



ACCOUNTING

0452/23

Paper 2

October/November 2017

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.

Cambridge International is publishing the mark schemes for the October/November 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

Question	Answer	Marks
1(a)	Brian account \$ 2016 Aug 1 Balance b/d 1 000 <u>1 000</u> \$ 2017 July 31 Cash 720 (1) Bad debts 280 (1) <u>1 000</u> Bad debts account \$ 2017 July 31 Total to date 990 Brian 280 (1) <u>1 270</u> \$ 2017 July 31 Income Statement 1 270 (1)OF <u>1 270</u> Bad debts recovered account \$ 2017 July 31 Income Statement* 118 (1) <u>118</u> \$ 2017 July 31 Bank (AL Stores) 118 (1) <u>118</u> * Alternately accept transfer to bad debts account and net transfer from bad debts to income statement Rent account \$ 2017 July 31 Total paid 5 200 <u>5 200</u> \$ 2017 July 31 Balance c/d 400 Drawings 1 200 (1) Income Statement 3 600 (1)OF <u>5 200</u> 2017 Aug 1 Balance b/d 400 (1) Drawings account \$ 2017 July 31 Total to date 9 650 Rent 1 200 (1)OF <u>10 850</u> \$ 2017 July 31 Capital 10 850 (1)OF <u>10 850</u> Commission receivable account \$ 2017 July 31 Income Statement 1 040 (1) <u>1 040</u> \$ 2017 July 31 Total to date 890 Balance c/d 150 <u>1 040</u> 2017 Aug 1 Balance b/d 150 (1)	15

Question	Answer	Marks																																
1(a)	Provision for depreciation of office fixtures account <table><tr><td></td><td>\$</td><td></td><td>\$</td></tr><tr><td>2017</td><td></td><td>2016</td><td></td></tr><tr><td>July 31 Balance c/d</td><td>15 435</td><td>Aug 1 Balance b/d</td><td>11 100</td></tr><tr><td></td><td></td><td>2017</td><td></td></tr><tr><td></td><td></td><td>July 31 Income Statement</td><td>4 335 (1)</td></tr><tr><td></td><td><u>15 435</u></td><td></td><td><u>15 435</u></td></tr><tr><td></td><td></td><td>2017</td><td></td></tr><tr><td></td><td></td><td>Aug 1 Balance b/d</td><td>15 435 (1)OF</td></tr></table>		\$		\$	2017		2016		July 31 Balance c/d	15 435	Aug 1 Balance b/d	11 100			2017				July 31 Income Statement	4 335 (1)		<u>15 435</u>		<u>15 435</u>			2017				Aug 1 Balance b/d	15 435 (1)OF	
	\$		\$																															
2017		2016																																
July 31 Balance c/d	15 435	Aug 1 Balance b/d	11 100																															
		2017																																
		July 31 Income Statement	4 335 (1)																															
	<u>15 435</u>		<u>15 435</u>																															
		2017																																
		Aug 1 Balance b/d	15 435 (1)OF																															
1(b)	An estimate (1) of the amount which a business will lose/be unable to collect in a financial year because of bad debts (1)	2																																
1(c)	Percentage of the total amount owing by credit customers Estimating which individual credit customers will not pay their accounts Considering the length of time the debts have been outstanding Estimate, based on experience, of amount lost each year from bad debts Any 1 point (1)	1																																
1(d)	<table><tr><td>debit</td><td>credit</td></tr><tr><td>Income statement (1)</td><td>Provision for doubtful debts (1)</td></tr></table>	debit	credit	Income statement (1)	Provision for doubtful debts (1)	2																												
debit	credit																																	
Income statement (1)	Provision for doubtful debts (1)																																	
1(e)	The profit for the year is not overstated (1) The trade receivables (current assets) are not overstated/shown at more realistic value (1)	2																																
1(f)	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(g)	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																																

Question	Answer				Marks
2(a)		debit	credit	no entry	9
	opening balance owed by credit customers	✓(1)			
	credit sales	✓(1)			
	cash sales			✓(1)	
	provision for doubtful debts			✓(1)	
	bad debts written off		✓(1)		
	cash discount allowed to credit customers		✓(1)		
	trade discount allowed to credit customers			✓(1)	
	contra between sales and purchases ledger		✓(1)		
	cash received from credit customers		✓(1)		
2(b)		book of prime (original) entry			4
	returns to credit suppliers	purchases returns journal (1)			
	discount received	cash book (1)			
	interest charged by credit supplier	journal (1)			
	contra entry to sales ledger control account	journal (1)			
2(c)(i)	An entry which appears on the debit side of the purchases ledger control account and the credit of the sales ledger control account (1)				1
2(c)(ii)	It is made when a sales ledger account is set off against a purchases ledger account of the same person/business (1)				1
2(d)	Overpayment of the amount owing Failure to deduct cash discount due Goods returned after account settled Payment made in advance Any 2 reasons (1) each				2
2(e)(i)	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ } whole formula (1)				1
2(e)(ii)	$\frac{20\,520}{186\,700} \times \frac{365}{1}$ } whole formula (1) = 40.11 = 41 days (1)				2
2(f)	Offer cash discount for prompt payment Charge interest on overdue accounts Improve credit control/send invoices or statements promptly Refuse further supplies until outstanding balance paid Invoice discounting and debt factoring Any 2 points (1) each				2

Question	Answer	Marks
2(g)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ } whole formula (1)	1
2(h)	Will not be pleased May refuse further supplies May charge interest May issue stern reminders/threaten legal action Or other suitable comment Any 2 comments (1) each	2

Question	Answer	Marks																																																																												
3(a)	<table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Subscriptions received</td><td></td><td>12 540</td><td>(1)</td></tr><tr><td>Add Subscriptions outstanding at year end</td><td></td><td><u>240</u></td><td>(1)</td></tr><tr><td></td><td></td><td>12 780</td><td></td></tr><tr><td>Less Subscriptions prepaid at year end</td><td>180</td><td>(1)</td><td></td></tr><tr><td>Subscriptions outstanding at start of year</td><td><u>600</u></td><td>(1)</td><td><u>780</u></td></tr><tr><td>Subscriptions for the year</td><td></td><td></td><td><u>12 000</u> (1)</td></tr></table> Accept alternative presentation		\$	\$		Subscriptions received		12 540	(1)	Add Subscriptions outstanding at year end		<u>240</u>	(1)			12 780		Less Subscriptions prepaid at year end	180	(1)		Subscriptions outstanding at start of year	<u>600</u>	(1)	<u>780</u>	Subscriptions for the year			<u>12 000</u> (1)	5																																																
	\$	\$																																																																												
Subscriptions received		12 540	(1)																																																																											
Add Subscriptions outstanding at year end		<u>240</u>	(1)																																																																											
		12 780																																																																												
Less Subscriptions prepaid at year end	180	(1)																																																																												
Subscriptions outstanding at start of year	<u>600</u>	(1)	<u>780</u>																																																																											
Subscriptions for the year			<u>12 000</u> (1)																																																																											
3(b)	<table><tr><td colspan="4">AS Sports Club</td></tr><tr><td colspan="4">Income and Expenditure Account for the year ended 30 September 2017</td></tr><tr><td></td><td>\$</td><td>\$</td><td>\$</td></tr><tr><td>Income</td><td></td><td></td><td></td></tr><tr><td>Subscriptions</td><td></td><td></td><td>12 000 (1)OF</td></tr><tr><td>Profit on shop – revenue</td><td>3 510</td><td></td><td></td></tr><tr><td>– less purchases</td><td><u>2 410</u></td><td></td><td><u>1 100</u> (1)</td></tr><tr><td></td><td></td><td></td><td>13 100</td></tr><tr><td>Expenditure</td><td></td><td></td><td></td></tr><tr><td>Rates and insurance</td><td></td><td></td><td></td></tr><tr><td>(1500 (1) + 60 (1))</td><td></td><td>1 560</td><td></td></tr><tr><td>Open day – expenses</td><td>5 250</td><td></td><td></td></tr><tr><td>less receipts</td><td><u>4 180</u></td><td>1 070 (1)</td><td></td></tr><tr><td>Rent</td><td></td><td>1 800 }</td><td>(1)</td></tr><tr><td>General expenses</td><td></td><td>2 640 }</td><td></td></tr><tr><td>Loan interest (5% × 7 000)</td><td></td><td>350 (1)</td><td></td></tr><tr><td>Depreciation of Equipment</td><td></td><td></td><td></td></tr><tr><td>((22 000 + 8 000) × 20%)</td><td><u>6 000</u></td><td>(1)</td><td><u>13 420</u></td></tr><tr><td>Deficit</td><td></td><td></td><td><u>320</u> (1)OF</td></tr></table>	AS Sports Club				Income and Expenditure Account for the year ended 30 September 2017					\$	\$	\$	Income				Subscriptions			12 000 (1)OF	Profit on shop – revenue	3 510			– less purchases	<u>2 410</u>		<u>1 100</u> (1)				13 100	Expenditure				Rates and insurance				(1500 (1) + 60 (1))		1 560		Open day – expenses	5 250			less receipts	<u>4 180</u>	1 070 (1)		Rent		1 800 }	(1)	General expenses		2 640 }		Loan interest (5% × 7 000)		350 (1)		Depreciation of Equipment				((22 000 + 8 000) × 20%)	<u>6 000</u>	(1)	<u>13 420</u>	Deficit			<u>320</u> (1)OF	9
AS Sports Club																																																																														
Income and Expenditure Account for the year ended 30 September 2017																																																																														
	\$	\$	\$																																																																											
Income																																																																														
Subscriptions			12 000 (1)OF																																																																											
Profit on shop – revenue	3 510																																																																													
– less purchases	<u>2 410</u>		<u>1 100</u> (1)																																																																											
			13 100																																																																											
Expenditure																																																																														
Rates and insurance																																																																														
(1500 (1) + 60 (1))		1 560																																																																												
Open day – expenses	5 250																																																																													
less receipts	<u>4 180</u>	1 070 (1)																																																																												
Rent		1 800 }	(1)																																																																											
General expenses		2 640 }																																																																												
Loan interest (5% × 7 000)		350 (1)																																																																												
Depreciation of Equipment																																																																														
((22 000 + 8 000) × 20%)	<u>6 000</u>	(1)	<u>13 420</u>																																																																											
Deficit			<u>320</u> (1)OF																																																																											

Question	Answer	Marks																																																																																
3(c)	AS Sports Club Statement of Financial Position at 30 September 2017 <table><thead><tr><th></th><th>\$</th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td colspan="4">Assets</td></tr><tr><td>Non-current assets</td><td>Cost</td><td>Accumulated depreciation</td><td>Book value</td></tr><tr><td>Equipment</td><td>30 000</td><td>10 400 (1)OF</td><td>19 600 (1)OF</td></tr><tr><td colspan="4">Current assets</td></tr><tr><td>Other receivables (Subscriptions)</td><td></td><td></td><td>240 (1)</td></tr><tr><td>Total assets</td><td></td><td></td><td>19 840</td></tr><tr><td colspan="4">Liabilities</td></tr><tr><td colspan="4">Accumulated fund</td></tr><tr><td>Opening balance</td><td></td><td></td><td>11 870 (1)</td></tr><tr><td>Less Deficit</td><td></td><td></td><td>320 (1)OF</td></tr><tr><td></td><td></td><td></td><td>11 550</td></tr><tr><td colspan="4">Non-current liabilities</td></tr><tr><td>Bank loan (repayable 2020)</td><td></td><td></td><td>7 000 (1)</td></tr><tr><td colspan="4">Current liabilities</td></tr><tr><td>Other payables (loan interest)</td><td></td><td></td><td>350 (1)OF</td></tr><tr><td>Subscriptions prepaid</td><td></td><td></td><td>180 (1)</td></tr><tr><td>Bank</td><td></td><td></td><td>760 (1)</td></tr><tr><td></td><td></td><td></td><td>1 290</td></tr><tr><td>Total liabilities</td><td></td><td></td><td>19 840</td></tr></tbody></table>		\$	\$	\$	Assets				Non-current assets	Cost	Accumulated depreciation	Book value	Equipment	30 000	10 400 (1)OF	19 600 (1)OF	Current assets				Other receivables (Subscriptions)			240 (1)	Total assets			19 840	Liabilities				Accumulated fund				Opening balance			11 870 (1)	Less Deficit			320 (1)OF				11 550	Non-current liabilities				Bank loan (repayable 2020)			7 000 (1)	Current liabilities				Other payables (loan interest)			350 (1)OF	Subscriptions prepaid			180 (1)	Bank			760 (1)				1 290	Total liabilities			19 840	9
	\$	\$	\$																																																																															
Assets																																																																																		
Non-current assets	Cost	Accumulated depreciation	Book value																																																																															
Equipment	30 000	10 400 (1)OF	19 600 (1)OF																																																																															
Current assets																																																																																		
Other receivables (Subscriptions)			240 (1)																																																																															
Total assets			19 840																																																																															
Liabilities																																																																																		
Accumulated fund																																																																																		
Opening balance			11 870 (1)																																																																															
Less Deficit			320 (1)OF																																																																															
			11 550																																																																															
Non-current liabilities																																																																																		
Bank loan (repayable 2020)			7 000 (1)																																																																															
Current liabilities																																																																																		
Other payables (loan interest)			350 (1)OF																																																																															
Subscriptions prepaid			180 (1)																																																																															
Bank			760 (1)																																																																															
			1 290																																																																															
Total liabilities			19 840																																																																															
3(d)	Loan interest is an expense account/any accrued interest is a current liability (1) The loan is a non-current liability (1) Accept other valid points	2																																																																																

Question	Answer	Marks
4(a)	$(87\,500 + 56\,200 + 100) : (81\,500 + 17\,100)$ $= 143\,800 : 98\,600$ (1) whole formula $= 1.46 : 1$ (1)	2
4(b)	Current assets only approximately 1½ times the current liabilities Lower than the “benchmark” of 2:1 Can meet the current liabilities from the current assets Do not have a lot of surplus current assets available after paying current liabilities Seems to be a little inadequate (depending on the type of business) Comments to be based on answer to (a) Any 2 comments (1) each	2

Question	Answer	Marks																																		
4(c)	$(56\,200 + 100) : (81\,500 + 17\,100)$ $= 56\,300 : 98\,600$ (1) whole formula $= 0.57 : 1$ (1)	2																																		
4(d)	Increased expenditure on inventory Increase in bank overdraft/change from positive bank balance to overdraft Purchase of non-current assets Repayment of long-term loan Increase in current liabilities/increase in trade payables Decrease in trade receivables Decrease in cash Increase in drawings Any 2 reasons (1) each	2																																		
4(e)	Unable to pay debts when they fall due Unable to take advantage of cash discounts Unable to take advantage of business opportunities when they arise May have difficulty in obtaining further supplies May not be able to take drawings Any 2 points (1) each	2																																		
4(f)	<table><tr><th rowspan="2"></th><th colspan="3">current ratio</th><th colspan="3">quick ratio</th></tr><tr><th>increase</th><th>decrease</th><th>no effect</th><th>increase</th><th>decrease</th><th>no effect</th></tr><tr><td>introduce \$20 000 additional capital</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td></tr><tr><td>obtain short-term bank loan of \$10 000</td><td></td><td></td><td>✓(1)</td><td></td><td></td><td>✓(1)</td></tr><tr><td>sell half the inventory at cost price</td><td></td><td></td><td>✓(1)</td><td>✓(1)</td><td></td><td></td></tr></table>		current ratio			quick ratio			increase	decrease	no effect	increase	decrease	no effect	introduce \$20 000 additional capital	✓			✓			obtain short-term bank loan of \$10 000			✓(1)			✓(1)	sell half the inventory at cost price			✓(1)	✓(1)			4
	current ratio			quick ratio																																
	increase	decrease	no effect	increase	decrease	no effect																														
introduce \$20 000 additional capital	✓			✓																																
obtain short-term bank loan of \$10 000			✓(1)			✓(1)																														
sell half the inventory at cost price			✓(1)	✓(1)																																
4(g)	$\frac{\text{Cost of sales}}{\text{Average inventory}}$	1																																		
4(h)	$\frac{765990}{(87\,500 + 72\,000) \div 2} \quad \text{Or} \quad \frac{765990}{87\,500 - (15\,500 \div 2)}$ $= \frac{765990}{79750} \} (1)$ $= 9.60 \text{ times } (1)$	2																																		
4(i)	Higher inventory levels Lower sales activity Or other suitable reason Any 2 reasons (1) each	2																																		

Question	Answer	Marks																																																						
5(a)	$\frac{43\,000}{(500\,000 + 11\,000 + 14\,000 + 75\,000)}$ $= \frac{43\,000}{600\,000} \times \frac{100}{1}$ $= 7.17\% \text{ (1)}$	3																																																						
5(b)	$\frac{25\,000}{500\,000} \times \frac{100}{1}$ $= 5\%$	1																																																						
5(c)	$\frac{15\,000 + 30\,000}{500\,000 + 100\,000} \times \frac{100}{1}$ $= \frac{45\,000}{600\,000}$ $= 7.5\% \text{ (1)}$	3																																																						
5(d)	$71\,000 - (3\% \times 75\,000) \text{ (1)}$ $= 71\,000 - 2\,250$ $= 68\,750 \text{ (1)}$	2																																																						
5(e)	CP Limited Statement of Changes in Equity for the year ended 30 September 2017 <table><tr><th></th><th>Ordinary share capital</th><th>General reserve</th><th>Retained earnings</th><th>Total</th><th></th></tr><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th></th></tr><tr><td>On 1 October 2016</td><td>500 000</td><td>11 000</td><td>14 000</td><td>525 000</td><td>(1)</td></tr><tr><td>Share issue</td><td>100 000</td><td></td><td></td><td>100 000</td><td>(1)</td></tr><tr><td>Profit for the year</td><td></td><td></td><td>68 750</td><td>68 750</td><td>(1)OF</td></tr><tr><td>Dividend paid (for year ended 30 September 2016)</td><td></td><td></td><td>(25 000)</td><td>(25 000)</td><td>(1)</td></tr><tr><td>Dividend paid (for year ended 30 September 2017)</td><td></td><td></td><td>(15 000)</td><td>(15 000)</td><td>(1)</td></tr><tr><td>Transfer to general reserve</td><td></td><td>5 000</td><td>(5 000)</td><td></td><td>(1)</td></tr><tr><td>On 30 September 2017</td><td>600 000</td><td>16 000</td><td>37 750</td><td>653 750</td><td>(1)</td></tr></table>		Ordinary share capital	General reserve	Retained earnings	Total			\$	\$	\$	\$		On 1 October 2016	500 000	11 000	14 000	525 000	(1)	Share issue	100 000			100 000	(1)	Profit for the year			68 750	68 750	(1)OF	Dividend paid (for year ended 30 September 2016)			(25 000)	(25 000)	(1)	Dividend paid (for year ended 30 September 2017)			(15 000)	(15 000)	(1)	Transfer to general reserve		5 000	(5 000)		(1)	On 30 September 2017	600 000	16 000	37 750	653 750	(1)	7
	Ordinary share capital	General reserve	Retained earnings	Total																																																				
	\$	\$	\$	\$																																																				
On 1 October 2016	500 000	11 000	14 000	525 000	(1)																																																			
Share issue	100 000			100 000	(1)																																																			
Profit for the year			68 750	68 750	(1)OF																																																			
Dividend paid (for year ended 30 September 2016)			(25 000)	(25 000)	(1)																																																			
Dividend paid (for year ended 30 September 2017)			(15 000)	(15 000)	(1)																																																			
Transfer to general reserve		5 000	(5 000)		(1)																																																			
On 30 September 2017	600 000	16 000	37 750	653 750	(1)																																																			

Question	Answer	Marks																								
5(f)	Long term loans Debenture holders are not members of the company Do not carry voting rights Carry a fixed rate of interest Interest is not dependent on the company's profit Are often secured on the assets of the company's Debenture holders are repaid before the shareholders in a winding-up Any 2 features (1) each	2																								
5(g)	Carry a fixed rate of dividend Dividend may not be paid if there is not enough profit Dividend is paid before ordinary share dividend Preference shareholders are members of the company Do not usually carry voting rights Capital is repaid before ordinary share capital in a winding-up Are not secured on the assets of the company Any 2 features (1) each	2																								
5(h)	<table><tr><td></td><td>increase \$</td><td>decrease \$</td><td>no effect</td></tr><tr><td>effect on current assets</td><td>300 000</td><td></td><td></td></tr><tr><td>effect on non-current liabilities</td><td>300 000 (1)</td><td></td><td></td></tr><tr><td>effect on profit for the year</td><td></td><td>9 000 (2)*</td><td></td></tr><tr><td>effect on profit available for ordinary shareholders</td><td></td><td>9 000 (1)OF</td><td></td></tr><tr><td>effect on equity</td><td></td><td></td><td>✓(1)</td></tr></table> * (1) position + (1) amount		increase \$	decrease \$	no effect	effect on current assets	300 000			effect on non-current liabilities	300 000 (1)			effect on profit for the year		9 000 (2)*		effect on profit available for ordinary shareholders		9 000 (1)OF		effect on equity			✓(1)	5
	increase \$	decrease \$	no effect																							
effect on current assets	300 000																									
effect on non-current liabilities	300 000 (1)																									
effect on profit for the year		9 000 (2)*																								
effect on profit available for ordinary shareholders		9 000 (1)OF																								
effect on equity			✓(1)																							