

MARK SCHEME for the October/November 2013 series

0452 ACCOUNTING

0452/23

Paper 2, maximum raw mark 120

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

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1 (a)

| Transaction | Document |
|---|--------------------------------------|
| October 4 Bought goods on credit from Fatima Waheed | Invoice (1) |
| October 12 Paid the amount owing to Sajid Manzoor by cheque | Cheque counterfoil Or receipt (1) |

[2]

(b)

| Transaction | Book of prime (original) entry |
|--|--------------------------------|
| October 14 Returned goods to Fatima Waheed | Purchases returns journal (1) |
| October 31 Received notification from Fatima Waheed that interest would be charged | Journal (1) |

[2]

(c)

| Fatima Waheed account | | | |
|-----------------------|-------------|------------|-------------------|
| | | \$ | \$ |
| 2013 | | | 2013 |
| Oct 14 | Returns | 60 (1) | Oct 1 Balance b/d |
| 31 | Balance c/d | 639 | 4 Purchases |
| | | <u>699</u> | 31 Interest |
| | | | <u>9</u> (1) |
| | | | <u>699</u> |
| | | | 2013 |
| | | | Nov 1 Balance b/d |
| | | | 639 (1)O/F |

[4]

| Sajid Manzoor account | | | |
|-----------------------|-------------|------------|-------------------|
| | | \$ | \$ |
| 2013 | | | 2013 |
| Oct 12 | Bank | 273 (1) | Oct 1 Balance b/d |
| | Discount | 7 (1) | 21 Purchases |
| 31 | Balance c/d | 450 | 26 Purchases |
| | | <u>730</u> | <u>90</u> (1) |
| | | | <u>730</u> |
| | | | 2013 |
| | | | Nov 1 Balance b/d |
| | | | 450 (1)O/F |

[4]

| | | | |
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Alternative presentation

| | | Fatima Waheed account | | |
|------|-------------|-----------------------|---------|---------------|
| | | Debit | Credit | Balance |
| 2013 | | \$ | \$ | \$ |
| Oct | 1 Balance | | 450 | 450 Cr |
| | 4 Purchases | | 240 (1) | 690 Cr |
| | 14 Returns | 60 (1) | | 630 Cr |
| | 31 Interest | | 9 (1) | 639 Cr |
| | | | | (1)O/F |
| | | | | [4] |

| | | Sajid Manzoor account | | |
|------|--------------|-----------------------|---------|---------------|
| | | Debit | Credit | Balance |
| 2013 | | \$ | \$ | \$ |
| Oct | 1 Balance | | 280 | 280 Cr |
| | 12 Bank | 273 (1) | | 7 Cr |
| | Discount | 7 (1) | | 0 |
| | 21 Purchases | | 360} | 360 Cr |
| | 26 Purchases | | 90} (1) | 450 Cr |
| | | | | (1)O/F |
| | | | | [4] |

- (d) To notify the customer of the amount outstanding
 To provide a summary of the transactions for the month
 To enable the customer to compare his records and check for errors

Or other suitable statement

Any 2 statements (1) each

[2]

- (e) A credit note is issued by a credit supplier because of returns, faulty goods or an overcharge. **(1)**
 A debit note is issued by a credit customer to notify the supplier of any returns, faulty goods or overcharge. **(1)**

[2]

[Total: 16]

| | | | |
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2 (a)

| Donald Mackey Cash Book (Bank columns only) | | | |
|--|----------------|------------|-----|
| | | \$ | \$ |
| 2013 | | | |
| Nov 1 | Balance b/d | 741 (1) | |
| | Correction (1) | 100 (1) | |
| | | <u>841</u> | |
| 2013 | | | |
| Nov 1 | Balance b/d | 443 (1)O/F | |
| | | | [7] |

(b)

| Bank Reconciliation Statement at 1 November 2013 | | | |
|--|---|---------------|-------------------|
| | | \$ | \$ |
| | Balance shown on bank statement | | (394) (1) |
| | Add amounts not credited – cash sales (1) | 844 (1) | |
| | bank error (1) | <u>91 (1)</u> | |
| | | | 541 |
| | Less cheques not presented – Ian Campbell (1) | | <u>98 (1)</u> |
| | Balance shown in cash book | | <u>443 (1)O/F</u> |

Alternative presentation

| Bank Reconciliation Statement at 1 November 2013 | | | |
|--|--|---------------|------------------|
| | | \$ | \$ |
| | Balance shown in cash book | | 443 (1)O/F |
| | Add cheques not presented – Ian Campbell (1) | | <u>98 (1)</u> |
| | | | 541 |
| | Less amounts not credited – cash sales (1) | 844 (1) | |
| | bank error (1) | <u>91 (1)</u> | |
| | Balance shown on bank statement | | <u>(394) (1)</u> |
| | | | [8] |

(c) The balance sheet would not balance if the bank statement balance was included (1) because only balances on the books of the business can be included in the balance sheet of the business (1). [2]

[Total: 17]

| | | | |
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3 (a)

| Glenbrook Ltd Balance Sheet at 31 October 2013 | | | | |
|---|----------------|-------------------------|----------------|--------------|
| | \$ | | \$ | |
| Non-current assets | Cost | Depreciation to date | Book value | |
| Premises | 105 000 | – | 105 000 | |
| Plant and machinery | 40 000 | 19 200 | 20 800 | (1) |
| Office equipment | <u>16 000</u> | <u>7 000</u> | <u>9 000</u> | (1) |
| | <u>161 000</u> | <u>26 200</u> | 134 800 | (1)OF |
| | | | | |
| Current assets | | | | |
| Inventory | 9 300 | | | (1) |
| Trade receivables | 12 100 | | | |
| Less Provision for doubtful debts | <u>363</u> | | 11 737 | (1) |
| Other receivables | | | 241 | (1) |
| Petty cash | | | <u>100</u> | (1) |
| | | | 21 378 | |
| | | | | |
| Current liabilities | | | | |
| Trade payables | 10 208 | | | (1) |
| Bank overdraft | <u>14 920</u> | | <u>25 128</u> | |
| | | | | |
| Net current assets | | | <u>(3 750)</u> | (1)OF |
| | | | | |
| 4% Debentures | | | 131 050 | |
| | | | <u>20 000</u> | (1) |
| | | | <u>111 050</u> | |
| | | | | |
| Capital and reserves | | | | |
| 5% Preference shares of \$1 each | | | 40 000 | (1) |
| Ordinary shares of \$0.50 each | | | 60 000 | (1) |
| Retained profits (6200 (1) + 4850 (1)) | | | <u>11 050</u> | |
| | | | <u>111 050</u> | |

Horizontal format acceptable

[16]

| | | | |
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- (b) Preference shares receive a fixed rate of dividend: debentures receive a fixed rate of interest
Preference share dividend may not be paid if there is no profit: debenture interest is payable irrespective of profits

In the event of a winding-up, debenture holders are repaid before preference shareholders

Preference shareholders are members of the company: debenture holders are creditors

Debentures are often secured on the non-current assets of the company: preference shares are not secured

Any 2 statements (2) each

[4]

- (c) (i) Information provided in financial statements must be reliable (1)

Either

It must be capable of being depended upon as a true representation of the events it represents (1)

Or

It must be capable of being independently verified (1)

Or

It must be free from bias (1)

Or

It must be free from significant errors (1)

Or

It must be prepared with suitable caution being applied to any judgments and estimates (1)

[2]

- (ii) Comparability (1)

Relevance (1)

Understandability (1)

[3]

[Total: 25]

| | | | |
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4 (a) To reduce the possibility of fraud [2]

(b) This is what Asma Anwar owes one or more of her credit customers (1) because of overpayment, returns after goods have been paid for etc. (1) [2]

(c) Sales
 Explanation This is the total credit sales for the month (1)
 Source of information Sales journal (1)

Discount
 Explanation This is the total discount allowed to credit customers (1)
 Source of information Cash book (1)

Contra
 Explanation This is the total set off against accounts in the purchases ledger during the month (1)
 Source of information Journal (1) [6]

(d)

| Inventory type | Calculation | Amount \$ |
|----------------|--------------------------------|----------------|
| Type A | $500 \times (\$2.15 + \$1.00)$ | 1575 (1) |
| Type B | $600 \times \$1.80$ | 1080 (1) |
| | Total | 2655 (1) OF |

[3]

(e) Inventory is always valued at the lower of cost and net realisable value. (1)
 Type A was valued at cost and Type B was valued at net realisable value. (1)
 Principle – prudence. (1) [3]

(f) $140\,000 \times \frac{100}{125} = 112\,000$ [1]

(g) $\frac{112\,000}{18\,200 + 19\,800 \div 2} = \frac{112\,000}{19\,000} \text{ OF } (1) = 5.89 \text{ times } (1) \text{ OF}$ [2]

(h) Lower inventory levels
 More sales activity
Or other suitable explanation
Any 1 reason (2) [2]

[Total: 21]

| | | | |
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5 (a) The expenses percentage has increased (1) so the efficiency of the business has decreased (1) [2]

(b) Reduce expenses
 Increase other income
 Increase gross profit percentage
Any 1 point (2) [2]

(c) (i) The total funds being used by a business [1]

(ii) The profit earned for every \$100 used in the business [1]

(iii) Decrease in capital employed [2]

(d)

| | |
|--|--|
| Reduce the trade discount allowed to customers | |
| effect on gross profit percentage | one other effect on the business |
| Increase (1) | Fall in sales as customers buy elsewhere Or other suitable comment (2) |
| Reduce the cash discount allowed to customers | |
| effect on gross profit percentage | one other effect on the business |
| No effect (1) | Customers delaying payment Fall in sales as customers buy elsewhere Or other suitable comment (2) |

[6]

(e) 1 Accounts only record information which can be expressed in monetary terms. (1)
 Many important factors which influence the performance of the business will not appear in the financial statements. (1)

2 Transactions are recorded at the actual cost. (1)
 Because of inflation it is difficult to compare transactions which have taken place at different times. (1) [4]

[Total: 18]

6 (a)

| Error | Effect on profit for the year | | |
|-------|-------------------------------|-------------------|---------------|
| | Overstated \$ | Understated \$ | No effect |
| 2 | | | No effect (2) |
| 3 | 315 (2) | | |
| 4 | 700 (2) | | |
| 5 | | | No effect (2) |

[8]

- (b) Error number 2 – Error of commission (1)
 Error number 3 – Error of principle (1)

[2]

(c)

Maria Nlovu
Journal

| | | Debit \$ | Credit \$ | |
|----------|---|-------------|--------------|-----|
| 2 | Carriage inwards | 111 | | (1) |
| | Carriage outwards | | 111 | (1) |
| | Correction of error, carriage outwards wrongly debited | | | (1) |
| 3 | Repairs to motor vehicles | 315 | | (1) |
| | Motor vehicles | | 315 | (1) |
| | Correction of error, motor vehicles wrongly debited | | | (1) |
| 4 | Rent received | 350 | | (1) |
| | Rent paid | 350 | | (1) |
| | Suspense | | 700 | (1) |
| | Correction of error, rent paid entered in rent received account | | | (1) |
| 5 | Helmut | 90 | | (1) |
| | Suspense | | 90 | (1) |
| | Correction of error, entry made on wrong side of Helmut's account | | | (1) |

[13]

[Total: 23]