

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
International General Certificate of Secondary Education

## **MARK SCHEME for the October/November 2012 series**

### **0452 ACCOUNTING**

**0452/21**

Paper 2, maximum raw mark 120

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.

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1 (a) Zabeel  
Manufacturing Account for the year ended 31 October 2012

	\$	\$
Cost of materials consumed		
Purchases of raw materials	54 300 (1)	
Less Purchases returns	<u>2 100 (1)</u>	
	52 200	
Carriage on purchases	<u>480 (1)</u>	
	52 680	
Less Closing inventory of raw materials	<u>4 300 (1)</u>	48 380
Direct factory wages (46 000 + 2150)		<u>48 150 (1)</u>
Prime cost		96 530 (1) O/F
Factory overheads		
Indirect wages	11 210 (1)	
General expenses (21 660 – 370)	21 290 (1)	
Rates and insurance (60% x 6000)	3 600 (1)	
Depreciation – Machinery (20% x 64 500)	12 900 (1)	
Loose tools (980 + 130 – 820)	<u>290 (1)</u>	<u>49 290</u>
		145 820 (1) O/F
Less Closing work in progress		<u>10 200 (1)</u>
Production cost of goods completed		<u>135 620 (1) O/F</u>

[14]

(b) Zabeel  
Income Statement for the year ended 31 October 2012

	\$	\$
Revenue	183 400 (1)	
Less Sales returns	<u>2 600 (1)</u>	180 800
Less Cost of sales		
Production cost of goods completed	135 620 (1) O/F	
Purchases of finished goods	<u>9 200 (1)</u>	
	144 820	
Less Closing inventory of finished goods	<u>12 620 (1)</u>	<u>132 200</u>
Gross profit		<u>48 600 (1) O/F</u>

[6]

(c) (i) Lower of cost and net realisable value [1]

(ii) Prudence [1]

(d) (i) Realisation [1]

(ii) Business entity [1]

[Total: 24]

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2 (a)

		Nancy Tanwin			
		Rent received account			
2012		\$	2011		\$
Oct 31 Income			Nov 1 Balance/bank/cash		432 (1)
statement		2592	2012		
		(2)C/F	Jan 1 Bank		1296} (1)
Oct 31 Balance	c/d	<u>216</u>	July 1 Bank		<u>1080}</u>
		2808			<u>2808</u>
			2012		
			Nov 1 Balance	b/d	216 (1) O/F

**+ (1) Dates** [6]

(b) Current liabilities (1)

Nancy Tanwin has a liability to provide a benefit for which she has already been paid. (1) [2]

(c)

		Nancy Tanwin			
		Advertising expenses account			
2011		\$	2011		\$
Nov 15 Cash		74}	Nov 1 Balance	b/d	74 (1)
2012		} (1)	2012		
June 1 Bank		1200}	Oct 31 Income		500 (2)C/F
			Statement		(1)O/F
			Balance	c/d	<u>700</u>
		<u>1274</u>			<u>1274</u>
2012					
Nov 1 Balance	b/d	700			(1) O/F

**+ (1) Dates** [6]

(d)

Effect on capital employed	Tick
Overstate	
Understated	✓

[1]

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(e) Nancy Tanwin  
Statement of corrected profit/loss for the year ended 31 October 2012

			\$
Profit for the year before corrections			(550)
	Increase in profit \$	Decrease in profit \$	
Error 1		20	
Error 2	1100 (2)		
Error 3	No effect (2)		
Error 4		310 (2)	
Error 5	260 (2)		
	—	—	
	<u>1360</u>	<u>330</u>	<u>1030</u>
		Corrected profit for the year	<u>480 (1) O/F</u>

[9]

[Total: 24]

3 (a) The liability of the ordinary shareholders for the debts of the company is limited to the amount they agree to pay the company for their shares. [2]

(b) Ordinary shareholders are members (owners) of the company: debenture holders are lenders.  
 Ordinary shares carry voting rights: debentures do not carry voting rights.  
 Ordinary shareholders receive a dividend; debenture holders receive interest.  
 Ordinary shareholders receive a variable return on their shares: debentures holders received a fixed interest rate.  
 Ordinary share dividend is a share of profit and may not be paid if there is no profit:  
 debenture interest is an expense and is payable irrespective of profits  
 In the event of a winding-up, debentures are repaid before ordinary shares.  
 Debentures have to be repaid but ordinary shares do not

**Any 2 points (2) each**

[4]

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(c) White Rose Ltd  
Profit and Loss Appropriation Account for the year ended 31 August 2012

	\$	\$
Profit for the year		36 000 (1)
Less Transfer to general reserve	10 000 (1)	
Ordinary share dividend – paid (1)	5 250 (1)	
proposed (1)	<u>7 000 (1)</u>	
Retained profit for the year		<u>22 250</u>
Retained profit brought forward		13 750 (1) O/F
Retained profit carried forward		<u>7 300 (1)</u>
		<u>21 050 (1) O/F</u>

[9]

(d) White Rose Ltd  
Extract from Balance Sheet at 31 August 2012

	\$
Capital and Reserves	
Ordinary shares of \$0.50 each	175 000 (1)
General reserve (18 500 + 10 000)	28 500 (2)
Retained profit	21 050 (2) C/F
	(1) O/F

[5]

(e) White Rose Ltd  
Extract from Balance Sheet at 31 August 2012

	\$
Non-current liabilities	
5% Debentures of \$100 each	100 000 (2)

[2]

[Total: 22]

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- 4 (a) Work can be shared amongst several people  
Easier for reference as the same type of accounts are kept together  
Easier to introduce checking procedures

**Any 1 point (1)**

**[1]**

**(b)**

Ruth Van Zyl						
Purchases Ledger Control account						
2012			2012			
			\$			
Sept 1 Balance	b/d		210 (1)	Sept 1 Balance	b/d	9 530 (1)
30 Returns			1 160 (1)	30 Purchases		11 740 (1)
Bank			8 730 (1)	Interest		90 (1)
Discount			270 (1)	Balance	c/d	160
Balance	c/d		<u>11 150</u>			
			<u>21 520</u>			<u>21 520</u>
2012			2012			
Oct 1 Balance	b/d		160 (1)	Oct 1 Balance	b/d	11 150 (2)C/F
			<b>O/F</b>			<b>(1)O/F</b>

**+(1) Dates**

**[11]**

- (c) Assist in the location of errors  
Provide instant total of trade payables  
Proves the arithmetical accuracy of the purchases ledger/the ledger they control  
Enables a balance sheet to be prepared quickly  
Provides a summary of the transactions relating to trade payables  
May reduce fraud

**Any 2 points (1) each**

**[2]**

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<b>(d)</b>	Item	Entry in sales ledger control account	
	<b>(ii)</b> Sales returns	Credit	<b>(1)</b>
	<b>(iii)</b> Bad debt written off	Credit	<b>(1)</b>
	<b>(iv)</b> Provision for doubtful debts	No entry	<b>(1)</b>
	<b>(v)</b> Credit customer's cheque dishonoured	Debit	<b>(1)</b>

**[4]**

**(e)** Ruth Van Zyl  
Journal

	Debit \$	Credit \$	
Wilhelm Interest receivable	15	15	<b>(1)</b> <b>(1)</b>
Interest charged on overdue account			<b>(1)</b>
Ansie (purchases ledger account) Ansie (sales ledger account)	500	500	<b>(1)</b> <b>(1)</b>
Transfer of balance of purchases ledger account to sales ledger account			<b>(1)</b>

**[6]**

**[Total: 24]**

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5 (a) Total trade receivables account

2011		\$	2012		\$
Oct 1 Balance	b/d	4 950 (1)	Sept 30 Bank		56 360 (1)
2012			Discount		1 640 (1)
Sept 30 Sales	*	60 600 (1)	Bad debts		1 260 (1)
		<u>65 550</u>	Balance	c/d	<u>6 290 (1)</u>
					<u>65 550</u>

**Alternative presentation**

Calculation of sales for the year

	\$
Receipts from customer	56 360 (1)
Discounts allowed	1 640 (1)
Bad debts	1 260 (1)
Amount owing 30 September 2012	<u>6 290 (1)</u>
	65 550
Less Amounts owing 1 August 2011	<u>4 950 (1)</u>
Sales for the year	<u>60 600 (1)</u>

[6]

(b)  $\frac{25}{125} \times \frac{60\,600}{1} \text{ O/F} = 12\,120 \text{ (2) O/F}$

[2]

(c) Sales 60 600 O/F  
 Gross profit 12 120 O/F  
 Cost of sales 48 480 (2) O/F

[2]

(d)  $\frac{48\,480 \text{ O/F}}{6\,000} = 8.08 \text{ times (2) C/F}$   
 (1) O/F

[2]

- (e) Reduce inventory levels  
 Generate more sales activity  
 Only replace inventory when needed

**Any 2 points (2) each**

[4]

(f)  $(5800 + 6290 + 100) : (6150 + 1240)$   
 $= 12\,190 \text{ (1) C/F} : 7390 \text{ (1) C/F}$   
 $= 1.649 : 1$   
 $= 1.65 : 1 \text{ (1) C/F}$

[3]



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(g)  $(6290 + 100) : (6150 + 1240)$   
 $= 6390 \text{ (1) C/F} : 7390 \text{ (1) C/F}$   
 $= 0.864 : 1$   
 $= 0.86 : 1 \text{ (1) C/F}$  **[3]**

(h) 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]**

(i) Introduce additional capital  
Reduce drawings  
Sell surplus non-current assets  
Obtain long-term loan  
  
**Any 1 point (2)** **[2]**

**[Total: 26]**