



ACCOUNTING

0452/21

Paper 2

May/June 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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Question	Answer	Marks
1(a)	The bank statement is a copy of the account of the business as it appears in the books of the bank / the bank statement is prepared from the viewpoint of the bank (1) The bank account in the cash book is prepared from the viewpoint of the business (1)	2

Question	Answer											Marks	
1(b)	Amjad Cash Book											13	
	Date	Details		Discount allowed	Cash	Bank	Date			Discount received	Cash		Bank
	2017			\$	\$	\$	2017			\$	\$		\$
	Mar 1	Balances b/d			38	2750	March 6	Office Equipment	(1)				790
	13	XY Limited	(1)	4		196							
	29	Sales	(1)		2148			Repairs to office equipment	(1)				160
	30	Cash	(1)			2000	21	Furniture Store	(1)	9			351
	31	Idris	(1)			474	30	Bank c	(1)		2000		
						474	31	Bank charges	(1)				29
						474		Insurance	(1)				50
					474		Balances c/d				4040		
			4	2186	5420				9	2186	5420		
2017													
April 1	Balances b/d			186	4040								
	+(1) dates				(1)OF								

Question	Answer	Marks																																																				
1(c)	<p style="text-align: center;">Amjad</p> <p style="text-align: center;">Bank Reconciliation Statement at 31 March 2017</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">\$</td> <td></td> <td></td> </tr> <tr> <td>Balance in cash book</td> <td style="text-align: right;">4 040</td> <td>(1)</td> <td>OF</td> </tr> <tr> <td>Cheques not yet presented</td> <td style="text-align: right;">(1) <u>351</u></td> <td>(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">4 391</td> <td></td> <td></td> </tr> <tr> <td>Amounts not yet credited</td> <td style="text-align: right;">(1) <u>2 000</u></td> <td>(1)</td> <td></td> </tr> <tr> <td>Balance on bank statement</td> <td style="text-align: right;"><u>2 391</u></td> <td>(1)</td> <td>OF</td> </tr> <tr> <td colspan="4"> Alternative presentation</td> </tr> <tr> <td></td> <td style="text-align: right;">\$</td> <td></td> <td></td> </tr> <tr> <td>Balance on bank statement</td> <td style="text-align: right;">2 391</td> <td>(1)</td> <td>OF</td> </tr> <tr> <td>Amounts not yet credited</td> <td style="text-align: right;">(1) <u>2 000</u></td> <td>(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">4 391</td> <td></td> <td></td> </tr> <tr> <td>Cheques not yet presented</td> <td style="text-align: right;">(1) <u>351</u></td> <td>(1)</td> <td></td> </tr> <tr> <td>Balance in cash book</td> <td style="text-align: right;"><u>4 040</u></td> <td>(1)</td> <td>OF</td> </tr> </table>		\$			Balance in cash book	4 040	(1)	OF	Cheques not yet presented	(1) <u>351</u>	(1)			4 391			Amounts not yet credited	(1) <u>2 000</u>	(1)		Balance on bank statement	<u>2 391</u>	(1)	OF	 Alternative presentation					\$			Balance on bank statement	2 391	(1)	OF	Amounts not yet credited	(1) <u>2 000</u>	(1)			4 391			Cheques not yet presented	(1) <u>351</u>	(1)		Balance in cash book	<u>4 040</u>	(1)	OF	6
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1(d)(i)	<p>The financial transactions are recorded at the actual cost (1) Because of this it is difficult to compare transactions taking place at different times (1)</p>	2																																																				
1(d)(ii)	<p>The accounting records only show information which can be expressed in monetary terms/non-monetary items cannot be recorded (1) There are many other factors which affect the performance of the business (1)</p>	2																																																				

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2(a)	Sales invoice (1) Credit note (1)	2																																																
2(b)	Cash book (1) General journal (1)	2																																																
2(c)	<p style="text-align: center;">Harum Kalgi account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: center;">\$</th> <th colspan="2"></th> <th style="text-align: center;">\$</th> </tr> <tr> <th colspan="2" style="text-align: left;">2017</th> <th></th> <th colspan="2" style="text-align: left;">2017</th> <th></th> </tr> </thead> <tbody> <tr> <td style="width: 10%;">Mar 1</td> <td style="width: 30%;">Balance b/d</td> <td style="width: 10%; text-align: right;">520</td> <td style="width: 10%;"></td> <td style="width: 10%;">Mar 10</td> <td style="width: 30%;">Bank</td> </tr> <tr> <td></td> <td>4 Sales</td> <td style="text-align: right;">224</td> <td style="text-align: right;">(1)</td> <td>12</td> <td>Returns</td> </tr> <tr> <td></td> <td>18 Bank (dis chq)</td> <td style="text-align: right;">520</td> <td style="text-align: right;">(1)</td> <td>28</td> <td>Cash</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>30</td> <td>Bad debts</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1264</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">48</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">1264</td> </tr> </tbody> </table>			\$			\$	2017			2017			Mar 1	Balance b/d	520		Mar 10	Bank		4 Sales	224	(1)	12	Returns		18 Bank (dis chq)	520	(1)	28	Cash					30	Bad debts			1264			48						1264	6
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2(d)	<p>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</p>	2																																																

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2(e)	Error		Entry required to correct the error					7
			Debit			Credit		
		Account	\$		Account	\$		
Goods returned, \$310, to Ali, a credit supplier entered into the account of Alam.		<i>Ali</i>	310		<i>Alam</i>	310		
Wages paid in cash, \$1200, had been correctly entered in the cash book but posted to the wages account as \$2100.		<i>Suspense</i>	900	(1)	Wages	900	(1)	
The total of the general expenses column in the petty cash book, \$48, had not been posted to the general expenses account.		<i>General expenses</i>	48	(1)	Suspense	48	(1)	
The total of the discount received column in the cash book, \$114, had been debited to the discount allowed account		<i>Suspense</i>	228	(1)	Discount allowed	114	(1)	
						Discount received	114 (1)	
2(f)	Comparability (1) Reliability (1) Understandability (1)							3

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3(a)	<p style="text-align: center;">Meena and Rafah Profit and Loss Appropriation Account for the year ended 30 April 2017</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: right;">7 534</td> <td></td> </tr> <tr> <td>Interest on drawings –</td> <td>Meena</td> <td style="text-align: right;">292</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Rafah</td> <td style="text-align: right;"><u>204</u></td> <td style="text-align: right;"><u>496</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">8 030</td> <td></td> </tr> <tr> <td>Interest on capital –</td> <td>Meena</td> <td style="text-align: right;">1 200</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td>Rafah</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>3% × 20 000 × 6 / 12 = 300</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td>3% × 30 000 × 6 / 12 = 450</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;"><u>750</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">1 950</td> <td></td> </tr> <tr> <td>Partner's salary –</td> <td>Meena</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>6000 × 6 / 12 = 3000</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td>7000 × 6 / 12 = 3500</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;"><u>6 500</u></td> <td style="text-align: right;"><u>8 450</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">(420)</td> </tr> <tr> <td>Share of loss –</td> <td>Meena</td> <td style="text-align: right;">280</td> <td></td> <td style="text-align: right;">(1) OF</td> </tr> <tr> <td></td> <td>Rafah</td> <td style="text-align: right;"><u>140</u></td> <td style="text-align: right;"><u>(420)</u></td> <td></td> </tr> </table> <p>Alternative calculations *3% × 20 000 = 600 (1) + 3% × 10 000 × 6 / 12 = 150 (1) ** 6000 (1) + (100 × 6 / 12) = 500 (1)</p>			\$	\$		Profit for the year			7 534		Interest on drawings –	Meena	292				Rafah	<u>204</u>	<u>496</u>	(1)				8 030		Interest on capital –	Meena	1 200		(1)		Rafah					3% × 20 000 × 6 / 12 = 300	(1)				3% × 30 000 × 6 / 12 = 450	(1)	<u>750</u>					1 950		Partner's salary –	Meena					6000 × 6 / 12 = 3000	(1)				7000 × 6 / 12 = 3500	(1)	<u>6 500</u>	<u>8 450</u>					(420)	Share of loss –	Meena	280		(1) OF		Rafah	<u>140</u>	<u>(420)</u>		8
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3(c)	Inventory is not included in the calculation of the quick ratio (1) Either 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) OR Shows the ability of the business to pay immediate / current liabilities from immediate/liquid assets (1)	2
3(d)	Change from positive bank balance to overdraft Increased level of inventory Purchases of non-current assets Repayment of long-term loan Increase in current liabilities/increase in trade payables/increase in bank overdraft Decrease in trade receivables Increase in drawings Any 2 points (1) each	2
3(e)	$(19\,400 + 15\,100) : (17\,350 + 2\,300 + 100)$ $34\,500 : 19\,750$ (1) $1.75 : 1$ (1)	2
3(f)	Cannot meet debts when they fall due Cannot take advantage of cash discounts Cannot take advantage of business opportunities as they arise May have difficulty in obtaining further supplies on credit/cannot replace inventory Cannot meet day-to-day expenses May not be able to take cash drawings Or other suitable points Any 2 points (1) each	2
3(g)	Introduce more cash as capital/admit another partner Reduce drawings Obtain long-term loan Sell surplus non-current assets Increase profit Or other acceptable points Any 2 points (1) each	2

Question	Answer	Marks
4(a)	Costs which can be traced to a product/the cost of the essentials necessary for production (1) It is the total of the direct materials, direct labour and direct expenses (1)	2
4(b)(i)	The costs involved in operating the factory/factory indirect expenses (1) They cannot be directly linked with/traced to the product being manufactured (1)	2
4(b)(ii)	Any specific factory expense such as factory indirect wages, factory rates, depreciation of factory machinery, etc. Any 2 suitable examples (1) each	2
4(c)(i)	Goods which are partly completed (1)	1
4(c)(ii)	Greater (1)	1

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4(d)	<p style="text-align: center;">Msamati Manufacturing Income Statement for the year ended 31 January 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td></td> <td style="text-align: right;">816 370</td> <td></td> </tr> <tr> <td>Opening inventory</td> <td></td> <td style="text-align: right;">56 120</td> <td></td> <td></td> </tr> <tr> <td>Cost of production</td> <td style="text-align: right;">669 950</td> <td style="text-align: right;">}</td> <td></td> <td></td> </tr> <tr> <td>Purchases of finished goods</td> <td style="text-align: right;">17 200</td> <td style="text-align: right;">} (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>687 150</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less goods for own use</td> <td style="text-align: right;"><u>1 620</u></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">685 530</td> <td style="text-align: right;">685 530</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>741 650</u></td> <td style="text-align: right;">741 650</td> </tr> <tr> <td>Less Closing inventory</td> <td></td> <td></td> <td style="text-align: right;"><u>61 340 *</u></td> <td style="text-align: right;">(1) both 680 310</td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td></td> <td style="text-align: right;">136 060 (1)OF</td> </tr> <tr> <td>Commission receivable (2700 + 130)</td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>2 830</u> (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">138 890</td> </tr> <tr> <td>Administration expenses</td> <td></td> <td style="text-align: right;">38 160</td> <td style="text-align: right;">}</td> <td></td> </tr> <tr> <td>Selling expenses</td> <td></td> <td style="text-align: right;">28 270</td> <td style="text-align: right;">} (1)</td> <td></td> </tr> <tr> <td>Loan interest (5% × 15 000 × 10 / 12)</td> <td></td> <td style="text-align: right;">625</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Office equipment</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> (15% × 32 000)</td> <td></td> <td style="text-align: right;">4800</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td> Delivery vehicles</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> (25% × (68 000 – 17 000))</td> <td></td> <td style="text-align: right;"><u>12 750</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>54 285</u> (1)OF</td> </tr> </tbody> </table>		\$	\$	\$		Revenue			816 370		Opening inventory		56 120			Cost of production	669 950	}			Purchases of finished goods	17 200	} (1)				<u>687 150</u>				Less goods for own use	<u>1 620</u>	(1)	685 530	685 530				<u>741 650</u>	741 650	Less Closing inventory			<u>61 340 *</u>	(1) both 680 310	Gross profit				136 060 (1)OF	Commission receivable (2700 + 130)				<u>2 830</u> (1)					138 890	Administration expenses		38 160	}		Selling expenses		28 270	} (1)		Loan interest (5% × 15 000 × 10 / 12)		625	(1)		Depreciation					Office equipment					(15% × 32 000)		4800	(1)		Delivery vehicles					(25% × (68 000 – 17 000))		<u>12 750</u>	(1)		Profit for the year				<u>54 285</u> (1)OF	10
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Office equipment																																																																																																											
(15% × 32 000)		4800	(1)																																																																																																								
Delivery vehicles																																																																																																											
(25% × (68 000 – 17 000))		<u>12 750</u>	(1)																																																																																																								
Profit for the year				<u>54 285</u> (1)OF																																																																																																							
4(e)	<p>Either The expenses of the year were matched against the revenue of the same period (1) Or Only the expenses for the year were included in the income statement (1)</p> <p>Example – Either Commission receivable outstanding was added (1) Or Loan interest outstanding was added (1) Or Depreciation for the year was included (1)</p>	2																																																																																																									
4(f)(i)	<p>Will increase revenue and so increase gross profit (1) Customers may find cheaper suppliers so revenue and gross profit may decrease (1) Or other suitable comments</p>	2																																																																																																									

Question	Answer	Marks																																																																																										
4(f)(ii)	Will reduce cost of production and so increase gross profit (1) Factory workers may take industrial action resulting in reduction of production/reduction of revenue and so gross profit may decrease (1) Or other suitable comment	2																																																																																										
4(g)	Reduce/control expenses Increase other income Increase profit margin Reduce costs of manufacturing Increase sales activity Any two points (1) each	2																																																																																										
5(a)	<p style="text-align: center;">Bradley Delivery vehicles account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: center;">\$</th> <th colspan="2"></th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">2015</td> <td></td> <td></td> <td></td> <td style="text-align: right;">2015</td> <td></td> </tr> <tr> <td style="text-align: right;">Jan 1</td> <td>Balance A b/d</td> <td style="text-align: right;">35 000</td> <td></td> <td style="text-align: right;">Dec 31</td> <td>Balance c/d</td> </tr> <tr> <td style="text-align: right;">Oct 1</td> <td>BANK b</td> <td style="text-align: right;"><u>40 000</u></td> <td style="text-align: right;">(1)</td> <td></td> <td style="text-align: right;"><u>75 000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>75 000</u></td> <td></td> <td></td> <td style="text-align: right;"><u>75 000</u></td> </tr> <tr> <td style="text-align: right;">2016</td> <td>Balance b/d</td> <td></td> <td></td> <td style="text-align: right;">2016</td> <td></td> </tr> <tr> <td style="text-align: right;">Jan 1</td> <td>A 35 000</td> <td></td> <td></td> <td style="text-align: right;">Dec 31</td> <td>Balance c/d</td> </tr> <tr> <td></td> <td>B 40 000</td> <td style="text-align: right;"><u>75 000</u></td> <td style="text-align: right;">(1)</td> <td></td> <td style="text-align: right;">103 000</td> </tr> <tr> <td style="text-align: right;">July 1</td> <td>XZ Motors C</td> <td style="text-align: right;"><u>28 000</u></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>103 000</u></td> <td></td> <td></td> <td style="text-align: right;"><u>103 000</u></td> </tr> <tr> <td style="text-align: right;">2017</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">Jan 1</td> <td>Balance b/d</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>A 35 000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>B 40 000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>C 28 000</td> <td style="text-align: right;"><u>103 000</u></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> </tbody> </table>			\$			\$	2015				2015		Jan 1	Balance A b/d	35 000		Dec 31	Balance c/d	Oct 1	BANK b	<u>40 000</u>	(1)		<u>75 000</u>			<u>75 000</u>			<u>75 000</u>	2016	Balance b/d			2016		Jan 1	A 35 000			Dec 31	Balance c/d		B 40 000	<u>75 000</u>	(1)		103 000	July 1	XZ Motors C	<u>28 000</u>	(1)					<u>103 000</u>			<u>103 000</u>	2017						Jan 1	Balance b/d						A 35 000						B 40 000						C 28 000	<u>103 000</u>	(1)			12
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Question	Answer						Marks
	Provision for depreciation of delivery vehicles account						
			\$			\$	
	2015			2015			
	Dec 31	Balance c/d	24 375	Jan 1	Balance A c/d	13 125	
				Dec 31	Income	75 000	
					Statement		
					A 8 750	(1)	
					B <u>2 500</u>	(1)	11 250
			<u>24 375</u>				<u>24 375</u>
	2016			2016	Balance b/d		
	Dec 31	Balance c/d	46 625	Jan 1	A 21 875		
					B <u>2 500</u>	24 375	(1) OF
				Dec 31	Income Statement		
					A 8 750	(1)	
					B 10 000	(1)	
					C <u>3 500</u>	(1)	22 250
							<u>46 625</u>
				2017	Balance b/d		
				Jan 1	A 30 625		
					B 12 500		
					C <u>3 500</u>	46 625	(1) OF
	+ (1) dates						

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5(b)	<p style="text-align: center;">Bradley Journal</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Debit \$</th> <th style="text-align: center;">Credit \$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Disposal of delivery vehicle</td> <td style="text-align: center;">28 000</td> <td></td> <td style="text-align: center;">(1)</td> </tr> <tr> <td style="padding-left: 20px;">Delivery vehicles</td> <td></td> <td style="text-align: center;">28 000</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td>Provision for depreciation of delivery vehicles</td> <td style="text-align: center;">3 500</td> <td></td> <td style="text-align: center;">(1) OF</td> </tr> <tr> <td style="padding-left: 20px;">Disposal of delivery vehicle</td> <td></td> <td style="text-align: center;">3 500</td> <td style="text-align: center;">(1) OF</td> </tr> <tr> <td>DDE Transport</td> <td style="text-align: center;">25 500</td> <td></td> <td style="text-align: center;">(1)</td> </tr> <tr> <td style="padding-left: 20px;">Disposal of delivery vehicle</td> <td></td> <td style="text-align: center;">25 500</td> <td style="text-align: center;">(1)</td> </tr> </tbody> </table>		Debit \$	Credit \$		Disposal of delivery vehicle	28 000		(1)	Delivery vehicles		28 000	(1)	Provision for depreciation of delivery vehicles	3 500		(1) OF	Disposal of delivery vehicle		3 500	(1) OF	DDE Transport	25 500		(1)	Disposal of delivery vehicle		25 500	(1)	6
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Disposal of delivery vehicle		25 500	(1)																											
5(c)	<p>Increase in rate of cash discount allowed Improvement in credit control Introduction of interest charge on overdue accounts Refusal of further supplies until outstanding balance cleared Any two points (1) each</p>	2																												
5(d)	<p>Cash discount will be received No/less interest will be charged on late payments Improve relationship with suppliers Reduction in liquid funds earlier Deprived of use of money for other things earlier Any two points (1) each</p>	2																												
5(e)	<p>If credit customers continue to pay before 30 days the money received can be used to pay the credit suppliers Will not have the use of the money from credit customers as long as previously, before it is required to pay the credit suppliers If the credit customers delay paying, the business will have to use existing money to pay the credit suppliers If the business is unable to pay the credit suppliers within 30 days no cash discount will be received Any two points (1) each</p>	2																												