inventory</td><td></td><td></td><td>12 120</td><td></td></tr><tr><td>Trade receivables</td><td></td><td>9 900</td><td></td><td></td></tr><tr><td>Less Provision for doubtful debts</td><td></td><td>198</td><td>9 702</td><td>(1)</td></tr><tr><td>Other receivables</td><td></td><td></td><td>568</td><td>(1)</td></tr><tr><td>Petty cash</td><td></td><td></td><td>200</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td><u>22 590</u></td><td></td></tr><tr><td>Total assets</td><td></td><td></td><td><u>304 010</u></td><td></td></tr><tr><td>Capital and liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>Capital and reserves</td><td></td><td></td><td></td><td></td></tr><tr><td>Ordinary shares</td><td></td><td></td><td>200 000</td><td>(1)</td></tr><tr><td>General reserve</td><td></td><td></td><td>16 000</td><td>(1)</td></tr><tr><td>Retained earnings</td><td></td><td></td><td>25 000</td><td>(1)OF</td></tr><tr><td></td><td></td><td></td><td><u>241 000</u></td><td>(1)OF</td></tr><tr><td>Non-current liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>4% Debentures (repayable 1 April 2022)</td><td></td><td></td><td>30 000</td><td>(1)</td></tr><tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>Trade payables</td><td></td><td></td><td>10 020</td><td></td></tr><tr><td>Other payables</td><td></td><td></td><td>950</td><td></td></tr><tr><td>Bank</td><td></td><td></td><td>2 040</td><td>(1)</td></tr><tr><td>Bank loan (repayable 1 January 2019)</td><td></td><td></td><td>20 000</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td><u>33 010</u></td><td>(1)OF</td></tr><tr><td>Total equity and liabilities</td><td></td><td></td><td><u>304 010</u></td><td></td></tr></tbody></table>		\$	\$	\$		Non-current assets	Cost	Depreciation to date	Book value		Premises	195 000		195 000		Machinery	98 000	35 280	62 720	(1)	Office equipment	39 500	15 800	23 700	(1)		<u>332 500</u>	<u>51 080</u>	<u>281 420</u>	(1)OF	Current assets					Inventory			12 120		Trade receivables		9 900			Less Provision for doubtful debts		198	9 702	(1)	Other receivables			568	(1)	Petty cash			200	(1)				<u>22 590</u>		Total assets			<u>304 010</u>		Capital and liabilities					Capital and reserves					Ordinary shares			200 000	(1)	General reserve			16 000	(1)	Retained earnings			25 000	(1)OF				<u>241 000</u>	(1)OF	Non-current liabilities					4% Debentures (repayable 1 April 2022)			30 000	(1)	Current liabilities					Trade payables			10 020		Other payables			950		Bank			2 040	(1)	Bank loan (repayable 1 January 2019)			20 000	(1)				<u>33 010</u>	(1)OF	Total equity and liabilities			<u>304 010</u>		14
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4(c)	Interest on debentures must be paid irrespective of whether there is a profit (but profit is expected to increase after two years) Prior claim on the assets of the company in a winding up Funds have to be available when repayment is due Prior claim on the profits of the company/less profit available for ordinary share dividend (this may only be a disadvantage in the first two years) Or other relevant point Any 2 points (1) each	2																																																																																																																																																	

Question	Answer	Marks
4(d)	Dilution of ownership of company New shares rank equally with existing ordinary shares with regard to dividend (even though profit expected to increase after two years dividend may reduce) New shares rank equally with existing ordinary shares with regard to repayment in a winding up Or other relevant point Any 2 points (1) each	2

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5(a)	Aretta Income Statement for the month ended 30 April 2018 <table><tr><td></td><td style="text-align: right;">\$</td><td style="text-align: right;">\$</td><td></td></tr><tr><td>Revenue</td><td></td><td style="text-align: right;">15 640</td><td rowspan="2">}(2)CF) (1)OF</td></tr><tr><td>Cost of sales</td><td></td><td></td></tr><tr><td>Purchases (15 000 (1) + 810 (1))</td><td style="text-align: right;">15 810</td><td></td><td></td></tr><tr><td>Less Closing inventory</td><td style="text-align: right; border-bottom: 1px solid black;">4 080</td><td style="text-align: right; border-bottom: 1px solid black;">11 730</td><td>(1)OF</td></tr><tr><td>Gross profit</td><td></td><td style="text-align: right;">3 910</td><td>(1)OF</td></tr><tr><td>Rent (2400 × 1/6)</td><td style="text-align: right;">400 (1)</td><td></td><td></td></tr><tr><td>Insurance (3600 × 1/12)</td><td style="text-align: right;">300 (1)</td><td></td><td></td></tr><tr><td>Operating expenses</td><td style="text-align: right;">980 }</td><td></td><td></td></tr><tr><td>Wages</td><td style="text-align: right;">1 900 }(1)</td><td></td><td></td></tr><tr><td>Loan interest (5% × 7200 × 1/12)</td><td style="text-align: right;">30 (1)</td><td></td><td></td></tr><tr><td>Depreciation shop fixtures and fittings (12% x 9500 × 1/12)</td><td style="text-align: right; border-bottom: 1px solid black;">95 (1)</td><td style="text-align: right; border-bottom: 1px solid black;">3 705</td><td></td></tr><tr><td>Profit for the month</td><td></td><td style="text-align: right; border-bottom: 3px double black;">205</td><td>(1)OF</td></tr></table>		\$	\$		Revenue		15 640	}(2)CF) (1)OF	Cost of sales			Purchases (15 000 (1) + 810 (1))	15 810			Less Closing inventory	4 080	11 730	(1)OF	Gross profit		3 910	(1)OF	Rent (2400 × 1/6)	400 (1)			Insurance (3600 × 1/12)	300 (1)			Operating expenses	980 }			Wages	1 900 }(1)			Loan interest (5% × 7200 × 1/12)	30 (1)			Depreciation shop fixtures and fittings (12% x 9500 × 1/12)	95 (1)	3 705		Profit for the month		205	(1)OF	12
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5(b)	Current assets – inventory : current liabilities	1																																																			
5(c)	<table><tr><th colspan="2" rowspan="2">proposal</th><th colspan="3">effect on quick ratio</th></tr><tr><th>increase</th><th>decrease</th><th>no effect</th></tr><tr><td>1</td><td>purchase a motor vehicle on credit</td><td></td><td>✓</td><td></td></tr><tr><td>2</td><td>pay credit suppliers early to receive cash discount</td><td>✓(1)</td><td></td><td></td></tr><tr><td>3</td><td>obtain a bank overdraft and repay the loan immediately</td><td></td><td></td><td>✓(1)</td></tr><tr><td>4</td><td>arrange for the loan to be extended to 2 years</td><td>✓(1)</td><td></td><td></td></tr><tr><td>5</td><td>sell on credit terms rather than on cash terms</td><td></td><td></td><td>✓(1)</td></tr><tr><td>6</td><td>reduce inventory by selling half at cost price</td><td>✓(1)</td><td></td><td></td></tr></table>	proposal		effect on quick ratio			increase	decrease	no effect	1	purchase a motor vehicle on credit		✓		2	pay credit suppliers early to receive cash discount	✓(1)			3	obtain a bank overdraft and repay the loan immediately			✓(1)	4	arrange for the loan to be extended to 2 years	✓(1)			5	sell on credit terms rather than on cash terms			✓(1)	6	reduce inventory by selling half at cost price	✓(1)			5													
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Question	Answer	Marks
5(d)	Proposal number 6 (1) Current Ratio Total of current assets remains unchanged (1) OR inventory decreases and cash/bank increases by same amount (1) Quick (acid test) Ratio Total of current assets excluding inventory increases (1) OR Inventory is excluded from the calculation but cash/bank increases (1)	3
5(e)	Should compare with a business of approximately the same size/same capital Should compare with a business of the same type (sole trader) The length of time the business has been operating The financial year may end at different times of the trading cycle The financial statements may be for one year which will not show trends The financial statements may be for a year which is not a typical year The businesses may operate different accounting policies The businesses may have different types of expenses 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 excluding type of business (given in the question) Any 2 points (1) basic statement and (1) for development	4