



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

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**ACCOUNTING**

**0452/21**

Paper 2

**May/June 2018**

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **18** printed pages.

**PUBLISHED****Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer						Marks																																																							
1(a)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" data-bbox="495 220 1137 268"></th> <th colspan="3" data-bbox="1137 220 1778 268">Book of prime (original) entry</th> </tr> </thead> <tbody> <tr> <td data-bbox="495 268 1137 320">Returns by credit customers</td> <td colspan="2" data-bbox="1137 268 1778 320">Sales returns journal</td> <td colspan="3" data-bbox="1778 268 1966 320" style="text-align: right;">(1)</td> </tr> <tr> <td data-bbox="495 320 1137 373">Bad debts written off</td> <td colspan="2" data-bbox="1137 320 1778 373">Journal</td> <td colspan="3" data-bbox="1778 320 1966 373" style="text-align: right;">(1)</td> </tr> </tbody> </table>									Book of prime (original) entry			Returns by credit customers	Sales returns journal		(1)			Bad debts written off	Journal		(1)			<b>2</b>																																					
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1(c)	Overpayment of amount owing to credit supplier Return of goods to credit supplier after payment made Cash discount not deducted when payment was made to credit supplier Payment made to credit supplier in advance <b>Any 2 reasons (1) each</b>	<b>2</b>
1(d)	Ensures that the profit for the year is not overstated by anticipating losses <b>(1)</b> Ensures that the trade receivables are shown at a realistic level in the statement of financial position <b>(1)</b>	<b>2</b>
1(e)(i)	Liquidity If trade receivables take up the offer Lydia will receive the money earlier This money could then be used within the business Will receive a lower amount than previously <b>Or other relevant point</b> <b>Any 2 relevant points (1) each</b>	<b>2</b>
1(e)(ii)	Profitability Profit for the year will decrease because of the extra cash discount This policy may reduce bad debts so may increase profit <b>Or other relevant points</b> <b>Any 2 relevant points (1) each</b>	<b>2</b>

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2(b)	Correction of errors Purchase/sale of non-current assets on credit Year-end transfers Transactions not entered in any other book of prime (original) entry <b>Accept other relevant points.</b> <b>Any 2 uses (1) each</b>	<b>2</b>																																																									
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3(b)	<p>February 1 Motor vehicles</p> <p>Explanation            Original cost of the motor vehicle disposed of/sold <b>(1)</b> Double entry            Credit motor vehicles account <b>(1)</b></p> <p>February 1 Provision for depreciation of motor vehicles</p> <p>Explanation            Total depreciation written of the motor disposed of/sold up to the date of sale <b>(1)</b> Double entry            Debit provision for depreciation of motor vehicles account <b>(1)</b></p> <p>February 1 M6Vans</p> <p>Explanation            Price M6Vans agreed to pay for the motor vehicle <b>(1)</b> Double entry            Debit M6Vans account <b>(1)</b></p> <p>March 31 Income statement</p> <p>Explanation            Loss on disposal of motor vehicle <b>(1)</b> Double entry            Debit income statement <b>(1)</b></p>	<b>8</b>

Question	Answer	Marks																																							
4(a)	<p style="text-align: center;">Asim Income Statement for the year ended 31 January 2018</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Fees from clients (28 350 (1) + 2 400 (1))</td> <td></td> <td style="text-align: right;">30 750</td> </tr> <tr> <td>Rent receivable (5 600 – 800)</td> <td></td> <td style="text-align: right;">4 800 (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">35 550</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">19 000 }</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">1 358 }(1)</td> <td></td> </tr> <tr> <td>Motor expenses (970 (1) + 110 (1) × ¾ (1))</td> <td style="text-align: right;">810</td> <td></td> </tr> <tr> <td>Rates &amp; Insurance (2 280 (1) × 12/15 (1))</td> <td style="text-align: right;">1 824</td> <td></td> </tr> <tr> <td>Provision for doubtful debts (2% × 2 400)</td> <td style="text-align: right;">48 (1)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Motor vehicle (20% × (15 000 – 5 400))</td> <td style="text-align: right;">1 920 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Office equipment (6 180 – 5 500)</td> <td style="text-align: right;">680 (1)</td> <td style="text-align: right;">25 640</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">9 910 (1)OF</td> </tr> </tbody> </table>		\$	\$	Fees from clients (28 350 (1) + 2 400 (1))		30 750	Rent receivable (5 600 – 800)		4 800 (1)			35 550	Wages	19 000 }		General expenses	1 358 }(1)		Motor expenses (970 (1) + 110 (1) × ¾ (1))	810		Rates & Insurance (2 280 (1) × 12/15 (1))	1 824		Provision for doubtful debts (2% × 2 400)	48 (1)		Depreciation			Motor vehicle (20% × (15 000 – 5 400))	1 920 (1)		Office equipment (6 180 – 5 500)	680 (1)	25 640	Profit for the year		9 910 (1)OF	<b>13</b>
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4(c)	$\frac{9910}{120000} \text{ OF} \times \frac{100}{1} \text{ (1) OF whole formula} = 8.26\% \text{ (1) OF}$	<b>2</b>
4(d)	Higher profit for the year Lower capital employed <b>Or other suitable reason</b> <b>Any 2 reasons (1) each</b>	<b>2</b>
4(e)	Financial statements only include information which can be expressed in monetary terms <b>(1)</b> This means that many important factors which affect the performance of a business are not included in the financial statements <b>(1)</b>	<b>2</b>

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5(a)	<p style="text-align: center;">Ravi Income Statement (Trading Account section) for the year ended 31 March 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Revenue (8 750 + 34 450)</td> <td></td> <td></td> <td style="text-align: right;">43 200</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td></td> <td style="text-align: right;">2 900</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">38 400</td> <td style="text-align: right;">} (2) CF</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">} (1) OF</td> <td></td> <td></td> </tr> <tr> <td>Less Purchase returns</td> <td style="text-align: right;"><u>950</u></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;"><u>37 450</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">40 350</td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td></td> <td></td> <td style="text-align: right;"><u>4 350</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right;"><u>36 000</u></td> <td style="text-align: right;">(1) OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>7 200</u></td> <td style="text-align: right;">(1) OF</td> </tr> </table>		\$	\$	\$		Revenue (8 750 + 34 450)			43 200	(1)	Cost of sales					Opening inventory		2 900		(1)	Purchases	38 400	} (2) CF					} (1) OF			Less Purchase returns	<u>950</u>	(1)	<u>37 450</u>					40 350		Less Closing inventory			<u>4 350</u>	(1)	Gross profit			<u>36 000</u>	(1) OF				<u>7 200</u>	(1) OF	8
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5(b)	$\frac{\text{Cost of sales}}{\text{Average inventory}} \text{ (1)}$	1																																																							

Question	Answer			Marks																		
5(c)	Higher inventory levels Lower sales activity <b>Or other suitable reason</b> <b>Any 2 reasons (1) each</b>			2																		
5(d)	Lower of cost and net realisable value (1)			1																		
5(e)	Prudence (1)			1																		
5(f)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%;">Overstated</th> <th style="width: 15%;">Understated</th> </tr> </thead> <tbody> <tr> <td>current assets at 31 March 2018</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>cost of sales for the year ended 31 March 2018</td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>gross profit for the year ended 31 March 2018</td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>cost of sales for the year ending 31 March 2019</td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>profit for the year ending 31 March 2019</td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> </tbody> </table>				Overstated	Understated	current assets at 31 March 2018	✓		cost of sales for the year ended 31 March 2018		✓(1)	gross profit for the year ended 31 March 2018	✓(1)		cost of sales for the year ending 31 March 2019	✓(1)		profit for the year ending 31 March 2019		✓(1)	4
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Question	Answer	Marks
5(h)	Increase in selling price so possibility of greater gross profit <b>(1)</b> Customers may go to cheaper suppliers, so sales and profit may decrease <b>(1)</b>  <b>Accept other valid points</b>	<b>2</b>

Question	Answer	Marks														
6(a)	<table border="1"> <thead> <tr> <th>Debentures</th> <th>Ordinary shares</th> </tr> </thead> <tbody> <tr> <td>Receive interest</td> <td>Receive dividends</td> </tr> <tr> <td>Receive fixed interest</td> <td>Receive variable dividends</td> </tr> <tr> <td>Interest paid irrespective of profit</td> <td>Dividends depend on profit</td> </tr> <tr> <td>Do not carry voting rights</td> <td>Carry voting rights</td> </tr> <tr> <td>Are lenders/loans/(non-current) liabilities/creditors</td> <td>Are members of the company/equity/capital</td> </tr> <tr> <td>Priority for repayment in winding-up</td> <td>Last to be repaid in winding-up</td> </tr> </tbody> </table> <b>Any two comparative statements (2) each</b>	Debentures	Ordinary shares	Receive interest	Receive dividends	Receive fixed interest	Receive variable dividends	Interest paid irrespective of profit	Dividends depend on profit	Do not carry voting rights	Carry voting rights	Are lenders/loans/(non-current) liabilities/creditors	Are members of the company/equity/capital	Priority for repayment in winding-up	Last to be repaid in winding-up	<b>4</b>
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Question	Answer	Marks
6(b)	Transfers made in the statement of changes of equity from the retained earnings (1)	1
6(c)	In situations where there is not enough cash to pay a dividend To retain cash within the business rather than using it for dividends To use in future when the profits may be low/there may be a loss <b>Or other acceptable comments</b> <b>Any 2 acceptable comments (1) each</b>	2



Question	Answer					Marks
6(d)		Income statement	Statement of changes in equity	Statement of financial position	No entry	5
1 September 2017 Repayment of long term loan				✓		
1 November 2017 Payment of half year interest on debentures	✓(1)					
31 December 2017 Payment of interim ordinary share dividend		✓(1)				
30 April 2018 Half year interest on debentures accrued	✓(1)		✓(1)			
30 April 2018 Proposed ordinary share dividend				✓(1)		
6(e)	Will not dilute their stake in the company Will not dilute their voting power If expansion profitable, potential for higher dividend as debenture holders receive fixed interest <b>Or other acceptable comment</b> <b>Any 1 comment (1)</b>					1

Question	Answer	Marks																												
6(f)	Annual profit reduced because of debenture interest Reduced profit available for ordinary shareholders Prior claim on assets in a winding-up <b>Or other acceptable comment</b> <b>Any 1 comment (1)</b>	1																												
6(g)	Current assets : current liabilities(1)	1																												
6(h)	<table border="1"> <thead> <tr> <th data-bbox="495 485 1099 536"></th> <th data-bbox="1099 485 1326 536">Increase</th> <th data-bbox="1326 485 1552 536">Decrease</th> <th data-bbox="1552 485 1778 536">No effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="495 536 1099 587">Sell surplus non-current assets for cash</td> <td data-bbox="1099 536 1326 587">✓</td> <td data-bbox="1326 536 1552 587"></td> <td data-bbox="1552 536 1778 587"></td> </tr> <tr> <td data-bbox="495 587 1099 638">Sell goods on cash terms only</td> <td data-bbox="1099 587 1326 638"></td> <td data-bbox="1326 587 1552 638"></td> <td data-bbox="1552 587 1778 638">✓(1)</td> </tr> <tr> <td data-bbox="495 638 1099 689">Obtain a further long-term loan</td> <td data-bbox="1099 638 1326 689">✓(1)</td> <td data-bbox="1326 638 1552 689"></td> <td data-bbox="1552 638 1778 689"></td> </tr> <tr> <td data-bbox="495 689 1099 772">Buy additional non-current assets on credit rather than paying immediately</td> <td data-bbox="1099 689 1326 772"></td> <td data-bbox="1326 689 1552 772">✓(1)</td> <td data-bbox="1552 689 1778 772"></td> </tr> <tr> <td data-bbox="495 772 1099 887">Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount</td> <td data-bbox="1099 772 1326 887"></td> <td data-bbox="1326 772 1552 887">✓(1)</td> <td data-bbox="1552 772 1778 887"></td> </tr> <tr> <td data-bbox="495 887 1099 970">Pay trade payables after 2 months instead of after 1 month</td> <td data-bbox="1099 887 1326 970"></td> <td data-bbox="1326 887 1552 970"></td> <td data-bbox="1552 887 1778 970">✓(1)</td> </tr> </tbody> </table>		Increase	Decrease	No effect	Sell surplus non-current assets for cash	✓			Sell goods on cash terms only			✓(1)	Obtain a further long-term loan	✓(1)			Buy additional non-current assets on credit rather than paying immediately		✓(1)		Persuade trade receivables to pay half of their debts immediately in return for 3% cash discount		✓(1)		Pay trade payables after 2 months instead of after 1 month			✓(1)	5
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