Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/21**

Paper 2 **May/June 2018**

MARK SCHEME

Maximum Mark: 120

Published

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

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)	(see table below)	**2**
1(b)	Lydia Purchases ledger control account (see table below)	**9**

1(a)

	Book of prime (original) entry
Returns by credit customers	Sales returns journal **(1)**
Bad debts written off	Journal **(1)**

1(b)

Lydia
Purchases ledger control account

Date	Details		$	Date	Details		$
2018				2018			
Apl 30	Returns	**(1)**	113	Apl 1	Balance b/d	**(1)**	4 215
	Discount received	**(1)**	95	30	Purchases	**(1)**	4 855
	Contra/SLCA	**(1)**	250		Carriage inwards	**(1)**	210
	*Bank	**(1)OF**	4 685		Balance c/d		100
	Balance c/d		4 237				
			9 380				9 380
May 1	Balance b/d	**(1)**	100	May 1	Balance b/d	**(1)**	4 237

Question	Answer	Marks
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 **Any 2 reasons (1) each**	**2**
1(d)	Ensures that the profit for the year is not overstated by anticipating losses **(1)** Ensures that the trade receivables are shown at a realistic level in the statement of financial position **(1)**	**2**
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 **Or other relevant point** **Any 2 relevant points (1) each**	**2**
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 **Or other relevant points** **Any 2 relevant points (1) each**	**2**

Question	Answer	Marks
2(a)	Nabil Journal	**5**

Date	Details		Debit	Credit
2017			$	$
Mar 1	Premises	**}**	200 000	
	Fixtures and fittings	**}(1)**	22 000	
	Inventory	**}**	5 500	
	Bank	**(1)**	7 500	
	Loan – AB Loans	**(1)**		80 000
	Capital	**(1)**		155 000
	Assets, liabilities and capital at this date	**(1)**	235 000	235 000

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>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
Accept other relevant points.
Any 2 uses (1) each</td><td>2</td></tr>
<tr><td>2(c)</td><td>Nabil
Corrected Trial Balance at 28 February 2018
<table>
<tr><th></th><th>$</th><th>$</th><th></th></tr>
<tr><td>Revenue</td><td></td><td>119 100</td><td>}</td></tr>
<tr><td>Purchases</td><td>72 000</td><td></td><td>}(1)</td></tr>
<tr><td>Capital</td><td></td><td>155 000</td><td></td></tr>
<tr><td>Loan – AB Loans</td><td></td><td>80 000</td><td></td></tr>
<tr><td>Premises</td><td>200 000</td><td></td><td></td></tr>
<tr><td>Fixtures and fittings</td><td>22 000</td><td></td><td></td></tr>
<tr><td>Trade receivables (7 500 – 140)</td><td>7 460</td><td></td><td>(1)</td></tr>
<tr><td>Trade payables (6 850 – 150)</td><td></td><td>6 700</td><td>(2)*</td></tr>
<tr><td>Bank overdraft (3 950 + 210)</td><td></td><td>4 160</td><td>(1)</td></tr>
<tr><td>Wages (32 300 – 10 000)</td><td>22 300</td><td></td><td></td></tr>
<tr><td>General expenses</td><td>25 400</td><td></td><td>(1)**</td></tr>
<tr><td>Inventory 1 March 2017</td><td>5 500</td><td></td><td>(1)</td></tr>
<tr><td>Drawings</td><td>10 000</td><td></td><td>(1)</td></tr>
<tr><td>Purchases returns</td><td></td><td>150</td><td>(1)</td></tr>
<tr><td>Bad debts</td><td>140</td><td></td><td>(1)</td></tr>
<tr><td>Bank charges</td><td>210</td><td></td><td>(1)</td></tr>
<tr><td>Petty cash</td><td>100</td><td></td><td>(1)</td></tr>
<tr><td></td><td>365 110</td><td>365 110</td><td>(1)***</td></tr>
</table>
*(1) position + (1) amount
** (1) provided closing inventory not included
*** (1) matching OF totals</td><td>13</td></tr>
</table>

Question	Answer	Marks
3(a)	Amina account	**12**

Amina account

Date	Details		$	Date	Details		$
2017				2018			
April 1	*Balance b/d*		*160*	Mar 1	Bank/cash	**(1)**	120
					Bad debts	**(1)**	40
			160				160

Bad debts account

Date	Details		$	Date	Details		$
2018				2018			
Feb 28	*Total written off*		*135*				
Mar 1	Amina	**(1)OF**	40		Income statement	**(1)OF**	175
			175				175

Fixtures and fittings account

Date	Details		$	Date	Details		$
2017				2018			
April 1	*Balance b/d*		4 000	Mar 31	Balance c/d		6 000
2018							
Jan 4	Office Traders	**(1)**	2 000				
			6 000				6 000
2018							
April 1	Balance b/d	**(1)**	6 000				

Question	Answer	Marks
3(a)	Provision for depreciation of fixtures and fitting account	

Date	Details	$	Date	Details	$
2018			*2017*		
Mar 31	Balance c/d	2 800	*April 1*	*Balance* *b/d*	*1 600*
			2018		
			Mar 31	Income statement **(1)**	1 200
		2 800			2 800
			2018		
			April 1	Balance b/d **(1)OF**	2 800

Discount allowed account

Date	Details	$	Date	Details	$
2018			2018		
Feb 28	*Total to date*	*3590*			
Mar 31	Total from cash book **(1)**	55		Income statement **(1)**	3645
		3645			3645

Discount received account

Date	Details	$	Date	Details	$
2018			2018		
Mar 31	Income statement **(1)**	4 198	*Feb 28*	*Total to date*	*4 130*
			Mar 31	Total from cash book **(1)**	68
		4 198			4 198

Question	Answer	Marks
3(b)	February 1 Motor vehicles Explanation Original cost of the motor vehicle disposed of/sold **(1)** Double entry Credit motor vehicles account **(1)** February 1 Provision for depreciation of motor vehicles Explanation Total depreciation written of the motor disposed of/sold up to the date of sale **(1)** Double entry Debit provision for depreciation of motor vehicles account **(1)** February 1 M6Vans Explanation Price M6Vans agreed to pay for the motor vehicle **(1)** Double entry Debit M6Vans account **(1)** March 31 Income statement Explanation Loss on disposal of motor vehicle **(1)** Double entry Debit income statement **(1)**	**8**

Question	Answer	Marks
4(a)	Asim Income Statement for the year ended 31 January 2018	**13**

	$	$
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**

Question	Answer	Marks
4(b)	$\frac{\text{Profit for the year}}{\text{Capital employed}} \times \frac{100}{1}$ **whole formula (1)**	**1**

Question	Answer	Marks
4(c)	$\frac{9910}{120000}$ **OF** × $\frac{100}{1}$ **(1)OF whole formula** = 8.26% **(1)OF**	**2**
4(d)	Higher profit for the year Lower capital employed **Or other suitable reason** **Any 2 reasons (1) each**	**2**
4(e)	Financial statements only include information which can be expressed in monetary terms **(1)** This means that many important factors which affect the performance of a business are not included in the financial statements **(1)**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(a)</td><td>
Ravi
Income Statement (Trading Account section) for the year ended
31 March 2018
<table>
<tr><th></th><th>$</th><th></th><th>$</th><th></th><th>$</th><th></th></tr>
<tr><td>Revenue (8 750 + 34 450)</td><td></td><td></td><td></td><td></td><td>43 200</td><td>(1)</td></tr>
<tr><td>Cost of sales</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Opening inventory</td><td></td><td></td><td>2 900</td><td>(1)</td><td></td><td></td></tr>
<tr><td>Purchases</td><td>38 400</td><td>}(2)CF
}(1)OF</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Less Purchase returns</td><td>950</td><td>(1)</td><td>37 450</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>40 350</td><td></td><td></td><td></td></tr>
<tr><td>Less Closing inventory</td><td></td><td></td><td>4 350</td><td>(1)</td><td>36 000</td><td>(1)OF</td></tr>
<tr><td>Gross profit</td><td></td><td></td><td></td><td></td><td>7 200</td><td>(1)OF</td></tr>
</table>
</td><td>8</td></tr>
<tr><td>5(b)</td><td>$\frac{\text{Cost of sales}}{\text{Average inventory}}$ (1)</td><td>1</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(c)</td><td>Higher inventory levels
Lower sales activity
Or other suitable reason
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>5(d)</td><td>Lower of cost and net realisable value (1)</td><td>1</td></tr>
<tr><td>5(e)</td><td>Prudence (1)</td><td>1</td></tr>
<tr><td>5(f)</td><td><table>
<tr><th></th><th>Overstated</th><th>Understated</th></tr>
<tr><td>current assets at 31 March 2018</td><td>✓</td><td></td></tr>
<tr><td>cost of sales for the year ended 31 March 2018</td><td></td><td>✓(1)</td></tr>
<tr><td>gross profit for the year ended 31 March 2018</td><td>✓(1)</td><td></td></tr>
<tr><td>cost of sales for the year ending 31 March 2019</td><td>✓(1)</td><td></td></tr>
<tr><td>profit for the year ending 31 March 2019</td><td></td><td>✓(1)</td></tr>
</table></td><td>4</td></tr>
<tr><td>5(g)</td><td><table>
<tr><th></th><th>Increase</th><th>Decrease</th><th>No effect</th></tr>
<tr><td>Reduce the rate of trade discount allowed to credit customers</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>Reduce the rate of cash discount allowed to credit customers</td><td></td><td></td><td>✓(1)</td></tr>
</table></td><td>2</td></tr>
</table>

Question	Answer	Marks
5(h)	Increase in selling price so possibility of greater gross profit **(1)** Customers may go to cheaper suppliers, so sales and profit may decrease **(1)** **Accept other valid points**	**2**

Question	Answer	Marks
6(a)	See table below **Any two comparative statements (2) each**	**4**

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

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 **Or other acceptable comments** **Any 2 acceptable comments (1) each**	**2**

Question	Answer	Marks
6(d)	<table><tr><th></th><th>Income statement</th><th>Statement of changes in equity</th><th>Statement of financial position</th><th>No entry</th></tr><tr><td>1 September 2017 Repayment of long term loan</td><td></td><td></td><td></td><td>✓</td></tr><tr><td>1 November 2017 Payment of half year interest on debentures</td><td>✓**(1)**</td><td></td><td></td><td></td></tr><tr><td>31 December 2017 Payment of interim ordinary share dividend</td><td></td><td>✓**(1)**</td><td></td><td></td></tr><tr><td>30 April 2018 Half year interest on debentures accrued</td><td>✓**(1)**</td><td></td><td>✓**(1)**</td><td></td></tr><tr><td>30 April 2018 Proposed ordinary share dividend</td><td></td><td></td><td></td><td>✓**(1)**</td></tr></table>	**5**
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 **Or other acceptable comment** **Any 1 comment (1)**	**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 **Or other acceptable comment** **Any 1 comment (1)**	**1**
6(g)	Current assets : current liabilities**(1)**	**1**
6(h)		**5**

	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)**