Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

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ACCOUNTING **0452/21**

Paper 2 **October/November 2017**

MARK SCHEME

Maximum Mark: 120

Published

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This document consists of **9** printed pages.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>
Brian account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td><i>2016</i></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td><i>Aug 1</i></td><td><i>Balance b/d</i></td><td><i>1 000</i></td><td></td><td>July 31</td><td>Cash</td><td>720</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Bad debts</td><td>280</td><td>(1)</td></tr>
<tr><td></td><td></td><td>1 000</td><td></td><td></td><td></td><td>1 000</td><td></td></tr>
</table>
Bad debts account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td><i>2017</i></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td><i>July 31</i></td><td><i>Total to date</i></td><td><i>990</i></td><td></td><td>July 31</td><td>Income Statement</td><td>1 270</td><td>(1)OF</td></tr>
<tr><td></td><td>Brian</td><td>280</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>1 270</td><td></td><td></td><td></td><td>1 270</td><td></td></tr>
</table>
Bad debts recovered account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td>July 31</td><td>Income Statement*</td><td>118</td><td>(1)</td><td>July 31</td><td>Bank (AL Stores)</td><td>118</td><td>(1)</td></tr>
<tr><td></td><td></td><td>118</td><td></td><td></td><td></td><td>118</td><td></td></tr>
</table>
* Alternately accept transfer to bad debts account and net transfer from bad debts to income statement

Rent account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td><i>2017</i></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td><i>July 31</i></td><td><i>Total paid</i></td><td><i>5 200</i></td><td></td><td>July 31</td><td>Balance c/d</td><td>400</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Drawings</td><td>1 200</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Income Statement</td><td>3 600</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td>5 200</td><td></td><td></td><td></td><td>5 200</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Aug 1</td><td>Balance b/d</td><td>400</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
</table>
Drawings account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr>
<tr><td><i>July 31</i></td><td><i>Total to date</i></td><td><i>9 650</i></td><td></td><td>July 31</td><td>Capital</td><td>10 850</td><td>(1)OF</td></tr>
<tr><td></td><td>Rent</td><td>1 200</td><td>(1)OF</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>10 850</td><td></td><td></td><td></td><td>10 850</td><td></td></tr>
</table>
Commission receivable account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td></td><td><i>2017</i></td><td></td><td></td><td></td></tr>
<tr><td>July 31</td><td>Income Statement</td><td>1 040</td><td>(1)</td><td><i>July 31</i></td><td><i>Total to date</i></td><td><i>890</i></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Balance c/d</td><td>150</td><td></td></tr>
<tr><td></td><td></td><td>1 040</td><td></td><td></td><td></td><td>1 040</td><td></td></tr>
<tr><td>2017</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Aug 1</td><td>Balance b/d</td><td>150</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
</table>
</td><td>15</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Provision for depreciation of office fixtures account
<table>
<tr><td></td><td></td><td>$</td><td></td><td></td><td>$</td></tr>
<tr><td>2017</td><td></td><td></td><td><i>2016</i></td><td></td><td></td></tr>
<tr><td>July 31</td><td>Balance c/d</td><td>15 435</td><td><i>Aug 1</i></td><td><i>Balance b/d</i></td><td><i>11 100</i></td></tr>
<tr><td></td><td></td><td></td><td>2017</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>July 31</td><td>Income Statement</td><td>4 335 (1)</td></tr>
<tr><td></td><td></td><td>15 435</td><td></td><td></td><td>15 435</td></tr>
<tr><td></td><td></td><td></td><td>2017</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>Aug 1</td><td>Balance b/d</td><td>15 435 (1)OF</td></tr>
</table>
</td><td></td></tr>
<tr><td>1(b)</td><td>An estimate (1) of the amount which a business will lose/be unable to collect in a financial year because of bad debts (1)</td><td>2</td></tr>
<tr><td>1(c)</td><td>Percentage of the total amount owing by credit customers
Estimating which individual credit customers will not pay their accounts
Considering the length of time the debts have been outstanding
Estimate, based on experience, of amount lost each year from bad debts
Any 1 point (1)</td><td>1</td></tr>
<tr><td>1(d)</td><td>
<table>
<tr><th>debit</th><th>credit</th></tr>
<tr><td>Income statement (1)</td><td>Provision for doubtful debts (1)</td></tr>
</table>
</td><td>2</td></tr>
<tr><td>1(e)</td><td>The profit for the year is not overstated (1)
The trade receivables (current assets) are not overstated/shown at more realistic value (1)</td><td>2</td></tr>
<tr><td>1(f)</td><td>The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)</td><td>2</td></tr>
<tr><td>1(g)</td><td>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</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>
<table>
<tr><th></th><th>debit</th><th>credit</th><th>no entry</th></tr>
<tr><td>opening balance owed by credit customers</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>credit sales</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>cash sales</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>provision for doubtful debts</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>bad debts written off</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>cash discount allowed to credit customers</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>trade discount allowed to credit customers</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>contra between sales and purchases ledger</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>cash received from credit customers</td><td></td><td>✓(1)</td><td></td></tr>
</table>
</td><td>9</td></tr>
<tr><td>2(b)</td><td>
<table>
<tr><th></th><th>book of prime (original) entry</th></tr>
<tr><td>returns to credit suppliers</td><td>purchases returns journal (1)</td></tr>
<tr><td>discount received</td><td>cash book (1)</td></tr>
<tr><td>interest charged by credit supplier</td><td>journal (1)</td></tr>
<tr><td>contra entry to sales ledger control account</td><td>journal (1)</td></tr>
</table>
</td><td>4</td></tr>
<tr><td>2(c)(i)</td><td>An entry which appears on the debit side of the purchases ledger control account and the credit of the sales ledger control account (1)</td><td>1</td></tr>
<tr><td>2(c)(ii)</td><td>It is made when a sales ledger account is set off against a purchases ledger account of the same person/business (1)</td><td>1</td></tr>
<tr><td>2(d)</td><td>Overpayment of the amount owing
Failure to deduct cash discount due
Goods returned after account settled
Payment made in advance
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>2(e)(i)</td><td>$\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ } whole formula (1)</td><td>1</td></tr>
<tr><td>2(e)(ii)</td><td>$\frac{20\,520}{186\,700} \times \frac{365}{1}$ } whole formula (1)
= 40.11 = 41 days (1)</td><td>2</td></tr>
<tr><td>2(f)</td><td>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 paid
Invoice discounting and debt factoring
Any 2 points (1) each</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(g)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ **} whole formula (1)**	1
2(h)	Will not be pleased May refuse further supplies May charge interest May issue stern reminders/threaten legal action **Or other suitable comment** **Any 2 comments (1) each**	2

Question	Answer	Marks
3(a)	\$ \$ Subscriptions received 12 540 **(1)** Add Subscriptions outstanding at year end 240 **(1)** 12 780 Less Subscriptions prepaid at year end 180 **(1)** Subscriptions outstanding at start of year 600 **(1)** 780 Subscriptions for the year 12 000 **(1)** Accept alternative presentation	5
3(b)	AS Sports Club Income and Expenditure Account for the year ended 30 September 2017 \$ \$ \$ Income Subscriptions 12 000 **(1)OF** Profit on shop – revenue 3 510 – less purchases 2 410 1 100 **(1)** 13 100 Expenditure Rates and insurance (1500 **(1)** + 60 **(1)**) 1 560 Open day – expenses 5 250 less receipts 4 180 1 070 **(1)** Rent 1 800 **}(1)** General expenses 2 640 **}** Loan interest (5% × 7 000) 350 **(1)** Depreciation of Equipment ((22 000 + 8 000) × 20%) 6 000 **(1)** 13 420 Deficit 320 **(1)OF**	9

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>
AS Sports Club
Statement of Financial Position at 30 September 2017
<table>
<tr><td></td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Assets</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Non-current assets</td><td>Cost</td><td>Accumulated depreciation</td><td>Book value</td><td></td></tr>
<tr><td>Equipment</td><td>30 000</td><td>10 400 (1)OF</td><td>19 600</td><td>(1)OF</td></tr>
<tr><td>Current assets</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Other receivables (Subscriptions)</td><td></td><td></td><td>240</td><td>(1)</td></tr>
<tr><td>Total assets</td><td></td><td></td><td>19 840</td><td></td></tr>
<tr><td>Liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Accumulated fund</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Opening balance</td><td></td><td></td><td>11 870</td><td>(1)</td></tr>
<tr><td>Less Deficit</td><td></td><td></td><td>320</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td></td><td>11 550</td><td></td></tr>
<tr><td>Non-current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Bank loan (repayable 2020)</td><td></td><td></td><td>7 000</td><td>(1)</td></tr>
<tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Other payables (loan interest)</td><td></td><td></td><td>350</td><td>(1)OF</td></tr>
<tr><td>Subscriptions prepaid</td><td></td><td></td><td>180</td><td>(1)</td></tr>
<tr><td>Bank</td><td></td><td></td><td>760</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>1 290</td><td></td></tr>
<tr><td>Total liabilities</td><td></td><td></td><td>19 840</td><td></td></tr>
</table>
</td><td>9</td></tr>
<tr><td>3(d)</td><td>Loan interest is an expense account/any accrued interest is a current liability (1)
The loan is a non-current liability (1)
Accept other valid points</td><td>2</td></tr>
</table>

Question	Answer	**Marks**
4(a)	(87 500 + 56 200 + 100) : (81 500 + 17 100) = 143 800 : 98 600 **(1) whole formula** = 1.46 : 1 **(1)**	**2**
4(b)	Current assets only approximately 1½ times the current liabilities Lower than the “benchmark” of 2:1 Can meet the current liabilities from the current assets Do not have a lot of surplus current assets available after paying current liabilities Seems to be a little inadequate (depending on the type of business) **Comments to be based on answer to (a)** **Any 2 comments (1) each**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>(56 200 + 100) : (81 500 + 17 100)
= 56 300 : 98 600 (1) whole formula
= 0.57 : 1 (1)</td><td>2</td></tr>
<tr><td>4(d)</td><td>Increased expenditure on inventory
Increase in bank overdraft/change from positive bank balance to overdraft
Purchase of non-current assets
Repayment of long-term loan
Increase in current liabilities/increase in trade payables
Decrease in trade receivables
Decrease in cash
Increase in drawings
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>4(e)</td><td>Unable to pay debts when they fall due
Unable to take advantage of cash discounts
Unable to take advantage of business opportunities when they arise
May have difficulty in obtaining further supplies
May not be able to take drawings
Any 2 points (1) each</td><td>2</td></tr>
<tr><td>4(f)</td><td>
<table>
<tr><th rowspan="2"></th><th colspan="3">current ratio</th><th colspan="3">quick ratio</th></tr>
<tr><th>increase</th><th>decrease</th><th>no effect</th><th>increase</th><th>decrease</th><th>no effect</th></tr>
<tr><td>introduce $20 000 additional capital</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>obtain short-term bank loan of $10 000</td><td></td><td></td><td>✓(1)</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>sell half the inventory at cost price</td><td></td><td></td><td>✓(1)</td><td>✓(1)</td><td></td><td></td></tr>
</table>
</td><td>4</td></tr>
<tr><td>4(g)</td><td>$\frac{\text{Cost of sales}}{\text{Average inventory}}$</td><td>1</td></tr>
<tr><td>4(h)</td><td>$\frac{765990}{(87500+72000)\div 2}$ Or $\frac{765990}{87500-(15500\div 2)}$
$= \frac{765990}{79750}$ } (1)
= 9.60 times (1)</td><td>2</td></tr>
<tr><td>4(i)</td><td>Higher inventory levels
Lower sales activity
Or other suitable reason
Any 2 reasons (1) each</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>$\frac{43000}{(500000+11000+14000+75000}$
$= \frac{43000}{600000}\begin{matrix}\textbf{(1)}\\ \textbf{(1)}\end{matrix} \times \frac{100}{1}$
= 7.17% (1)</td><td>3</td></tr>
<tr><td>5(b)</td><td>$\frac{25000}{500000} \times \frac{100}{1}$
= 5%</td><td>1</td></tr>
<tr><td>5(c)</td><td>$\frac{15000+30000}{500000+100000} \times \frac{100}{1}$
$= \frac{45000}{600000}\begin{matrix}\textbf{(1)}\\ \textbf{(1)}\end{matrix}$
= 7.5% (1)</td><td>3</td></tr>
<tr><td>5(d)</td><td>71 000 – (3% × 75 000) (1)
= 71 000 – 2250
= 68 750 (1)</td><td>2</td></tr>
<tr><td>5(e)</td><td>CP Limited
Statement of Changes in Equity for the year ended 30 September 2017
<table>
<tr><th></th><th>Ordinary share capital</th><th>General reserve</th><th>Retained earnings</th><th>Total</th><th></th></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td><i>On 1 October 2016</i></td><td>500 000</td><td>11 000</td><td>14 000</td><td>525 000</td><td>(1)</td></tr>
<tr><td>Share issue</td><td>100 000</td><td></td><td></td><td>100 000</td><td>(1)</td></tr>
<tr><td>Profit for the year</td><td></td><td></td><td>68 750</td><td>68 750</td><td>(1)OF</td></tr>
<tr><td>Dividend paid (for year ended 30 September 2016)</td><td></td><td></td><td>(25 000)</td><td>(25 000)</td><td>(1)</td></tr>
<tr><td>Dividend paid (for year ended 30 September 2017)</td><td></td><td></td><td>(15 000)</td><td>(15 000)</td><td>(1)</td></tr>
<tr><td>Transfer to general reserve</td><td></td><td>5 000</td><td>(5 000)</td><td></td><td>(1)</td></tr>
<tr><td><i>On 30 September 2017</i></td><td>600 000</td><td>16 000</td><td>37 750</td><td>653 750</td><td>(1)</td></tr>
</table></td><td>7</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(f)</td><td>Long term loans
Debenture holders are not members of the company
Do not carry voting rights
Carry a fixed rate of interest
Interest is not dependent on the company's profit
Are often secured on the assets of the company's
Debenture holders are repaid before the shareholders in a winding-up
Any 2 features (1) each</td><td>2</td></tr>
<tr><td>5(g)</td><td>Carry a fixed rate of dividend
Dividend may not be paid if there is not enough profit
Dividend is paid before ordinary share dividend
Preference shareholders are members of the company
Do not usually carry voting rights
Capital is repaid before ordinary share capital in a winding-up
Are not secured on the assets of the company
Any 2 features (1) each</td><td>2</td></tr>
<tr><td>5(h)</td><td>
<table>
<tr><th></th><th>increase
$</th><th>decrease
$</th><th>no effect</th></tr>
<tr><td>effect on current assets</td><td><i>300 000</i></td><td></td><td></td></tr>
<tr><td>effect on non-current liabilities</td><td>300 000
(1)</td><td></td><td></td></tr>
<tr><td>effect on profit for the year</td><td></td><td>9 000
(2)*</td><td></td></tr>
<tr><td>effect on profit available for ordinary shareholders</td><td></td><td>9 000
(1)OF</td><td></td></tr>
<tr><td>effect on equity</td><td></td><td></td><td>✓(1)</td></tr>
</table>
* (1) position + (1) amount</td><td>5</td></tr>
</table>