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Cambridge IGCSE™

ACCOUNTING

0452/11

Paper 1 Multiple Choice

October/November 2020

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty-five** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 35.
- Each correct answer will score one mark. A mark will not be deducted for a wrong answer.
- Any rough working should be done on this question paper.

This document has **16** pages. Blank pages are indicated.



1 A trader prepares financial statements each year.

What do these assist the trader to do?

- A calculate the amount owing to credit suppliers
- B calculate the cash drawings
- C check the bank statement balance
- D make decisions about the future

2 The following balances appeared in Hussein's books.

	\$
fixtures	6000
inventory	3300
trade receivables	3000
trade payables	4500
other receivables	500
other payables	300
loan to Imran	1000
bank overdraft	1400

What was the total of the liabilities?

- A \$4800 B \$6200 C \$6400 D \$7200

- 3 The following account appeared in the books of Mary.

Paul account							
			\$				\$
April 1	balance b/d	90		April 21	returns	25	
	14 sales	150		30	bank	88	
					discount	2	
					balance c/d	125	
			<hr/>				<hr/>
			240				240
			<hr/>				<hr/>

Which statement is correct?

- A On 1 April Paul owed Mary \$90.
- B On 14 April Paul sold goods, \$150, to Mary.
- C On 21 April Mary returned goods, \$25, to Paul.
- D On 30 April Mary owed Paul \$125.

- 4 Which business document is used to update the cash book for standing order payments?

- A bank statement
- B cheque counterfoil
- C paying-in slip
- D receipt

- 5 On 1 March 2020 the bank column of a cash book had a credit balance of \$290.

During March cheques totalling \$580 were received and cheques totalling \$610 were paid to suppliers. Bank charges of \$12 incurred in February were also entered in the cash book.

What was the balance of the bank column in the cash book on 1 April 2020?

- A \$248 credit
- B \$248 debit
- C \$332 credit
- D \$332 debit

- 6 Ziningi prepared a trial balance. The total of the debit column was \$225 750 and the total of the credit column was \$225 250.

What could explain the difference?

- A Bank overdraft, \$250, was recorded as a debit balance.
- B Inventory, \$500, was included as a debit balance.
- C Purchases returns, \$250, were included as a credit balance.
- D Sales returns, \$250, were included as a debit balance.

- 7 Rent received from a tenant was debited to the rent receivable account and credited to the cash book.

Which type of error has been made?

- A commission
- B compensating
- C complete reversal
- D principle

- 8 A computer system purchased from Ace Computers for \$1430 had been incorrectly recorded as \$1340 and was entered in the stationery account instead of the office equipment account.

Which journal entry corrects this error?

		debit \$	credit \$
A	Ace computers stationery office equipment	90 1340	1340
B	Ace computers stationery office equipment	90 1340	1430
C	office equipment Ace computers stationery	1340	90 1340
D	office equipment Ace computers stationery	1430	90 1340

9 Kate calculated her draft profit for the year at \$28 400.

She later discovered the following errors.

- 1 Rent prepaid by Kate was understated by \$1000.
- 2 Closing inventory was understated by \$1500.

What was the correct profit for the year?

- A \$25 900 B \$27 900 C \$28 900 D \$30 900

10 What would **not** be included in a sales ledger control account?

- A cash sales recorded in the cash book
- B cheques received from credit customers recorded in the cash book
- C goods sold on credit recorded in the sales journal
- D irrecoverable debts written off recorded in the journal

11 A trader debited the cost of repairing office equipment to the office equipment account.

How did this error affect the financial statements?

	profit for the year	non-current assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

12 A trader uses the reducing balance method of depreciation.

What effect will this have over the life of the non-current asset?

- A depreciation charged evenly over the years
- B more depreciation charged in the early years
- C more depreciation charged in the later years
- D the non-current asset being revalued each year

13 Rashid provided the following information at 31 December.

	\$
machinery at cost	52 000
provision for depreciation of machinery	23 000

Depreciation for the year is calculated at 20% on cost.

After the statement of financial position was prepared it was found that the machinery repairs costing \$2000 had been debited to the machinery account.

What is the correct balance on the provision for the depreciation of machinery account?

- A** \$21000 **B** \$22600 **C** \$23400 **D** \$25000

14 At the end of his financial year on 31 August 2020 a trader had prepaid insurance.

How will this appear in the insurance account and the statement of financial position at 31 August 2020?

	insurance account	statement of financial position
A	credit balance carried down	current asset
B	credit balance carried down	current liability
C	debit balance carried down	current asset
D	debit balance carried down	current liability

15 Hayley's financial year ends on 30 September 2020. She provided the following information.

	\$
on 1 October 2019 rent receivable accrued	480
during the year ended 30 September 2020 rent received	6800
On 30 September 2020 rent received in advance	720

Which journal entry would be made on 30 September 2020?

		debit \$	credit \$
A	income statement rent receivable	5600	5600
B	income statement rent receivable	6560	6560
C	rent receivable income statement	5600	5600
D	rent receivable income statement	6560	6560

16 The balances in the books of Jason on 1 July 2019 included the following.

	\$
trade receivables	64 200
provision for doubtful debts	1 284

Trade receivables at 30 June 2020 were \$58 500, of which \$500 should be written off as irrecoverable.

Jason wants to maintain his provision for doubtful debts at 2% of trade receivables.

What was the change in the provision for doubtful debts at 30 June 2020?

- A** \$114 decrease
- B** \$124 decrease
- C** \$376 increase
- D** \$386 increase

17 Nirmal sells two products, product G and product H.

The following information is available about his inventory at the end of the financial year.

product	number of units	cost price per unit	net realisable value per unit
G	1000	\$2.00	\$2.50
H	800	\$1.50	\$1.20

It was found that 100 units of product G were damaged and were unsaleable.

What was the total value of Nirmal's inventory?

- A \$2760 B \$3000 C \$3260 D \$3460

18 Which items will **not** be shown in an income statement prepared for a service business?

- 1 cost of sales
- 2 gross profit
- 3 profit for the year
- 4 wages paid to employees

- A 1 only B 1 and 2 C 2 and 4 D 3 and 4

19 A trader provided the following information.

	\$
capital at 1 October 2019	52 000
motor vehicle given to the business by the trader	3 500
personal expenses paid out of business bank account	1 500
cash drawings made during the year	500

What was the capital at 30 September 2020?

- A \$46 500 B \$50 000 C \$53 500 D \$55 000

- 20 John and Mark are in partnership. Profits and losses are shared in the ratio 3 : 2. John is entitled to an annual salary of \$12 000. The profit for the year ended 31 August 2020 was \$52 000.

How much would be credited to the partners' current accounts on 31 August 2020?

	John's current account \$	Mark's current account \$
A	24 000	16 000
B	26 000	26 000
C	31 200	20 800
D	36 000	16 000

- 21 A partnership maintains both current and capital accounts for each partner. An inexperienced book-keeper prepared the following account which contains errors.

Owen capital account

	\$		\$
balance c/d	135 000	balance b/d	100 000
		loan made to partnership	30 000
		interest on capital	5 000
	<hr/> 135 000		<hr/> 135 000

What should appear as the closing balance on Owen's capital account?

- A** \$75 000 **B** \$100 000 **C** \$105 000 **D** \$130 000
- 22 Z Limited provided the following information.

	\$
5% debentures	50 000
general reserve	25 000
issued ordinary share capital	300 000
retained earnings	75 000
short-term bank loan	10 000

What was the equity?

- A** \$325 000 **B** \$400 000 **C** \$450 000 **D** \$460 000

23 Which statement about preference shares is **not** correct?

- A Preference shareholders do not have voting rights.
- B Preference shareholders receive a fixed dividend.
- C Preference shareholders have a prior claim before ordinary shareholders in the event of liquidation.
- D Preference shareholders receive their dividend after the ordinary shareholders have been paid.

24 A sports club was formed on 1 September 2019.

What may appear in the receipts and payments account for the year ended 31 August 2020?

- A closing bank balance
- B closing inventory of club shop
- C depreciation of sports equipment
- D subscriptions in arrears

25 A manufacturing company provided the following information.

	\$
cost of raw materials	186 000
direct wages	75 000
machinery depreciation	45 000
factory supervisor's salary	32 000
factory rent	24 000
machinery repairs	18 000

What was the prime cost of manufacturing?

- A \$186 000 B \$261 000 C \$293 000 D \$380 000

- 26 A manufacturer's work in progress at the start of the year was valued at \$850. At the end of the year it was valued at \$10 200.

What was the effect of this increase on the cost of production and the cost of sales?

	cost of production	cost of sales
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 27 A trader made the following forecasts for the business for the next financial year.

average inventory	\$80 000
rate of inventory turnover	6 times
mark-up	25%

What are the forecast sales for the next financial year?

- A** \$360 000 **B** \$480 000 **C** \$576 000 **D** \$600 000
- 28 Kim's trade payables turnover increased.

What could have caused this?

- A** Kim's customers took longer to pay their accounts.
B Kim's credit purchases increased.
C Kim's sales revenue increased.
D Kim took longer to pay her credit suppliers.

29 A company provided the following information about its rate of inventory turnover.

year 1	24 times
year 2	25 times
year 3	27 times

What would explain the changes in the ratio?

- A cost of sales is decreasing
- B inventory is increasing
- C sales volume is increasing
- D selling price is increasing

30 A company provided the following information about its current ratio.

year 1	2.3 : 1
year 2	2.4 : 1
year 3	2.5 : 1

What would explain the changes in the ratio?

- A Inventory is decreasing.
- B Other payables are increasing.
- C Other receivables are increasing.
- D Trade receivables are decreasing.

31 A trader wants to improve his gross margin.

How can this be done?

- A Reduce administrative expenses.
- B Reduce depreciation of equipment.
- C Reduce rate of cash discount allowed.
- D Reduce rate of trade discount allowed.

32 Zak has depreciated his machinery at the rate of 20% per annum using the straight-line method.

At 31 December 2018 the statement of financial position included:

	\$
machinery at cost	30 000
depreciation to date	<u>12 000</u>
	18 000

On 31 December 2019 Zak was considering calculating the annual depreciation at 20% per annum on the net book value of the machinery.

Which statement is correct?

- A depreciation would be \$3600 applying the consistency principle
 - B depreciation would be \$3600 applying the prudence principle
 - C depreciation would be \$6000 applying the consistency principle
 - D depreciation would be \$6000 applying the prudence principle
- 33 The financial statements of a business are prepared on the basis that it will continue to operate for many years into the future.

Which accounting principle is being applied?

- A business entity
 - B going concern
 - C money measurement
 - D realisation
- 34 When Marina opened a business she purchased a stapler for the office.

She recorded this as office expenses rather than as office equipment.

Which accounting principle did Marina apply?

- A consistency
- B historic cost
- C materiality
- D prudence

- 35 What is **not** an aim of international accounting standards?
- A to ensure accounting standards in different countries agree
 - B to establish an organisation to set standards in every country
 - C to make it easier to compare companies' financial statements
 - D to reduce the variety of accounting practices worldwide



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Cambridge IGCSE™

ACCOUNTING

0452/11

Paper 1

October/November 2020

MARK SCHEME

Maximum Mark: 35

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination.

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 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.



This document consists of **3** printed pages.

Question	Answer	Marks
1	D	1
2	B	1
3	A	1
4	A	1
5	C	1
6	A	1
7	C	1
8	D	1
9	D	1
10	A	1
11	A	1
12	B	1
13	B	1
14	A	1
15	C	1
16	B	1
17	A	1
18	B	1
19	C	1
20	D	1
21	B	1
22	B	1
23	D	1
24	A	1
25	B	1
26	A	1
27	D	1
28	D	1

Question	Answer	Marks
29	C	1
30	C	1
31	D	1
32	C	1
33	B	1
34	C	1
35	B	1





Cambridge IGCSE™

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NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/21

Paper 2 Structured Written Paper

October/November 2020

1 hour 45 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [].
- Where you are asked to complete a layout, you may not need all the lines for your answer.

This document has **20** pages. Blank pages are indicated.



- 1 Sariah owns a business selling ladies' clothing. She maintains a system of double entry bookkeeping.

The following occurred during September 2020.

- 1 Purchased a motor vehicle on credit from Sharpe Motors \$6350.
- 2 Ruhee, a credit customer, was declared bankrupt owing Sariah \$1200. The debt is to be written off.

REQUIRED

- (a) Prepare journal entries to record the above transactions. Narratives are **not** required.

Sariah
Journal

Details	Debit \$	Credit \$
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[4]

Sariah is preparing her financial statements for the year ended 30 September 2020. She provides the following information for fixtures and fittings.

2019		\$
October 1	Fixtures and fittings at cost	28 600
	Provision for depreciation of fixtures and fittings	6 185
2020		
January 31	Sold fixtures and received a cheque The fixtures had been purchased on 1 February 2018 for \$1500	1 150
March 31	Purchased new fixtures paying by cheque	3 500

Sariah's policy is to provide depreciation on fixtures and fittings at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase but none in the year of disposal.

REQUIRED

- (b) Prepare the following accounts for the year ended 30 September 2020. Close the accounts by balancing or by making an appropriate year end transfer.

Sariah
Fixtures and fittings account

Date	Details	\$	Date	Details	\$
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Provision for depreciation of fixtures and fittings account

Date	Details	\$	Date	Details	\$
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Disposal account

Date	Details	\$	Date	Details	\$
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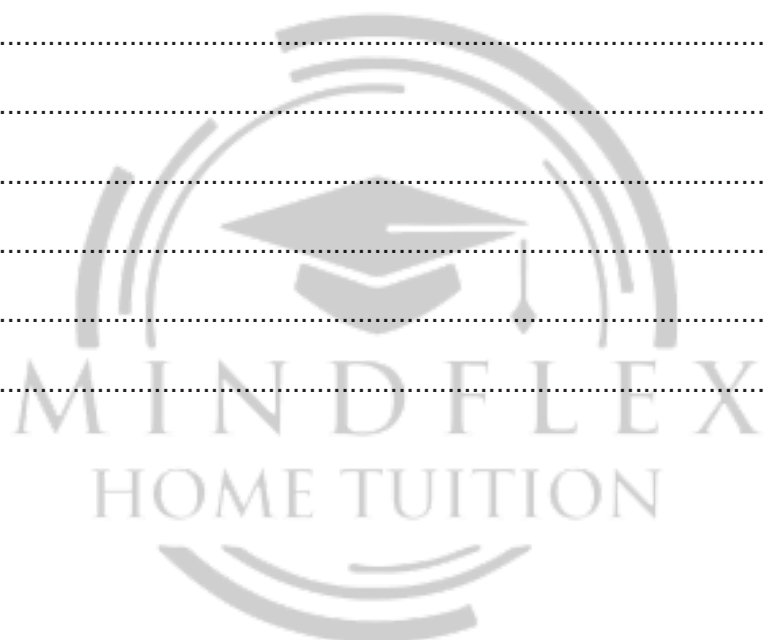
[11]

Sariah is considering forming a partnership with her friend Emy who runs a similar business.

REQUIRED

- (c) Advise Sariah whether or not she should form a partnership with Emy. Justify your answer with **two** advantages and **two** disadvantages of forming a partnership with Emy.

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[5]

[Total: 20]



Eniola is concerned that her bank balance has decreased significantly during the last year. She is considering how to improve her liquidity.

REQUIRED

(c) Suggest **one** effect of **each** of the following proposals.

(i) Hire new non-current assets instead of purchasing them.

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

(ii) Delay paying credit suppliers.

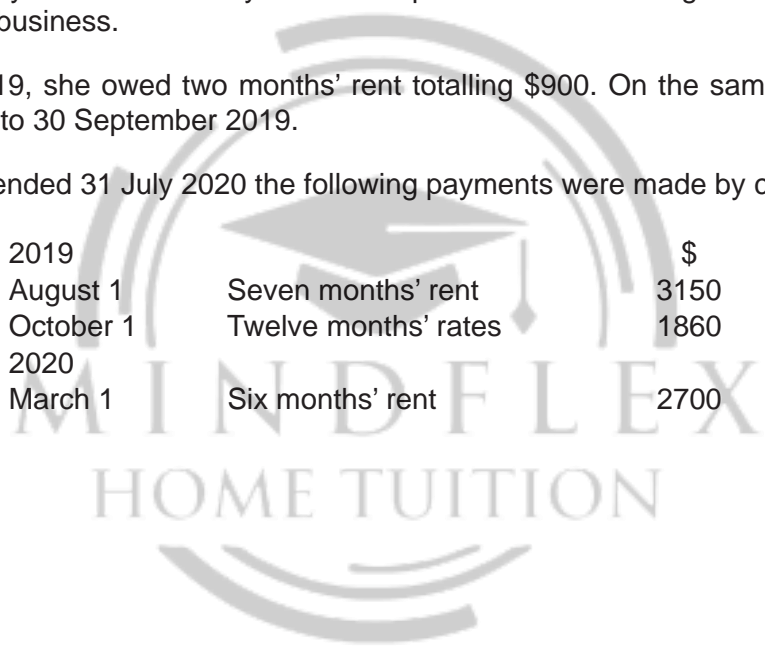
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..... [1]

Eniola's financial year end is 31 July 2020. She provided the following information about the rent and rates of her business.

On 1 August 2019, she owed two months' rent totalling \$900. On the same date, rates of \$260 were prepaid up to 30 September 2019.

During the year ended 31 July 2020 the following payments were made by credit transfer.

2019		\$
August 1	Seven months' rent	3150
October 1	Twelve months' rates	1860
2020		
March 1	Six months' rent	2700



REQUIRED

- (d) Prepare the rent and rates account for the year ended 31 July 2020. Balance the account and bring down the balances on 1 August 2020.

Eniola
Rent and rates account

Date 2019	Details	\$	Date 2019	Details	\$
Aug 1	<i>Balance (rates) b/d</i>	260	Aug 1	<i>Balance (rent) b/d</i>	900
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[6]

- (e) Identify the sections of the statement of financial position at 31 July 2020 in which **each** of the balances on the rent and rates account would appear.

Rent

Rates

[2]

- (f) (i) Name **one** accounting principle Eniola would apply when recording the rent and rates in her financial statements.

..... [1]

- (ii) State how Eniola would apply the accounting principle named in (f)(i).

.....

..... [1]

[Total: 20]



- 3 Haziq has not maintained full accounting records for his business.

Haziq provided the following information for the year ended 31 July 2020.

	At 1 August 2019	At 31 July 2020
	\$	\$
Bank loan	6 000	4 500
Inventory	8 400	?
Non-current assets at net book value	35 580	32 450
Rent prepaid	240	–
Trade payables	6 280	7 460
Wages accrued	–	610

Summary of bank account for the year ended 31 July 2020

Date	Details	\$	Date	Details	\$
2020			2019		
July 31	Sales receipts	166 000	Aug 1	Balance b/d	2 150
	Balance c/d	6 600	2020		
			July 31	Payments to credit suppliers	96 220
				Bank loan repayments	1 500
				Bank loan interest	300
				Rent	2 640
				Wages	41 400
				General expenses	10 890
				Drawings	17 500
		<u>172 600</u>			<u>172 600</u>

Additional information

- The gross margin was 40%.
- All sales were for cash and all cash received was banked.

(b) Advise Haziq whether or not he should maintain a double entry bookkeeping system for his business. Justify your answer with **two** advantages and **two** disadvantages.

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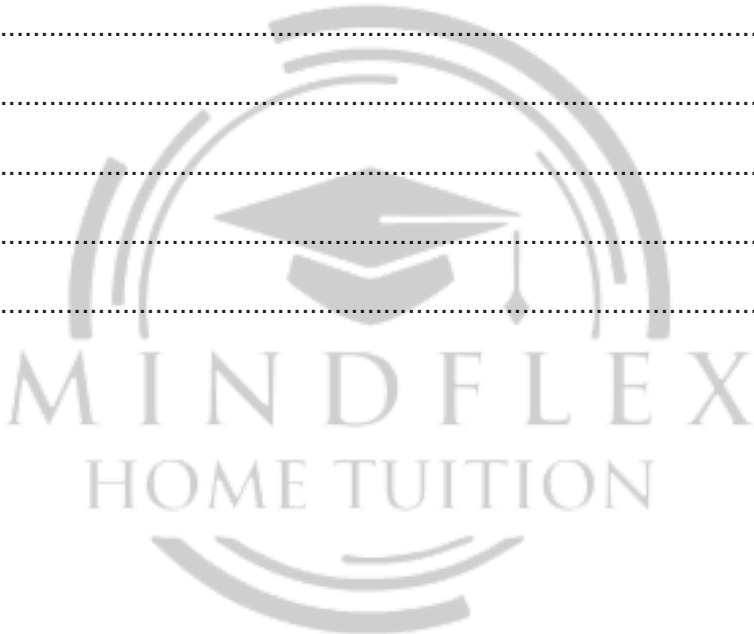
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[5]

[Total: 20]





4 The directors of DW Limited provided the following information at 30 September 2020.

	\$
6% debentures (2028)	18 000
Bank overdraft	6 450
Dividend paid	2 000
General reserve at 1 October 2019	6 500
Inventory at 30 September 2020	26 300
Issued share capital at 1 October 2019	200 000
Non-current assets at 30 September 2020	
Cost	462 000
Provision for depreciation	106 000
Other payables	2 200
Other receivables	1 600
Provision for doubtful debts at 1 October 2019	625
Retained earnings	73 475
Trade payables	8 250
Trade receivables	14 500

Additional information

A draft income statement for the year ended 30 September 2020 was prepared showing a profit of \$84 900.

The following errors were later discovered.

- 1 Inventory of \$26 300 included items valued at cost \$5 200 that needed repair. After repairs costing \$600, the items could be sold for \$5 000.
- 2 Operating expenses included insurance of \$400 that was prepaid at 30 September 2020.
- 3 The provision for doubtful debts should have been adjusted so that it equals 5% of trade receivables.

The directors decided to transfer \$5 000 to general reserve.

There was no change to the issued share capital during the year ended 30 September 2020.

REQUIRED

(a) Calculate the correct value of inventory at 30 September 2020.

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..... [2]

- (b) Calculate the revised profit for the year ended 30 September 2020 after adjusting for errors 1–3.

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..... [4]

- (c) Prepare the statement of changes in equity for the year ended 30 September 2020.

DW Limited
Statement of Changes in Equity for the year ended 30 September 2020

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2019
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.....
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On 30 September 2020

[5]

(d) Prepare the statement of financial position at 30 September 2020.

DW Limited
Statement of Financial Position at 30 September 2020

	\$	\$	\$
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[Total: 20]



- 5 Nazim owns a wholesale business and has prepared draft financial statements for the year ended 30 June 2020, his first year of trading.

After the preparation of these financial statements, some errors were discovered.

REQUIRED

- (a) Complete the table to indicate the **effect of each error** on the profit for the year and on working capital at 30 June 2020.

Write 'understated', 'overstated' or 'no effect'.

The first one has been completed as an example.

Error	Effect on profit for the year	Effect on working capital
Repairs to office equipment had been entered in the office equipment account.	<i>Overstated</i>	<i>No effect</i>
No adjustment had been made for insurance prepaid.		
An irrecoverable debt had not been written off.		
No record had been made of additional capital introduced in cash.		
Closing inventory had been overstated.		

[8]

After correcting the errors, Nazim compared his results with those of his brother Aziz, who has a similar business.

	Nazim	Aziz
Current ratio	1.71:1	2.12:1
Liquid (acid test) ratio	0.77:1	1.28:1
Return on capital employed	13.65%	15.25%

REQUIRED

- (b) Suggest **two** reasons for the differences in **each** ratio.

- (i) Current ratio

1

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2

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[2]

(ii) Liquid (acid test) ratio

1

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[2]

(iii) Return on capital employed (ROCE)

1

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2

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[2]

Nazim discovered that his rate of inventory turnover (times) was also lower than that of Aziz.

REQUIRED

(c) Suggest **one** reason for this difference.

.....

MIND FLEX

..... [1]

HOME TUITION

Nazim is concerned about the length of time his credit customers are taking to pay their accounts. He is considering operating a strict credit control policy requiring customers to pay within 30 days.

REQUIRED

- (d) Advise Nazim whether or not he should introduce this strict credit control policy. Justify your answer by providing **two** advantages and **two** disadvantages.

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[5]

[Total: 20]

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Cambridge IGCSE™

ACCOUNTING

0452/21

Paper 2

October/November 2020

MARK SCHEME

Maximum Mark: 100

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 2020 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **14** printed pages.

PUBLISHED**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:

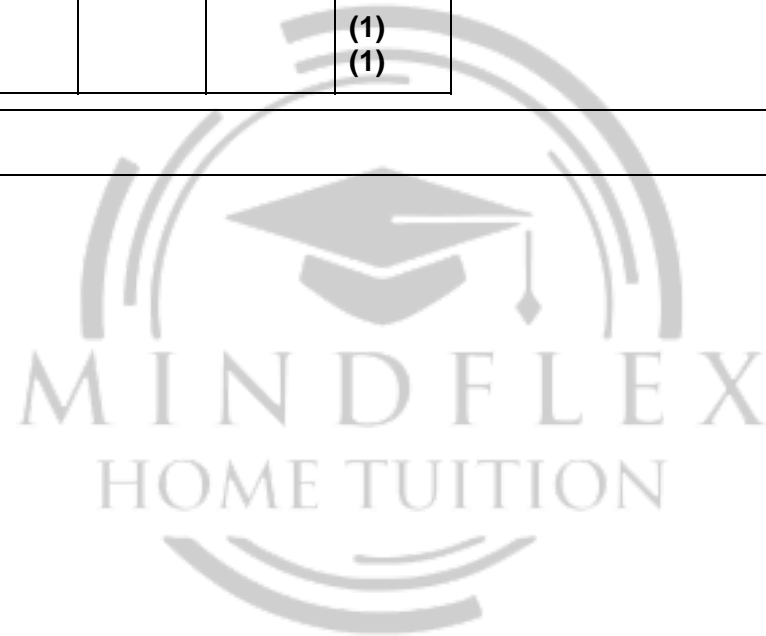
Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

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)	<p style="text-align: center;">Sariah Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Details</th> <th style="width: 15%;">Debit \$</th> <th style="width: 15%;">Credit \$</th> <th style="width: 35%;"></th> </tr> </thead> <tbody> <tr> <td>Motor vehicles</td> <td></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td style="padding-left: 20px;">Sharpe Motors</td> <td></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Irrecoverable debts</td> <td></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td style="padding-left: 20px;">Ruhee</td> <td></td> <td></td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table>				Details	Debit \$	Credit \$		Motor vehicles			(1)	Sharpe Motors			(1)	Irrecoverable debts			(1)	Ruhee			(1)	4
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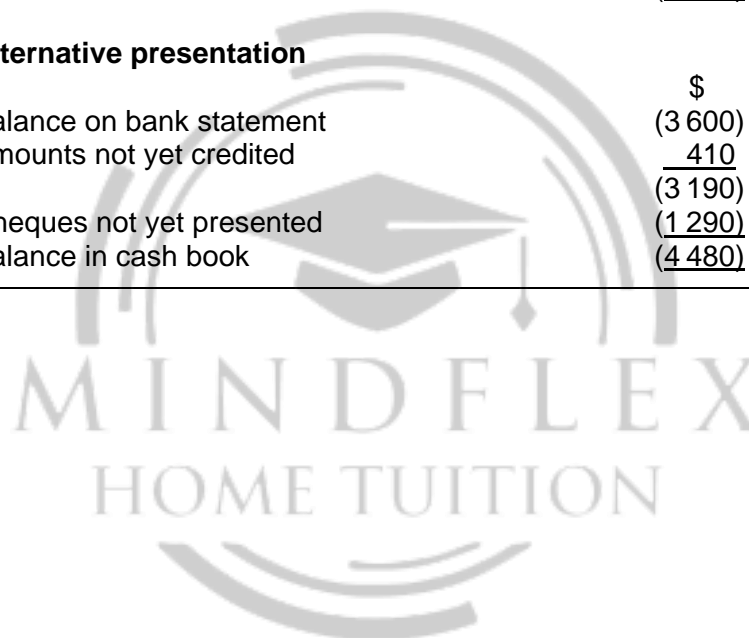


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2(a)	<table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">\$</td> <td></td> </tr> <tr> <td>Balance at 31 July 2020</td> <td style="text-align: right;">(3 420)</td> <td></td> </tr> <tr> <td>Direct debit payment</td> <td style="text-align: right;">(350)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Dishonoured cheque</td> <td style="text-align: right;">(665)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank charges</td> <td style="text-align: right;">(45)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Revised balance at 31 July 2020</td> <td style="text-align: right;"><u>(4 480)</u></td> <td style="text-align: right;">(1)OF</td> </tr> </table> <p>Accept alternative forms of presentation</p>		\$		Balance at 31 July 2020	(3 420)		Direct debit payment	(350)	(1)	Dishonoured cheque	(665)	(1)	Bank charges	(45)	(1)	Revised balance at 31 July 2020	<u>(4 480)</u>	(1)OF	4
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2(c)(i)	Do not have to pay the purchase price of these assets (1) Will pay a monthly/yearly hire charge which spreads the outlay (1) Will possibly have to pay more than the actual cost if hire for a long time (1) Will never own these assets (1) Possibly will not have any repair costs (1) There will be no depreciation charge (1) Accept other valid responses Max 1	1																																										
2(c)(ii)	Money will be retained in the business for longer (1) Money is available for other purposes (1) May not be able to obtain cash discount (1) May be charged interest on an overdue balance (1) May damage relationship with suppliers (1) Accept other valid responses Max 1	1																																										
2(d)	<p style="text-align: center;">Eniola Rent and rates account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 100px;">2019</td> <td style="width: 100px; text-align: right;">\$</td> <td style="width: 100px;">2019</td> <td style="width: 100px; text-align: right;">\$</td> </tr> <tr> <td>Aug 1 Balance (rates) b/d</td> <td style="text-align: right;">260</td> <td>Aug 1 Balance (rent) b/d</td> <td style="text-align: right;">900</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">3 150 }</td> <td>2020</td> <td></td> </tr> <tr> <td>Oct 1 Bank</td> <td style="text-align: right;">1 860 }</td> <td>Jul 31 Income statement</td> <td></td> </tr> <tr> <td>2020</td> <td style="text-align: right;">}(1)</td> <td>Rent 5400</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Mar 1 Bank</td> <td style="text-align: right;">2 700 }</td> <td>Rates 1810 (1)OF</td> <td style="text-align: right;">7 210</td> </tr> <tr> <td>Jul 31 Balance c/d</td> <td style="text-align: right;"><u>450</u></td> <td>Balance c/d</td> <td style="text-align: right;"><u>310</u></td> </tr> <tr> <td></td> <td style="text-align: right;">8 420</td> <td></td> <td style="text-align: right;">8 420</td> </tr> </table> </td> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 100px;">2020</td> <td style="width: 100px;"></td> <td style="width: 100px;">2020</td> <td style="width: 100px;"></td> </tr> <tr> <td>Aug 1 Balance (rates) b/d</td> <td style="text-align: right;">310 (1)</td> <td>Aug 1 Balance (rent) b/d</td> <td style="text-align: right;">450 (1)</td> </tr> </table> </td> </tr> </table> <p>+ (1) dates</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 100px;">2019</td> <td style="width: 100px; text-align: right;">\$</td> <td style="width: 100px;">2019</td> <td style="width: 100px; text-align: right;">\$</td> </tr> <tr> <td>Aug 1 Balance (rates) b/d</td> <td style="text-align: right;">260</td> <td>Aug 1 Balance (rent) b/d</td> <td style="text-align: right;">900</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">3 150 }</td> <td>2020</td> <td></td> </tr> <tr> <td>Oct 1 Bank</td> <td style="text-align: right;">1 860 }</td> <td>Jul 31 Income statement</td> <td></td> </tr> <tr> <td>2020</td> <td style="text-align: right;">}(1)</td> <td>Rent 5400</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Mar 1 Bank</td> <td style="text-align: right;">2 700 }</td> <td>Rates 1810 (1)OF</td> <td style="text-align: right;">7 210</td> </tr> <tr> <td>Jul 31 Balance c/d</td> <td style="text-align: right;"><u>450</u></td> <td>Balance c/d</td> <td style="text-align: right;"><u>310</u></td> </tr> <tr> <td></td> <td style="text-align: right;">8 420</td> <td></td> <td style="text-align: right;">8 420</td> </tr> </table>	2019	\$	2019	\$	Aug 1 Balance (rates) b/d	260	Aug 1 Balance (rent) b/d	900	Bank	3 150 }	2020		Oct 1 Bank	1 860 }	Jul 31 Income statement		2020	}(1)	Rent 5400	(1)OF	Mar 1 Bank	2 700 }	Rates 1810 (1)OF	7 210	Jul 31 Balance c/d	<u>450</u>	Balance c/d	<u>310</u>		8 420		8 420	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 100px;">2020</td> <td style="width: 100px;"></td> <td style="width: 100px;">2020</td> <td style="width: 100px;"></td> </tr> <tr> <td>Aug 1 Balance (rates) b/d</td> <td style="text-align: right;">310 (1)</td> <td>Aug 1 Balance (rent) b/d</td> <td style="text-align: right;">450 (1)</td> </tr> </table>	2020		2020		Aug 1 Balance (rates) b/d	310 (1)	Aug 1 Balance (rent) b/d	450 (1)	6
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2(f)(i)	Matching or prudence (1)	1
2(f)(ii)	Matching – the expense for the year is matched to the revenue for the year (1) OR Prudence – ensures that the profit for the year is not overstated (1)	1

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3(b)	<p>Advantages Enables easier production of financial statements (1) Enables greater accuracy of the financial records (1) Provides checks and balances to minimise possibility of fraud (1) Facilitates easier decision making/easier for reference/easier comparisons/better understanding of finances (1) Accept other valid responses Max (2)</p> <p>Disadvantages May be complex and harder to understand for the non-accountant (1) Time consuming (1) May be costly to set-up (1) Not all errors will be identified (1) Accept other valid responses Max (2)</p> <p>Recommendation (1)</p>	5



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5(b)(ii)	Aziz has less inventory (1) Aziz has higher current ratio (1)	2																		
5(b)(iii)	Aziz has higher profit for the year (1) Aziz has lower capital employed (1) Aziz has lower non-current liabilities (1) Max 2	2																		
5(c)	Nazim has lower sales (1) Nazim has higher inventory (1) Max 1	1																		

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