Cambridge Assessment International Education

Cambridge IGCSE™

ACCOUNTING **0452/21**

Paper 2 **May/June 2020**

MARK SCHEME

Maximum Mark: 120

Published

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

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)		$	$		4
	Sales		10 542	**(2)CF/(1)OF**	
	Cost of sales				
	Opening inventory	900 *			
	Purchases	7 600			
		8 500			
	Less Closing inventory	970 ***(1)**	7 530	**(1)OF**	
	Gross profit		3 012		
	*** mark for opening and closing inventory** **Any format acceptable**				

1(b) — Marks: **8**

ZED Sports Club
Receipts and Payments Account for the year ended 29 February 2020

Date	Details		$	Date	Details		$
2020				2019			
Feb 29	Shop sales	**(1)OF**	10 542	Mar 1	Balance b/d	**(1)**	845
	Subscriptions	**}**	11 400	2020			
	Competition fees	**}(1)**	915	Feb 29	Shop purchases	**(1)**	7 600
					Competition prizes	**}**	390
					Fittings	**}(1)**	4 000
					Rent and insurance	**}**	4 575
					Wages – shop assistant	**}(1)**	2 000
					Balance c/d		3 447
			22 857				22 857
2020							
Mar 1	Balance b/d	**(1)OF**	3 447				

(1) Dates

Question	Answer	Marks
1(c)	ZED Sports Club Bank Reconciliation Statement at 29 February 2020	5

	$		$	
Balance on bank statement			7 162	**(1)**
Add: Amount not yet credited – competition fees	260	**(1)**		
Bank error	25	**(1)**	285	
			7 447	
Less Cheque not yet presented – fittings			4 000	**(1)**
Balance in cash book			3 447	**(1) OF**

Alternative presentation

	$		$	
Balance in cash book			3 447	**(1) OF**
Add: Cheque not yet presented – fittings			4 000	**(1)**
			7 447	
Less: Amount not yet credited – competition fees	260	**(1)**		
Bank error	25	**(1)**	285	
Balance on bank statement			7 162	**(1)**

Question	Answer	Marks
1(d)	<table><tr><td>Receipts and payments account</td><td>Income and expenditure account</td><td></td></tr><tr><td>Includes all money received and paid</td><td>Includes income and expenses</td><td>**(1)**</td></tr><tr><td>No adjustment made for accruals or prepayments</td><td>Adjustments made for accruals and prepayments</td><td>**(1)**</td></tr><tr><td>Includes only monetary items</td><td>Includes non-monetary items Includes only revenue receipts and expenditure</td><td>**(1)**</td></tr><tr><td>Includes both capital and revenue items</td><td>Balancing figure represents surplus/deficit</td><td>**(1)**</td></tr><tr><td>Balancing figure represents bank balance</td><td></td><td>**(1)**</td></tr></table> **Accept other valid points** **Max (3) for comparative statements**	**3**

Question	Answer	Marks
2(a)	Ame Trial Balance at 31 March 2020	**6**

	Debit $	Credit $	
Capital		10 369	**}**
Drawings	4 000		**}(1)**
Equipment at cost	15 500		**}**
Provision for depreciation of equipment		3 100	**}(1)**
Inventory at 1 April 2019	1 765		
Trade receivables	1 290		
Bank overdraft		475	**(1)**
Trade payables		1 600	
Sales		31 250	
Purchases	18 330		
Purchases returns		910	**}(1)**
Carriage inwards	640		**}**
Discount received		815	**}**
Commission receivable		1 500	**}(1)**
Rent and Insurance	5 700		
Office expenses	2 425		
Suspense	369		
	50 019	50 019	**(1)OF**

Question	Answer	Marks
2(b)	(see table below)	**9**

Error	Entries required to correct the error			
	Debit		Credit	
	Account	$	Account	$
No entry had been made for cash sales, $60.	*Cash*	*60*	*Sales*	*60*
Office expenses, $240, had been credited to the wages account. No debit entry had been made.	Office expenses Wages	240 **(1)** 240 **(1)**	Suspense	480 **(1)**
The purchases journal total for March 2020 was $2165. This amount was incorrectly recorded in the purchases account as $2651.	Suspense	486 **(1)**	Purchases	486 **(1)**
An insurance payment, $375, had been correctly recorded in the cash book but no other entry has been made.	Rent and insurance	375 **(1)**	Suspense	375 **(1)**
The purchase of equipment, $800, was correctly recorded in the cash book but debited to the office expenses account.	Equipment	800 **(1)**	Office expenses	800 **(1)**

Question	Answer	Marks
2(c)	Ame Suspense account	**5**

Date	Details		$	Date	Details		$
2020				2020			
Mar 31	Difference on trial balance	**(1) OF**	369	Mar 31	Office expenses	**(1)**	240
					Wages	**(1)**	240
	Purchases	**(1)**	486		Rent and insurance	**(1)**	375
			855				855

Question	Answer	Marks
3(a)	Chippo Manufacturing Account for the year ended 30 April 2020	10

	$		$	
Cost of material consumed				
Opening inventory of raw material	3 120			
Purchases of raw material	46 500			
	49 620			
Less Closing inventory of raw material	3 000		46 620	**(1)**
Direct wages			38 250	**(1)**
Direct expenses – royalties			7 690	**(1)**
Prime cost			92 560	**(1)OF**
Factory overheads				
Wages – factory supervisor	28 500	**(1)**		
Factory general expenses	4 500			
Factory fuel and power	5 325			
Rent and insurance (28 000 × 50%)	14 000	**(1)**		
Depreciation of machinery (60 000 – 21 600) × 20%	7 680	**(1)**	60 005	
			152 565	**(1)OF**
Add opening work in progress	5 400	*		
			157 965	
Less closing work in progress			5 590	***(1) both**
Cost of production			152 375	**(1) OF**

***mark for both opening and closing work-in-progress**

Question	Answer	Marks
3(b)	Chippo Income Statement (Trading Account section) for the year ended 30 April 2020	4

	$		$	
Revenue			254 000	
Less Cost of sales				
Opening inventory of finished goods	8 220			
Cost of production	152 375	**(1)OF**		
Purchases of finished goods	59 000	**(1)**		
	219 595			
Less Closing inventory of finished goods	7 885		211 710	**(1) OF**
Gross profit			42 290	**(1)OF**

Question	Answer	Marks
3(c)		2

Action	Increase gross profit	Decrease gross profit
Increase wages of factory supervisor		✓**(1)**
Reduce trade discount allowed to customers	✓**(1)**	

Question	Answer	Marks
3(d)	**Advantages** A manufacturing business such as Chippo's, which requires machinery as well as premises, would usually operate as a limited company **(1)** Chippo would be able to raise some money by issuing shares **(1)** It may be easier for Chippo to obtain finance for the proposed expansion if the business is a limited company **(1)** If Chippo converts the business to a limited company, her personal assets will be safer **(1)** If Chippo continues to manufacture as a sole trader, the lender could take her personal assets if the assets of the business were insufficient to cover any loans **(1)** **Accept other valid points** **Max (2)** **Disadvantages** The lender is likely to require security over the company's assets **(1)** The lender could take possession of the assets of the business if payments were not made in accordance with the agreed terms **(1)** There will be costs involved in setting up and running a limited company **(1)** **Accept other valid points** **Max (2)** **Max (3) overall for advantages and disadvantages** **Recommendation (1)**	**4**

Question	Answer	Marks
4(a)	(see table below)	4

Item	Net realisable value $	Lower of cost and net realisable value $	Number of units	Total value $
A	20 – 2 = 18	17	110	1 870 **(1)**
B	19 – 1 = 18	18	85	1 530 **(1)**
C	16 – 2 = 14	14	90	1 260 **(1)**
Total				4 660 **(1)**

Question	Answer	Marks
4(b)	The net realisable value is lower than the cost so item D should be recorded at its net realisable of zero **(1)** There will be no effect on profit **(1)**	2
4(c)	**Advantages** The obsolete inventory is a loss to Rani's business **(1)** She will wish to avoid such losses in the future **(1)** Holding inventory necessitates storage costs **(1)** If Rani stops buying item D, she may have funds available for other business opportunities **(1)** Rani had difficulty in monitoring four types of inventory **(1)** **Accept other valid points** **Max (2)** **Disadvantages** Rani needs to consider that it may be risky to stock only three of the four lines of inventory in the future **(1)** There may be customer demand in future for item D **(1)** Customers who have to start buying item D from another supplier may also buy items A, B and C from them **(1)** **Accept other valid points** **Max (2)** **Recommendation (1)**	5

Question	Answer	Marks
4(d)	Rani Advertising income account <table><tr><th>Date</th><th>Details</th><th></th><th>$</th><th>Date</th><th>Details</th><th></th><th>$</th></tr><tr><td>2019 Apl 1</td><td>Balance b/d</td><td>*(1)</td><td>300</td><td>2019 Apl 1</td><td>Balance b/d*</td><td></td><td>420</td></tr><tr><td>2020 Mar 31</td><td>Income statement</td><td>(1)OF</td><td>6 320</td><td>2020 Mar 31</td><td>Bank</td><td>(1)</td><td>6 000</td></tr><tr><td></td><td>Balance c/d</td><td></td><td>500</td><td></td><td>Irrecoverable debts</td><td>(1)</td><td>300</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>Balance c/d</td><td></td><td>400</td></tr><tr><td></td><td></td><td></td><td>7 120</td><td></td><td></td><td></td><td>7 120</td></tr><tr><td>2020 Apl 1</td><td>Balance b/d</td><td>(1)</td><td>400</td><td>2020 Apl 1</td><td>Balance b/d</td><td>(1)</td><td>500</td></tr></table>**(1) Dates** *** mark for both balances**	**7**
4(e)	Sales of inventory are included in calculation of the gross profit **(1)** Advertising income is included as other income after the calculation of the gross profit **(1)** If sales of inventory are included as advertising income the gross profit will be understated **(1)** **Accept other valid points** **Max (2)**	**2**

Question	Answer					Marks
5(a)		$		$		3
	Retained earnings 1 May 2019			14 000	**}**	
	Profit for the year	28 000	**} (1)**			
		42 000				
	Less Transfer to general reserve	5 000	**}**			
	Dividend	4 500	**}(1)**	9 500		
	Retained earnings 30 April 2020			32 500	**(1) OF**	
	Any format acceptable					

Question	Answer	Marks
5(b)	MPT Limited Statement of Financial Position at 30 April 2020 <table><tr><td></td><td>$</td><td>$</td><td></td></tr><tr><td>Assets</td><td></td><td></td><td></td></tr><tr><td>Non-current Assets</td><td></td><td></td><td></td></tr><tr><td>Fixtures and equipment at book value</td><td></td><td>152 000</td><td></td></tr><tr><td>Motor vehicles at book value</td><td></td><td>60 400</td><td></td></tr><tr><td></td><td></td><td>212 400</td><td>**(1)**</td></tr><tr><td>Current Assets</td><td></td><td></td><td></td></tr><tr><td>Inventory</td><td></td><td>30 330</td><td></td></tr><tr><td>Trade receivables</td><td>31 500</td><td></td><td></td></tr><tr><td>Less Provision for doubtful debts</td><td>630</td><td>30 870</td><td>**(1)**</td></tr><tr><td></td><td></td><td>61 200</td><td>**(1)OF**</td></tr><tr><td>Total assets</td><td></td><td>273 600</td><td></td></tr><tr><td>Equity and Liabilities</td><td></td><td></td><td></td></tr><tr><td>Equity</td><td></td><td></td><td></td></tr><tr><td>Ordinary share capital</td><td></td><td>150 000</td><td></td></tr><tr><td>General reserve (35 000 + 5 000)</td><td></td><td>40 000</td><td>**(1)**</td></tr><tr><td>Retained earnings</td><td></td><td>32 500</td><td>**(1)OF**</td></tr><tr><td></td><td></td><td>222 500</td><td></td></tr><tr><td>Non-current Liabilities</td><td></td><td></td><td></td></tr><tr><td>5% Debentures</td><td></td><td>20 000</td><td>**(1)**</td></tr><tr><td>Current Liabilities</td><td></td><td></td><td></td></tr><tr><td>Trade payables</td><td></td><td>24 900</td><td></td></tr><tr><td>Bank</td><td></td><td>6 200</td><td></td></tr><tr><td></td><td></td><td>31 100</td><td>**(1)**</td></tr><tr><td>Total Equity and Liabilities</td><td></td><td>273 600</td><td></td></tr></table>	**7**
5(c)	General reserves may not necessarily be matched by cash balances **(1)** **Accept other valid points**	**1**

Question	Answer	Marks
5(d)	**Either** $$\frac{28\,000+1000\ \textbf{(1)}}{150\,000+40\,000\ \textbf{(1)OF}\ +32\,500\textbf{OF}+20\,000\ \textbf{(1)}}\times\frac{100}{1}$$ $$=\frac{29\,000}{242\,500}\times\frac{100}{1}$$ = 11.96% **(1)OF** **Or** $$\frac{28\,000+1000\ \textbf{(1)}}{273\,600\ \textbf{(1)OF}-31100\ \textbf{(1)}}\times\frac{100}{1}$$ = 11.96% **(1)OF**	**4**

Question	Answer	Marks
5(e)	**Basic statements** – Increase profit for the year **(1)** Reduce capital employed **(1)** Use capital employed more effectively **(1)** **Max (3)** **Expansion of basic statements** – Ways to increase profit for the year – Increase profit by increasing gross profit **(1)** Reduce expenses **(1)** Increase other income **(1)** **Max (2)** Ways to reduce capital employed – Increase dividend (so reducing reserves) **(1)** Reduce non-current liabilities **(1)** **Max (2)** Ways to use capital employed more effectively – combine lower costs with higher sales **(1)** sell off surplus/inefficient assets that generate little revenue/increase costs **(1)** **Max (2)** **Max (5)**	**5**