

CAMBRIDGE INTERNATIONAL EXAMINATIONS**Cambridge International General Certificate of Secondary Education****MARK SCHEME for the March 2015 series****0452 ACCOUNTING****0452/22**

Paper 2, maximum raw mark 120

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- 1 (a)** Bad debts
 Amounts owing to a business **(1)** which will not be paid by the credit customer **(1)**
- Bad debts recovered
 Amounts received **(1)** from a credit customer after the amount was written off as a bad debt **(1)**
- Provision for doubtful debts
 An estimate **(1)** of the amount which a business will lose because of bad debts **(1)** **[6]**
- (b)** 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
Any 2 points (1) each **[2]**
- (c)** A provision for doubtful debts ensures that
 the profit for the year is not overstated **(1)**
 the trade receivables are not overstated **(1)** **[2]**

- (d)** Nisha Sharma
Journal

		Debit \$	Credit \$	
1	Bad debts AX Limited Amount owed by AX Limited written off	150	150	(1) (1) (1)
2	Provision for doubtful debts Income statement Reduction in provision for doubtful debts	21	21	(1) (1) (1)

[6]

(e)

	Overstated \$	Understated \$
Bad debts written off	150	
Bad debts recovered		123 (2)
Adjustment to provision for doubtful debts		21 (2)OF

(1) for direction and (1) for amount for each item**[4]****[Total: 20]**

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2 (a) $\frac{\$640}{1} \times \frac{100}{80} = \800 (1) [1]

(b) Any returns must be recorded at the price which the customer was originally charged for those goods. (1) [1]

(c)

February	Transaction	Document
4	Payment	Cheque counterfoil (1)
8	Purchases	Invoice (1)
14	Purchases returns	Credit note (1)

[3]

(d)

Nirmal Singh Ansari Road account			
		\$	\$
2015		2015	
Feb 14 Returns	280 (1)	Feb 1 Balance b/d	560 (1)
26 Bank	546 (1)	8 Purchases	640 (1)
Discount	14 (1)		
28 Balance c/d	360		
	<u>1200</u>		<u>1200</u>
		2015	
		Mar 1 Balance b/d	360 (1)O/F
T Marks account			
		\$	\$
2015		2015	
Feb 4 Bank	200 (1)	Feb 1 Balance b/d	200 (1)
28 Balance c/d	690	10 Bank (dis chq)	200 (1)
		19 Purchases	480 (1)
		28 Interest	10 (1)
	<u>890</u>		<u>890</u>
		2015	
		Mar 1 Balance b/d	690 (1)O/F

+ (1) dates

[13]

[Total: 18]

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3 (a)

Amla Khan Rates and insurance account			
	\$		\$
2014		2014	
Jan 1 Balance b/d		Jan 1 Balance b/d	
Insurance	700 (1)	Rates	480 (1)
Dec 31 Bank - rates	2560 (1)	Dec 31 Income statement	
Insurance	2400 (1)	Rates	1920 (1)
		Insurance	<u>2300 (1)</u> 4220
		Balance c/d	
		Rates	160
		Insurance	<u>800</u> 960
	<u>5660</u>		<u>5660</u>
2015			
Jan 1 Balance b/d			
Rates	160		
Insurance	<u>800</u>		
	960 (2) CF		
	(1) OF		
+ (1) dates			[9]

(b) Current assets (1)Both the rates and insurance are prepaid at the end of the year (1) **[2]****(c)**

Amla Khan Rent receivable account			
	\$		\$
2014		2014	
Dec 31 Income statement	1200 (1)	Oct 1 Bank	800 (1)
		Dec 31 Balance c/d	<u>400</u>
	<u>1200</u>		<u>1200</u>
2015			
Jan 1 Balance b/d	400 (1) OF		
+ (1) dates			[4]

(d) Current assets (1)Rent receivable is owed by the tenant (1) **[2]****[Total: 17]**

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- 4 (a) Gross profit = 164 000 – 125 542 = 38 458 (1)

$$\frac{38\,458}{164\,000} \times \frac{100}{1} = 23.45\% \quad (1) \quad [3]$$

- (b) Decrease in selling price
Increase in trade discount allowed to customers
Selling at lower mark-up
Increase in cost price
Reduction in trade discount allowed by suppliers
Not taking advantage of bulk buying
Any 2 reasons (1) each

[2]

- (c) Profit for the year = 38 458 **OF** – 24 748 = 13 710 (1)**OF**

$$\frac{13\,710}{164\,000} \times \frac{100}{1} = 8.36\% \quad (1)\text{OF} \quad [3]$$

- (d) (18 150 + 15 300 + 120) : (10 960 + 7 150)
= 33 570 : 18 110 (1) (whole formula)
= 1.85 : 1 (1)

[2]

- (e) Current assets almost twice the current liabilities
Can meet the current liabilities from the current assets
Slightly lower than the “benchmark” of 2:1
Appears to be adequate
Comments to be based on answer to (d)
Any 2 comments (1) each

[2]

- (f) (15 300 + 120) : (10 960 + 7 150)
= 15 420 : 18 110 (1) (whole formula)
= 0.85: 1 (1)

[2]

- (g) Increase in bank overdraft/change from debit to credit bank balance
Purchase of non-current assets
Repayment of long-term loan
Increase in inventory
Increase in dividends paid
Any 1 reason (1)

[1]

- (h) $\frac{15\,300}{154\,400} \times \frac{365}{1}$ (1) (whole formula)
= 36.17 = 37 days (1)

[2]

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- (i) Unsatisfied (1) – if answer to (h) is 31 days or over
 Or Satisfied (1) – if answer to (h) is 30 days or less

Taking 7 days more than credit period allowed
 Have to wait longer than expected to receive the money
 May have knock-on effect for paying trade payables
 May mean shortage of funds available for other things
Or appropriate comments based on OF answer to (h)
Any 1 comment (1)

[2]

[Total: 19]

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5 (a)

LWS Limited

Income Statement for the year ended 30 November 2014

	\$	\$
Fees from clients (199 500 (1) + 4500 (1))	204 000	
Other income	<u>17 300</u>	221 300
General expenses	36 140	
Wages (98 200 (1) + 12 600 (1))	110 800	
Insurance (3450 (1) – 690 (1))	2 760	
Depreciation		
Equipment (20% x (65 000 – 23 400)	8 320 (1)	
Fixtures and fittings		
((10% x 24 000)(1) + (10% x 7200 x 5/12) (1))	<u>2 700</u>	<u>160 720</u>
Profit for the year		<u>60 580 (1)OF</u>

[10]

(b)

LWS Limited

Statement of Changes in Equity for the year ended 30 November 2014

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 December 2013	350 000	95 000	13 200	458 200	
Profit for the year			60 580	60 580	(1)OF
Dividend paid – interim			(17 500)	(17 500)	(1)
Dividend paid – final			(35 000)	(35 000)	(1)
Transfer to general reserve		12 000	(12 000)		(1)
Share issue	50 000			50 000	(1)
On 30 November 2014	400 000	107 000	9 280	516 280	(1)OF

[6]

(c) 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

Debenture holders are repaid before the shareholders in a winding-up

Any 2 features (1) each

[2]

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- (d) 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

[2]

- (e) No prior claims on the profit
 No fixed interest or dividend to pay
 All the shares will rank equally for dividend
 No prior claims on the assets in a winding-up
 No fixed date for repayment

Any 2 points (1) each

[2]

[Total: 22]

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- 6 (a) Additional finance is available
 Additional knowledge, skills and experience are available
 The risks are shared
 The losses are shared
 The responsibilities are shared
 Discussions can take place before decisions are taken
Any 2 advantages (1) each [2]

- (b) To avoid misunderstandings and disagreements in the future (1) [1]

(c) Ben and Tom Panesar
 Profit and Loss Appropriation Account for the year ended 31 January 2015

		\$	\$
Profit for the year			27 920
Interest on drawings	Ben	490 }	
	Tom	1 040 } (1)	1 530
		<u> </u>	<u>29 450</u>
Interest on capital	*Ben		
	3% × 90 000 × 6/12	1 350 (1)	
	3% × 100 000 × 6/12	1 500 (1)	
		<u>2 850</u>	
	Tom		
	3% × 60 000	1 800 (1)	
		<u>4 650</u>	
Partnership salary	Tom		
	(3000 (1) + 8000 (1))	11 000	15 650
Residual profit		<u> </u>	<u>13 800</u>
Share of profit	Ben	9 200 (1) OF	
	Tom	4 600 (1) OF	
		<u> </u>	<u>13 800</u>

[8]

*OR 3% x 90 000 2 700 (1)
 3% x 10 000 × 6/12 150 (1)

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(d)

Ben and Tom Panesar
Statement of Financial Position at 31 January 2015

	\$	\$	\$
Assets			
Non-current assets			
Premises (cost)			95 000
Machinery and equipment (book value)			<u>46 500</u>
			<u>141 500 (1)</u>
Current assets			
Inventory			28 750
Trade receivables			30 360
Bank			<u>5 870</u>
			<u>64 980 (1)</u>
Total assets			<u>206 480</u>
Capital and liabilities			
	Ben	Tom	Total
Capital accounts	<u>100 000</u>	<u>60 000</u>	160 000 (1) both
Current accounts			
Interest on loan		600 (1)	
Interest on capital	2 850	1 800 (1)OF (both)	
Salary		11 000 (1)OF	
Profit share	<u>9 200</u>	<u>4 600 (1)OF (both)</u>	
	<u>12 050</u>	<u>18 000</u>	
Drawings	9 800	20 800 (1) (both)	
Interest on drawings	<u>490</u>	<u>1 040 (1) (both)</u>	
	<u>10 290</u>	<u>21 840</u>	
Closing balance	<u>1 760 (1)OF</u>	<u>(3 840) (1)OF</u>	<u>(2 080)</u>
			<u>157 920</u>
Non-current liabilities			
Loan – Tom			<u>15 000 (1)</u>
Current liabilities			
Trade payables			32 170
Other payables			<u>1 390</u>
			<u>33 560 (1)</u>
Total liabilities			<u>206 480</u>

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[Total: 24]

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Alternate presentation of current accounts.

		Current accounts					
		Ben	Tom			Ben	Tom
		\$	\$			\$	\$
2015				2015			
Jan 31	Drawings	(1) 9 800	20 800	Jan 31	Interest on loan	(1)OF	600
	Interest on				Interest on		
	Drawing	(1) 490	1 040		capital	(1)OF	2 850 1 800
	Balance c/d	1 760			Salary	(1)	11 000
					Profit share	(1)OF	9 200 4 600
					Balance c/d		3 840
		<u>12 050</u>	<u>21 840</u>			<u>12 050</u>	<u>21 840</u>

+ (1) OF for each balance if shown in statement of financial position making a total of (8) for the current accounts