Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING	**0452/22**
Paper 2	**May/June 2018**
MARK SCHEME	
Maximum Mark: 120	

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.

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This document consists of **11** 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.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(i)</td><td>Statement of account</td><td>1</td></tr>
<tr><td>1(a)(ii)</td><td>$335</td><td>1</td></tr>
<tr><td>1(a)(iii)</td><td>$\frac{14}{(686+14)} \cdot 100 = 2\%$</td><td>1</td></tr>
<tr><td>1(a)(iv)</td><td>Cash discount</td><td>1</td></tr>
<tr><td>1(b)</td><td><table><tr><td>debit entry in ledger account of W Jones</td><td>credit entry in ledger account of W Jones</td><td>no entry would be made</td></tr><tr><td></td><td></td><td>✓(1)</td></tr></table></td><td>1</td></tr>
<tr><td>1(c)</td><td><table><tr><td rowspan="2">document issued</td><td rowspan="2">name of person issuing document</td><td colspan="2">entries made by W Jones</td></tr><tr><td>account debited</td><td>account credited</td></tr><tr><td>Invoice (1)</td><td>J Smith (1)</td><td>Purchases (1)</td><td>J Smith (1)</td></tr></table></td><td>4</td></tr>
<tr><td>1(d)</td><td><table><tr><td>book of prime (original) entry used by J Smith</td><td>sales returns journal (1)</td></tr><tr><td>book of prime (original) entry used by W Jones</td><td>purchases returns journal (1)</td></tr></table></td><td>2</td></tr>
<tr><td>1(e)(i)</td><td>A bad debt is an amount owing to a business which will not be paid by the credit customer</td><td>1</td></tr>
<tr><td>1(e)(ii)</td><td>A bad debt recovered is when a credit customer pays some, or all of a debt previously written off as a bad debt</td><td>1</td></tr>
<tr><td>1(f)</td><td>Reduce credit sales/sell on a cash basis
Obtain references from new credit customers
Fix a credit limit for each customer
Introduce/improve credit control
Issue invoices and monthly statements promptly
Refuse further supplies until outstanding balance is paid
Give cash discount/discount for prompt payment
Charge interest on overdue account
Any 2 points (1) each
Accept other valid points</td><td>2</td></tr>
<tr><td>1(g)</td><td>The profit for the year is not overstated (1)
The trade receivables (current assets) are not overstated (1)
Accept other valid points</td><td>2</td></tr>
<tr><td>1(h)</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(i)</td><td>$\frac{460}{18\,400} \cdot \frac{100}{1} = 2\tfrac{1}{2}\%$</td><td>1</td></tr>
</table>

Question	Answer	Marks
1(j)	J Smith Provision for doubtful debts account	**5**

Date	Details	$	Date	Details	$
2018			2017		
Apl 30	Income statement **(1)OF**	20	May 1	Balance b/d **(1)**	460
	Balance c/d **(1)**	440			
		460			460
			2018		
			May 1	Balance b/d **(1)OF**	440

+ (1) dates

Question	Answer	Marks
2(a)	Capital expenditure Money spend on acquiring, improving and installing non-current assets **(1)** Example Purchase of any non-current asset, legal costs for purchase of premises, cost of installation of non-current asset, cost of carriage on delivery of non-current asset, etc. **Any suitable example (1)** Capital receipt Amounts received which do not form part of the day-to-day trading activities **(1)** Example Receipt of loan, additional capital, proceeds of sale of non-current asset at book value, etc. **Any suitable example (1)** Revenue expenditure Money spent on the running of a business on a day-to-day basis **(1)** Example Any expense such as wages, rent, insurance, etc. **Any suitable example (1)** Revenue receipt Amounts received in the day-to-day trading activities and other items of income **(1)** Example Sales, commission received, interest received, rent received, etc. **Any suitable example (1)**	**8**

Question	Answer	Marks
2(b)	(see table below)	6

error	effect on profit for the year		effect on closing capital		
	overstated	understated	overstated	understated	no effect
error 1		✓		✓	
error 2		✓**(1)**		✓**(1)**	
error 3	✓**(1)**		✓**(1)**		
error 4	✓**(1)**				✓**(1)**

Question	Answer	Marks
2(c)	It is a book of prime (original) entry because it is written up from business documents **(1)** It is part of the double entry system as it acts as ledger accounts for cash and bank **(1)**	2
2(d)	(see table below)	3

item	entry required in cash book		
	debit $	credit $	
cash book error		*100*	
dishonoured cheque		140	**(1)**
charges		15	**(1)**
rates (direct debit)		400	**(1)**

Question	Answer	Marks
2(e)	(see table below)	4

item	entry in bank reconciliation statement	
	added to bank statement balance	deducted from bank statement balance
CD Limited	✓**(1)**	
sales	✓**(1)**	
FF Limited		✓**(1)**
Bank error (standing order)	✓**(1)**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Reducing (diminishing) balance method
Revaluation method
Any one (1)</td><td>1</td></tr>
<tr><td>3(b)</td><td>Principle of materiality – not practical/too many items/too difficult/too costly to depreciate each item separately
Do not depreciate by an equal amount each year
May be certain amount of loss of tools each year
Or other suitable reason
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>3(c)</td><td>Calculation of depreciation for the year ended 31 December 2016
<table>
<tr><th>depreciation on office machine A</th><th>depreciation on office machine B</th><th>total</th></tr>
<tr><td>calculation
20% · 15 000
answer $3 000 (1)</td><td>calculation
20% · 18 000 · 3/12
answer $900 (1)</td><td>$3 900</td></tr>
</table></td><td>2</td></tr>
<tr><td>3(d)</td><td>Calculation of depreciation for the year ended 31 December 2017
<table>
<tr><th>depreciation on office machine A</th><th>depreciation on office machine B</th><th>depreciation on office machine C</th><th>total</th></tr>
<tr><td>calculation
20% · 15 000 · 6/12
answer $1 500(1)</td><td>calculation
20% · 18 000
answer $3 600 (1)</td><td>calculation
20% · 20 000 · 6/12
answer $2 000(1)</td><td>$7 100</td></tr>
</table></td><td>3</td></tr>
</table>

Question	**Answer**	**Marks**
3(e)	Jamil Office machinery account	**11**

Date	Details	$	Date	Details	$
2016			2016		
Jan 1	*Balance A b/d*	*15 000*	Dec 31	Balance c/d	33 000
Oct 1	Bank B **(1)**	18 000			
		33 000			33 000
2017			2017		
Jan 1	Balance b/d **(1)OF**	33 000	July 1	Disposal A **(1)**	15 000
			Dec 31	Balance c/d	38 000
July 1	XY Limited C **(1)**	20 000			53 000
		53 000			
2018					
Jan 1	Balance b/d **(1)OF**	38 000			

Provision for depreciation of office machinery account

Date	Details	$	Date	Details	$
2016			*2016*		
Dec 31	Balance c/d	9 900	*Jan 1*	*Balance A b/d*	*6 000*
			Dec 31	Income statement **(1)OF**	3 900
		9 900			9 900
2017			2017		
July 1	Disposal A **(1) OF**	10 500	Jan 1	Balance b/d **(1)OF**	9 900
Dec 31	Balance c/d	6 500	Dec 31	Income statement **(1)OF**	7 100
		17 000			17 000
			2018		
			Jan 1	Balance b/d **(1)OF**	6 500

+ (1) dates

Question	**Answer**	**Marks**
3(f)		**4**

	$	
Cost	15 000	**(1)**
Depreciation to date (6000 + 3000 + 1500)	10 500	**(1) OF**
Book value	4 500	
Proceeds of sale	6 000	
Profit **(1) OF** on disposal	1 500	**(1) OF**

Question	Answer	Marks
4(a)	AB Limited Statement of Changes in Equity for the year ended 31 March 2018	**6**

	Ordinary share capital $	General reserve $	Retained earnings $	Total $
On 1 April 2017	*200 000*	*14 000*	*6 000*	*220 000*
Profit for the year			35 000 **(1)**	*35 000*
Final dividend paid (for year ended 31 March 2017)	....	....	(10 000) **(1)**	*(10 000)*
Interim dividend paid (for year ended 31 March 2018)	....	....	(4 000) **(1)**	*(4 000)*
Transfer to general reserve	....	*2 000*	(2 000) **(1)**	....
At 31 March 2018	200 000	16 000	25 000 **(1)**	241 000 **(1)**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>AB Limited
Statement of Financial Position at 31 March 2018
<table>
<tr><th></th><th>$
Cost</th><th>$
Depreciation to date</th><th>$
Book value</th><th></th></tr>
<tr><td>Non-current assets</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Premises</td><td>195 000</td><td></td><td>195 000</td><td></td></tr>
<tr><td>Machinery</td><td>98 000</td><td>35 280</td><td>62 720</td><td>(1)</td></tr>
<tr><td>Office equipment</td><td>39 500</td><td>15 800</td><td>23 700</td><td>(1)</td></tr>
<tr><td></td><td>332 500</td><td>51 080</td><td>281 420</td><td>(1)OF</td></tr>
<tr><td>Current assets</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Inventory</td><td></td><td></td><td>12 120</td><td></td></tr>
<tr><td>Trade receivables</td><td></td><td>9 900</td><td></td><td></td></tr>
<tr><td>Less Provision for doubtful debts</td><td></td><td>198</td><td>9 702</td><td>(1)</td></tr>
<tr><td>Other receivables</td><td></td><td></td><td>568</td><td>(1)</td></tr>
<tr><td>Petty cash</td><td></td><td></td><td>200</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>22 590</td><td></td></tr>
<tr><td>Total assets</td><td></td><td></td><td>304 010</td><td></td></tr>
<tr><td>Capital and liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Capital and reserves</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Ordinary shares</td><td></td><td></td><td>200 000</td><td>(1)</td></tr>
<tr><td>General reserve</td><td></td><td></td><td>16 000</td><td>(1)</td></tr>
<tr><td>Retained earnings</td><td></td><td></td><td>25 000</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td></td><td>241 000</td><td>(1)OF</td></tr>
<tr><td>Non-current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>4% Debentures
(repayable 1 April 2022)</td><td></td><td></td><td>30 000</td><td>(1)</td></tr>
<tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Trade payables</td><td></td><td></td><td>10 020</td><td></td></tr>
<tr><td>Other payables</td><td></td><td></td><td>950</td><td></td></tr>
<tr><td>Bank</td><td></td><td></td><td>2 040</td><td>(1)</td></tr>
<tr><td>Bank loan
(repayable 1 January 2019)</td><td></td><td></td><td>20 000</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>33 010</td><td>(1)OF</td></tr>
<tr><td>Total equity and liabilities</td><td></td><td></td><td>304 010</td><td></td></tr>
</table>
</td><td>14</td></tr>
<tr><td>4(c)</td><td>Interest on debentures must be paid irrespective of whether there is a profit (but profit is expected to increase after two years)
Prior claim on the assets of the company in a winding up
Funds have to be available when repayment is due
Prior claim on the profits of the company/less profit available for ordinary share dividend (this may only be a disadvantage in the first two years)
Or other relevant point
Any 2 points (1) each</td><td>2</td></tr>
</table>

Question	Answer	Marks
4(d)	Dilution of ownership of company New shares rank equally with existing ordinary shares with regard to dividend(even though profit expected to increase after two years dividend may reduce) New shares rank equally with existing ordinary shares with regard to repayment in a winding up **Or other relevant point** **Any 2 points (1) each**	**2**

Question	Answer	Marks
5(a)	Aretta Income Statement for the month ended 30 April 2018	**12**

	$		$	
Revenue			15 640	**}(2)CF** **}(1)OF**
Cost of sales				
Purchases (15 000 **(1)** + 810 **(1)**)	15 810			
Less Closing inventory	4 080		11 730	**(1)OF**
Gross profit			3 910	**(1)OF**
Rent (2400 · 1/6)	400	**(1)**		
Insurance (3600 · 1/12)	300	**(1)**		
Operating expenses	980	**}**		
Wages	1 900	**}(1)**		
Loan interest (5% · 7200 · 1/12)	30	**(1)**		
Depreciation shop fixtures and fittings (12% x 9500 · 1/12)	95	**(1)**	3 705	
Profit for the month			205	**(1)OF**

Question	Answer	Marks
5(b)	Current assets – inventory : current liabilities	**1**
5(c)		**5**

proposal		effect on quick ratio		
		increase	decrease	no effect
1	purchase a motor vehicle on credit		✓	
2	pay credit suppliers early to receive cash discount	✓**(1)**		
3	obtain a bank overdraft and repay the loan immediately			✓**(1)**
4	arrange for the loan to be extended to 2 years	✓**(1)**		
5	sell on credit terms rather than on cash terms			✓**(1)**
6	reduce inventory by selling half at cost price	✓**(1)**		

Question	Answer	Marks
5(d)	Proposal number 6 **(1)** Current Ratio Total of current assets remains unchanged **(1)** OR inventory decreases and cash/bank increases by same amount **(1)** Quick (acid test) Ratio Total of current assets excluding inventory increases **(1)** OR Inventory is excluded from the calculation but cash/bank increases **(1)**	**3**
5(e)	Should compare with a business of approximately the same size/same capital Should compare with a business of the same type (sole trader) The length of time the business has been operating The financial year may end at different times of the trading cycle The financial statements may be for one year which will not show trends The financial statements may be for a year which is not a typical year The businesses may operate different accounting policies The businesses may have different types of expenses The statements do not show non-monetary factors It may not be possible to obtain all the information needed to make comparisons **Or other suitable points excluding type of business (given in the question)** **Any 2 points (1) basic statement and (1) for development**	**4**