Cambridge IGCSE

Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/21**

Paper 2 **October/November 2019**

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.

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

Cambridge International is publishing the mark schemes for the October/November 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

Cambridge Assessment International Education

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)	Sophie Cash Book	**9**

Date	Details	Disc.	Cash	Bank	Date	Details	Disc.	Cash	Bank
2019		$	$	$	*2019*		$	$	$
Aug 1	*Balance b/d*		*250*		*Aug 1*	*Balance b/d*			*4010*
17	*Jack*			*156*	*2*	*Petty cash*		*94*	
24	*Sales*		*3820*		*30*	*Bank*		*2000*	
29	*Capital*			*5000*	31	Ellie **(1)**	22		858
30	*Cash*			*2000*		Bank charges **(1)**			53
31	Jason **(1)**	11		539		Jack (Dis. chq) **(1)**			156
	Bella **(1)**			260		Insurance **(1)**			50
						Balance c/d		1976	2828
		11	4070	7955			22	4070	7955
2019 Sept 1	Balance b/d		1976 **(1)OF**	2828 **(1)OF**					

+ (1) OF totalling both discount columns

Question	Answer	Marks
1(b)	Bank overdraft/amount Sophie owed the bank	**1**
1(c)	Amount withdrawn from the cash to transfer to the petty cash book/amount given in cash to the petty cashier	**1**
1(d)	This is a contra entry **(1)** Money was transferred to the bank account from the cash account **(1)**	**2**

Question	Answer	Marks
1(e)	Sophie Bank Reconciliation Statement at 31 August 2019	**5**

		$	$
Balance on bank statement	**(1)OF**		1147
Amounts not yet credited			
Cash	**(1)**	2000	
Cheque – Jason	**(1)OF**	539	2539
			3686
Cheque not yet presented			
Ellie	**(1)OF**		858
Balance in cash book	**(1)OF**		2828

Alternative presentation

Sophie

Bank Reconciliation Statement at 31 August 2019

		$	$
Balance in cash book	**(1)OF**		2828
Cheque not yet presented			
Ellie	**(1)OF**		858
			3686
Amounts not yet credited		2000	
Cash	**(1)**	539	2539
Cheque – Jason	**(1)OF**		1147
Balance on bank statement	**(1)OF**		

Question	Answer	Marks
1(f)	Obtain the correct bank balance Identify errors in the bank columns of the cash book Identify errors on the bank statement Assist in discovering fraud and embezzlement Identify amounts/cheques not credited by the bank Identify cheques not presented Identify stale cheques Understand/reconcile the differences between the bank account/bank column in cash book and the bank statement **Any 2 reasons (1) each**	**2**
1(g)(i)	August 17 Cheque received from Jack 31 Return of dishonoured cheque to Jack 31 Cheque received from Jason 31 Discount allowed to Jason 31 Payment by credit transfer from Bella **Any 1 transaction (1) mark**	**1**
1(g)(ii)	August 31 Cheque paid to Ellie Discount received from Ellie **Any 1 transaction (1) mark**	**1**
1(g)(iii)	August 24 Sales 29 Capital 31 Bank charges Insurance **Any 2 transactions (1) mark each**	**2**

Question	Answer	Marks
2(a)	CS Limited Statement of Changes in Equity for the year ended 30 September 2019	**4**

Details	Ordinary share capital $	General reserve $	Retained earnings $	Total $	
On 1 October 2018	*150 000*	*7 000*	*16 000*	*173 000*	
Profit for the year	…………	…..……..	*15 000*	*15 000*	**(1)**
Final dividend paid	………...	…………	(6 000)	(6 000)	**(1)**
Transfer to general reserve	…………	5 000	(5 000)	………..	**(1)**
On 30 September 2019	150 000	12 000	20 000	182 000	**(1)OF**

Question	Answer	Marks
2(b)	CS Limited Statement of Financial Position at 30 September 2019	**14**

Assets	$ Cost	$ Accumulated depreciation	$ Book value
Non-current assets			
Premises	172 000		172 000
Machinery	38 000	13 680	24 320 **(1)**
Fixtures and fittings	19 500	3 900	15 600 **(1)**
	229 500	17 580	211 920 **(1)**
Current assets			
Inventory			
Trade receivables			14 360
Less provision for doubtful debts			
Other receivables		16 800	16 296 **(1)**
Petty cash		504	110
			200 **(1)**
			30 966 **(1)**
Total assets			
			242 886
Equity and liabilities			
Equity and reserves			
Ordinary shares			150 000
General reserve			12 000 **(1)OF**
Retained earnings			20 000 **(1)OF**
			182 000 **(1)OF**
			Continued

Question	Answer	Marks
2(b)	Non-current liabilities 5% Debentures 25 000 **(1)** (repayable 1 October 2030) Current Liabilities Trade payables 14 866 Other payables 198 **(1)** Bank overdraft 10 822 **(1)** Bank loan (repayable 1 April 2020) 10 000 **(1)** 35 886 **(1)** Total equity and liabilities 242 886	
2(c)	The difference between the two percentages represents the percentage of expenses to revenue **(1)** The lower the percentage the more efficiently the expenses are being controlled **(1)** **Or other suitable comments** **Any 2 comments (1) each**	**2**
2(d)	The profit earned for every $100 used in the business	**1**
2(e)	The return on capital employed will decrease **(1)** because the capital employed will increase **(1)**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>
Yabani
Income Statement for the year ended 30 September 2019
<table>
<tr><td></td><td>$</td><td>$</td><td>$</td></tr>
<tr><td>Revenue</td><td></td><td></td><td>205 000 (1)</td></tr>
<tr><td>Cost of sales</td><td></td><td></td><td></td></tr>
<tr><td>Opening inventory of finished goods</td><td></td><td></td><td></td></tr>
<tr><td>Cost of production</td><td></td><td>21 340 (1)*</td><td></td></tr>
<tr><td>Purchases of finished goods</td><td></td><td>141 220 (1)</td><td></td></tr>
<tr><td>Carriage on finished goods</td><td>22 000 (1)OF</td><td></td><td></td></tr>
<tr><td></td><td><u>2 000</u> (1)</td><td><u>24 000</u></td><td></td></tr>
<tr><td>Closing inventory of finished goods</td><td></td><td>186 560 (1)OF</td><td></td></tr>
<tr><td>Gross profit</td><td></td><td><u>22 560</u>* both</td><td><u>164 000</u> (1)</td></tr>
<tr><td>Administration and selling expenses</td><td></td><td></td><td>41 000 (1)</td></tr>
<tr><td>Depreciation – delivery vehicle (20% × (19 500 – 3900))</td><td></td><td>22 120 (1)</td><td></td></tr>
<tr><td>office fixtures and fittings (10% × 14 100)</td><td></td><td>3 120 (1)</td><td></td></tr>
<tr><td>Profit for the year</td><td></td><td><u>1 410</u> (1)</td><td><u>26 650</u></td></tr>
<tr><td></td><td></td><td></td><td><u>14 350</u> (1)OF</td></tr>
</table>
</td><td>12</td></tr>
<tr><td>3(b)(i)</td><td>Gross profit increases (1) the cost of production reduces (1)
OR
Gross profit may decrease (1) if the raw materials are lower quality there may be more wastage and cost of production may increase (1) so
OR
Gross profit may decrease (1)
If the finished goods are of a lower quality the customers may seek other suppliers so the revenue may decrease (1)
Max 2</td><td>2</td></tr>
<tr><td>3(b)(ii)</td><td>Gross profit would increase (1) cost of goods sold would decrease (1)
OR
Gross profit may decrease (1) the total sales may reduce as customers go elsewhere if Yabani cannot supply these goods (1)

Max 2</td><td>2</td></tr>
</table>

Question	Answer	Marks
3(b)(iii)	No effect on gross profit **(1)** the wages of the sales staff are a selling expense not a manufacturing expense/are not included in the calculation of the gross profit **(1)** **OR** Gross profit would reduce **(1)** reducing the number of sales staff may result in a reduction in sales **(1)** **Max 2**	**2**
3(b)(iv)	Gross profit would increase **(1)** the cost of production would decrease **(1)** **OR** gross profit may decrease **(1)** machine operators may take industrial action resulting in reduction of production/reduction in revenue **(1)** **Max 2**	**2**

Question	Answer	Marks
4(a)	Calculation of amount paid to credit suppliers	**5**

	$	$
Credit purchases		38 450 **(1)**
Less Returns to credit suppliers	1 980 **(1)**	
Cash discount received	981 **(1)**	
Amount owing to credit suppliers 31 July 2019	3 770 **(1)**	6 731
Amount paid to credit suppliers		31 719 **OF(1)**

Alternative presentation

Total trade payables account

Date	Details	$	Date	Details	$
2019			2019		
Aug 31	Returns **(1)**	1 980	Aug 31	Purchases **(1)**	38 450
	Discount **(1)**	981			
	*Bank **(1)OF**	31 719			
	Balance c/d **(1)**	3 770			
		38 450			38 450

Question	Answer	Marks
4(b)	Calculation of credit sales	5

		$
Amount received from credit customers		47 385 **(1)**
Cash discount allowed		1 215 **(1)**
Bad debts		150 **(1)**
Amount owing by credit customers 31 July 2019		7 650 **(1)**
Credit sales		56 400 **(1)OF**

Alternative presentation

Total trade receivables account

Date	Details	$	Date	Details	$
2019			2019		
Aug 31	*Sales **(1)OF**	56 400	Aug 31	Bank **(1)**	47 385
				Discount **(1)**	1 215
				Bad debts **(1)**	150
				Balance c/d **(1)**	7 650
		56 400			56 400

Question	Answer	Marks
4(c)	Calculation of cash banked	2

	$	
Amount of cash sales	14 100	**(1)OF**
Less Cash kept for personal use	3 000	
Amount paid into bank for cash sales	11 100	**(1)OF**

Question	Answer	Marks
4(d)	Ishaq Bank account <table><tr><td>Date 2018 Aug 1 2019 July 31</td><td>Details Capital **(1)** Credit customers **(1)** Sales **(1)OF**</td><td>$ 95 000 47 385 11 100 153 485</td><td>Date 2018 Aug 1 2019 July 31</td><td>Details Non-current assets **(1)** Operating expenses **(1)** Credit suppliers **(1)OF** *Drawings **(1)OF** Balance c/d **(1)**</td><td>$ 70 000 21 451 31 719 9 000 21 315 153 485</td></tr></table>	**8**
4(e)(i)	Lower of cost and net realisable value	**1**
4(e)(ii)	Prudence **Or** Accruals (matching)	**1**
4(f)	<table><tr><td></td><td>overstated</td><td>understated</td></tr><tr><td>gross profit for the year ended 31 July 2019</td><td></td><td>✓**(1)**</td></tr><tr><td>current assets at 31 July 2019</td><td></td><td>✓**(1)**</td></tr><tr><td>cost of sales for the year ending 31 July 2020</td><td></td><td>✓**(1)**</td></tr><tr><td>profit for the year ending 31 July 2020</td><td>✓**(1)**</td><td></td></tr></table>	**4**

Question	Answer	Marks
5(a)	Lili SS Limited account	9

Date		Details		$	Date		Details		$
2018					*2018*				
Sept	3	Bank	**(1)**	429	*Aug*	*1*	*Balance b/d*		*440*
		Discount	**(1)**	11	2019				
2019					July	6	Stationery	**(1)**	322
July	31	Balance c/d		322					
				762					762
					2019				
					Aug	1	Balance b/d	**(1)OF**	322

Stationery account

Date		Details		$	Date		Details		$
2018					2019				
Aug	*1*	*Balance b/d*		85	July	31	Income statement	**(1)OF**	356
2019							Balance c/d		96
Mar	30	Cash	**(1)**	45					
July	6	SS Limited	**(1)**	322					
				452					452
2019									
Aug	1	Balance b/d	**(1)**	96					

+ (1) Dates

Question	Answer	Marks
5(b)	Credit customers paying early to take advantage of cash discount Increase in rate of cash discount Introduction of interest charge on overdue accounts Improved credit control Issue invoices/statements of account promptly Refusal of further supplies until outstanding balance paid **Any 2 reasons (1) each**	2

Question	Answer	Marks
5(c)	Have to wait longer for the money/could cause cash flow problems Increased risk of bad debts **Or other suitable disadvantage** **Any 1 disadvantage (1)**	**1**
5(d)	Opportunity to earn more cash discount/pay smaller amount Have to pay earlier/deprived of use of the money earlier/may create cash flow problems If credit customers delay in paying the business will have to use existing money to pay the credit suppliers if wish to earn the cash discount If cannot pay on time may be charged interest on overdue account If cannot pay on time relationship with suppliers may be damaged Will have little impact as is not earning the cash discount now **Any two comments (1) each**	**2**
5(e)	Capital expenditure Money spend on acquiring, improving and installing non-current assets **(1)** Capital receipt Amounts received which do not form part of the day-to-day trading activities **(1)** Revenue expenditure Money spent on the running of a business on a day-to-day basis **(1)** Revenue receipt Amounts received in the day-to-day trading activities and other items of income **(1)**	**4**

Question	Answer	Marks
5(f)	<table><tr><td></td><td colspan="3">effect on non-current assets</td><td colspan="2">effect on profit for the year</td></tr><tr><td></td><td>overstated $</td><td>understated $</td><td>no effect</td><td>overstated $</td><td>understated $</td></tr><tr><td>error 1</td><td></td><td>*3000*</td><td></td><td></td><td>*3000*</td></tr><tr><td>error 2</td><td>1630 **(1)**</td><td></td><td></td><td>1630 **(1)**</td><td></td></tr><tr><td>error 3</td><td></td><td></td><td>✓**(1)**</td><td>1280 *</td><td></td></tr><tr><td>error 4</td><td></td><td>1350*</td><td></td><td></td><td>1350*</td></tr></table> ***(1) position and (1) amount**	**9**