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**ACCOUNTING**

**0452/22**

Paper 2

**March 2019**

MARK SCHEME

Maximum Mark: 120

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**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 March 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **11** printed pages.

**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)	Narinder General Ledger Purchases account						<b>13</b>																	
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1(c)(i)	This is the difference between the opening and closing provision for doubtful debts/the amount which is needed to increase the provision to the required amount (1)	<b>1</b>																								
1(c)(ii)	Decrease profit	<b>1</b>																								

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2(c)	<p>Statement of account (1) Remind Ravi of the amount due/show the balance owing at the month end Summarise the transactions for the month Allow Ravi to check his records against it <b>Any 1 reason (1)</b></p>	<b>2</b>																																																																																																

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2(d)	Ravi Aysha account						<b>6</b>																																									
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Question	Answer				Marks
3(a)	Bari and Nada Draft Statement of Financial Position at 31 December 2018				<b>13</b>
<b>Assets</b>					
Non-current assets					
Premises	\$	\$	\$		
Other non-current assets			220 000		
			92 650		
			312 650	(1)	
Current assets					
Trade receivables		25 500			
Less Provision for doubtful debts		510	24 990	(1)	
Other receivables			910		
Bank			21 890		
			47 790	(1)	
Total assets			360 440		
<b>Capital and liabilities</b>					
Capital accounts					
Capital accounts	Bari	Nada	Total		
	150 000	100 000	250 000	(1)	
Current accounts					
Balance 1 Jan 2018	950	(150)		(1)	
Interest on capital	7 500	5 000		(1)	
Partner's salary	20 000			(1)	
Share of profit	2 718	1 812		(1)	
	31 168	6 662			
Drawings	11 000	13 000		(1)	
Interest on drawings	660	780		(1)	
	11 660	13 780			
	19 508	(7 118)	12 390	(1)	
			262 390		
Non-current liabilities					
Loan (repayable 2025)			80 000	(1)	
Current Liabilities					
Trade payables			17 250		
Other payables			800		
			18 050	(1)	
Total capital and liabilities			360 440		

Question	Answer	Marks																		
3(b)	<p>Capital expenditure Money spend on acquiring, improving and installing non-current assets <b>(1)</b> Example Purchase of any non-current asset, legal costs for purchase of premises, cost of installation of non-current asset, cost of carriage on delivery of non-current asset, etc. <b>Any suitable example (1)</b></p> <p>Capital receipt Amounts received which do not form part of the day-to-day trading activities <b>(1)</b> Example Receipt of loan, additional capital, proceeds of sale of non-current asset at book value, etc. <b>Any suitable example (1)</b></p> <p>Revenue expenditure Money spent on the running of a business on a day-to-day basis <b>(1)</b> Example Any expense such as wages, rent, insurance, etc. <b>Any suitable example (1)</b></p> <p>Revenue receipt Amounts received in the day-to-day trading activities and other items of income<b>(1)</b> Example Sales, commission received, interest received, rent received, etc. <b>Any suitable example (1)</b></p>	<b>8</b>																		
3(c)(i)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 30%;"></th> </tr> </thead> <tbody> <tr> <td>Cost of premises</td> <td style="text-align: right;">89 000</td> <td></td> </tr> <tr> <td>Legal fees</td> <td style="text-align: right;">5 050</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Decoration costs</td> <td style="text-align: right;">1 650</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">95 700</td> <td style="text-align: right;"><b>(1)OF</b></td> </tr> </tbody> </table>		\$		Cost of premises	89 000		Legal fees	5 050	<b>(1)</b>	Decoration costs	1 650	<b>(1)</b>		95 700	<b>(1)OF</b>	<b>3</b>			
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4(a)	<p style="text-align: center;">Jai Corrected Trial Balance at 31 December 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: center;">Debit \$</th> <th style="width: 15%; text-align: center;">Credit \$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">196 000</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">116 500</td> <td></td> <td></td> </tr> <tr> <td>Inventory 1 January 2018</td> <td style="text-align: right;">9 410</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchases returns</td> <td></td> <td style="text-align: right;">4 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Premises at cost</td> <td style="text-align: right;">110 500</td> <td></td> <td></td> </tr> <tr> <td>Fixtures and fittings at cost</td> <td style="text-align: right;">12 000</td> <td></td> <td></td> </tr> <tr> <td>Motor vehicle at cost (16 190 – 190)</td> <td style="text-align: right;">16 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Provision for depreciation of fixtures and fittings</td> <td></td> <td style="text-align: right;">4 320</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Provision for depreciation of motor vehicle</td> <td></td> <td style="text-align: right;">7 000</td> <td></td> </tr> <tr> <td>Bank overdraft (1180 + 34)</td> <td></td> <td style="text-align: right;">1 214</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade receivables (18 000 – 100)</td> <td style="text-align: right;">17 900</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">9 383</td> <td></td> </tr> <tr> <td>Office expenses</td> <td style="text-align: right;">16 121</td> <td></td> <td></td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;">2 100</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">1 900</td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">3 100</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Capital 1 January 2018</td> <td></td> <td style="text-align: right;">79 100</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">190</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank charges</td> <td style="text-align: right;">34</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">100</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">138</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">303 755</td> <td style="text-align: right; border-top: 1px solid black;">303 755</td> <td style="text-align: right; border-top: 1px solid black;">(1) OF</td> </tr> </tbody> </table>		Debit \$	Credit \$		Revenue		196 000		Purchases	116 500			Inventory 1 January 2018	9 410		(1)	Purchases returns		4 500	(1)	Premises at cost	110 500			Fixtures and fittings at cost	12 000			Motor vehicle at cost (16 190 – 190)	16 000		(1)	Provision for depreciation of fixtures and fittings		4 320	(1)	Provision for depreciation of motor vehicle		7 000		Bank overdraft (1180 + 34)		1 214	(1)	Trade receivables (18 000 – 100)	17 900		(1)	Trade payables		9 383		Office expenses	16 121			Discount received		2 100	(1)	Discount allowed	1 900			Drawings	3 100		(1)	Capital 1 January 2018		79 100		Motor expenses	190		(1)	Bank charges	34		(1)	Bad debts	100		(1)	Suspense		138	(1)		303 755	303 755	(1) OF	
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Question	Answer						Marks	
4(c)	effect on profit for the year			effect on assets			8	
		over-stated	under-stated	no effect	over-stated	under-stated		no effect
	4	✓(1)						✓(1)
	5			✓(1)	✓(1)			
	6	✓(1)						✓(1)
7		✓(1)		✓(1)				

Question	Answer	Marks
5(a)	Inventory not sold as quickly in second year/inventory turnover reduced/ decreased/went down/fell from 9.45 to 8.17 May be the result of a slowing of sales activity/falling demand May be as a result of holding increased levels of inventory Money tied up in inventory for longer <b>Or other suitable comments</b> <b>Any 2 comments (1) each</b>	2
5(b)	Will not obtain cash discount May be charged interest on late payment Relationship with suppliers damaged May be using the funds for other purposes <b>Or other suitable comments</b> <b>Any 2 comments (1) each</b>	2
5(c)	Credit customers taking longer to pay their accounts Affects ability to pay credit suppliers Money is not available for other purposes Credit customers will not qualify for cash discount May be result of poor credit control Greater risk of bad debts Can charge interest on late payments <b>Or other suitable comments</b> <b>Any 2 comments (1) each</b>	2
5(d)(i)	$(31\,200 + 30\,900 + 14\,000 + 100) : (32\,000 + 10\,000)$ $76\,200 : 42\,000$ (1) $1.81 : 1$ (1)	2
5(d)(ii)	$(30\,900 + 14\,000 + 100) : (32\,000 + 10\,000)$ $45\,000 : 42\,000$ (1) $1.07 : 1$ (1)	2

Question	Answer	Marks																				
5(e)	Increase in inventory Increase in current liabilities Decrease in trade receivables Increased expenditure on non-current assets Repayment of long-term liabilities Decrease in bank balance/decrease in cash Increase in dividends <b>Any 1 reason (1)</b>	<b>1</b>																				
5(f)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>Proposal 1</td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>Proposal 2</td> <td></td> <td></td> <td>✓(1)</td> </tr> <tr> <td>Proposal 3</td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>Proposal 4</td> <td>✓(1)</td> <td></td> <td></td> </tr> </tbody> </table>		increase	decrease	no effect	Proposal 1		✓(1)		Proposal 2			✓(1)	Proposal 3	✓(1)			Proposal 4	✓(1)			<b>4</b>
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Proposal 2			✓(1)																			
Proposal 3	✓(1)																					
Proposal 4	✓(1)																					
5(g)(i)	Current ratio will increase <b>(1)</b> Current liabilities decrease: no change in current assets <b>(1)</b>	<b>2</b>																				
5(g)(ii)	Current ratio will increase <b>(1)</b> Current liabilities decrease: current assets decrease by a smaller amount <b>(1)</b>	<b>2</b>																				