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ACCOUNTING

0452/11

Paper 1

October/November 2016

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **19** printed pages and **1** blank page.

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 **(a)** Amber sells goods on credit to Bashir.

Which statement is correct about a credit note?

A It is sent by Amber when Bashir buys goods.

B It is sent by Amber when Bashir returns goods.

C It is sent by Bashir when he buys goods.

D It is sent by Bashir when he returns goods.

[1]

(b) Antony decided to write off \$300 owed by Mariam. He debited Mariam's account and credited the provision for doubtful debts account, both with \$300.

Which entries are needed to correct the error?

	Debit entry		Credit entry	
A	Bad debts	\$300	Mariam	\$300
B	Bad debts	\$300	Mariam	\$600
	Provision for doubtful debts	\$300		
C	Provision for doubtful debts	\$300	Bad debts	\$300
D	Provision for doubtful debts	\$600	Bad debts	\$300
			Mariam	\$300

[1]

(c) Jack's bank statement showed a credit balance of \$600 on 30 June. It contained bank charges, \$20, which did not appear in the cash book. Cheques, \$150, issued by Jack did not appear on the bank statement.

Which value for bank appeared in Jack's statement of financial position on 30 June?

A \$450 current asset

B \$580 current asset

C \$620 current liability

D \$750 current liability

[1]

(d) A sales ledger control account showed the following entries.

	\$
opening balance	100
closing balance	180
sales	2000
receipts	1750

What is the missing entry?

- A discount allowed \$170
- B discount allowed \$330
- C discount received \$170
- D discount received \$330 [1]

(e) During 2015 John made a payment of \$1200 for insurance for the 12 months to 30 September 2016.

Which amount appeared in John's statement of financial position at 30 June 2016?

- A \$300 current asset
- B \$300 current liability
- C \$900 current asset
- D \$900 current liability [1]

(f) A retailer has an item of inventory which cost \$60 and which is on sale at \$50.

How does the retailer value this item in his statement of financial position?

- A at cost price, to allow for losses as early as possible
- B at cost price, to avoid recognising profit before it is earned
- C at selling price, to allow for losses as early as possible
- D at selling price, to avoid recognising profit before it is earned [1]

- (g) A statement of financial position showed non-current assets, current assets, current liabilities and non-current liabilities.

What equals owner's capital?

- A current assets – current liabilities
- B non-current assets
- C total assets – current liabilities
- D total assets – total liabilities [1]

- (h) Which statement is true about dividends paid on ordinary shares?

- A They appear in the appropriation account and are paid to partners.
- B They appear in the income statement and are paid to partners.
- C They appear in the statement of changes in equity and are paid to members of a company.
- D They appear in the statement of financial position and are paid to members of a company. [1]

- (i) A club has 200 members paying an annual subscription of \$50. It provided the following information.

	\$
subscriptions received	9800
new equipment purchased	1120
depreciation of equipment	850
other running costs	8280

What was the surplus for the year?

- A \$400
- B \$600
- C \$670
- D \$870 [1]

- (j) Elzevir had been in business for only four months when a fire destroyed all of his inventory. In that period his sales were \$1200. He paid \$820 to suppliers and a supplier's invoice for \$70 was unpaid. His cost of sales was \$800.

What was the cost of the inventory which was destroyed?

- A \$50
B \$90
C \$310
D \$380

[1]

[Total: 10]

Question 2 is on the next page.



- 2 (a) Name the accounting principle which assumes that a business will continue to operate indefinitely.

.....[1]

- (b) State **one** reason why a book-keeper prepares a trial balance.

.....
.....[1]

- (c) Name the account which is opened when a trial balance does not agree.

.....[1]

- (d) Complete the following table and indicate with a tick (✓) whether **each** item would appear on the debit side or the credit side of a trial balance.

	Debit side	Credit side
Capital		
Cash		
Drawings		
Rent paid		
Sales returns		
Bank overdraft		
Machinery		
Discount received		
Provision for depreciation		
Bad debts		

[5]

- (e) State **one** reason why a trader's ledger might be divided into different sections.

.....
.....
.....[1]

- (f) Complete the following table, naming the ledger in which **each** account appears. The first one has been completed as an example.

Account	Ledger
Insurance	<i>Nominal/general</i>
Sales	
Discount allowed	
Philip, a credit customer	
Purchases	
Amit, a credit supplier	

[5]

- (g) State **one** reason why **each** type of discount may be given.

- (i) Trade discount

.....
.....[1]

- (ii) Cash discount

.....
.....[1]

- (h) Name the type of discount which is recorded in the books of account.

.....[1]

Karen is a retailer of car parts. She took goods for her own use. She also transferred her computer to the business.

REQUIRED

- (i) State how these transactions were recorded in Karen's books of account of the business.

	debit entry	credit entry
Goods taken		
Computer transferred		

[4]

- (j) Name the accounting principle Karen applied in recording these transactions.

.....[1]

- (k) Name **two** interested parties who might wish to look at Karen's business financial statements. In **each** case give a reason why they might be interested.

	Interested party	Reason
1		
2		

[4]

- (l) State the meaning of the accounting objective of relevance.

.....
.....[1]

[Total: 27]





Question 3 is on the next page.

3 (a) State what is meant by an asset.

.....
.....[1]

(b) State the difference between a non-current asset and a current asset.

.....
.....
.....
.....[2]

(c) State what is meant by a liability.

.....
.....[1]

(d) State the difference between a non-current liability and a current liability.

.....
.....
.....
.....[2]

Malorie is in business as a baker.

REQUIRED

(e) (i) Suggest **one** item Malorie would include in her non-current assets.

.....[1]

(ii) Suggest **one** item Malorie might include in her inventory.

.....[1]

Malorie provided the following information.

	30 June 2015		30 June 2016	
	\$		\$	
Bank	400	debit	1300	credit
Trade receivables	850		1400	
Trade payables	750		700	
Inventory	550		?	
Current ratio	?		1.2 : 1	

REQUIRED

(f) Calculate:

(i) Malorie's current ratio at 30 June 2015 (to **one** decimal place)

.....
.....
.....[3]

(ii) Malorie's inventory at 30 June 2016

.....
.....
.....[3]

(g) Suggest **two** possible reasons for the change in Malorie's bank balance.

1
2[2]

[Total: 16]

4 Grindle is a trader. He provided the following information for his business.

1 Fixtures and fittings at cost were:

	\$
1 January 2015	17 200
31 December 2015	17 600

2 On 1 March 2015 new fixtures and fittings, cost \$3600, were bought on credit from Bill.

3 On 1 August 2015 some fixtures and fittings, which were bought in 2014, were sold.

REQUIRED

(a) Prepare the fixtures and fittings account for the year ended 31 December 2015. Show the transfer to the disposal account. Bring down the balance on 1 January 2016.

Grindle
Fixtures and fittings account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

[6]

Grindle also provided the following information.

Fixtures and fittings are depreciated at the rate of 10% per annum on the straight line (equal instalment) basis. A full year's depreciation is charged in the year of purchase and none in the year of disposal.

REQUIRED

(b) Calculate the depreciation charge for the year ended 31 December 2015.

.....

.....

..... [2]

- (c) Prepare the provision for depreciation of fixtures and fittings account for the year ended 31 December 2015. Bring down the balance on 1 January 2016.

Grindle
Provision for depreciation of fixtures and fittings account

Date	Details	\$	Date	Details	\$
.....	Jan 1	Balance b/d	5800
.....
.....
.....
.....
.....

[4]

- (d) State whether the purchase of the fixtures and fittings was capital expenditure or revenue expenditure.

.....[1]

- (e) State the effect this purchase had on Grindle's capital.

.....[1]

- (f) Complete the following table by placing a tick (✓) in the correct box to indicate the effect of depreciation charge on Grindle's capital.

Increase	Decrease

[1]

[Total: 15]

5 (a) State what is meant by a direct cost.

.....
.....[1]

(b) Give **two** examples of a direct cost of a clothing manufacturer.

Example 1

Example 2[2]

(c) Give **one** example of an indirect production cost.

.....[1]

Mistry Clothing provided the following information for the year ended 30 June 2016.

	\$
Revenue	203 220
Prime cost	89 000
Factory overheads	21 600
Selling and distribution expenses	20 760
Administration expenses	31 760
Purchases of finished goods	36 200
Opening inventory of finished goods	8 800
Closing inventory of finished goods	19 700
Increase in work in progress	100
Finished goods taken by the owner for personal use	320

REQUIRED

(d) (i) Calculate the cost of production for the year ended 30 June 2016.

.....
.....
.....
.....[3]

(f) Calculate, to **two** decimal places, the rate of inventory turnover (in times) for the year.

.....
.....
.....
.....[3]

(g) Suggest **two** reasons why inventory turnover has fallen from the previous year.

1
.....
2
.....[2]

[Total: 22]



- 6 Amina and Doreen formed a partnership on 1 January 2016, buying and selling calculators. On that date they each paid \$5000 into the business bank account.

Amina also brought in a delivery vehicle valued at \$8100 to the partnership and Doreen brought in fixtures and fittings valued at \$4800.

The partnership agreement stated that profits and losses would be shared in the ratio 2:1.

Depreciation was to be provided on a monthly basis, at the rate of 20% per annum for the delivery vehicle and 10% per annum for the fixtures and fittings.

In the first month of trading they had the following transactions.

- Jan 1 Paid 3 months' rent totalling \$2700, by cheque
- 2 Bought 1000 calculators for \$4 each from Bertie on credit
- 6 Sold 800 calculators for cash for \$10 each, keeping \$100 in hand and banking the remaining cash
- 13 Sold 50 calculators for \$10 each to Charlie on credit
- 20 Paid Bertie by cheque, deducting 3% discount for prompt payment
- 31 Paid wages for the month, \$800, by credit transfer

REQUIRED

- (a) Prepare the cash book (bank columns only) for the month of January 2016. Bring down the balance on 1 February 2016.

Amina and Doreen
Cash book (bank columns)

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

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ACCOUNTING

0452/11

Paper 1

October/November 2016

MARK SCHEME

Maximum Mark: 120

Published

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Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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[Turn over

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0452	11

Glossary for Q1

(c)

- A $600 - 150 = 450$
- B $600 - 20 = 580$
- C $600 + 20 = 620$
- D $600 + 150 = 750$

(d)

- A and C $2000 + 100 - 180 - 1750 = 170$
- B and D $2000 - 100 + 180 - 1750 = 330$

(i)

- A $9800 - 1120 - 8280 = 400$
- B $10\,000 - 1120 - 8280 = 600$
- C $9800 - 850 - 8280 = 670$
- D $10\,000 - 850 - 8280 = 870$

(j)

- A $800 - (820 - 70) = 50$
- B $(820 + 70) - 800 = 90$
- C $1200 - (820 + 70) = 310$
- D $1200 - 820 = 380$

1 (a) B

(b) B

(c) A

(d) A

(e) A

(f) C

(g) D

(h) C

(i) D

(j) B

10 × (1) mark

[Total: 10]

Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0452	11

2 (a) Going concern (1) [1]

(b) To check the arithmetical accuracy of the double entry (1)
OR
To help in the preparation of the financial statements (1) [1]

(c) Suspense (1) [1]

(d)

	Debit side	Credit side
Capital		✓
Cash	✓	
Drawings	✓	
Rent	✓	
Sales returns	✓	
Bank overdraft		✓
Machinery	✓	
Discount received		✓
Provision for depreciation		✓
Bad debts	✓	

Any two correct for (1) mark [5]

(e) So that accounts of the same type can be kept together

To allow division of work
To allow easier reference
To allow checking procedures to be introduced
Any one reason (1) [1]

Page 4	Mark Scheme	Syllabus	Paper
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(f)

Account	Ledger
Insurance	<i>Nominal/general</i>
Sales	Nominal/general (1)
Discount allowed	Nominal/general (1)
Philip, a credit customer	Sales (1)
Purchases	Nominal/general (1)
Amit, a credit supplier	Purchases (1)

[5]

(g) (i) Trade discount –
to encourage bulk purchases
to reward business in the same trade
to allow customers to make a profit
Any one for **(1)** mark

[1]

(ii) Cash discount - to reward prompt payment **(1)**

[1]

(h) Cash discount **(1)**

[1]

(i)

	debit entry	credit entry
Goods taken	Drawings (1)	Purchases (1)
Computer transferred	Office equipment (1)	Capital (1)

[4]

(j) Business entity **(1)**

[1]

Page 5	Mark Scheme	Syllabus	Paper
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(k)

Interested party	Reason
Karen	To see progress of business
Government department	To check on tax payable
Trade payables/ suppliers	To check on likelihood of receiving money
Bank manager	To decide on whether to give/continue overdraft
Customer	To check on viability of business for continued supply of goods
Potential partner	To see potential rewards for investment
Manager	To see progress of business
Any two for (1) each	Any two related reasons for (1) each

Reasonable alternatives may be rewarded [4]

(l) Financial information is relevant if it affects the business decisions (1) [1]

[Total: 27]

3 (a) Something which the business owns or something which is owed to the business (1) [1]

(b) Non-current asset – any reasonable definition (1) eg an item held for more than 12 months, an item which is not for resale.

Current asset – any reasonable definition (1) eg short term, an item which can be turned into cash quickly. [2]

(c) An amount which is owed by the business (1) [1]

(d) Non-current liability – any reasonable definition (1) eg long term debt

Current liability – any reasonable definition (1) eg an amount owed to be paid within a year [2]

(e) (i) any reasonable suggestion (1) eg oven, computer [1]

(ii) any reasonable suggestion (1) eg flour, yeast, unsold loaves [1]
Other suitable answers are acceptable.

(f) (i) $\frac{135\,480}{14\,250} = 9.51$ times (1) [3]

(ii) $[(1300 + 700) \times 1.2] - 1400 = 1000$ (1) [3]

Page 6	Mark Scheme	Syllabus	Paper
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- (g) Any two possible reasons for (1) mark each e.g.
making a loss, excess drawings, purchase of non-current assets, bad debts, debtors not paying, paying trade payables sooner, increased expenditure on inventory, repayment of loan.

Other suitable answers are acceptable.

[2]

[Total: 16]

4 (a)

Grindle					
Fixtures and fittings account					
		\$		\$	
2015				2015	
Jan 1	Balance b/d	17 200	(1)	Aug 1	Disposal (1)
Mar 1	Bill	3 600	(1)	Dec 31	Balance c/d
		20 800			17 600
					20 800
2016					
Jan 1	Balance b/d	17 600	(1)		
	+1 dates				

[6]

- (b) \$17 600 (1) x 0.10 = \$1760 (1)

[2]

(c)

Grindle					
Provision for depreciation of fixtures and fittings account					
		\$		\$	
2015				2015	
Aug 1	Disposal	320	(1of)	Jan 1	Balance b/d
Dec 31	Balance c/d	7 240		Dec 31	Income statement
		7 560			1 760
					7 560
	+1 dates			2016	
				Jan 1	Balance b/d
					7 240
					(1of)

[4]

- (d) Capital expenditure (1)

[1]

- (e) None (1)

[1]

(f)

Increase	Decrease
	✓ (1)

[1]

[Total: 15]

Page 7	Mark Scheme	Syllabus	Paper
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5 (a) A cost which can be linked to a specific unit of production (1) [1]

(b) Any two correct answers for (1) mark each
E.g. purchases of cloth, thread, buttons etc., carriage on material, machinists etc., royalties [2]

(c) Factory overhead (1)
OR any example for (1) mark
e.g. factory supervisor's salary, depreciation of factory machinery, rent of factory building [1]

(d) (i) $89\,000 + 21\,600 (1) - 100 (1) = \$110\,500 (1\text{of})$ [3]

(ii)

Mistry Clothing			
Income Statement for the year ended 30 June 2016			
	\$	\$	
Revenue		203 220	(1)
Inventory at 1 July 2015	8 800		(1)
Cost of production	110 500		(1of)
Purchases	36 200		(1)
	<u>155 500</u>		
Drawings	<u>(320)</u>		(1)
	155 180		
Inventory at 30 June 2016	<u>19 700</u>		(1)
Cost of sales		<u>135 480</u>	
Gross profit		67 740	(1of)
Selling and distribution expenses	20 760		
Administration expenses	<u>31 760</u>		
		52 520	(1)
Profit for the year		<u>15 220</u>	(1of)

[9]

(e) It is cheaper to buy than produce (1) OR

Demand is higher than production at full capacity (1) [1]

(f)

$$\frac{1800 (1)}{750 (1)} = 2.4 : 1 (1)$$

[3]

(g) Sales have slowed down (1)

Inventory has increased (1) [2]

[Total: 22]

Page 8	Mark Scheme	Syllabus	Paper
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6 (a)

Amina and Doreen
Cash book (bank columns)

		\$		2016	\$
2016				2016	
Jan 1	Capital A	5 000	}	Jan 1	Rent
	Capital D	5 000	}{(1)	20	Bertie
6	Sales	7 900	}{(1)	31	Wages
					Balance c/d
		17 900			10 520
Feb 1	Balance b/d	10 520	}{(1of)		17 900

[6]

(b) (i)

	\$	\$	
Revenue		8 500	}{(1)
Purchases	4 000		}{(1)
Closing inventory	(600)		}{(1)
Cost of sales		3 400	
Gross profit		5 100	}{(1of)

[4]

(ii)

Amina and Doreen
Calculation of profit for the month ended 31 January 2016

	\$	\$	
Gross profit		5 100	}{(1of)
Discount received		120	}{(1)
		5 220	
Rent	900		}{(1)
Wages	800		}{(1)
Depreciation fixtures and fittings	40		}{(1)
Depreciation delivery van	135		}{(1)
Profit for the month		1 875	
		3 345	}{(1of)

[7]

Page 9	Mark Scheme	Syllabus	Paper
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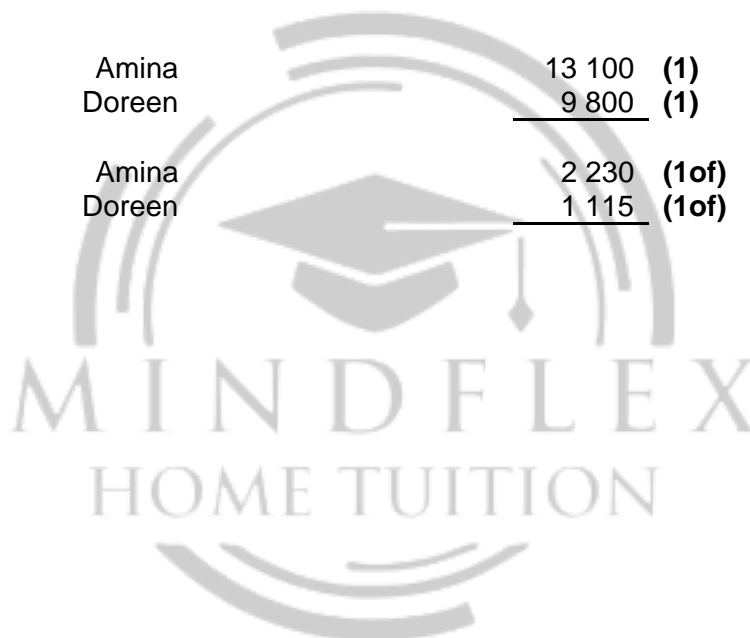
(c)

Amina and Doreen
Statement of Financial Position at 31 January 2016

	\$	\$	\$
Non-current assets	Cost	Accumulated depreciation	N B V
Delivery vehicle	8 100 (1)	135 (1of)	7 965
Fixtures and fittings	4 800 (1)	40 (1of)	4 760
	<u>12 900</u>	<u>175</u>	<u>12 725</u>
Current assets			
Inventory (150 × 4)		600 (1)	
Trade receivable (50 × 10)		500 (1)	
Other receivables		1 800 (1)	
Bank		10 520 (1of)	
Cash		100 (1)	13 520
Total assets			<u>26 245</u>
Capital			
Amina		13 100 (1)	
Doreen		9 800 (1)	22 900
Current			
Amina		2 230 (1of)	
Doreen		1 115 (1of)	3 345
			<u>26 245</u>

[13]

[Total: 30]





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ACCOUNTING

0452/21

Paper 2

October/November 2016

1 hour 45 minutes

Candidates answer on the Question Paper.

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The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **17** printed pages and **3** blank pages.

- 1 Amira's financial year ends on 30 September. She buys and sells on both cash and credit terms and maintains a full set of accounting records.

Control accounts are prepared at the end of each month.

REQUIRED

- (a) Name the book of prime (original) entry which Amira would use to obtain the following information when preparing her sales ledger control account.

	Book of prime (original) entry
Cheque refund to credit customer	
Bad debts written off	
Returns by credit customers	
Interest charged on customer's overdue account	

[4]

- (b) State **two** reasons why Amira prepares a purchases ledger control account.

1

.....

2

..... [2]

Amira provided the following information for September 2016.

		\$
September 1	Debit balances in purchases ledger	93
	Credit balances in purchases ledger	4210
September 30	Totals for the month	
	Credit purchases	5366
	Cash purchases	1469
	Cheques paid to credit suppliers	3705
	Cheques received from credit customers	6102
	Discount allowed	204
	Discount received	95
	Returns to credit suppliers	197
	Interest charged by supplier on overdue account	12
	Cash refund received from credit supplier	150
	Contra entry	494
October 1	Debit balances in purchases ledger	68
	Credit balances in purchases ledger	?

- 2 Diane is a trader. She buys goods on credit from Udomo. On 1 October 2016 Diane owed Udomo \$720.

Several transactions took place between the traders in October 2016.

REQUIRED

- (a) Complete the following table. Name the book of prime (original) entry in which **each** document would be recorded by **each** trader.
If the document is not entered in a book of prime (original) entry, write "No entry".

Date	Document	Book of prime entry used by Diane	Book of prime entry used by Udomo
Oct 8	Invoice \$560	.....	.....
12	Debit note \$115	.....	.....
16	Credit note \$100	.....	.....
24	Cheque \$720	.....	.....
31	Statement of account \$460	.....	.....

[10]

- (b) Name the person who issued **each** of the following documents. In **each** case suggest **one** reason for the issue of that document.

- (i) Debit note 12 October

Name of person issuing the document.....

Reason for the issue of the document.....

.....

..... [2]

- (ii) Credit note 16 October

Name of person issuing the document.....

Reason for the issue of the document.....

.....

..... [2]

(iii) Statement of account 31 October

Name of person issuing the document.....

Reason for the issue of the document.....

.....

..... [2]

- (c) Prepare the account of Diane as it would appear in the ledger of Udomo for October 2016. Balance the account and bring down the balance on 1 November 2016.

Udomo
Diane account

Date 2016	Details		\$	Date 2016	Details		\$
Oct 1	Balance	b/d	720	.....	.....	.....	.....
.....
.....
.....
.....
.....
.....
.....

[4]

[Total: 20]

- 3 The Bolton Road Music Club was formed on 1 September 2015. The club has 60 members and the annual subscription is \$100. The club provides musical instruments for members to use. In addition the club also has a shop selling CDs.

The treasurer provided the following information for the year ended 31 August 2016.

Amounts received	\$	Amounts paid	\$
Subscriptions	6 300	Purchases of CDs for shop	12 422
Revenue from shop	15 520	Wages of shop assistant	1 850
Loan from Music4all received on 1 March 2016	20 000	Insurance	1 200
		Rent and rates	3 300
		Purchase of musical instruments	4 800
		Repairs to musical instruments	197
		General expenses of club	2 293

At 31 August 2016

- 1 The shop suppliers were owed \$1112.
- 2 Shop inventory was valued at \$1964.
- 3 Five members had paid their subscription for the following financial year.
- 4 Two members had not paid their subscription for the current financial year.
- 5 10% of the insurance relates to the shop.
- 6 Rent and rates accrued amounted to \$300. Half of the rent and rates relates to the shop.
- 7 A loan of \$100 to the shop assistant is included in the wages.
- 8 Interest of 4% per annum was accrued on the loan from Music4all.
- 9 Musical instruments are to be depreciated at 15% per annum on cost.



Question 4 is on the next page.

- 4 The financial year of Nawaz ends on 31 August. He sells on credit terms and maintains a provision for doubtful debts.

REQUIRED

- (a) State the meaning of the following terms.

Bad debts

.....
.....

Bad debts recovered

.....
.....

Provision for doubtful debts

.....
..... [3]

- (b) Name **two** accounting principles which Nawaz is applying by maintaining a provision for doubtful debts.

1
2 [2]

- (c) Suggest **two** ways in which Nawaz could reduce the possibility of bad debts.

1
2 [2]

Nawaz provided the following information.

	\$
On 1 September 2015	
Provision for doubtful debts	1 450
During the year ended 31 August 2016	
Debts written off	2 064
On 31 August 2016	
Trade receivables	79 650

On 31 August 2016 it was decided to write off \$250 owed by Uzma. The provision for doubtful debts was adjusted to 2% of the remaining trade receivables.

REQUIRED

(d) Prepare journal entries on 31 August 2016 to record the following.

- 1 Writing off the bad debt
- 2 Closing the bad debts account
- 3 Adjusting the provision for doubtful debts.

Narratives are **not** required.

Nawaz
Journal

		Debit \$	Credit \$
1
2
3

[6]

(e) Prepare an extract from the statement of financial position on 31 August 2016 to show the trade receivables.

Nawaz
Extract from Statement of Financial Position at 31 August 2016

Current assets

.....
.....
.....

[2]

[Total: 15]

5 The financial year of Sandton Limited ends on 30 September.

During the year ended 30 September 2016 the following transactions took place.

- 1 The company made a profit for the year of \$14 750.
- 2 An interim dividend of \$4500 was paid on the ordinary shares.
- 3 A transfer of \$5000 was made to general reserve.

REQUIRED

(a) Complete the following statement of changes in equity for the year ended 30 September 2016.

Sandton Limited
Statement of Changes in Equity for the year ended 30 September 2016

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2015	150 000	14 000	31 000	195 000
Profit for the year
Dividend paid
Transfer to general reserve
On 30 September 2016

[4]

Sandton Limited provided the following information at 30 September 2016.

	\$
3% Debentures (repayable 2020)	15 000
Premises at cost	135 200
Fixtures and equipment at cost	37 600
Motor vehicles at cost	54 000
Provision for depreciation – fixtures and equipment	7 520
motor vehicles	10 800
Trade receivables	10 840
Trade payables	7 460
Other receivables	472
Other payables	130
Bank	4 294 credit
Inventory	12 613
Provision for doubtful debts	271

Sandton Limited sells and buys on both cash and credit terms. Credit customers are allowed 28 days in which to pay their accounts. The credit suppliers allow Sandton Limited 30 days in which to pay their accounts.

The following information was available for the year ended 30 September 2016.

	Sales	Purchases
	\$	\$
Cash	67 500	28 600
Credit	152 500	95 000

REQUIRED

- (c) (i) Calculate the collection period for trade receivables. Use the amount of trade receivables before the provision for doubtful debts.

Round up your answer to the next whole day.

.....
.....
..... [2]

- (ii) Calculate the payment period for trade payables.

Round up your answer to the next whole day.

.....
.....
..... [2]

- (iii) Comment on your answers to (c)(i) and (c)(ii).

.....
.....
.....
..... [2]

[Total: 24]

6 Daniel's financial year ends on 31 July.

He provided the following information for the year ended **31 July 2015**.

	\$
Cost of sales	285 000
Profit for the year	36 000

Gross profit was 30% of cost of sales.

REQUIRED

(a) (i) Calculate the gross profit.

.....
.....
..... [1]

(ii) Calculate the revenue.

.....
.....
..... [1]

(iii) Calculate the percentage of gross profit to revenue. The calculation should be to **two** decimal places.

.....
.....
..... [2]

(iv) Calculate the percentage of profit for the year to revenue. The calculation should be to **two** decimal places.

.....
.....
..... [2]

(b) Suggest **two** reasons why the percentage of gross profit to revenue is higher than it was in the previous financial year.

- 1
- 2 [2]

(c) Suggest **two** reasons why the percentage of profit for the year to revenue is lower than it was in the previous financial year.

- 1
- 2 [2]

After the preparation of the **draft financial statements** for the year ended **31 July 2016** the following errors were discovered.

- 1 No entry had been made for bank charges, \$110.
- 2 Rent receivable, \$780, had been recorded as \$870.
- 3 The total of a page of the wages account, \$10 050, had been carried forward as \$10 500.
- 4 A credit customer who owed \$500 had sent a cheque for 75 cents for each dollar owed. The balance should have been written off as a bad debt.
- 5 The provision for doubtful debts, \$650, should have been adjusted to 2% of the trade receivables who owed \$30 800.

REQUIRED

- (d) Complete the following statement to show the effect on the draft profit for the year of **correcting** errors 1–5. Calculate the corrected profit for the year.

The first correction has been completed as an example.

Daniel
Statement of corrected profit for the year ended 31 July 2016

	Increase in profit \$	Decrease in profit \$	\$
Draft profit for the year before corrections			41 000
Error 1	110	
Error 2	
Error 3	
Error 4	
Error 5	
	_____	_____	_____
Corrected profit for the year			_____
			[9]
			[Total: 19]

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ACCOUNTING

0452/21

Paper 2

October/November 2016

MARK SCHEME

Maximum Mark: 120

Published

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0452	21

1 (a)

	Book of prime (original) entry	
Cheque refund to credit customer	Cash book	(1)
Bad debts written off	Journal	(1)
Returns by credit customers	Sales returns journal	(1)
Interest charged on customer's overdue account	Journal	(1)

[4]

- (b) To assist in the location of errors
To provide instant total of trade payables
To prove the arithmetical accuracy of the purchases ledger
To enable a statement of financial position to be prepared quickly
To provide a summary of transactions relating to trade payables
To help reduce fraud
Any 2 reasons (1) each

[2]

(c)

Amira
Purchases ledger control account

Date	Details	\$	Date	Details	\$
2016			2016		
Sep 1	Balance b/d (1)	93	Sep 1	Balance b/d (1)	4210
30	Bank (1)	3705	30	Purchases (1)	5366
	Dis. Received (1)	95		Interest (1)	12
	Returns (1)	197		Cash (1)	150
	Contra (1)	494		Balance c/d	68
	Balance c/d	<u>5222</u>			
		<u>9806</u>			<u>9806</u>
2016			2016		
Oct 1	Balance b/d (1)	68	Oct 1	Balance b/d (1)OF	5222

+ (1) dates

[12]

- (d) May be able to take advantage of cash discount
Improve the relationship with suppliers
Avoid paying interest
Or other suitable comment
Any 1 advantage (1)

[1]

- (e) The business is deprived of the use of the money earlier than necessary
Or other suitable comment
Any 1 disadvantage (1)

[1]

[Total: 20]

Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0452	21

2 (a)

Date	Document	Book of prime entry used by Diana	Book of prime entry used by Udomo
Oct 8	Invoice \$560	Purchases (1)	Sales (1)
12	Debit note \$115	No entry (1)	No entry (1)
16	Credit note \$100	Purchases returns (1)	Sales returns (1)
24	Cheque \$720	Cash book (1)	Cash book (1)
31	Statement of account \$460	No entry (1)	No entry (1)

[10]

- (b) (i) Debit note 12 October
Diane (1)
To request a reduction in the invoice (1) [2]
- (ii) Credit note 16 October
Udomo (1)
To notify of a reduction of the invoice (1) [2]
- (iii) Statement of account 31 October
Udomo (1)
To notify the customer of the amount owing at the month end (1) [2]

(c) Udomo
Diane account

Date	Details	\$	Date	Details	\$
2016			2016		
Oct 1	Balance c/d	720	Oct 16	Returns (1)	100
8	Sales (1)	560	24	Bank (1)	720
			31	Balance c/d	460
		<u>1280</u>			<u>1280</u>
2016					
Nov 1	Balance b/d (1)	460			

[4]

[Total: 20]

Page 4	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2016	0452	21

- 3 (a) Subscriptions
Amount paid by members of a club to use the facilities provided by the club (1)
- Accumulated fund
Surpluses which accumulate over the years/equivalent to capital of a business (1)
- Receipts and payments account
Account summarising the money received and paid by a club during a financial year (1)

[3]

(b) Bolton Road Music Club
Shop Income Statement for the year ended 31 August 2016

	\$	\$
Revenue		15 520 (1)
Less Cost of sales		
Purchases (12 422 (1) + 1112 (1))	13 534	
Less Closing inventory	<u>1 964 (1)</u>	
	11 570	
Shop wages (1850 – 100)	1 750 (1)	
Shop insurance (1200 × 10%)	120 (1)	
Shop rent & rates (50% × (3300 +300))	<u>1 800 (1)</u>	15 240
Shop profit		<u>280 (1)OF</u>

[8]

(c) Bolton Road Music Club
Income and Expenditure Account for the year ended 31 August 2016

	\$	\$
Income		
Subscriptions (6300 (1) + 200 (1) – 500 (1))		6 000
Profit on shop		<u>280 (1)OF</u>
		6 280
Expenditure		
Insurance (1200 × 90%)	1 080 (1)	
Rent and rates (50% × (3300 + 300))	1 800 (1)	
Repairs to instruments	197}	
General expenses	2 293}(1)	
Loan interest (4% × 20 000 (1) × 6 months (1))	400	
Depreciation of instruments (15% × 4800)	<u>720 (1)</u>	6 490
Deficit		<u>210 (1)OF</u>

[11]

[Total: 22]

Page 5	Mark Scheme	Syllabus	Paper
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- 4 (a) Bad debts
Amounts owing to a business which will not be paid by credit customers (1)
Bad debts recovered
When a credit customer pays some, or all, of the amount owed after the amount was previously written off (1)
Provision for doubtful debts
An estimate of the amount a business will lose in a financial year because of bad debts (1) [3]
- (b) Prudence (1)
Accruals/matching (1) [2]
- (c) 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
Allow cash discount for prompt payment
Charge interest on overdue accounts
Any 2 points (1) each [2]

(d)

Nawaz Journal			
	Debit \$	Credit \$	
Bad debts Uzma	250	250	(1) (1)
Income statement Bad debts	2314	2314	(1) (1)
Income statement Provision for doubtful debts	138	138	(1) (1)

[6]

(e)

Nawaz			
Extract from Statement of Financial Position at 31 August 2016			
	\$	\$	
Current assets			
Trade receivables (79650 – 250)	79 400		
Less Provision for doubtful debts	<u>1 588</u> (1)OF	77 812	(1)OF

[2]

[Total: 15]

Page 6	Mark Scheme	Syllabus	Paper
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5 (a)

Sandton Limited
Statement of Changes in Equity for the year ended 30 September 2016

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	
On 1 October 2015	150 000	14 000	31 000	195 000	
Profit for the year			14 750	14 750	(1)
Dividend paid			(4 500)	(4 500)	(1)
Transfer to general reserve		5 000	(5 000)		(1)
On 30 September 2016	150 000	19 000	36 250	205 250	(1)

[4]



Page 7	Mark Scheme	Syllabus	Paper
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(b)

Sandton Limited
Statement of Financial Position at 30 September 2016

Assets	\$	\$	\$
Non-current assets	Cost	Accumulated depreciation	Book value
Premises	135 200		135 200
Fixtures and equipment	37 600	7 520	30 080 (1)
Motor vehicles	<u>54 000</u>	<u>10 800</u>	<u>43 200 (1)</u>
	<u>226 800</u>	<u>18 320</u>	<u>208 480 (1)</u>
Current assets			
Inventory			12 613
Trade receivables		10 840	
Less Provision for doubtful debts		<u>271</u>	10 569 (1)
Other receivables			<u>472</u>
			<u>23 654 (1)</u>
Total assets			<u>232 134</u>
Equity and liabilities			
Equity and reserves			
Ordinary share capital			150 000 (1)
General reserve (14 000 (1) + 5 000 (1))			19 000
Retained earnings (31 000 (1) + 5 250 (1))			<u>36 250</u>
			<u>205 250 (1)</u>
Non-current liabilities			
3% Debentures (repayable 2020)			<u>15 000 (1)</u>
Current liabilities			
Trade payables			7 460
Other payables			130
Bank overdraft			<u>4 294 (1)</u>
			<u>11 884 (1)</u>
Total liabilities			<u>232 134</u>

[14]

Page 8	Mark Scheme	Syllabus	Paper
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(c) (i) $\frac{10840}{152500} \times \frac{365}{1}$ (1) whole formula = 25.94 days = 26 days (1)OF [2]

(ii) $\frac{7460}{95000} \times \frac{365}{1}$ (1) whole formula = 28.66 days = 29 days (1)OF [2]

- (iii) Trade receivables pay before the due date and trade payables are paid before the due date
Liquidity is affected favourably
May have to allow cash discount and may receive cash discount
Or suitable comments based on OF answers to (i) and (ii)
Any 2 comments (1) each [2]

[Total: 24]

6 (a) (i) $30\% \times \$285\,000 = \$85\,500$ (1) [1]

(ii) $\$285\,000 + \$85\,500$ OF = $\$370\,500$ (1)OF [1]

(iii) $\frac{85\,500}{370\,500} \frac{\text{OF}}{\text{OF}} \times \frac{100}{1}$ (1)whole formula = 23.08% (1)OF [2]

(iv) $\frac{36\,000}{370\,500} \frac{\text{OF}}{\text{OF}} \times \frac{100}{1}$ (1) whole formula = 9.72% (1)OF [2]

- (b) Higher mark up
Lower cost price of goods
Higher selling price of goods
Lower rate of trade discount allowed to customers
Higher rate of trade discount received from suppliers
Different mix of goods
Or other suitable reason
Any 2 reasons (1) each [2]

- (c) Different type of expenses
Higher amount of expenses
Lower amount of other income
Or other suitable reason
Any 2 reasons (1) each [2]

Page 9	Mark Scheme	Syllabus	Paper
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(d)

Daniel

Statement of corrected profit for the year ended 31 July 2016

		\$	
Draft profit for the year before corrections			41 000
	Increase in profit \$	Decrease in profit \$	
Error 1		110	
Error 2	.....	90 (2)	
Error 3	450 (2)	.....
Error 4	.....	125 (2)	
Error 5	34 (2)	.....
	<u>484</u>	<u>325</u>	<u>159</u>

Corrected profit for the year 41 159(1)OF
For each error – (1) for figure and (1) for position

[9]

[Total: 19]

