



**Cambridge International Examinations**  
Cambridge International General Certificate of Secondary Education

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**ACCOUNTING**

**0452/23**

Paper 2

**October/November 2016**

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.

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1 (a)

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2016 Sep 1	Balance b/d		193		2016 Sep 1	Balance b/d			1560
5	Sales (1)		115	400	10	C Barnes (dis cheque)(1)			190
15	H Magagula (1)	12		468	21	Office equipment (1)			280
28	Cash c (1)OF			258		Repairs (1)			44
30	Balance c/d			948	28	Bank c (1)		258	
					30	Balance c/d		50	
		12	308	2074				308	2074
2016 Oct 1	Balance b/d (1)		50		2016 Oct 1	Balance b/d (1)OF			948

+ (1) dates

[10]

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(b) It is not possible to take out more cash than is in the cash box (1) [1]

(c) Obtain the correct bank balance  
 Identify errors in the bank account  
 Identify errors on the bank statement  
 Assist in discovering fraud and embezzlement  
 Identify cheques not credited by the bank  
 Identify cheques not presented  
 Identify any stale cheques  
 Understand/reconcile the differences between cash book and bank statement  
**Any 2 reasons (1) each** [2]

(d) Cheques not presented  
 Cheques not credited  
 Cash book errors  
**Any 2 items (1) each** [2]

(e)

	Effect on working capital	Reason
Reduce credit sales and increase cash sales	<i>No effect</i>	<i>Trade receivables decrease and cash increases so total current assets is unchanged. No effect on current liabilities</i>
Create a provision for doubtful debts	Decrease (1)	The current assets reduce. No change to the current liabilities. (1)
Take a long term bank loan	Increase (1)	The current assets increase. No change to the current liabilities. (1)
Take a short term bank loan	No effect (1)	The current assets and the current liabilities increase by the same amount (1)
Pay credit suppliers early to earn cash discount	Increase (1)	The current assets reduce by a smaller amount than the current liabilities (1)

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[Total: 23]

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2 (a)

Crossroads Limited  
Statement of Financial Position at 31 October 2016

Assets	\$	\$	\$
Non-current assets	Cost	Accumulated depreciation	Book value
Premises	363 000		363 000
Machinery and equipment	185 000	83 250	101 750 (1)
Fixtures and fittings	<u>70 000</u>	<u>24 073</u>	<u>45 927 (1)</u>
	<u>618 000</u>	<u>107 323</u>	<u>510 677 (1)</u>
Current assets			
Inventory			30 853
Trade receivables		28 000	
Less Provision for doubtful debts		<u>750</u>	27 250 (1)
Other receivables			<u>1 340 (1)</u>
			<u>59 443 (1)</u>
Total assets			<u>570 120</u>
Equity and liabilities			
Equity and reserves			
Ordinary share capital			400 000 (1)
General reserve			31 000 (1)
Retained earnings			<u>75 000 (1)</u>
			<u>506 000 (1)</u>
Non-current liabilities			
4% Debentures (repayable 2026)			<u>20 000 (1)</u>
Current liabilities			
Trade payables			31 600
Other payables (800 + 320)			1 120 (2)
Bank overdraft			<u>11 400 (1)</u>
			<u>44 120 (1)</u>
Total liabilities			<u>570 120</u>

[15]

(b) Issued share capital

The amount of share capital which is actually issued to the shareholders (1)

Called-up share capital

The total amount the company has requested from the shareholders (1)

Paid-up share capital

That part of the called-up share capital for which a company has received the money from its shareholders. (1) [3]

[Total: 18]

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- 3 (a)** 1 November 2015 Balance b/d  
This is the total of the provision for doubtful debts on that date **(1)**  
Double entry – debit provision for doubtful debts account for previous year **(1)**
- 31 October 2016 Income statement  
This is the difference between the opening and closing provision for doubtful debts/the amount which is over-provided for doubtful debts **(1)**  
Double entry – credit income statement **(1)**
- 31 October 2016 Balance c/d  
This is the total of the provision for doubtful debts on that date **(1)**  
Double entry – credit provision for doubtful debts account for next year **(1)** **[6]**
- (b)** \$450 **(1)** deducted from the trade receivables **(1)** **[2]**

**(c)** Kristy  
Journal

	Debit \$	Credit \$
Office equipment Capital Introduction of personal computer into the business	740	740
Repairs to office equipment Office equipment Comp4u Invoice received for repairs to equipment and purchase of printer	40 226	266

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(d)

	Capital expenditure	Revenue expenditure
Wages paid to employees to build new office block	✓(1)	
Insurance premium for new office block		✓(1)
Cost of painting new office block	✓(1)	
Cost of moving furniture into new office block		✓(1)

[4]

(e)

	Effect of error on profit	
	overstated	understated
Proceeds of sale of old fixtures(sold at book value) included in income statement	✓(1)	
Interest received on loan to employee recorded as part repayment of loan		✓(1)

[2]

[Total: 21]



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- 5 (a) Straight line/fixed instalment  
Revaluation  
**Any 1 method (1)** [1]
- (b) The loss in value of the non-current asset during the year (1) is set against the revenue for the same period (1)  
**OR**  
The cost of the non-current asset is spread (1) over the years which benefit from the use of that asset (1) [2]
- (c) Prudence (1) [1]
- (d) (i) Machine A
- |  |                |     |
|--|----------------|-----|
|  | \$             |     |
| Cost 1 August 2014                       | 3000           |     |
| Depreciation to 1 August 2014            | <u>600</u>     |     |
| Book value 1 August 2014                 | 2400           |     |
| Depreciation for year ended 31 July 2015 | <u>480 (1)</u> |     |
| Book value at 1 August 2015              | 1920           |     |
| Depreciation for year ended 31 July 2016 | <u>384 (1)</u> |     |
| Book value at 1 August 2016              | 1536           | [2] |
- (ii) Machine B
- |  |                |     |
|--|----------------|-----|
|  | \$             |     |
| Cost 1 January 2015                      | 3500           |     |
| Depreciation for year ended 31 July 2015 | <u>700 (1)</u> |     |
| Book value 1 August 2015                 | 2800           |     |
| Depreciation for year ended 31 July 2016 | <u>560 (1)</u> |     |
| Book value at 1 August 2016              | 2240           | [2] |



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(e) (i) Tom  
Machinery account

Date	Details	\$	Date	Details	\$
2014 Aug 1	Balance (A) b/d	3000	2015 July 31	Balance c/d	6500
2015 Jan 1	Bank (B) (1)	<u>3500</u>			
		<u>6500</u>			<u>6500</u>
2015 Aug 1	Balance b/d (1)	6500			

(ii) Provision for depreciation of machinery account

Date	Details	\$	Date	Details	\$
2015 July 31	Balance c/d	1780	2014 Aug 1	Balance b/d	600
			2015 July 31	Income statement (480OF + 700OF) (1)OF	<u>1180</u>
		<u>1780</u>			<u>1780</u>
2016 July 31	Balance c/d	2724	2015 Aug 1	Balance b/d (1)OF	1780
			2016 July 31	Income statement (384OF + 560OF) (1)OF	<u>944</u>
		<u>2724</u>			<u>2724</u>
			2016 Aug 1	Balance b/d (1)OF	2724

+ (1) dates

[7]

(f)	\$		
Cost	3000 (1)		
Depreciation to date (600 + 480 + 384)	<u>1464 (1)OF</u>		
Book value	1536		
Proceeds of sale	<u>1640</u>		
Profit (1)OF on sale	<u>104 (1)OF</u>		[4]

[Total: 19]

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6 (a)  $\frac{(290\,000 - 224\,025)}{290\,000} \times \frac{100}{1} = 22.75\% \text{ (1)}$

$\frac{(65\,975\text{OF} - 38\,860)}{290\,000} \times \frac{100}{1} = 9.35\% \text{ (1)OF}$  [4]

(b) They trade in different type of goods

Joey has a higher mark-up

Joey has a lower cost price of goods

Joey sells at a higher price

Joey allows a lower rate of trade discount to customers

Joey received a higher rate of trade discount from suppliers

**Or other suitable reason based on OF answer to (a)**

**Any 2 reasons (1) each**

[2]

(c) DT Traders has a higher gross profit

They have different types of expenses

Joey has higher expenses

DT Traders has more other income

**Or other suitable reason based on OF answer to (a)**

**Any 2 reasons (1) each**

[2]

(d) DT Traders (1)

**OR** Joey (1)OF

**If difference between OF gross profit % and OF profit for the year % is lower than 8.25% achieved by DT Traders**

[1]

(e)

	Increase	Decrease	No effect
Buy in bulk from suppliers to obtain trade discount	✓(1)		
Offer cash discount to encourage credit customers to pay early		✓(1)	
Pay employees monthly instead of weekly			✓(1)
Write off damaged inventory at year end		✓(1)	

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(f) Historical cost

Transactions are recorded at actual cost. (1)

It is difficult to compare transactions taking place at different times. (1)

Non-financial factors

Only information which can be expressed in monetary terms is recorded. (1)

Many important factors which affect the business are not recorded. (1)

[4]

[Total: 17]