MARK SCHEME for the October/November 2015 series

0452 ACCOUNTING

0452/11	Paper 1, maximum raw mark 120

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1 **(a)** B

 (b) A

 (c) D

 (d) D

 (e) B

 (f) A

 (g) C

 (h) B

 (i) A

 (j) C   **(1) each**

                                                                    [10]

2 (a) The book where transactions (and other entries) are first recorded. **(1)** [1]

(b) Cash book/petty cash book/sales journal/sales returns journal/purchases journal/purchases returns journal/general journal/returns inwards and returns outwards journals

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

(c)

	asset	liability	expense
fixtures and fittings	✓		
insurance			✓
bank overdraft		✓	
cash	✓		
trade payable		✓	
wages			✓
accrued electricity		✓	
Increase in provision for doubtful debts			✓
Unpaid commission receivable	✓		

(1) Mark for every two correct [4]

(d) Statement of financial position **(1)** [1]

Income statement **(1)** [1]

(e)

	Debit entry			Credit entry		
		$			$	
1	*Bank account*	*8 000*		*Capital account*	*8 000*	
2	Bank account	2 000	**(1)**	Loan account	2 000	**(1)**
3	(Delivery) Van account/ Motor vehicles account	5 200	**(1)**	A1 Motors account	5 200	**(1)**
4	Purchases account	3 700	**(1)**	Bank account	3 700	**(1)**
5	Rent account	1 000	**(1)**	Bank account	1 000	**(1)**
6	Petty cash/Cash	100	**(1)**	Bank account	100	**(1)**

[10]

(f)

   $ $

8 000

2 000   10 000 **(1)**

3 700

1 000

  100   (4 800) **(1)**

      5 200 **(1)**of

[3]

[Total: 22]

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3 (a) Raw materials **(1)** work in progress **(1)** finished goods/purchased finished goods **(1)**   **[3]**

(b) Lower of cost and net realisable value **(1)**   **[1]**

(c)

Account debited	Account credited
Drawings **(1)**	Purchases **(1)**

     [2]

(d) Business entity **(1)**   **[1]**

(e) To check for errors and omissions in his books of account
To check the errors in the bank statement
To identify stale cheques
To identify unpresented cheques
To identify amounts not credited
To calculate the correct bank balance in his cash book
To verify the balance in his cash book
To correct/amend his cash book

Any one for **(1)** mark   **[1]**

(f) A copy of the customer's account as it appears in the books of the bank **(1)**   **[1]**

(g) An item in the cash book not in the bank statement

Unpresented cheque/uncredited deposit/book-keeper error
Any one for **(1)** mark

An item in the bank statement not in the cash book.

Bank charges/bank interest/dishonoured cheque/standing order/credit transfer/direct debit/bank error/dishonoured cheque

Any one for **(1)** mark   **[2]**

     [Total: 11]

4 (a) An estimate **(1)** of the amount which will be lost **(1)** when debts go bad **(1)** which reduces the value of trade receivables **(1)**
Max 2   **[2]**

(b)

Samuel
Provision for doubtful debts account

2015		$		2014		$	
30 April	Income statement	70	**(1of)**	1 May	Balance b/d	450	**(1)**
	Balance c/d	<u>380</u>	**(1)**			<u>___</u>	
		<u>450</u>				<u>450</u>	
				2015			
				1 May	Balance b/d	380	**(1of)**

+(1) for dates

                                                                                                                [5]

(c) Below/after gross profit/after trading account/(on credit side) as other income.
Profit and loss section/(debit side) as an expense   **[1of]**

(d) Accruals/matching **(1)**
Prudence **(1)**   **[2]**

(e) Trade receivables **(1)**
Capital/profit **(1)**   **[2]**

                                                                                                              [Total: 12]

5 (a)

	$	
Trade receivables	700	**}**
Trade payables	(400)	**}(1)**
Inventory	1 100	**(1)**
Equipment at cost	15 700	**}**
Provision for depreciation of equipment	(4 100)	**} (1)**
Prepaid rent	250	**(1)**
Bank	2 100	**(1)**
Capital	15 350	**(1of)**

[6]

(b)

Nzita
Total trade receivables account

2014		$		2015		$	
Feb 1	Balance b/d	700	**(1)**	Jan 31	Bank/Cash	28 900	**(1)**
2015					Balance c/d	900	
Jan 31	Sales	29 100	**(1of)**				
		29 800				29 800	
2015							
Feb 1	Balance b/d	900	**(1of)**				

Nzita
Total trade payables account

2015		$		2014		$	
Jan 31	Bank/Cash	12 600	**(1)**	Feb 1	Balance b/d	400	**(1)**
	Balance c/d	650		2015			
				Jan 31	Purchases	12 850	**(1of)**
		13 250				13 250	
				2015			
				Feb 1	Balance b/d	650	**(1of)**

[8]

(c)

Nzita
Income Statement for the year ended 31 January 2015

	$		$	
Sales/Revenue			29 100	**(1of)**
Inventory 1 Feb 2014	1 100			
Purchases	12 850	**(1of)**		
	13 950			
Inventory 31 January 2015	1 400	**(1 for both)**		
Cost of sales			12 550	
Gross profit			16 550	**(1of)**
Rent 3100 **(1)** + (250–150) **(1)**	3 200			
Wages	5 200			
Sundry expenses	2 650			
Depreciation of equipment	1 680	**(1)**		
			12 730	
Profit for the year			3 820	**(1of)**

 + 1 for IAS terminology

[9]

(d)

Nzita
Statement of Financial Position (extract) at 31 January 2015

	$	
Capital at 1 Feb 2014	15 350	**(1of)**
Profit for the year	3 820	**(1of)**
	19 170	
Drawings	6 600	**(1)**
Capital at 31 January 2015	12 570	**(1of)**

[4]

(e) 16 550/29 100 **(1of)** $\times$ 100 = 56.87% **(1of)** [2]

(f) Lower selling prices
Introduction of trade discount
Sales promotions
Higher purchases prices not passed on to customers
Change in mix of goods sold
Higher cost of sales

Any two **(1of)** each [2]

[Total: 31]

6 (a) Capital **(1)**
Revenue **(1)**
Current **(1)**
Non-current **(1)**
Understated **(1)**
Overstated **(1)**   **[6]**

(b)

Error 2 **(1)**	Error of commission **(1)**
Error 4 **(1)**	Error of principle **(1)**

[4]

(c)

Error		Debit $	Credit $
1	Discount allowed Discount received Suspense Correction of misposting of discounts **(1)**	30 **(1)** 30 **(1)**	 60 **(1)**
2	Joanie Yolanda Correction of misposting of receipt of cash **(1)**	85 **(1)**	 85 **(1)**
3	Sales returns Suspense Correction of misposting of sales returns journal total **(1)**	10 **(1)**	 10 **(1)**
4	Stationery Office equipment Correction of revenue expenditure treated as capital expenditure **(1)**	150 **(1)**	 150 **(1)**

[13]

(d) Leroy
Suspense account

2015		$	2015		$	
Sept 30	Balance b/d	70 **(1of)**	Sept 30	Discount allowed and received	60	**(1of)**
				Sales returns	10	**(1of)**
		70			70	

[3]

(e)

	No effect	Increase $	Decrease $	$
Draft profit				5 170
Error 1			60 **(2)**	
Error 2	✓ **(1)**			
Error 3			10 **(2)**	
Error 4			150 **(2)**	
Corrected profit				4 950 **(1)OF**

Marks with figures: **1** for figure, **1** for direction

[8]

[Total: 34]

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1 (a)

Shahid Ayub
Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
2015		$	$	$	2015		$	$	$
Aug 1	Balance b/d **(1)**		50		Aug 1	Balance b/d			7150
24	Mariam Soliman **(1)**	13		507	9	El Nil Supply Company			
30	Sales **(1)**		3224			(dis cheque) **(1)**			362
31	Cash c **(1)OF**			3174	18	Drawings **(1)**			54
	Balance c/d			3885	31	Bank c **(1)**		3174	
						Balance c/d		100	
		13	3274	7566				3274	7566
2015 Sept 1	Balance b/d				2015 Sept 1	Balance b/d			
			100 **(1)**						3885 **(1)OF**

+ **(1) dates**   **[9]**

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(b) (i) $316 **(1)**

   (ii) Mariam Soliman **(1)** **[2]**

(c)

Transaction	Document		Book of prime (original) entry	
August 9 Goods	Sales invoice	**(1)**	Sales Journal	**(1)**
13 Returns	Credit note	**(1)**	Sales Returns Journal	**(1)**
24 Payment	Cheque (OR Paying in book)	**(1)**	Cash book	**(1)**

[6]

(d)

Mariam Soliman
Shahid Ayub Account

2015		$		2015			$	
Aug 13	Returns	24 **(1)**		Aug 1	Balance	b/d	520	
24	Bank/Cash	507 **(1)**		9	Purchases		340 **(1)**	
	Discount	13 **(1)**						
31	Balance c/d	316						
		860					860	
				2015				
				Sept 1	Balance	b/d	316 **(1)O/F**	

Three column running balance presentation acceptable

+**(1) for dates** **[6]**

[Total: 23]

2 (a)

Grace Zindi
Income Statement for the year ended 31 July 2015

	$		$
Income from Clients (28 500 **(1)** + 3400 **(1)**)			31 900
Commission receivable (7600 **(1)** + 250 **(1)**)			7 850
			39 750
Wages	21 600	**(1)**	
Rates and Insurance ((3900 **(1)** – 300 **(1)**) × ¾ **(1)**)	2 700		
General Expenses	990	**(1)**	
Heat and Light	710	**(1)**	
Provision for Doubtful Debts (1% × 3400)	34	**(1)**	
Depreciation motor vehicles (12 500 – 4500 **(1)** × 20% **(1)**)	1 600		
Depreciation office equipment (11 400 + 6900 **(1)** – 14 500 **(1)**)	3 800		31 434
Profit for the year			8 316 **(1)OF**

[16]

(b)

Grace Zindi
Capital Account

		$				$	
2015				2014			
31 July	Cash/Drawings	15 500	**(1)**	1 Aug	Balance b/d	85 000	**(1)**
	Rates & Insurance			2015			
	Drawings	900	**(1)**	31 July	Profit	8 316	**(1)OF**
	Balance c/d	76 916					
		93 316				93 316	
				2015			
				1 Aug	Balance b/d	76 916	**(1)OF**

+**(1) For dates**

Three column running balance presentation acceptable [6]

(c) Revenue for the year is matched against the costs of the same period **(1)**
Example
Either Insurance prepaid at year-end was deducted
Or   Commission receivable outstanding at year-end was added
Or   Amount owing from clients at year-end was added **(1)**

[2]

(d) The business is treated as being separate from the owner **(1)**
Example
The proportion of rates and insurance relating to the owner's flat was excluded from the business expenses **(1)**

[2]

[Total: 26]

3 (a) Physical deterioration
       Economic reasons
       Passage of time
       Depletion
       Any 2 reasons (1) each   **[2]**

   (b) The depreciation is calculated on the net cost price **(1)** and the same amount is written off
        each year **(1)**   **[2]**

   (c) The same percentage is written off each year **(1)** but it is calculated on the net book value of
        the asset **(1)**   **[2]**

   (d) Ensures that non-current assets are shown at more realistic values **(1)**
        Ensures that the profit for the year is not overstated **(1)**   **[2]**

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

(f) (i)

Natasha Salim
Machinery Account

		$					$
2013				2014			
Oct 1	Bank	4 000	**(1)**	Sept 30	Balance c/d		10 000
2014							
Jan 1	ABC Machines	6 000	**(1)**				
		10 000					10 000
2014				2015			
Oct 1	Balance b/d	10 000	**(1)OF**	Feb 1	Disposal	4 000	**(1)**
				Sept 30	Balance c/d	6 000	
		10 000					10 000
2015							
Oct 1	Balance b/d	6 000	**(1)OF**				

(ii)

Provisions for depreciation of machinery account

2014		$		2014		$	
Sept 30	Balance c/d	2 000		Sept 30	Income Statement 800**(1)** + 1200 **(1)**	2 000	
		2 000				2 000	
2015				2014			
Feb 1	Disposal	800	**(1)**	Oct 1	Balance b/d	2 000	**(1)OF**
Sept 30	Balance c/d	2 160		2015			
				Sept 30	Income Statement	960	**(1)**
		2 960				2 960	
				2015			
				Oct 1	Balance b/d	2 160	**(1)OF**
							(2)CF

Three column running balance presentation acceptable

[12]

(g)

	$	
Proceeds of Sale	2 100	
Provision for depreciation	800	**(1)OF**
	2 900	
Less Cost Price	4 000	**(1)**
Profit/Loss **(1)** on disposal	1 100	**(1)OF**

Accept alternative formats   [4]

[Total: 25]

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4 (a)

Moses and Tobias Lyambo
Corrected Statement of Financial Position at 31 October 2015

	$	$	$	
Assets				
Non-current assets				
Premises at cost			80 000	
Fixtures and Equipment at book value				
(24 80 – 3100)			21 700	(1)
			101 700	(1)
Current Assets				
Inventory			6 950	
Trade Receivable		5 200		
Provision for doubtful debts		130 (1)	5 070	
Bank (1500 – 70)			1 430	(1)
Cash			500	(1)
			13 950	(1)OF
Total assets			115 650	

Capital and liabilities

	M Iyambo	T Iyambo	Total	
Capital Accounts	65 000	35 000	100 000	(1)
Current Accounts				
Balance	(2 000)	3 500 (1)		
Share of Profit	9 000	9 000 (1)		
	7 000	12 500		
Drawings	8 000	5 500 (1)		
	1 000 (1)	7 000 (1)	6 000	(1)OF
			106 000	(1)OF
Current liabilities				
Trade Payables			8 520	
Other Payables			1 130	(1)
			9 650	(1)
Total Liabilities			115 650	

Accept current account calculations outside statement

[16]

(b) Introduce more capital
Obtain long-term loan
Mortgage premises
Or other suitable way
Any two ways (1) each **[2]**

(c) Introduce more capital
Obtain long-term loan
Mortgage premises
Or other suitable way
Any two ways (1) each [2]

(d)

	Increase	Decrease	No effect
Sale of surplus equipment	✓(1)		
Delay payment to credit suppliers			✓(1)
Paying surplus cash into bank			✓ (1)
Writing off a bad debt		✓ (1)	

[4]

[Total: 24]

5 (a)

Kelbrook Limited
Extract from Statement of Financial Position at 30 September 2015

	$	
Equity and Reserves		
Ordinary Share Capital	90 000	**(1)**
General Reserve (4000 **(1)** + 2000 **(1)**	6 000	
Retained Earnings (5500 **(1)** + 2500 **(1)**))	8 000	
	104 000	

[5]

(b)

	Current ratio
Workings (5100 + 8500) : (6100 + 4300 + 1400) 13 600 : 11 800 **(1)**	Answer to **two** decimal places 1.15 : 1 **(1)**

	Quick ratio
Workings 8500 : (6100 + 4300 + 1400) 8500 : 11 800 **(1)**	Answer to **two** decimal places 0.72 : 1 **(1)**

	Return on capital employed (ROCE)
Workings $\dfrac{9000}{90\,000 + 6000 + 8000}$**(1)** $\times \dfrac{100}{1}$ OR $\dfrac{9000}{102\,200 + 13\,600 - 11\,800}$**(1)** $\times \dfrac{100}{1}$	Answer to **two** decimal places 8.65% **(1)**

[6]

(c) Ratio has fallen
Current assets only just cover the current liabilities
May have problems in meeting debts when they fall due
Is below the generally-accepted "benchmark"
Or other suitable comments based on answer to (b)
Any 2 points (1) each [2]

(d) Change from positive bank balance to overdraft/increase in overdraft/reduction in bank balance
Increased expenditure on inventory/increase in inventory
Purchase of non-current assets
Repayment of long-term loan
Increase in current liabilities
Decrease in trade receivables
Any 1 reason (1) [1]

(e) Increase the profit
Reduce the capital employed
Any 2 reasons (1) each [2]

(f) **(i)** $\dfrac{8500}{45000} \times \dfrac{365}{1}$ **(1)** $= 69$ days **(1)** [2]

   (ii) On average credit customers are taking 9 days more than is allowed
This may affect the ability of the business to pay current liabilities
This may affect the ability of the business to take advantage of opportunities when they arise
Or other suitable comments based on answer to (f)(i)
Any 2 points (1) each [2]

(g) On average are taking 22 days more than is allowed to pay credit suppliers
This may be caused by the credit customers taking too long to pay
May result in further supplies being refused
Or other suitable points
Any 2 points (1) each [2]

[Total: 22]