

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

**MARK SCHEME for the May/June 2015 series**

**0452 ACCOUNTING**

**0452/22**

Paper 2, maximum raw mark 120

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- (c) May be able to take advantage of cash discounts  
 Improve the relationship with suppliers  
 Avoid paying interest  
 Or other suitable comment
- Any one advantage **(1)**
- The business is deprived of the use of the money earlier than necessary  
 Or other suitable comment
- Any one disadvantage **(1)** [2]
- (d) Sales returns
- |                       |  |
|-----------------------|--|
| Explanation           | The total sales returns for the month <b>(1)</b> |
| Source of information | Sales returns journal <b>(1)</b>                 |
- Contra
- |                       |  |
|-----------------------|--|
| Explanation           | This is the total set off against accounts in the purchases ledger during the month <b>(1)</b> |
| Source of information | Journal <b>(1)</b>   |
- Interest charged
- |                       |   |
|-----------------------|---|
| Explanation           | This is the total interest charged on credit customers' accounts which are overdue <b>(1)</b> |
| Source of information | Journal <b>(1)</b>  |
- [6]
- (e) 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
- Any two points **(1)** each [2]
- (f)  $\frac{800}{12600} \times \frac{365}{1} \} (1) = 24 \text{ days } (1)$  [2]
- (g) Unsatisfied  
 Or o.f. based on answer to (f) [1]
- (h) 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 is paid  
 Invoice discounting and debt factoring
- Any two points **(1)** each [2]

**[Total: 27]**

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- 2 (a) Obtain correct bank balance  
 Identify errors on the bank account  
 Identify errors on the bank statement  
 Assist in discovering fraud and embezzlement  
 Identify amounts not credited by the bank  
 Identify cheques not presented  
 Identify any stale cheques
- Any two reasons **(1)** each [2]

(b)

David Jones					
Cash book (bank columns only)					
2015			2015		
\$			\$		
1 Feb	Balance b/d	114	1 Feb	Bank charges	62 <b>(1)</b>
	Bank interest	130 <b>(1)</b>		K Taylor	
	Balance c/d	101		(Dis. chq.)	143 <b>(1)</b>
				Insurance	40 <b>(1)</b>
				Error correction	<u>100</u> <b>(1)</b>
		<u>345</u>			<u>345</u>
			2015		
			1 Feb	Balance b/d	101 <b>(1 o.f.)</b> [6]

(c)

David Jones		
Bank Reconciliation Statement at 31 January 2015		
\$		
Balance on bank statement	154	<b>(1)</b>
Add Amounts not credited – cash sales <b>(1)</b>	<u>235</u>	<b>(1)</b>
	389	
Less Cheques not presented – M Sharp <b>(1)</b>	<u>490</u>	<b>(1)</b>
Balance in cash book	<u>(101)</u>	<b>(1 o.f.)</b>

**Alternative presentation**

David Jones		
Bank Reconciliation Statement at 31 January 2015		
\$		
Balance in cash book	(101)	<b>(1 o.f.)</b>
Add Cheques not presented – M Sharp <b>(1)</b>	<u>490</u>	<b>(1)</b>
	389	
Less Amounts not credited – cash sales <b>(1)</b>	<u>235</u>	<b>(1)</b>
Balance on bank statement	<u>154</u>	<b>(1)</b> [6]

- (d) (i) Cash book balance **(1)**
- (ii) **Either**  
 The statement of financial position would not balance if the bank statement balance was included **(2)**  
**Or**  
 Only balances on the books of the business can be included in the statement of financial position of the business **(2)** [3]

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- (e) Assess prospects of any requested loan/overdraft being repaid when due  
Assess prospects of any interest on loan/overdraft being paid when due  
Assess security available to cover any loan/overdraft  
Or other acceptable reason

Any two reasons **(1)** each

[2]

**[Total: 19]**

3 (a)

Akhtar Hussain  
Inventory account

	\$		\$
2014		2015	
1 April Balance b/d	<u>3560</u>	31 Mar Income Statement	<u>3560</u> (1)
	<u>3560</u>		<u>3560</u>
2015		2015	
31 Mar Income Statement	<u>4150</u> (1)	31 Mar Balance c/d	<u>4150</u>
	<u>4150</u>		<u>4150</u>
2015			
1 April Balance b/d	4150 (1)		

Bad debts account

	\$		\$
2015		2015	
10 Jan ABC Stores	136	31 Mar Income Statement	190 (1)
31 Mar XY Limited	<u>54</u> (1)		<u>190</u>
	<u>190</u>		<u>190</u>

Provision for doubtful debts account

	\$		\$
2015		2014	
31 Mar Income Statement	120 (1)	1 April Balance b/d	1130
	<u>1010</u> (1)		<u>1130</u>
	<u>1130</u>		<u>1130</u>
		2015	
		1 April Balance b/d	1010 (1)

Provision for depreciation of machinery account

	\$		\$
2015		2014	
1 Mar Disposal	2250 (1)	1 April Balance b/d	4500
31 Balance c/d	<u>3500</u> (1)	2015	
	<u>5750</u>	31 Mar Income Statement	<u>1250</u> (1)
			<u>5750</u>
		2015	
		1 April Balance b/d	3500 (1 o.f.)

Disposal of machinery account

	\$		\$
2015		2015	
1 Mar Machinery	3000 (1)	1 Mar Bank	550
	<u>3000</u>	Prov. for Dep.	2250 (1)
		31 Income Statement	<u>200</u> (1 o.f.)
			<u>3000</u>

Drawings account

	\$		\$
2015		2015	
1 Feb Bank	<u>1000</u>	31 Mar Capital	<u>1000</u> (1)
	<u>1000</u>		<u>1000</u>

**+ (1) dates**

**Three column running balance presentation acceptable**

[17]

(b) Akthar Hussain  
Journal

	Debit \$	Credit \$	
Motor vehicles	9000		} (1)
Motor repairs	360		
PJ Autos		9360	(1)
Invoice received for purchase of new vehicle and motor repairs			(1)

[3]

(c) Capital expenditure  
Money spent on acquiring, improving and installing non-current assets (1)

Revenue expenditure

Money spent on running a business on a day-to-day basis (1)

[2]

(d)

	overstated	understated
non-current assets at 31 March 2015	✓ (1)	
profit for the year ended 31 March 2015	✓ (1)	

[2]

[Total: 24]

4 (a)

Rania Gharib  
Income Statement for the year ended 31 January 2015

	\$	\$
Revenue		63 660
Cost of sales		
Opening inventory	4 700 *	
Purchases (40 120 (1) + 3 720 (1) + 820 (1) – 2 950 (1))	<u>41 710</u>	
	46 410	
Closing inventory	<u>3 150</u> * (1) for both	
		<u>43 260</u>
Gross profit		20 400 (1 o.f.)
Discount received		<u>820</u> (1)
		21 220
Wages	9 520	
Rent and rates	5 200 (1)	
Insurance (840 (1) – 120 (1))	720	
Depreciation fixtures and fittings (6 900 + 1 100 – 7 300)	<u>700</u> (2)	
Profit for the year		<u>16 140</u>
		<u>5 080</u> (1 o.f.)

Horizontal format acceptable

[13]

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(b)  $\frac{43260}{(4700 + 3150) \div 2} \text{ (1 o.f.)} = \frac{43260}{3925} = 11.02 \text{ times (1 o.f.)}$  [3]

(c) Lower inventory levels  
 More sales activity  
 Or other suitable explanation  
 Any two reasons (1) each [2]

(d) It shows the profit earned for each \$100 used in the business (1)  
 It shows how efficiently the capital is being employed (1) [2]

(e)  $\frac{5080}{83000} \text{ o.f.} \times \frac{100}{1} = 6.12\% \text{ (1 o.f.)}$  [2]

(f) Higher profit for the year  
 Lower capital employed  
 Any one reason (1) [1]

(g)

	overstated	understated	no effect
gross profit for the year ended 31 January 2014	✓		
credit balance on capital account on 1 February 2014	✓ (1)		
gross profit for the year ended 31 January 2015		✓ (1)	
profit for the year ended 31 January 2015		✓ (1)	
current assets at 31 January 2015			✓ (1)

[4]

[Total: 27]



5 (a) Craven Limited  
Statement of Changes in Equity for the year ended 31 March 2015

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 April 2014	200 000	17 000	9 000	226 000	
Profit for the year	.....	.....	43 000	43 000	(1)
Dividend paid	.....	.....	(16 000)	(16 000)	(1)
Transfer to general reserve	.....	15 000	(15 000)	.....	(1)
On 31 March 2015	200 000	32 000	21 000	253 000	(1)

[4]

(b) Craven Limited  
Statement of Financial Position at 31 March 2015

Assets	\$	\$	
Non-current assets			
Premises at cost		179 000	
Fixtures and equipment at book value		54 000	
Motor vehicles at book value		<u>22 500</u>	
		<u>255 500</u>	(1)
Current assets			
Inventory		26 525	(1)
Trade receivables	21 000		(1)
Less Provision for doubtful debts	<u>525</u>	<u>20 475</u>	(1)
		<u>47 000</u>	(1 o.f.)
Total assets		<u>302 500</u>	
Equity and liabilities			
Equity and Reserves			
Ordinary share capital		200 000	(1)
General reserve (17 000 (1) + 15 000 (1))		32 000	
Retained earnings (9 000 (1) + 12 000 (1))		<u>21 000</u>	
		<u>253 000</u>	(1 o.f.)
Non-current liabilities			
5% Debentures		<u>15 000</u>	(1)
Current liabilities			
Trade payables		26 375	
Bank		<u>8 125</u>	
		<u>34 500</u>	(1)
Total liabilities		<u>302 500</u>	

Horizontal format acceptable

[13]

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- (c) Ordinary shareholders are members of the company  
 Ordinary shares carry voting rights  
 Ordinary share dividend is a share of the profit  
 Ordinary share dividend is variable  
 Ordinary share dividend is paid after any dividend on preference shares  
 Ordinary shareholders are repaid last in the event of a winding up

Any two features **(1)** each [2]

- (d) Debentures are long-term loans  
 Debenture-holders are not members of the company  
 Debentures do not carry voting rights  
 Debentures carry a fixed rate of interest  
 Debenture interest is not dependent on the company's profit  
 Debentures are often secured on the assets of the company  
 Debenture-holders are repaid before the shareholders in the event of a winding up

Any two features **(1)** each [2]

- (e) Reduction in profit available for ordinary shareholders  
 Prior claim on the assets of the company in the event of a winding up  
 Or other relevant point

Any two points **(1)** each [2]

**[Total: 23]**