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**ACCOUNTING**

**0452/23**

Paper 2

**October/November 2016**

MARK SCHEME

Maximum Mark: 120

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**Published**

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1 (a)

| Date  | Details         | Discount allowed | Cash | Bank | Date  | Details                  | Discount received | Cash | Bank |
|-------|-----------------|------------------|------|------|-------|--------------------------|-------------------|------|------|
| 2016  |                 | \$               | \$   | \$   | 2016  |                          | \$                | \$   | \$   |
| Sep 1 | Balance b/d     |                  | 193  |      | Sep 1 | Balance b/d              |                   |      | 1560 |
| 5     | Sales (1)       |                  | 115  | 400  | 10    | C Barnes (dis cheque)(1) |                   |      | 190  |
| 15    | H Magagula (1)  | 12               |      | 468  | 21    | Office equipment (1)     |                   |      | 280  |
| 28    | Cash c (1)OF    |                  |      | 258  |       | Repairs (1)              |                   |      | 44   |
| 30    | Balance c/d     |                  |      | 948  | 28    | Bank c (1)               |                   | 258  |      |
|       |                 |                  |      |      | 30    | Balance c/d              |                   | 50   |      |
|       |                 | 12               | 308  | 2074 |       |                          |                   | 308  | 2074 |
| 2016  |                 |                  |      |      | 2016  |                          |                   |      |      |
| Oct 1 | Balance b/d (1) |                  | 50   |      | Oct 1 | Balance b/d (1)OF        |                   |      | 948  |

+ (1) dates

[10]

(b) It is not possible to take out more cash than is in the cash box (1) [1]

(c) Obtain the correct bank balance  
 Identify errors in the bank account  
 Identify errors on the bank statement  
 Assist in discovering fraud and embezzlement  
 Identify cheques not credited by the bank  
 Identify cheques not presented  
 Identify any stale cheques  
 Understand/reconcile the differences between cash book and bank statement  
**Any 2 reasons (1) each** [2]

(d) Cheques not presented  
 Cheques not credited  
 Cash book errors  
**Any 2 items (1) each** [2]

(e)

|  | Effect on working capital | Reason  |
|--|---------------------------|---|
| Reduce credit sales and increase cash sales      | <i>No effect</i>          | <i>Trade receivables decrease and cash increases so total current assets is unchanged. No effect on current liabilities</i> |
| Create a provision for doubtful debts            | Decrease (1)              | The current assets reduce. No change to the current liabilities. (1)  |
| Take a long term bank loan                       | Increase (1)              | The current assets increase. No change to the current liabilities. (1)  |
| Take a short term bank loan                      | No effect (1)             | The current assets and the current liabilities increase by the same amount (1)  |
| Pay credit suppliers early to earn cash discount | Increase (1)              | The current assets reduce by a smaller amount than the current liabilities (1)  |

[8]

[Total: 23]

|               |  |                 |              |
|---------------|--|-----------------|--------------|
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2 (a)

Crossroads Limited  
Statement of Financial Position at 31 October 2016

| Assets                            | \$             | \$                       | \$                 |
|-----------------------------------|----------------|--------------------------|--------------------|
| Non-current assets                | Cost           | Accumulated depreciation | Book value         |
| Premises                          | 363 000        |                          | 363 000            |
| Machinery and equipment           | 185 000        | 83 250                   | 101 750 (1)        |
| Fixtures and fittings             | <u>70 000</u>  | <u>24 073</u>            | <u>45 927 (1)</u>  |
|                                   | <u>618 000</u> | <u>107 323</u>           | <u>510 677 (1)</u> |
| Current assets                    |                |                          |                    |
| Inventory                         |                |                          | 30 853             |
| Trade receivables                 |                | 28 000                   |                    |
| Less Provision for doubtful debts |                | <u>750</u>               | 27 250 (1)         |
| Other receivables                 |                |                          | <u>1 340 (1)</u>   |
|                                   |                |                          | <u>59 443 (1)</u>  |
| Total assets                      |                |                          | <u>570 120</u>     |
| Equity and liabilities            |                |                          |                    |
| Equity and reserves               |                |                          |                    |
| Ordinary share capital            |                |                          | 400 000 (1)        |
| General reserve                   |                |                          | 31 000 (1)         |
| Retained earnings                 |                |                          | <u>75 000 (1)</u>  |
|                                   |                |                          | <u>506 000 (1)</u> |
| Non-current liabilities           |                |                          |                    |
| 4% Debentures (repayable 2026)    |                |                          | <u>20 000 (1)</u>  |
| Current liabilities               |                |                          |                    |
| Trade payables                    |                |                          | 31 600             |
| Other payables (800 + 320)        |                |                          | 1 120 (2)          |
| Bank overdraft                    |                |                          | <u>11 400 (1)</u>  |
|                                   |                |                          | <u>44 120 (1)</u>  |
| Total liabilities                 |                |                          | <u>570 120</u>     |

[15]

(b) Issued share capital

The amount of share capital which is actually issued to the shareholders (1)

Called-up share capital

The total amount the company has requested from the shareholders (1)

Paid-up share capital

That part of the called-up share capital for which a company has received the money from its shareholders. (1)

[3]

[Total: 18]

- 3 (a)** 1 November 2015 Balance b/d  
 This is the total of the provision for doubtful debts on that date **(1)**  
 Double entry – debit provision for doubtful debts account for previous year **(1)**

31 October 2016 Income statement  
 This is the difference between the opening and closing provision for doubtful debts/the amount which is over-provided for doubtful debts **(1)**  
 Double entry – credit income statement **(1)**

31 October 2016 Balance c/d  
 This is the total of the provision for doubtful debts on that date **(1)**  
 Double entry – credit provision for doubtful debts account for next year **(1)** **[6]**

- (b)** \$450 **(1)** deducted from the trade receivables **(1)** **[2]**

- (c)** Kristy  
Journal

|  | Debit<br>\$ | Credit<br>\$ |
|--|-------------|--------------|
| Office equipment<br>Capital<br>Introduction of personal computer into the business   | 740         | 740          |
| Repairs to office equipment<br>Office equipment<br>Comp4u<br>Invoice received for repairs to equipment and purchase of printer | 40<br>226   | 266          |

**[7]**

(d)

|   | Capital expenditure | Revenue expenditure |
|---|---------------------|---------------------|
| Wages paid to employees to build new office block | ✓(1)                |                     |
| Insurance premium for new office block            |                     | ✓ (1)               |
| Cost of painting new office block                 | ✓(1)                |                     |
| Cost of moving furniture into new office block    |                     | ✓(1)                |

[4]

(e)

|   | Effect of error on profit |             |
|---|---------------------------|-------------|
|   | overstated                | understated |
| Proceeds of sale of old fixtures(sold at book value) included in income statement | ✓(1)                      |             |
| Interest received on loan to employee recorded as part repayment of loan          |                           | ✓(1)        |

[2]

[Total: 21]



|               |  |                 |              |
|---------------|--|-----------------|--------------|
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- 5 (a) Straight line/fixed instalment  
Revaluation  
**Any 1 method (1)** [1]
- (b) The loss in value of the non-current asset during the year (1) is set against the revenue for the same period (1)  
**OR**  
The cost of the non-current asset is spread (1) over the years which benefit from the use of that asset (1) [2]
- (c) Prudence (1) [1]
- (d) (i) Machine A
- |  |                |     |
|--|----------------|-----|
|  | \$             |     |
| Cost 1 August 2014                       | 3000           |     |
| Depreciation to 1 August 2014            | <u>600</u>     |     |
| Book value 1 August 2014                 | 2400           |     |
| Depreciation for year ended 31 July 2015 | <u>480 (1)</u> |     |
| Book value at 1 August 2015              | 1920           |     |
| Depreciation for year ended 31 July 2016 | <u>384 (1)</u> |     |
| Book value at 1 August 2016              | 1536           | [2] |
- (ii) Machine B
- |  |                |     |
|--|----------------|-----|
|  | \$             |     |
| Cost 1 January 2015                      | 3500           |     |
| Depreciation for year ended 31 July 2015 | <u>700 (1)</u> |     |
| Book value 1 August 2015                 | 2800           |     |
| Depreciation for year ended 31 July 2016 | <u>560 (1)</u> |     |
| Book value at 1 August 2016              | 2240           | [2] |



(e) (i) Tom  
Machinery account

| Date          | Details         | \$          | Date            | Details     | \$          |
|---------------|-----------------|-------------|-----------------|-------------|-------------|
| 2014<br>Aug 1 | Balance (A) b/d | 3000        | 2015<br>July 31 | Balance c/d | 6500        |
| 2015<br>Jan 1 | Bank (B) (1)    | <u>3500</u> |                 |             |             |
|               |                 | <u>6500</u> |                 |             | <u>6500</u> |
| 2015<br>Aug 1 | Balance b/d (1) | 6500        |                 |             |             |

(ii) Provision for depreciation of machinery account

| Date            | Details     | \$          | Date            | Details                                      | \$          |
|-----------------|-------------|-------------|-----------------|--|-------------|
| 2015<br>July 31 | Balance c/d | 1780        | 2014<br>Aug 1   | Balance b/d                                  | 600         |
|                 |             |             | 2015<br>July 31 | Income statement<br>(480OF + 700OF)<br>(1)OF | <u>1180</u> |
|                 |             | <u>1780</u> |                 |  | <u>1780</u> |
| 2016<br>July 31 | Balance c/d | 2724        | 2015<br>Aug 1   | Balance b/d<br>(1)OF                         | 1780        |
|                 |             |             | 2016<br>July 31 | Income statement<br>(384OF + 560OF)<br>(1)OF | <u>944</u>  |
|                 |             | <u>2724</u> |                 |  | <u>2724</u> |
|                 |             |             | 2016<br>Aug 1   | Balance b/d<br>(1)OF                         | 2724        |

+ (1) dates

[7]

|  |  |                   |     |
|--|--|-------------------|-----|
| (f)                                    |  | \$                |     |
| Cost                                   |  | 3000 (1)          |     |
| Depreciation to date (600 + 480 + 384) |  | <u>1464 (1)OF</u> |     |
| Book value                             |  | 1536              |     |
| Proceeds of sale                       |  | <u>1640</u>       |     |
| Profit (1)OF on sale                   |  | <u>104 (1)OF</u>  | [4] |

[Total: 19]

6 (a)  $\frac{(290\,000 - 224\,025)}{290\,000} \times \frac{100}{1} = 22.75\% \text{ (1)}$

$\frac{(65\,975\text{OF} - 38\,860)}{290\,000} \times \frac{100}{1} = 9.35\% \text{ (1)OF}$  [4]

- (b) They trade in different type of goods  
 Joey has a higher mark-up  
 Joey has a lower cost price of goods  
 Joey sells at a higher price  
 Joey allows a lower rate of trade discount to customers  
 Joey received a higher rate of trade discount from suppliers  
**Or other suitable reason based on OF answer to (a)**  
**Any 2 reasons (1) each** [2]

- (c) DT Traders has a higher gross profit  
 They have different types of expenses  
 Joey has higher expenses  
 DT Traders has more other income  
**Or other suitable reason based on OF answer to (a)**  
**Any 2 reasons (1) each** [2]

- (d) DT Traders (1)  
**OR** Joey (1)**OF**  
**If difference between OF gross profit % and OF profit for the year % is lower than 8.25% achieved by DT Traders** [1]

(e)

|  | Increase | Decrease | No effect |
|--|----------|----------|-----------|
| Buy in bulk from suppliers to obtain trade discount            | ✓(1)     |          |           |
| Offer cash discount to encourage credit customers to pay early |          | ✓(1)     |           |
| Pay employees monthly instead of weekly                        |          |          | ✓(1)      |
| Write off damaged inventory at year end                        |          | ✓(1)     |           |

[4]

|                |  |                 |              |
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- (f) Historical cost  
Transactions are recorded at actual cost. (1)  
It is difficult to compare transactions taking place at different times. (1)
- Non-financial factors  
Only information which can be expressed in monetary terms is recorded. (1)  
Many important factors which affect the business are not recorded. (1)

[4]

[Total: 17]