Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/11**

Paper 1 **October/November 2017**

MARK SCHEME

Maximum Mark: 120

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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Question	Answer	Marks
1(a)	D	**1**
1(b)	C	**1**
1(c)	B	**1**
1(d)	C	**1**
1(e)	C	**1**
1(f)	A	**1**
1(g)	D	**1**
1(h)	B	**1**
1(i)	B	**1**
1(j)	A	**1**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>The amount owed by the business to the owner.
The funds put into the business/contributed by the owner (plus profits net of drawings).
Any one for (1) mark</td><td>1</td></tr>
<tr><td>2(b)</td><td>
<table>
<tr><td></td><td>Principle</td></tr>
<tr><td>A trader withdraws goods for his own use and records this in the drawings account.</td><td>Business entity (1)</td></tr>
<tr><td>A book-keeper writes off debts which will not be paid to the business.</td><td>Prudence/accruals (matching) (1)</td></tr>
<tr><td>An accountant does not include staff morale as an asset in the statement of financial position.</td><td>Money measurement (1)</td></tr>
<tr><td>A business uses the double entry system of book-keeping to record transactions.</td><td>Duality (1)</td></tr>
</table>
</td><td>4</td></tr>
<tr><td>2(c)</td><td>Nominal (general) ledger</td><td>1</td></tr>
<tr><td>2(d)</td><td>(Limited) company</td><td>1</td></tr>
<tr><td>2(e)</td><td>Items which a business owns or which are owed to the business are known as ASSETS.</td><td>1</td></tr>
<tr><td>2(f)</td><td>
<table>
<tr><td>document</td><td>reason for issue</td><td>name of person issuing document</td></tr>
<tr><td>invoice</td><td>to record goods sold on credit</td><td>Jake</td></tr>
<tr><td>debit note</td><td>to ask for reduction in invoice (1)</td><td>Rashida (1)</td></tr>
<tr><td>credit note</td><td>to accept request for reduction in invoice (1)</td><td>Jake (1)</td></tr>
<tr><td>statement of account</td><td>to summarise transactions for the month (1)</td><td>Jake (1)</td></tr>
</table>
</td><td>6</td></tr>
</table>

Question	Answer	Marks
2(g)	<table><tr><td></td><td>True or False</td></tr><tr><td>Work in progress may appear in Jake's manufacturing account.</td><td>True **(1)**</td></tr><tr><td>Prime cost appears in Jake's income statement.</td><td>False **(1)**</td></tr><tr><td>Jake's business is a service business.</td><td>False **(1)**</td></tr></table>	**3**

Question	Answer	Marks
3(a)	A bank statement is a copy of the customer's account as it appears in the books of the bank.	**1**
3(b)	Kang-Dae Cash book (bank columns only) 2017 | | $ || 2017 | | $ June 1 Balance b/d 1 310 **(1)** || June 1 Bank charges 60 **(1)** Nigel 540 **(1)** || Rent 1 000 **(1)** Insurance (error) 320 **(1)** || Electricity 400 **(1)** || Balance c/d 710 2 170 || 2 170 June 1 Balance b/d 710 **(1)OF**	**7**
3(c)	Kang-Dae Bank reconciliation statement at 1 June 2017 $ Balance per cash book **(1)** 710 **(1)OF** Add unpresented cheque 700 **(1)** 1 410 Less uncredited deposit 620 **(1)** Balance per bank statement **(1)** 790 **(1)** OR Kang-Dae Bank reconciliation statement at 1 June 2017 $ Balance per bank statement **(1)** 790 **(1)** Add uncredited deposit 620 **(1)** 1 410 Less unpresented cheque 700 **(1)** Balance per cash book **(1)** 710 **(1)OF**	**6**

Question	Answer	Marks
3(d)	A loan is of fixed amount but an overdraft is of varying amount. A loan is for a fixed term but an overdraft may be paid back at any time. A loan may require security but an overdraft may be unsecured. A loan may have a fixed rate of interest but an overdraft will have a variable rate. Any two for **(1)** each	**2**
3(e)	Non-current liabilities	**1**

Question	Answer	Marks
4(a)	$\frac{(17\,040 - 12\,780)\ \mathbf{(1)}}{42\,600\ \mathbf{(1)}} \times 100 = 10\%$ **(1)OF**	**3**
4(b)	1 May 2015: Cash book **(1)** 1 August 2016: 1 Nominal (general) journal **(1)** 2 Cash book **(1)**	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>
<table>
<tr><th></th><th>workings</th><th>$</th></tr>
<tr><td>fixtures and fittings at cost on 31 December 2015</td><td>42 600 + 12 000</td><td>54 600
(1)</td></tr>
<tr><td>fixtures and fittings at cost on 31 December 2016</td><td>54 600 (OF) – 10 000</td><td>44 600
(1)OF</td></tr>
<tr><td>depreciation charge for the year ended 31 December 2015</td><td>(54 600 (OF) × 10%) (1)OF</td><td>5 460
(1)OF</td></tr>
<tr><td>accumulated depreciation at 31 December 2015</td><td>17 040 + 5 460 (1)OF</td><td>22 500
(1)OF</td></tr>
<tr><td>depreciation charge for the year ended 31 December 2016</td><td>(44 600 (OF) × 10%) (1)OF</td><td>4 460
(1)OF</td></tr>
<tr><td>accumulated depreciation at 31 December 2016</td><td>22 500 (1)OF + 4 460 (1)OF – 4 000 (1)</td><td>22 960
(1)OF</td></tr>
</table>
</td><td>12</td></tr>
<tr><td>4(d)</td><td>
<table>
<tr><th>debit entry</th><th>credit entry</th></tr>
<tr><td>income statement (1)</td><td>provision for depreciation of fixtures and fittings account (1)</td></tr>
</table>
</td><td>2</td></tr>
<tr><td>4(e)</td><td>
<table>
<tr><th>debit entry</th><th>credit entry</th></tr>
<tr><td>provision for depreciation of fixtures and fittings account (1)</td><td>disposal account (1)</td></tr>
</table>
</td><td>2</td></tr>
<tr><td>4(f)</td><td>Reducing (diminishing) balance method (1)
Annual percentage rate (1) is applied to the net book value (1) of the asset.
OR
Revaluation method (1)
The difference between the opening and closing valuations is taken (1) and adjusted for any purchases or disposals (1)</td><td>3</td></tr>
</table>

Question	Answer	Marks
4(g)	<table><tr><td></td><td>capital expenditure</td><td>revenue expenditure</td></tr><tr><td>cost of vehicle</td><td>✓ **(1)**</td><td></td></tr><tr><td>number plates</td><td>✓ **(1)**</td><td></td></tr><tr><td>fuel</td><td></td><td>✓ **(1)**</td></tr><tr><td>insurance of vehicle</td><td></td><td>✓ **(1)**</td></tr></table>	**4**
4(h)	Capital introduced Receipt of loan Proceeds of sale of non-current asset Any one for **(1)** mark	**1**

Question	Answer	Marks
5(a)	Satish Suspense account	4

2017		$		2017		$	
Jun 30	Drawings	2 000	**(1)**	Jun 30	Balance b/d	3 900	**(1)**
	Capital	2 000	**(1)**		Purchases	100	**(1)**
		4 000				4 000	

Question	Answer	Marks
5(b)(i)	Satish Statement of correction of gross profit for the year ended 30 June 2017	8

	No Effect	Increase $	Decrease $	$
Draft gross profit				*20 000*
Error 1		400 **(2)**		
Error 2			550 **(2)**	
Error 3			100 **(2)**	
Error 4	✓ **(1)**			
		400	650	(250)
Corrected gross profit				19 750 **(1)OF**

*(2 marks) = (1) for right column, and second mark for correct amount

Question	Answer	Marks
5(b)(ii)		5

	$		$	
Corrected gross profit			19 750	**(1)OF**
Rent	6 000			
Wages	2 800			
Other operating expenses	4 180	**(2)***		
Depreciation	1 500	**(1)**	14 480	
Profit for the year			5 270	**(1)OF**

*2 marks for all three components, 1 mark for two components

Question	Answer	Marks
5(c)	Satish Statement of Financial Position at 30 June 2017	10

	$ Cost	$ Accumulated depreciation	$ Net book value	
Non-current assets				
Fixtures and fittings	12 000 **(1)**	4 500 **(1)**	7 500	
Current assets				
Inventory (4 620 – 550)			4 070	**(1)**
Trade receivables (3 100 + 400)			3 500	**(1)**
			7 570	
Total assets			15 070	
Capital at 1 July 2016			14 200	**(1)**
Capital introduced			2 000	**(1)**
Profit			5 270	**(1)OF**
			21 470	
Drawings			8 900	**(1)**
Capital at 30 June 2017			12 570	
Current liabilities				
Trade payables			1 900	**(1)**
Bank			600	**(1)**
Total liabilities			2 500	
			15 070	

Accept alternative presentation

Question	Answer	Marks
6(a)	A business in which two or more people work together as owners.	**1**
6(b)	Amina and Samara Appropriation Account for the year ended 30 June 2017 | | | $ | $ | | Profit for the year | | | 17 500 | | Interest on capital | – Amina | 5 500 | | **(1)** | – Samara | 2 000 | | **(1)** | | | 7 500 | | | | | 10 000 | | Share of profit | – Amina | 6 000 | | **(1)OF** | – Samara | 4 000 | | **(1)OF** | | | 10 000 | |	**4**

Question	Answer	Marks
6(c)	Amina and Samara Capital accounts Date | Details | Amina $ | Samara $ || Date | Details | Amina $ | Samara $ 2017 Jun 30 | Balance c/d | 60 000 | 20 000 || 2016 Jul 1 | Balance b/d | 50 000 | 20 000 **(1)** ||||| 2017 Jan 1 | Cash | 10 000 | **(1)** || | 60 000 | 20 000 || | | 60 000 | 20 000 ||||| 2017 Jul 1 | Balance b/d | 60 000 | 20 000 **(1) OF**	**3**
	Current accounts Date | Details | Amina $ | Samara $ || Date | Details | Amina $ | Samara $ 2017 Jun 30 | Drawings | 8 000 | 12 000 **(1)** || 2016 Jul 1 | Balance b/d | 4 000 | 3 000 **(1)** | Balance c/d | 7 500 | || 2017 Jun 30 | Interest on capital | 5 500 | 2 000 **(1of)** ||||| | Share of profit | 6 000 | 4 000 **(1of)** ||||| | Balance c/d | | 3 000 || | 15 500 | 12 000 || | | 15 500 | 12 000 Jul 1 | Balance b/d | | 3 000 || Jul 1 | Balance b/d | 7 500 | **(1of)** **Where appropriate mark is for both entries**	**5**
6(d)	Profit for the year would be lower by the amount of the loan interest. **(1)** Interest on capital would be lower by the interest on the additional capital. **(1)** Shares of profit might be higher or lower depending on rate of loan interest. **(1)** **Max 2**	**2**

Question	Answer	Marks
6(e)	Samara has a debit balance on her current account **(1)** which means that she owes funds to the business. **(1)** Samara's drawings are greater than her total allocation of profit, **(1)** which means she is reducing the capital of the business. **(1)** The partnership agreement could be amended **(1)** to introduce a partner's salary/interest on drawings/change in the profit sharing ratio. **(1)** Amina has had to introduce additional capital **(1)** in order to run the day to day business/cover what Samara has taken as drawings. **(1)** One mark for basic point, plus one for development to **max 4**	**4**

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ACCOUNTING **0452/21**

Paper 2 **October/November 2017**

MARK SCHEME

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Question	Answer	Marks
1(a)		**15**

Brian account

		$			$	
2016			2017			
Aug 1	*Balance b/d*	*1 000*	July 31	Cash	720	**(1)**
				Bad debts	280	**(1)**
		1 000			1 000	

Bad debts account

		$				$	
2017				2017			
July 31	*Total to date*	*990*		July 31	Income		
	Brian	280	**(1)**		Statement	1 270	**(1)OF**
		1 270				1 270	

Bad debts recovered account

		$				$	
2017				2017			
July 31	Income			July 31	Bank		
	Statement*	118	**(1)**		(AL Stores)	118	**(1)**
		118				118	

* Alternately accept transfer to bad debts account and net transfer from bad debts to income statement

Rent account

		$				$	
2017				2017			
July 31	*Total paid*	*5 200*		July 31	Balance c/d	400	
					Drawings	1 200	**(1)**
					Income Statement	3 600	**(1)OF**
		5 200				5 200	
2017							
Aug 1	Balance b/d	400	**(1)**				

Drawings account

		$				$	
2017				2017			
July 31	*Total to date*	*9 650*		July 31	Capital	10 850	**(1)OF**
	Rent	1 200	**(1)OF**				
		10 850				10 850	

Commission receivable account

		$				$
2017				*2017*		
July 31	Income			*July 31*	*Total to date*	*890*
	Statement	1 040	**(1)**		Balance c/d	150
		1 040				1 040
2017						
Aug 1	Balance b/d	150	**(1)**			

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Provision for depreciation of office fixtures account
<table>
<tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr>
<tr><td>2017
July 31 Balance c/d</td><td>15 435</td><td>2016
Aug 1</td><td>
Balance b/d</td><td>
11 100</td><td></td></tr>
<tr><td></td><td></td><td>2017
July 31</td><td>
Income Statement</td><td>
4 335</td><td>
(1)</td></tr>
<tr><td></td><td>15 435</td><td></td><td></td><td>15 435</td><td></td></tr>
<tr><td></td><td></td><td>2017
Aug 1</td><td>
Balance b/d</td><td>
15 435</td><td>
(1)OF</td></tr>
</table></td><td></td></tr>
<tr><td>1(b)</td><td>An estimate (1) of the amount which a business will lose/be unable to collect in a financial year because of bad debts (1)</td><td>2</td></tr>
<tr><td>1(c)</td><td>Percentage of the total amount owing by credit customers
Estimating which individual credit customers will not pay their accounts
Considering the length of time the debts have been outstanding
Estimate, based on experience, of amount lost each year from bad debts
Any 1 point (1)</td><td>1</td></tr>
<tr><td>1(d)</td><td><table>
<tr><td>debit</td><td>credit</td></tr>
<tr><td>Income statement (1)</td><td>Provision for doubtful debts (1)</td></tr>
</table></td><td>2</td></tr>
<tr><td>1(e)</td><td>The profit for the year is not overstated (1)
The trade receivables (current assets) are not overstated/shown at more realistic value (1)</td><td>2</td></tr>
<tr><td>1(f)</td><td>The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)</td><td>2</td></tr>
<tr><td>1(g)</td><td>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</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>
<table>
<tr><th></th><th>debit</th><th>credit</th><th>no entry</th></tr>
<tr><td>opening balance owed by credit customers</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>credit sales</td><td>✓(1)</td><td></td><td></td></tr>
<tr><td>cash sales</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>provision for doubtful debts</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>bad debts written off</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>cash discount allowed to credit customers</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>trade discount allowed to credit customers</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>contra between sales and purchases ledger</td><td></td><td>✓(1)</td><td></td></tr>
<tr><td>cash received from credit customers</td><td></td><td>✓(1)</td><td></td></tr>
</table>
</td><td>9</td></tr>
<tr><td>2(b)</td><td>
<table>
<tr><th></th><th>book of prime (original) entry</th></tr>
<tr><td>returns to credit suppliers</td><td>purchases returns journal (1)</td></tr>
<tr><td>discount received</td><td>cash book (1)</td></tr>
<tr><td>interest charged by credit supplier</td><td>journal (1)</td></tr>
<tr><td>contra entry to sales ledger control account</td><td>journal (1)</td></tr>
</table>
</td><td>4</td></tr>
<tr><td>2(c)(i)</td><td>An entry which appears on the debit side of the purchases ledger control account and the credit of the sales ledger control account (1)</td><td>1</td></tr>
<tr><td>2(c)(ii)</td><td>It is made when a sales ledger account is set off against a purchases ledger account of the same person/business (1)</td><td>1</td></tr>
<tr><td>2(d)</td><td>Overpayment of the amount owing
Failure to deduct cash discount due
Goods returned after account settled
Payment made in advance
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>2(e)(i)</td><td>$\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ } whole formula (1)</td><td>1</td></tr>
<tr><td>2(e)(ii)</td><td>$\frac{20\,520}{186\,700} \times \frac{365}{1}$ } whole formula (1)
= 40.11 = 41 days (1)</td><td>2</td></tr>
<tr><td>2(f)</td><td>Offer cash discount for prompt payment
Charge interest on overdue accounts
Improve credit control/send invoices or statements promptly
Refuse further supplies until outstanding balance paid
Invoice discounting and debt factoring
Any 2 points (1) each</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(g)	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ **} whole formula (1)**	1
2(h)	Will not be pleased May refuse further supplies May charge interest May issue stern reminders/threaten legal action **Or other suitable comment** **Any 2 comments (1) each**	2

Question	Answer	Marks
3(a)	see below	5

	$		$	
Subscriptions received			12 540	**(1)**
Add Subscriptions outstanding at year end			240	**(1)**
			12 780	
Less Subscriptions prepaid at year end	180	**(1)**		
Subscriptions outstanding at start of year	600	**(1)**	780	
Subscriptions for the year			12 000	**(1)**

Accept alternative presentation

Question	Answer	Marks
3(b)	see below	9

AS Sports Club
Income and Expenditure Account for the year ended 30 September 2017

	$	$		$	
Income					
Subscriptions				12 000	**(1)OF**
Profit on shop – revenue		3 510			
– less purchases		2 410		1 100	**(1)**
				13 100	
Expenditure					
Rates and insurance (1500 **(1)** + 60 **(1)**)		1 560			
Open day – expenses	5 250				
less receipts	4 180	1 070	**(1)**		
Rent		1 800	**}(1)**		
General expenses		2 640	**}**		
Loan interest (5% × 7 000)		350	**(1)**		
Depreciation of Equipment ((22 000 + 8 000) × 20%)		6 000	**(1)**	13 420	
Deficit				320	**(1)OF**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>
AS Sports Club
Statement of Financial Position at 30 September 2017
<table>
<tr><td></td><td>$</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Assets</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Non-current assets</td><td>Cost</td><td>Accumulated depreciation</td><td>Book value</td><td></td></tr>
<tr><td>Equipment</td><td>30 000</td><td>10 400 (1)OF</td><td>19 600</td><td>(1)OF</td></tr>
<tr><td>Current assets
Other receivables
(Subscriptions)</td><td></td><td></td><td>240</td><td>(1)</td></tr>
<tr><td>Total assets</td><td></td><td></td><td>19 840</td><td></td></tr>
<tr><td>Liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Accumulated fund</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Opening balance</td><td></td><td></td><td>11 870</td><td>(1)</td></tr>
<tr><td>Less Deficit</td><td></td><td></td><td>320</td><td>(1)OF</td></tr>
<tr><td></td><td></td><td></td><td>11 550</td><td></td></tr>
<tr><td>Non-current liabilities
Bank loan
(repayable 2020)</td><td></td><td></td><td>7 000</td><td>(1)</td></tr>
<tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Other payables
(loan interest)</td><td></td><td></td><td>350</td><td>(1)OF</td></tr>
<tr><td>Subscriptions prepaid</td><td></td><td></td><td>180</td><td>(1)</td></tr>
<tr><td>Bank</td><td></td><td></td><td>760</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td>1 290</td><td></td></tr>
<tr><td>Total liabilities</td><td></td><td></td><td>19 840</td><td></td></tr>
</table>
</td><td>9</td></tr>
<tr><td>3(d)</td><td>Loan interest is an expense account/any accrued interest is a current liability (1)
The loan is a non-current liability (1)
Accept other valid points</td><td>2</td></tr>
</table>

Question	Answer	Marks
4(a)	(87 500 + 56 200 + 100) : (81 500 + 17 100) = 143 800 : 98 600 **(1) whole formula** = 1.46 : 1 **(1)**	2
4(b)	Current assets only approximately 1½ times the current liabilities Lower than the “benchmark” of 2:1 Can meet the current liabilities from the current assets Do not have a lot of surplus current assets available after paying current liabilities Seems to be a little inadequate (depending on the type of business) **Comments to be based on answer to (a)** **Any 2 comments (1) each**	2

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>(56 200 + 100) : (81 500 + 17 100)
= 56 300 : 98 600 (1) whole formula
= 0.57 : 1 (1)</td><td>2</td></tr>
<tr><td>4(d)</td><td>Increased expenditure on inventory
Increase in bank overdraft/change from positive bank balance to overdraft
Purchase of non-current assets
Repayment of long-term loan
Increase in current liabilities/increase in trade payables
Decrease in trade receivables
Decrease in cash
Increase in drawings
Any 2 reasons (1) each</td><td>2</td></tr>
<tr><td>4(e)</td><td>Unable to pay debts when they fall due
Unable to take advantage of cash discounts
Unable to take advantage of business opportunities when they arise
May have difficulty in obtaining further supplies
May not be able to take drawings
Any 2 points (1) each</td><td>2</td></tr>
<tr><td>4(f)</td><td><table>
<tr><td></td><td colspan="3">current ratio</td><td colspan="3">quick ratio</td></tr>
<tr><td></td><td>increase</td><td>decrease</td><td>no effect</td><td>increase</td><td>decrease</td><td>no effect</td></tr>
<tr><td>introduce $20 000 additional capital</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>obtain short-term bank loan of $10 000</td><td></td><td></td><td>✓(1)</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>sell half the inventory at cost price</td><td></td><td></td><td>✓(1)</td><td>✓(1)</td><td></td><td></td></tr>
</table></td><td>4</td></tr>
<tr><td>4(g)</td><td>$\dfrac{\text{Cost of sales}}{\text{Average inventory}}$</td><td>1</td></tr>
<tr><td>4(h)</td><td>$\dfrac{765\,990}{(87\,500+72\,000)\div 2}$ Or $\dfrac{765\,990}{87\,500-(15\,500\div 2)}$
$= \dfrac{765\,990}{79\,750}$ } (1)
= 9.60 times (1)</td><td>2</td></tr>
<tr><td>4(i)</td><td>Higher inventory levels
Lower sales activity
Or other suitable reason
Any 2 reasons (1) each</td><td>2</td></tr>
</table>

Question	Answer	Marks
5(a)	$\dfrac{43000}{(500000+11000+14000+75000}$ $= \dfrac{43000}{600000}$ **(1)** **(1)** $\times \dfrac{100}{1}$ = 7.17% **(1)**	**3**
5(b)	$\dfrac{25000}{500000} \times \dfrac{100}{1}$ = 5%	**1**
5(c)	$\dfrac{15000+30000}{500000+100000} \times \dfrac{100}{1}$ $= \dfrac{45000}{600000}$ **(1)** **(1)** = 7.5% **(1)**	**3**
5(d)	71 000 – (3% × 75 000) **(1)** = 71 000 – 2250 = 68 750 **(1)**	**2**
5(e)	CP Limited Statement of Changes in Equity for the year ended 30 September 2017	**7**

	Ordinary share capital	General reserve	Retained earnings	Total	
	$	$	$	$	
On 1 October 2016	500 000	11 000	14 000	525 000	**(1)**
Share issue	100 000			100 000	**(1)**
Profit for the year			68 750	68 750	**(1)OF**
Dividend paid (for year ended 30 September 2016)			(25 000)	(25 000)	**(1)**
Dividend paid (for year ended 30 September 2017)			(15 000)	(15 000)	**(1)**
Transfer to general reserve		5 000	(5 000)		**(1)**
On 30 September 2017	600 000	16 000	37 750	653 750	**(1)**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(f)</td><td>Long term loans
Debenture holders are not members of the company
Do not carry voting rights
Carry a fixed rate of interest
Interest is not dependent on the company's profit
Are often secured on the assets of the company's
Debenture holders are repaid before the shareholders in a winding-up
Any 2 features (1) each</td><td>2</td></tr>
<tr><td>5(g)</td><td>Carry a fixed rate of dividend
Dividend may not be paid if there is not enough profit
Dividend is paid before ordinary share dividend
Preference shareholders are members of the company
Do not usually carry voting rights
Capital is repaid before ordinary share capital in a winding-up
Are not secured on the assets of the company
Any 2 features (1) each</td><td>2</td></tr>
<tr><td>5(h)</td><td>
<table>
<tr><th></th><th>increase
$</th><th>decrease
$</th><th>no
effect</th></tr>
<tr><td>effect on current assets</td><td>300 000</td><td></td><td></td></tr>
<tr><td>effect on non-current liabilities</td><td>300 000
(1)</td><td></td><td></td></tr>
<tr><td>effect on profit for the year</td><td></td><td>9 000
(2)*</td><td></td></tr>
<tr><td>effect on profit available for ordinary shareholders</td><td></td><td>9 000
(1)OF</td><td></td></tr>
<tr><td>effect on equity</td><td></td><td></td><td>✓(1)</td></tr>
</table>
* (1) position + (1) amount</td><td>5</td></tr>
</table>