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**ACCOUNTING**

**0452/22**

Paper 2

**May/June 2017**

MARK SCHEME

Maximum Mark: 120

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**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<sup>®</sup>, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Question	Answer						Marks
1(a)	<p style="text-align: center;">Shiromi General Ledger Rent and Account</p> <p>2017 April 4     Bank     \$ 495     (1)</p> <p style="text-align: center;">Motor Vehicle Account</p> <p>2017 April 10     Bank     \$ 5 500     (1)</p> <p style="text-align: center;">Sales Account</p> <p>2017 April 21     Cash     \$     600     } (1)                    Bank     6 000     }</p> <p style="text-align: center;">Drawings Account</p> <p>2017 April 26     Cash     \$ 150     (1)</p> <p style="text-align: center;">Purchases Account</p> <p>2017 April 30     Total for Month     \$ 7 460     (1)</p> <p style="text-align: center;">Purchases Returns Account</p> <p>2017 April 30     Total for month     \$     560     (1)</p> <p style="text-align: center;">Discount received Account</p> <p>2017 April 30     Total for month     \$ 156     (1)</p>						<b>13</b>

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1(b)	<p>Decrease in inventory  Decrease in bank/cash balance or increase in overdraft  Increase in trade payables  Increase in short term loans  Increase in other payables  Decrease in other receivables  Purchase of non-current assets  Increase in drawings  Repayment of long term liabilities  <b>Note: Not decrease in trade receivables as sells for cash only</b>  <b>Any two reasons (1) each</b></p>	<b>2</b>																																																																								
1(c)	<p>May not be able to pay debts when they fall due  May not be able to take advantage of cash discounts  May not be able to take advantage of business opportunities as they arise  May have difficulty in obtaining further supplies  May not be able to take drawings  May not have sufficient funds to pay for day to day expenses  <b>Any two points (1) each</b></p>	<b>2</b>																																																																								

Question	Answer				Marks
1(d)		increase	decrease	no effect	4
	Take out a short-term bank loan			✓(1)	
	Repay a long-term bank loan		✓(1)		
	Sell goods on credit terms instead of for cash			✓(1)	
	Obtain a higher rate of cash discount	✓(1)			
1(e)	These are goods for re-sale/These goods are purchased for re-sale not for business use/The inventory would increase/ These are short-term assets				1
1(f)	Lower profit for the year Higher capital employed/Higher owner's capital(Equity)/Higher long term loans <b>Any 2 reasons (1) each</b>				2

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2(a)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: center;">Book of prime (original) entry</td> </tr> <tr> <td>Discount allowed</td> <td>Cash book <b>(1)</b></td> </tr> <tr> <td>Bad debts</td> <td>General journal <b>(1)</b></td> </tr> <tr> <td>Contra</td> <td>General journal <b>(1)</b></td> </tr> <tr> <td>Returns</td> <td>Sales returns journal <b>(1)</b></td> </tr> </table>		Book of prime (original) entry	Discount allowed	Cash book <b>(1)</b>	Bad debts	General journal <b>(1)</b>	Contra	General journal <b>(1)</b>	Returns	Sales returns journal <b>(1)</b>	<b>4</b>																																																																																														
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2(b)	<p>Meaning A contra entry is one which appears on the debit side of the purchases ledger control account and the credit side of the sales ledger control account. <b>(1)</b></p> <p>Reason The entry is made when a sales ledger account is set off against a purchases ledger account of the same person/business. <b>(1)</b></p>	<b>2</b>																																																																																																								
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2(d)	<p>Overpayment by customer Payment made by customer without deducting cash discount Goods returned by customer after payment of balance due Payment made in advance by customer <b>Any two points (1) each</b></p>	<b>2</b>																																																																																																								

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
2(e)	Satisfied <b>(1)</b> Credit customers are now paying earlier/within credit period allowed/other valid answer <b>(1)</b>	<b>2</b>
2(f)	Do not have to allow Waheed cash discount May charge interest on overdue account	<b>1</b>
2(g)	Have to wait longer for payment/Adversely affects liquidity position Increase risk of bad debt <b>Any 1 point (1)</b>	<b>1</b>
2(h)	Waheed has the use of the funds for other purposes for 17 days Waheed does not need to use his existing liquid funds to pay suppliers Improved liquidity position <b>Or other suitable comment</b> <b>Any 2 comments (1) each</b>	<b>2</b>

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3(d)	Opening bank balance/closing bank balance Purchase of equipment Proceeds of sale of equipment Repayment of loan Café sales Payments to café suppliers Café wages Subscriptions accrued at the start of the year <b>Any five items (1) each</b>	<b>5</b>

Question	Answer	Marks																																				
4(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 40%;"></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">58 500</td> <td></td> <td></td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;">9 400</td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">9 700</td> <td></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right; border-bottom: 1px solid black;">8 120</td> <td style="text-align: right;">85 720</td> <td></td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">7 100</td> <td></td> <td></td> </tr> <tr> <td>Loan</td> <td style="text-align: right;">15 000</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right; border-bottom: 1px solid black;">5 300</td> <td style="text-align: right; border-bottom: 1px solid black;">27 400</td> <td></td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">58 320</td> <td style="text-align: right;"><b>(1)</b></td> </tr> </table>		\$	\$		Premises	58 500			Fixtures and fittings	9 400			Inventory	9 700			Trade receivables	8 120	85 720		Trade payables	7 100			Loan	15 000			Bank overdraft	5 300	27 400		Capital		58 320	<b>(1)</b>	<b>1</b>
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4(b)	<p style="text-align: center;">Virat - Statement of Affairs at 31 January 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Assets</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td>Cost</td> <td>Accumulated depreciation</td> <td>Book value</td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">58 500</td> <td></td> <td style="text-align: right;">58 500</td> </tr> <tr> <td>Fixtures and Fittings</td> <td style="text-align: right;">9 400</td> <td style="text-align: right;">1 880 (1)</td> <td style="text-align: right;">7 520 (1)OF</td> </tr> <tr> <td>Motor Vehicle</td> <td style="text-align: right;">15 200</td> <td style="text-align: right;">3 800 (1)</td> <td style="text-align: right;">11 400 (1)OF</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>83 100</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>5 680</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>77 420 (1)OF</u></td> </tr> <tr> <td>Current Assets</td> <td></td> <td></td> <td style="text-align: right;">10 750 (1)</td> </tr> <tr> <td>Inventory (12 900 × 100/120)</td> <td></td> <td style="text-align: right;">11 430</td> <td></td> </tr> <tr> <td>Trade receivables (8120 + 3310)</td> <td></td> <td style="text-align: right;">130</td> <td></td> </tr> <tr> <td>Less Bad debts written off</td> <td></td> <td style="text-align: right;">11 300 (1)</td> <td></td> </tr> <tr> <td>Less Provision for doubtful debts</td> <td></td> <td style="text-align: right;">226 (1)</td> <td style="text-align: right;">11 074 (1) OF</td> </tr> <tr> <td>Cash</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>100 (1)</u></td> </tr> <tr> <td>Total Assets</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>21 924</u></td> </tr> <tr> <td>Capital and Liabilities</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>99 344</u></td> </tr> <tr> <td>Capital</td> <td></td> <td></td> <td style="text-align: right;">73 418 (1)OF</td> </tr> <tr> <td>Balance</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>73 418 (1)OF</u></td> </tr> <tr> <td>Non-current liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Loan – A Singh (repayable 2019)</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>10 000 (1)</u></td> </tr> <tr> <td>Current Liabilities</td> <td></td> <td></td> <td style="text-align: right;">7 526 (1)</td> </tr> <tr> <td>Trade Payables (7100 + 6%)</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>8 400 (1)</u></td> </tr> <tr> <td>Bank overdraft (5300 + 3100)</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>15 926</u></td> </tr> <tr> <td>Total Liabilities</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>99 344</u></td> </tr> </tbody> </table>	Assets	\$	\$	\$	Non-current assets	Cost	Accumulated depreciation	Book value	Premises	58 500		58 500	Fixtures and Fittings	9 400	1 880 (1)	7 520 (1)OF	Motor Vehicle	15 200	3 800 (1)	11 400 (1)OF		<u>83 100</u>	<u>5 680</u>	<u>77 420 (1)OF</u>	Current Assets			10 750 (1)	Inventory (12 900 × 100/120)		11 430		Trade receivables (8120 + 3310)		130		Less Bad debts written off		11 300 (1)		Less Provision for doubtful debts		226 (1)	11 074 (1) OF	Cash			<u>100 (1)</u>	Total Assets			<u>21 924</u>	Capital and Liabilities			<u>99 344</u>	Capital			73 418 (1)OF	Balance			<u>73 418 (1)OF</u>	Non-current liabilities				Loan – A Singh (repayable 2019)			<u>10 000 (1)</u>	Current Liabilities			7 526 (1)	Trade Payables (7100 + 6%)			<u>8 400 (1)</u>	Bank overdraft (5300 + 3100)			<u>15 926</u>	Total Liabilities			<u>99 344</u>	<b>14</b>
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5(a)	Duality (1)	1																																																																																
5(b)	To ensure that the totals of the trial balance agree To allow draft financial statements to be prepared To facilitate the correction of errors To make sure that all the errors are discovered <b>Any 2 reasons (1) each</b>	2																																																																																
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5(d)	<b>Either</b> All the errors have not been found (1) There is still a balance on the suspense account (1) <b>Or – if the suspense account in (c) is closed –</b> All the errors have been discovered (1) There is no balance remaining on the suspense account (1)	2																																																																																

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5(e)	Error	Profit for the year \$	Non-current assets \$	Current assets \$	Current liabilities \$	<b>10</b>
	1	281 overstated	281 overstated	No effect	No effect	
	2	100 overstated (1)	No effect	100 overstated (1)	No effect	
	3	No effect	No effect	150 understated (1)	No effect	
	4	90 understated (1)	No effect	No effect	No effect	
	5	1024 overstated (1)	No effect	No effect	No effect	
	6	No effect	No effect	4 120 overstated (2) <b>Or</b> 2 060 overstated (1)	4 120 overstated (2) <b>Or</b> 2 060 overstated (1)	
	7	454 understated (1)	No effect	No effect	No effect	