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1 **(a)** A

   (b) A

   (c) D

   (d) C

   (e) B

   (f) A

   (g) C

   (h) B

   (i) C

   (j) B

2 **(a)** capital at start of year **plus** profit for the year **plus** capital introduced **minus** drawings   **[1]**

   = capital at end of year **(1)**

   (b)

	Account(s) debited$		Account(s) credited$	
1	*Purchases*	*1 000*	*Pamela*	*1 000*
2	Delivery van	17 000 **(1)**	Bank AM Motors	12 000 **(1)** 5 000 **(1)**
3	Wages	250 **(1)**	Bank	250 **(1)**
4	Ali	960 **(1)**	Sales	960 **(1)**
5	Cash	110 **(1)**	Bank	110 **(1)**

   [9]

   (c) Transaction 3 **(1)**   **[1]**

(d) Transaction 4 **(1)** [2]

$360 **(1)**

(e) Transaction 5 **(1)** [1]

(f) capital employed = owner's capital + non-current liabilities **(1)** [1]

OR

capital employed = total assets – current liabilities **(1)**

(g) cash book **(1)** [1]

(h) general journal **(1)** [1]

(i)

	asset	liability	expense	income
premises	✓			
accrued wages		✓		
decrease in provision for doubtful debts				✓
bank loan		✓		
depreciation charge			✓	
carriage outwards			✓	

Any two items correct for **(1)** mark [3]

[Total: 20]

3 (a)

It contains details of the quantity and price of goods supplied.	False **(1)**
It shows the value of trade discount given.	False **(1)**
It shows the balance owing at the start of the period.	True **(1)**
It is sent to remind the customer of the amount owed.	True **(1)**

[4]

(b)

	Dilip	James
invoice	✓ **(1)**	
credit note	✓ **(1)**	
debit note		✓ **(1)**

[3]

(c) Dilip – sales returns journal **(1)**
James – purchases returns journal **(1)** **[2]**

(d) Invoice – when goods are sold **(1)**
Credit note – when goods are returned **(1)**
Statement of account – at end of the period, usually a month **(1)** **[3]**

(e)

Dilip
James account

2016		$		2016		$	
Mar 1	Balance b/d	300	**(1)**	Mar 3	Bank	291	**(1)**
6	Sales	496	**(1)**		Discount allowed	9	**(1)**
				13	Sales returns	144	**(1)**
				31	Balance c/d	352	
		796				796	
Apr 1	Balance b/d	352	**(1of)**				

+(1) for dates **[7]**

(f) Item – trade receivables **(1)**
Section – current assets **(1)** **[2]**

(g) For early payment **(1)** **[1]**

[Total: 22]

4 (a)

Name of accounting principle or policy	Explanation
Duality	*Every transaction has a two-fold aspect*
Prudence **(1)**	Profits should not be overstated
Money measurement **(1)**	Financial statements only include items which can be expressed in monetary terms
Going concern	Accounting assumes that a business will continue to operate indefinitely **(1)**
Business entity	A distinction is made between the financial transactions of a business and those of its owner(s) **(1)**
Reliability **(1)**	Accounting information should be free from error and bias
Consistency	The same accounting treatment should be applied to similar items at all times **(1)**

[6]

(b) different accounting policies
different locations
different capital structures
different type of business
different type of goods sold
different year end
non-monetary items
different size of business

Accept other reasonable answer

Any two for **(1)** mark each   [2]

(c)

User	Reason
Bank manager	To make decision regarding loan or overdraft **(1)**
Credit supplier	To ensure credit worthiness of customer **(1)** To establish credit limit **(1)**
Investor	To see the return on his investment **(1)**

Other reasonable answers accepted.

[3]

(d) Prime cost = direct materials **plus** direct labour **(1)** **plus** direct expenses **(1)**   **[2]**

(e)

	manufacturing account	income statement
depreciation of factory machinery	✓	
depreciation of delivery van		✓
royalties	✓	
factory rent	✓	
salesman's commission		✓
factory supervisor's salary	✓	
sales returns		✓
closing inventory of work in progress	✓	

(1) mark for any **two** items correct   **[4]**

(f) Items of production which are partial completed **(1)**   **[1]**

(g) Because a boat takes longer to make than a bread roll **(1)**   **[1]**

[Total: 19]

5 (a)

Rohinton
Cash book (bank columns only)

2016		$		2016		$	
Feb 1	Balance b/d	3 188	**(1)**	Feb 1	Insurance	720	**(1)**
					Balance c/d	2 468	
		3 188				3 188	
Feb 1	Balance b/d	2 468	**(1of)**				

[3]

(b)

Rohinton
Bank reconciliation statement at 31 January 2016

	$		$	
Balance per updated cash book **(1)**			2 468	**(1of)**
Add: unpresented cheques – Arun	402	**(1)**		
– Charles	780	**(1)**	1 182	
			3 650	
Less: uncredited deposit – Ling			(195)	**(1)**
Balance per bank statement **(1)**			3 455	**(1)**

OR

Rohinton
Bank reconciliation statement at 31 January 2016

	$		$	
Balance per bank statement **(1)**			3 455	**(1)**
Less: unpresented cheques – Arun	402	**(1)**		
– Charles	780	**(1)**	(1 182)	
			2 273	
Add: uncredited deposit – Ling			195	**(1)**
Balance per updated cash book **(1)**			2 468	**(1of)**

[7]

(c)

Rohinton
Statement of affairs at 31 January 2016

	$		$	
Non-current assets				
Fixtures and fittings – cost	4 000	**(1)**		
– depreciation4000 × 0.15 ÷ 12	(50)	**(1)**	3 950	
Current assets				
Inventory	1 211	**(1)**		
Trade receivable	70	**(1)**		
Other receivables – rent	2 000	**(1)**		
– insurance	660	**(1)**	2 660	
Bank	2 468	**(1of)**		
Cash	710	**(1)**	7 119	
Current liabilities				
Trade payable			(550)	**(1)**
Net assets			10 519	
Capital			10 519	**(1of)**

[10]

(d)

	$	
Capital – at 31 January 2016	10 519	**(1of)**
– at 1 January 2016	10 000	**(1)**
Profit for the month	519	**(1of)**

[3]

[Total: 23]

6 (a) Annual depreciation $3720 (1)

11 160 **(1)** / 3720 = 3 years **(1)** [3]

(b)

David and Harold
Income Statement for the year ended 31 March 2016

	$	$	
Revenue (sales)		142 000	**(1)**
Inventory at 1 April 2015	36 000		
Purchases	83 100		**(1)**
	119 100		
Inventory at 31 March 2016	26 800		
Cost of sales		92 300	**(1)**
Gross profit		49 700	**(1of)**
Depreciation	3 720		**(1of)**
Rent	12 000	**}**	
Wages	16 500	**}(1)**	
Other operating expenses	11 300	**(1)**	
		43 520	
Profit for the year		6 180	**(1of)**

[8]

(c)

David and Harold
Appropriation Account for the year ended 31 March 2016

		$	
Profit for the year		6 180	**(1of)**
Salary – David		(12 000)	**(1)**
		(5 820)	
Share of residual loss – David	(3 880)		
– Harold	(1 940)	(5 820)	**(1of)**

[3]

(d)

	$	
Salary	12 000	**(1of)**
Share of loss	(3 880)	**(1of)**
Total	8 120	**(1of)**

[3]

(e) Interest on drawings might encourage partners to reduce drawings. (1)　　　　[1]

(f) $\dfrac{49\,700}{142\,000}$ **(1of)** $\times \dfrac{100}{1} = 35\%$ **(1of)**　　　　[2]

(g) Cost of sales = [142 000 **(1)** × (1 – 0.45)**(1)**] = \$78 100 **(1)**

(36 000 + 83 100) **(1)** – 78 100 = 41 000 **(1)**

OR

	$	
Opening inventory	36 000	**}**
Purchases	83 100	**}(1)**
Cost of sales	(78 100)*	**(3)**
Expected closing inventory	41 000	**(1of)**

*142 000 **(1)** – 63 900 **(1)** = \$78 100 **(1)**　　　　[5]

(h) Any reasonable answer for (1) mark　　　　[1]

E.g. Theft, pilferage, damage, obsolescence, more/higher sales activity

[Total: 26]

ACCOUNTING		**0452/21**
Paper 2		**May/June 2016**
MARK SCHEME		
Maximum Mark: 120		

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1 (a)

Katie
Stationery account

Date 2015	Details		$	Date 2015	Details		$
May 1	*Balance b/d*		*182*	Dec 6	A1 Stationers	**(1)**	53
12	Cash	**(1)**	95	2016			
Nov 30	A1 Stationers	**(1)**	217	Apl 30	Income Statement	**(1)OF**	245
					Balance c/d		196
			494				494
2016							
May 1	Balance b/d	**(1)**	196				

A1 Stationers account

Date 2015	Details		$	Date 2015	Details		$
July 9	Bank	**(1)**	114	*May 1*	*Balance b/d*		*114*
Dec 6	Stationery	**(1)**	53	Nov 30	Stationery	**(1)**	217
2016							
Apl 30	Balance c/d		164				
			331				331
				2016			
				May 1	Balance b/d	**(1)OF**	164

Commission receivable account

Date 2015	Details		$	Date 2015	Details		$
May 1	*Balance b/d*		*1680*	Jun 16	Bank	**(1)**	1680
2016				Sep 10	Bank	**(1)**	1710
Apl 30	Income Statement	**(1)OF**		2016			
			3300	Apl 30	Balance c/d		1590
			4980				4980
2016							
May 1	Balance b/d	**(1)**	1590				

+ (1) dates **[14]**

(b) General/nominal ledger **(1)** **[1]**

(c) Current assets **(1)**
It is an amount owing to Katie, payable in the next 12 months **(1)** **[2]**

[Total: 17]

2 (a) (i) Cost is the purchase price of the goods plus any additional costs incurred in bringing the inventory to its present condition and position **(1)**

(ii) Net realisable value is the estimated receipts from the sale of the inventory less any costs of completing or selling the goods **(1)**   **[2]**

(b) Inventory should always be valued at the lower of cost and net realisable value
This is an application of the principle of prudence
Over-valuing the inventory causes the profit for the year to be overstated
Over-valuing the inventory causes the current assets to be overstated
Any 2 points (1) each   **[2]**

(c)

	overstated	understated
cost of sales	✓**(1)**	
profit for the year		✓**(1)**

[2]

(d) (i) Either $\dfrac{\text{cost of goods sold}}{\text{average inventory}}\Big\}$ **(1) whole formula**

Or $\dfrac{\text{average inventory}}{\text{cost of goods sold}}\Big\} \times \underline{365}$ **whole formula**   **[1]**

(ii) Either $\dfrac{49\ 900}{7500}\Big\}$ **(1) whole formula** = 6.65 times **(1)**

Or $\dfrac{7500}{49\ 900} \times \underline{365}$ **(1) whole formula** = 54.86 days = 55 days **(1)**   **[2]**

(e) Unsatisfied **(1)**
Or OF based on answer to (d) (ii)

Not selling goods as quickly as previously **(1)**
OR OF based on answer to (d) (ii)   **[2]**

(f) Reduce inventory levels
Increase sales activity
Only replace inventory when necessary
Any one point (1)   **[1]**

(g) (i) Cash represents the cash the trader possesses **(1)**
Bank represents an overdraft/what the trader owes the bank **(1)** [2]

(ii) Not enough money in the account
Cheque unsigned
Amount in words and figures disagree
Cheque undated/out of date
Takes account into unauthorised overdraft
Or other acceptable reason
Any two reasons (1) each [2]

(iii) Received **(1)** [1]

(iv) $\dfrac{15}{(585+15)} \times \dfrac{100}{1} = 2.50\%$ **(1)** [1]

(v) This is a contra entry **(1)**
Money was transferred from the cash into the bank **(1)** [2]

(vi) Debited **(1)** [1]

(vii) Cash balance $2 debit **(1)**
Bank balance $638 debit **(1)** [2]

[Total: 23]

3 (a)

Hillcrest Athletics Club
Café Income Statement for the year ended 30 April 2016

	$	$
Revenue		10 430 **(1)**
Less Cost of sales		
Opening inventory	790 **(1)**	
Purchases (7998 **(1)** + 1137 **(1)** – 1292 **(1)**)	7 843	
	8 633	
Less Closing inventory	850 **(1)**	7 783
Profit on café		2 647 **(1) OF**

[7]

(b)

	$
Subscriptions received	16 910 **(1)**
Add Opening prepayment	1 045 **(1)**
	17 955
Add Closing accrual	285 **(1)**
	18 240
Less Opening accrual	760 **(1)**
Subscriptions for the year	17 480 **(1) OF**

Alternative presentation acceptable [5]

(c)

Hillcrest Athletics Club
Income and Expenditure Account for the year ended 30 April 2016

		$	$
Income	Subscriptions		17 480 **(1) OF**
	Café profit		2 647 **(1) OF**
	Profit on sale of equipment (1059 – 956)		103 **(1)**
			20 230
Expenditure	Rent, rates & insurance (4860 **(1)** + 155 **(1)** – 180 **(1)**)	4 835	
	General expenses	14 794	
	Depreciation – equipment	2 445	22 074
Deficit			1 844 **(1) OF**

[9]

[Total: 21]

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4 (a) $19 360 – (4% × 80 000 **(1)**) = $16 160 **(1)**   [2]

(b) (i) $\dfrac{8000}{200\,000} \times \dfrac{100}{1} =$ 4% **(1)**   [1]

(ii) $\dfrac{(6250 + 5000)}{(200\,000 + 50\,000)} \dfrac{(1)}{(1)} \times \dfrac{100}{1} =$ 4.5% **(1)OF**   [3]

(c)

Nyeko Limited
Statement of Changes in Equity for the year ended 29 February 2016

	Ordinary share capital $	General reserve $	Retained earnings $	Total $	
On 1 March 2015	200 000	34 000	8 000	242 000	**(1)**
Share issue	50 000			50 000	**(1)**
Profit for the year			16 160	16 160	**(1)OF**
Dividend paid (for year ended 28 February 2015)			(8 000)	(8 000)	**(1)**
Dividend paid (for year ended 29 February 2016)			(6 250)	(6 250)	**(1)**
Transfer to general reserve		6 000	(6 000)		**(1)**
On 29 February 2016	250 000	40 000	3 910	293 910	**(1)**
	OF	**OF**	**OF**	**OF**	

[7]

(d) (i) $\dfrac{16\,160}{180\,200}$ **OF** $\times \dfrac{100}{1}$ **(1) OF whole formula** $= 8.97\%$ **(1)OF** [2]

(ii) Increase gross profit
Reduce expenses
Increase other income
Any 2 points (1) each [2]

(e) (i) $\dfrac{16\,160}{242\,000}$ **OF** $\times \dfrac{100}{1}$ **(1) OF whole formula** $= 6.68\%$ **(1)OF** [2]

(ii) Increase profit for the year
Increase efficiency
Use resources more efficiently
Or other suitable point
Any 2 points (1) each [2]

(f) Reduction in profit available for ordinary shareholders
Prior claim on the profits of the company
Prior claim on the assets of the company in the event of a winding-up
Or other suitable comment
Any 2 points (1) each [2]

[Total: 23]

5 **(a)**

<div align="center">

Samar
Provision for doubtful debts account

</div>

Date 2016		$	Date 2015	Details	$
Apl 30	Income statement **(1)** Balance c/d	38 436 474	May 1	Balance b/d **(1)**	474 ___ 474
			2016 May 1	Balance b/d **(1)OF**	436

+ (1) dates

[4]

(b)

<div align="center">

Samar
Extract from Statement of Financial Position at 30 April 2016

</div>

Current assets	$	$
Trade receivables	17 440	
Less Provision for doubtful debts	436 **(1)OF**	17 004 **(1)OF**

[2]

(c) A bad debt is an amount owing to a business which will not be paid by a credit customer **(1)**
A provision for doubtful debts is an estimate of the amount which a business will lose in the financial year because of bad debts **(1)** [2]

(d) Ensures that the profit for the year is not overstated **(1)**
Ensures that the trade receivables (current assets) are not overstated **(1)** [2]

(e) Accruals/matching **(1)** [1]

(f) 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
Invoice discounting/debt factoring
Any 2 points (1) each [2]

(g)

Samar
Journal

	Debit $	Credit $	
Bank	49		(1)
Bad debts recovered		49	(1)
Recovery of debt previously written off			(1)
Alternative presentation			
M Khan	49		}(1)
Bad debts recovered		49	}
Bank	49		}(1)
M Khan		49	
Recovery of debt previously written off			(1)

[3]

[Total: 16]

6 (a)

Wasim
Suspense account

Date 2016	Details	$	Date 2016	Details		$
Mar 31	Difference on trial balance **(1)**	495	Mar 31	Purchases	**(1)**	18
	Balance c/d	190		Petty cash	**(1)**	100
				Discount Alld	**(1)**	250
				Discount Recd	**(1)**	250
				Stationery	**(1)**	67
		685				685
			2016			
			Apl 1	Balance b/d	**(1)OF**	190

[7]

(b)

Wasim
Journal

Error number		Debit $	Credit $
2	DDE Limited	150	
	DEC Limited		150
	Correction of error – DDE Limited wrongly credited		
4	Motor repairs	283	
	Motor vehicles		283
	Correction of error – repairs wrongly debited		
5	Fixtures	4400	
	Office Supplies Company		4400
	Correction of reversal of entries		

Any TWO of the above journal entries **(1) debit entry**
(1) credit entry
(1) narrative

[6]

(c) Error of commission **(1)** [1]

(d)

error number	affects profit for the year	does not affect the profit for the year
1	✓	
2		✓**(1)**
3		✓ **(1)**
4	✓**(1)**	
5		✓**(1)**
6	✓**(1)**	
7	✓**(1)**	

[6]

[Total: 20]