



---

**ACCOUNTING**

**0452/23**

Paper 2

**October/November 2019**

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.

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 October/November 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

---

This document consists of **17** printed pages.

**PUBLISHED****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)	<p style="text-align: center;">Sophie Cash Book</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">Disc.</th> <th style="width: 10%;">Cash</th> <th style="width: 10%;">Bank</th> <th style="width: 10%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">Disc.</th> <th style="width: 10%;">Cash</th> <th style="width: 10%;">Bank</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td></td> <td>\$</td> <td>\$</td> <td>\$</td> <td>2019</td> <td></td> <td>\$</td> <td>\$</td> <td>\$</td> </tr> <tr> <td>Aug 1</td> <td>Balance b/d</td> <td></td> <td>250</td> <td></td> <td>Aug 1</td> <td>Balance b/d</td> <td></td> <td></td> <td>4010</td> </tr> <tr> <td>17</td> <td>Jack</td> <td></td> <td></td> <td>156</td> <td>2</td> <td>Petty cash</td> <td></td> <td>94</td> <td></td> </tr> <tr> <td>24</td> <td>Sales</td> <td></td> <td>3820</td> <td></td> <td>30</td> <td>Bank</td> <td></td> <td>2000</td> <td></td> </tr> <tr> <td>29</td> <td>Capital</td> <td></td> <td></td> <td>5000</td> <td>31</td> <td>Ellie</td> <td>(1) 22</td> <td></td> <td>858</td> </tr> <tr> <td>30</td> <td>Cash</td> <td></td> <td></td> <td>2000</td> <td></td> <td>Bank charges</td> <td>(1)</td> <td></td> <td>53</td> </tr> <tr> <td>31</td> <td>Jason</td> <td>(1) 11</td> <td></td> <td>539</td> <td></td> <td>Jack (Dis. chq)</td> <td>(1)</td> <td></td> <td>156</td> </tr> <tr> <td></td> <td>Bella</td> <td>(1)</td> <td></td> <td>260</td> <td></td> <td>Insurance</td> <td>(1)</td> <td></td> <td>50</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td></td> <td>1976</td> <td>2828</td> </tr> <tr> <td>2019</td> <td></td> <td>11</td> <td>4070</td> <td>7955</td> <td></td> <td></td> <td>22</td> <td>4070</td> <td>7955</td> </tr> <tr> <td>Sept 1</td> <td>Balance b/d</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>1976</td> <td>2828</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>(1)OF</td> <td>(1)OF</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>+ (1) OF totalling both discount columns</b></p>										Date	Details	Disc.	Cash	Bank	Date	Details	Disc.	Cash	Bank	2019		\$	\$	\$	2019		\$	\$	\$	Aug 1	Balance b/d		250		Aug 1	Balance b/d			4010	17	Jack			156	2	Petty cash		94		24	Sales		3820		30	Bank		2000		29	Capital			5000	31	Ellie	(1) 22		858	30	Cash			2000		Bank charges	(1)		53	31	Jason	(1) 11		539		Jack (Dis. chq)	(1)		156		Bella	(1)		260		Insurance	(1)		50							Balance c/d		1976	2828	2019		11	4070	7955			22	4070	7955	Sept 1	Balance b/d												1976	2828									(1)OF	(1)OF						<b>9</b>
Date	Details	Disc.	Cash	Bank	Date	Details	Disc.	Cash	Bank																																																																																																																																														
2019		\$	\$	\$	2019		\$	\$	\$																																																																																																																																														
Aug 1	Balance b/d		250		Aug 1	Balance b/d			4010																																																																																																																																														
17	Jack			156	2	Petty cash		94																																																																																																																																															
24	Sales		3820		30	Bank		2000																																																																																																																																															
29	Capital			5000	31	Ellie	(1) 22		858																																																																																																																																														
30	Cash			2000		Bank charges	(1)		53																																																																																																																																														
31	Jason	(1) 11		539		Jack (Dis. chq)	(1)		156																																																																																																																																														
	Bella	(1)		260		Insurance	(1)		50																																																																																																																																														
						Balance c/d		1976	2828																																																																																																																																														
2019		11	4070	7955			22	4070	7955																																																																																																																																														
Sept 1	Balance b/d																																																																																																																																																						
			1976	2828																																																																																																																																																			
			(1)OF	(1)OF																																																																																																																																																			
1(b)	Bank overdraft/amount Sophie owed the bank										<b>1</b>																																																																																																																																												
1(c)	Amount withdrawn from the cash to transfer to the petty cash book/amount given in cash to the petty cashier										<b>1</b>																																																																																																																																												
1(d)	This is a contra entry (1) Money was transferred to the bank account from the cash account (1)										<b>2</b>																																																																																																																																												

Question	Answer			Marks																																																																								
1(e)	<p style="text-align: center;">Sophie Bank Reconciliation Statement at 31 August 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Balance on bank statement</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;">1147</td> </tr> <tr> <td>Amounts not yet credited</td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Cash</td> <td style="text-align: right;"><b>(1)</b></td> <td style="text-align: right;">2000</td> <td></td> </tr> <tr> <td>    Cheque – Jason</td> <td style="text-align: right;"><b>(1)OF</b></td> <td style="text-align: right;"><u>539</u></td> <td style="text-align: right;"><u>2539</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">3686</td> </tr> <tr> <td>Cheque not yet presented</td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Ellie</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;"><u>858</u></td> </tr> <tr> <td>Balance in cash book</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;"><u>2828</u></td> </tr> </tbody> </table> <p style="text-align: center;"><b>Alternative presentation</b></p> <p style="text-align: center;">Sophie Bank Reconciliation Statement at 31 August 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Balance in cash book</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;">2828</td> </tr> <tr> <td>Cheque not yet presented</td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Ellie</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;"><u>858</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">3686</td> </tr> <tr> <td>Amounts not yet credited</td> <td></td> <td style="text-align: right;">2000</td> <td></td> </tr> <tr> <td>    Cash</td> <td style="text-align: right;"><b>(1)</b></td> <td style="text-align: right;"><u>539</u></td> <td style="text-align: right;"><u>2539</u></td> </tr> <tr> <td>    Cheque – Jason</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;"><u>1147</u></td> </tr> <tr> <td>Balance on bank statement</td> <td style="text-align: right;"><b>(1)OF</b></td> <td></td> <td style="text-align: right;"><u>3686</u></td> </tr> </tbody> </table>					\$	\$	Balance on bank statement	<b>(1)OF</b>		1147	Amounts not yet credited				Cash	<b>(1)</b>	2000		Cheque – Jason	<b>(1)OF</b>	<u>539</u>	<u>2539</u>				3686	Cheque not yet presented				Ellie	<b>(1)OF</b>		<u>858</u>	Balance in cash book	<b>(1)OF</b>		<u>2828</u>			\$	\$	Balance in cash book	<b>(1)OF</b>		2828	Cheque not yet presented				Ellie	<b>(1)OF</b>		<u>858</u>				3686	Amounts not yet credited		2000		Cash	<b>(1)</b>	<u>539</u>	<u>2539</u>	Cheque – Jason	<b>(1)OF</b>		<u>1147</u>	Balance on bank statement	<b>(1)OF</b>		<u>3686</u>	<b>5</b>
		\$	\$																																																																									
Balance on bank statement	<b>(1)OF</b>		1147																																																																									
Amounts not yet credited																																																																												
Cash	<b>(1)</b>	2000																																																																										
Cheque – Jason	<b>(1)OF</b>	<u>539</u>	<u>2539</u>																																																																									
			3686																																																																									
Cheque not yet presented																																																																												
Ellie	<b>(1)OF</b>		<u>858</u>																																																																									
Balance in cash book	<b>(1)OF</b>		<u>2828</u>																																																																									
		\$	\$																																																																									
Balance in cash book	<b>(1)OF</b>		2828																																																																									
Cheque not yet presented																																																																												
Ellie	<b>(1)OF</b>		<u>858</u>																																																																									
			3686																																																																									
Amounts not yet credited		2000																																																																										
Cash	<b>(1)</b>	<u>539</u>	<u>2539</u>																																																																									
Cheque – Jason	<b>(1)OF</b>		<u>1147</u>																																																																									
Balance on bank statement	<b>(1)OF</b>		<u>3686</u>																																																																									

Question	Answer	Marks
1(f)	Obtain the correct bank balance Identify errors in the bank columns of the cash book Identify errors on the bank statement Assist in discovering fraud and embezzlement Identify amounts/cheques not credited by the bank Identify cheques not presented Identify stale cheques Understand/reconcile the differences between the bank account/bank column in cash book and the bank statement <b>Any 2 reasons (1) each</b>	<b>2</b>
1(g)(i)	August 17 Cheque received from Jack 31 Return of dishonoured cheque to Jack 31 Cheque received from Jason 31 Discount allowed to Jason 31 Payment by credit transfer from Bella <b>Any 1 transaction (1) mark</b>	<b>1</b>
1(g)(ii)	August 31 Cheque paid to Ellie Discount received from Ellie <b>Any 1 transaction (1) mark</b>	<b>1</b>
1(g)(iii)	August 24 Sales 29 Capital 31 Bank charges Insurance <b>Any 2 transactions (1) mark each</b>	<b>2</b>

Question	Answer					Marks	
2(a)	CS Limited Statement of Changes in Equity for the year ended 30 September 2019					<b>4</b>	
	Details	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$		
	On 1 October 2018	150 000	7 000	16 000	173 000		
	Profit for the year	.....	.....	15 000	15 000		<b>(1)</b>
	Final dividend paid	.....	.....	(6 000)	(6 000)		<b>(1)</b>
	Transfer to general reserve	.....	5 000	(5 000)	.....		<b>(1)</b>
On 30 September 2019	150 000	12 000	20 000	182 000	<b>(1)OF</b>		

Question	Answer			Marks																																																																																								
2(b)	<p style="text-align: center;">CS Limited Statement of Financial Position at 30 September 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Assets</th> <th style="width: 15%;">\$ Cost</th> <th style="width: 15%;">\$ Accumulated depreciation</th> <th style="width: 35%;">\$ Book value</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">172 000</td> <td></td> <td style="text-align: right;">172 000</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">38 000</td> <td style="text-align: right;">13 680</td> <td style="text-align: right;">24 320 (1)</td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>19 500</u></td> <td style="text-align: right;"><u>3 900</u></td> <td style="text-align: right;"><u>15 600 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>229 500</u></td> <td style="text-align: right;"><u>17 580</u></td> <td style="text-align: right;"><u>211 920 (1)</u></td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td></td> <td></td> <td style="text-align: right;">14 360</td> </tr> <tr> <td>Less provision for doubtful debts</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other receivables</td> <td></td> <td style="text-align: right;">16 800</td> <td style="text-align: right;">16 296 (1)</td> </tr> <tr> <td>Petty cash</td> <td></td> <td style="text-align: right;"><u>504</u></td> <td style="text-align: right;">110</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>200 (1)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>30 966 (1)</u></td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;"><u>242 886</u></td> </tr> <tr> <td>Equity and liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Equity and reserves</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Ordinary shares</td> <td></td> <td></td> <td style="text-align: right;">150 000</td> </tr> <tr> <td>General reserve</td> <td></td> <td></td> <td style="text-align: right;">12 000 (1)OF</td> </tr> <tr> <td>Retained earnings</td> <td></td> <td></td> <td style="text-align: right;"><u>20 000 (1)OF</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>182 000 (1)OF</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>Continued</b></td> </tr> </tbody> </table>			Assets	\$ Cost	\$ Accumulated depreciation	\$ Book value	Non-current assets				Premises	172 000		172 000	Machinery	38 000	13 680	24 320 (1)	Fixtures and fittings	<u>19 500</u>	<u>3 900</u>	<u>15 600 (1)</u>		<u>229 500</u>	<u>17 580</u>	<u>211 920 (1)</u>	Current assets				Inventory				Trade receivables			14 360	Less provision for doubtful debts				Other receivables		16 800	16 296 (1)	Petty cash		<u>504</u>	110				<u>200 (1)</u>				<u>30 966 (1)</u>	Total assets			<u>242 886</u>	Equity and liabilities				Equity and reserves				Ordinary shares			150 000	General reserve			12 000 (1)OF	Retained earnings			<u>20 000 (1)OF</u>				<u>182 000 (1)OF</u>				<b>Continued</b>	<b>14</b>
Assets	\$ Cost	\$ Accumulated depreciation	\$ Book value																																																																																									
Non-current assets																																																																																												
Premises	172 000		172 000																																																																																									
Machinery	38 000	13 680	24 320 (1)																																																																																									
Fixtures and fittings	<u>19 500</u>	<u>3 900</u>	<u>15 600 (1)</u>																																																																																									
	<u>229 500</u>	<u>17 580</u>	<u>211 920 (1)</u>																																																																																									
Current assets																																																																																												
Inventory																																																																																												
Trade receivables			14 360																																																																																									
Less provision for doubtful debts																																																																																												
Other receivables		16 800	16 296 (1)																																																																																									
Petty cash		<u>504</u>	110																																																																																									
			<u>200 (1)</u>																																																																																									
			<u>30 966 (1)</u>																																																																																									
Total assets			<u>242 886</u>																																																																																									
Equity and liabilities																																																																																												
Equity and reserves																																																																																												
Ordinary shares			150 000																																																																																									
General reserve			12 000 (1)OF																																																																																									
Retained earnings			<u>20 000 (1)OF</u>																																																																																									
			<u>182 000 (1)OF</u>																																																																																									
			<b>Continued</b>																																																																																									



Question	Answer				Marks																																				
2(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;">Non-current liabilities</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 35%;"></td> </tr> <tr> <td>5% Debentures (repayable 1 October 2030)</td> <td></td> <td></td> <td style="text-align: right;"><u>25 000</u> (1)</td> </tr> <tr> <td>Current Liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td></td> <td style="text-align: right;">14 866</td> </tr> <tr> <td>Other payables</td> <td></td> <td></td> <td style="text-align: right;">198 (1)</td> </tr> <tr> <td>Bank overdraft</td> <td></td> <td></td> <td style="text-align: right;">10 822 (1)</td> </tr> <tr> <td>Bank loan (repayable 1 April 2020)</td> <td></td> <td></td> <td style="text-align: right;"><u>10 000</u> (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>35 886</u> (1)</td> </tr> <tr> <td>Total equity and liabilities</td> <td></td> <td></td> <td style="text-align: right;"><u>242 886</u></td> </tr> </table>				Non-current liabilities				5% Debentures (repayable 1 October 2030)			<u>25 000</u> (1)	Current Liabilities				Trade payables			14 866	Other payables			198 (1)	Bank overdraft			10 822 (1)	Bank loan (repayable 1 April 2020)			<u>10 000</u> (1)				<u>35 886</u> (1)	Total equity and liabilities			<u>242 886</u>	
Non-current liabilities																																									
5% Debentures (repayable 1 October 2030)			<u>25 000</u> (1)																																						
Current Liabilities																																									
Trade payables			14 866																																						
Other payables			198 (1)																																						
Bank overdraft			10 822 (1)																																						
Bank loan (repayable 1 April 2020)			<u>10 000</u> (1)																																						
			<u>35 886</u> (1)																																						
Total equity and liabilities			<u>242 886</u>																																						
2(c)	<p>The difference between the two percentages represents the percentage of expenses to revenue (1)  The lower the percentage the more efficiently the expenses are being controlled (1)  <b>Or other suitable comments</b>  <b>Any 2 comments (1) each</b></p>				<b>2</b>																																				
2(d)	The profit earned for every \$100 used in the business				<b>1</b>																																				
2(e)	The return on capital employed will decrease (1) because the capital employed will increase (1)				<b>2</b>																																				

Question	Answer	Marks																																																								
3(a)	<p style="text-align: center;">Yabani Income Statement for the year ended 30 September 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 30%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td></td> <td style="text-align: right;">205 000 (1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory of finished goods</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cost of production</td> <td></td> <td style="text-align: right;">21 340 (1)*</td> <td></td> </tr> <tr> <td>Purchases of finished goods</td> <td></td> <td style="text-align: right;">141 220 (1)</td> <td></td> </tr> <tr> <td>Carriage on finished goods</td> <td style="text-align: right;">22 000 (1)OF</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2 000 (1)</u></td> <td style="text-align: right;"><u>24 000</u></td> <td></td> </tr> <tr> <td>Closing inventory of finished goods</td> <td></td> <td style="text-align: right;">186 560 (1)OF</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;"><u>22 560* both</u></td> <td style="text-align: right;"><u>164 000 (1)</u></td> </tr> <tr> <td>Administration and selling expenses</td> <td></td> <td></td> <td style="text-align: right;">41 000 (1)</td> </tr> <tr> <td>Depreciation – delivery vehicle (20% × (19 500 – 3900))</td> <td></td> <td style="text-align: right;">22 120 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">office fixtures and fittings (10% × 14 100)</td> <td></td> <td style="text-align: right;">3 120 (1)</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>1 410 (1)</u></td> <td style="text-align: right;"><u>26 650</u> <u>14 350 (1)OF</u></td> </tr> </tbody> </table>		\$	\$	\$	Revenue			205 000 (1)	Cost of sales				Opening inventory of finished goods				Cost of production		21 340 (1)*		Purchases of finished goods		141 220 (1)		Carriage on finished goods	22 000 (1)OF				<u>2 000 (1)</u>	<u>24 000</u>		Closing inventory of finished goods		186 560 (1)OF		Gross profit		<u>22 560* both</u>	<u>164 000 (1)</u>	Administration and selling expenses			41 000 (1)	Depreciation – delivery vehicle (20% × (19 500 – 3900))		22 120 (1)		office fixtures and fittings (10% × 14 100)		3 120 (1)		Profit for the year		<u>1 410 (1)</u>	<u>26 650</u> <u>14 350 (1)OF</u>	12
	\$	\$	\$																																																							
Revenue			205 000 (1)																																																							
Cost of sales																																																										
Opening inventory of finished goods																																																										
Cost of production		21 340 (1)*																																																								
Purchases of finished goods		141 220 (1)																																																								
Carriage on finished goods	22 000 (1)OF																																																									
	<u>2 000 (1)</u>	<u>24 000</u>																																																								
Closing inventory of finished goods		186 560 (1)OF																																																								
Gross profit		<u>22 560* both</u>	<u>164 000 (1)</u>																																																							
Administration and selling expenses			41 000 (1)																																																							
Depreciation – delivery vehicle (20% × (19 500 – 3900))		22 120 (1)																																																								
office fixtures and fittings (10% × 14 100)		3 120 (1)																																																								
Profit for the year		<u>1 410 (1)</u>	<u>26 650</u> <u>14 350 (1)OF</u>																																																							
3(b)(i)	<p>Gross profit increases (1) the cost of production reduces (1) <b>OR</b> Gross profit may decrease (1) if the raw materials are lower quality there may be more wastage and cost of production may increase (1) so <b>OR</b> Gross profit may decrease (1) If the finished goods are of a lower quality the customers may seek other suppliers so the revenue may decrease (1) <b>Max 2</b></p>	2																																																								
3(b)(ii)	<p>Gross profit would increase (1) cost of goods sold would decrease (1) <b>OR</b> Gross profit may decrease (1) the total sales may reduce as customers go elsewhere if Yabani cannot supply these goods (1) <b>Max 2</b></p>	2																																																								

**PUBLISHED**

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
3(b)(iii)	No effect on gross profit <b>(1)</b> the wages of the sales staff are a selling expense not a manufacturing expense/are not included in the calculation of the gross profit <b>(1)</b> <b>OR</b> Gross profit would reduce <b>(1)</b> reducing the number of sales staff may result in a reduction in sales <b>(1)</b>  <b>Max 2</b>	<b>2</b>
3(b)(iv)	Gross profit would increase <b>(1)</b> the cost of production would decrease <b>(1)</b> <b>OR</b> gross profit may decrease <b>(1)</b> machine operators may take industrial action resulting in reduction of production/reduction in revenue <b>(1)</b> <b>Max 2</b>	<b>2</b>

Question	Answer	Marks																																																												
4(a)	<p>Calculation of amount paid to credit suppliers</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%; text-align: center;">\$</th> <th style="width: 15%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Credit purchases</td> <td></td> <td style="text-align: right;">38 450 (1)</td> </tr> <tr> <td>Less Returns to credit suppliers</td> <td style="text-align: right;">1 980 (1)</td> <td></td> </tr> <tr> <td>    Cash discount received</td> <td style="text-align: right;">981 (1)</td> <td></td> </tr> <tr> <td>    Amount owing to credit suppliers 31 July 2019</td> <td style="text-align: right;"><u>3 770 (1)</u></td> <td style="text-align: right;"><u>6 731</u></td> </tr> <tr> <td>Amount paid to credit suppliers</td> <td></td> <td style="text-align: right;"><u>31 719</u> <b>OF(1)</b></td> </tr> </tbody> </table> <p><b>Alternative presentation</b></p> <p style="text-align: center;">Total trade payables account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td></td> <td></td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td>Aug 31</td> <td>Returns (1)</td> <td style="text-align: right;">1 980</td> <td>Aug 31</td> <td>Purchases (1)</td> <td style="text-align: right;">38 450</td> </tr> <tr> <td></td> <td>Discount (1)</td> <td style="text-align: right;">981</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>*Bank (1)<b>OF</b></td> <td style="text-align: right;">31 719</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Balance c/d (1)</td> <td style="text-align: right;"><u>3 770</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>38 450</u></td> <td></td> <td></td> <td style="text-align: right;"><u>38 450</u></td> </tr> </tbody> </table>		\$	\$	Credit purchases		38 450 (1)	Less Returns to credit suppliers	1 980 (1)		Cash discount received	981 (1)		Amount owing to credit suppliers 31 July 2019	<u>3 770 (1)</u>	<u>6 731</u>	Amount paid to credit suppliers		<u>31 719</u> <b>OF(1)</b>	Date	Details	\$	Date	Details	\$	2019			2019			Aug 31	Returns (1)	1 980	Aug 31	Purchases (1)	38 450		Discount (1)	981					*Bank (1) <b>OF</b>	31 719					Balance c/d (1)	<u>3 770</u>						<u>38 450</u>			<u>38 450</u>	<b>5</b>
	\$	\$																																																												
Credit purchases		38 450 (1)																																																												
Less Returns to credit suppliers	1 980 (1)																																																													
Cash discount received	981 (1)																																																													
Amount owing to credit suppliers 31 July 2019	<u>3 770 (1)</u>	<u>6 731</u>																																																												
Amount paid to credit suppliers		<u>31 719</u> <b>OF(1)</b>																																																												
Date	Details	\$	Date	Details	\$																																																									
2019			2019																																																											
Aug 31	Returns (1)	1 980	Aug 31	Purchases (1)	38 450																																																									
	Discount (1)	981																																																												
	*Bank (1) <b>OF</b>	31 719																																																												
	Balance c/d (1)	<u>3 770</u>																																																												
		<u>38 450</u>			<u>38 450</u>																																																									

Question	Answer	Marks																																																
4(b)	<p>Calculation of credit sales</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Amount received from credit customers</td> <td style="text-align: right;">47 385 (1)</td> </tr> <tr> <td>Cash discount allowed</td> <td style="text-align: right;">1 215 (1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">150 (1)</td> </tr> <tr> <td>Amount owing by credit customers 31 July 2019</td> <td style="text-align: right;"><u>7 650 (1)</u></td> </tr> <tr> <td>Credit sales</td> <td style="text-align: right;"><u>56 400 (1)OF</u></td> </tr> </table> <p><b>Alternative presentation</b></p> <p style="text-align: center;">Total trade receivables account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date 2019</th> <th style="width: 20%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date 2019</th> <th style="width: 20%;">Details</th> <th style="width: 15%;">\$</th> </tr> </thead> <tbody> <tr> <td>Aug 31</td> <td>*Sales (1)OF</td> <td style="text-align: right;">56 400</td> <td>Aug 31</td> <td>Bank (1)</td> <td style="text-align: right;">47 385</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Discount (1)</td> <td style="text-align: right;">1 215</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Bad debts (1)</td> <td style="text-align: right;">150</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d (1)</td> <td style="text-align: right;"><u>7 650</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>56 400</u></td> <td></td> <td></td> <td style="text-align: right;"><u>56 400</u></td> </tr> </tbody> </table>		\$	Amount received from credit customers	47 385 (1)	Cash discount allowed	1 215 (1)	Bad debts	150 (1)	Amount owing by credit customers 31 July 2019	<u>7 650 (1)</u>	Credit sales	<u>56 400 (1)OF</u>	Date 2019	Details	\$	Date 2019	Details	\$	Aug 31	*Sales (1)OF	56 400	Aug 31	Bank (1)	47 385					Discount (1)	1 215					Bad debts (1)	150					Balance c/d (1)	<u>7 650</u>			<u>56 400</u>			<u>56 400</u>	<b>5</b>
	\$																																																	
Amount received from credit customers	47 385 (1)																																																	
Cash discount allowed	1 215 (1)																																																	
Bad debts	150 (1)																																																	
Amount owing by credit customers 31 July 2019	<u>7 650 (1)</u>																																																	
Credit sales	<u>56 400 (1)OF</u>																																																	
Date 2019	Details	\$	Date 2019	Details	\$																																													
Aug 31	*Sales (1)OF	56 400	Aug 31	Bank (1)	47 385																																													
				Discount (1)	1 215																																													
				Bad debts (1)	150																																													
				Balance c/d (1)	<u>7 650</u>																																													
		<u>56 400</u>			<u>56 400</u>																																													
4(c)	<p>Calculation of cash banked</p> <table style="width: 100%;"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Amount of cash sales</td> <td style="text-align: right;">14 100 (1)OF</td> </tr> <tr> <td>Less Cash kept for personal use</td> <td style="text-align: right;"><u>3 000</u></td> </tr> <tr> <td>Amount paid into bank for cash sales</td> <td style="text-align: right;"><u>11 100 (1)OF</u></td> </tr> </table>		\$	Amount of cash sales	14 100 (1)OF	Less Cash kept for personal use	<u>3 000</u>	Amount paid into bank for cash sales	<u>11 100 (1)OF</u>	<b>2</b>																																								
	\$																																																	
Amount of cash sales	14 100 (1)OF																																																	
Less Cash kept for personal use	<u>3 000</u>																																																	
Amount paid into bank for cash sales	<u>11 100 (1)OF</u>																																																	

Question	Answer						Marks																																																						
4(d)	Ishaq Bank account  <table border="1" data-bbox="322 316 1765 655"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td>Aug 1</td> <td>Capital (1)</td> <td>95 000</td> <td>Aug 1</td> <td>Non-current assets (1)</td> <td>70 000</td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td>July 31</td> <td>Credit customers (1)</td> <td>47 385</td> <td>July 31</td> <td>Operating expenses (1)</td> <td>21 451</td> </tr> <tr> <td></td> <td>Sales (1)OF</td> <td>11 100</td> <td></td> <td>Credit suppliers (1)OF</td> <td>31 719</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>*Drawings (1)OF</td> <td>9 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d (1)</td> <td><u>21 315</u></td> </tr> <tr> <td></td> <td></td> <td><u>153 485</u></td> <td></td> <td></td> <td><u>153 485</u></td> </tr> </tbody> </table>						Date	Details	\$	Date	Details	\$	2018			2018			Aug 1	Capital (1)	95 000	Aug 1	Non-current assets (1)	70 000	2019			2019			July 31	Credit customers (1)	47 385	July 31	Operating expenses (1)	21 451		Sales (1)OF	11 100		Credit suppliers (1)OF	31 719					*Drawings (1)OF	9 000					Balance c/d (1)	<u>21 315</u>			<u>153 485</u>			<u>153 485</u>	8
Date	Details	\$	Date	Details	\$																																																								
2018			2018																																																										
Aug 1	Capital (1)	95 000	Aug 1	Non-current assets (1)	70 000																																																								
2019			2019																																																										
July 31	Credit customers (1)	47 385	July 31	Operating expenses (1)	21 451																																																								
	Sales (1)OF	11 100		Credit suppliers (1)OF	31 719																																																								
				*Drawings (1)OF	9 000																																																								
				Balance c/d (1)	<u>21 315</u>																																																								
		<u>153 485</u>			<u>153 485</u>																																																								
4(e)(i)	Lower of cost and net realisable value						1																																																						
4(e)(ii)	Prudence <b>Or</b> Accruals (matching)						1																																																						
4(f)	<table border="1" data-bbox="322 820 1397 1152"> <thead> <tr> <th></th> <th>overstated</th> <th>understated</th> </tr> </thead> <tbody> <tr> <td>gross profit for the year ended 31 July 2019</td> <td></td> <td>✓(1)</td> </tr> <tr> <td>current assets at 31 July 2019</td> <td></td> <td>✓(1)</td> </tr> <tr> <td>cost of sales for the year ending 31 July 2020</td> <td></td> <td>✓(1)</td> </tr> <tr> <td>profit for the year ending 31 July 2020</td> <td>✓(1)</td> <td></td> </tr> </tbody> </table>						overstated	understated	gross profit for the year ended 31 July 2019		✓(1)	current assets at 31 July 2019		✓(1)	cost of sales for the year ending 31 July 2020		✓(1)	profit for the year ending 31 July 2020	✓(1)		4																																								
	overstated	understated																																																											
gross profit for the year ended 31 July 2019		✓(1)																																																											
current assets at 31 July 2019		✓(1)																																																											
cost of sales for the year ending 31 July 2020		✓(1)																																																											
profit for the year ending 31 July 2020	✓(1)																																																												

Question	Answer	Marks																																																																																																												
5(a)	<p>Lili SS Limited account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td>Sept 3</td> <td>Bank (1)</td> <td style="text-align: right;">429</td> <td>Aug 1</td> <td>Balance b/d</td> <td style="text-align: right;">440</td> </tr> <tr> <td></td> <td>Discount (1)</td> <td style="text-align: right;">11</td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td>July 6</td> <td>Stationery (1)</td> <td style="text-align: right;">322</td> </tr> <tr> <td>July 31</td> <td>Balance c/d</td> <td style="text-align: right;"><u>322</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>762</u></td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Aug 1</td> <td>Balance b/d (1)OF</td> <td style="text-align: right;">322</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>762</u></td> </tr> </tbody> </table> <p style="text-align: center;">Stationery account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td>Aug 1</td> <td>Balance b/d</td> <td style="text-align: right;">85</td> <td>July 31</td> <td>Income statement(1)OF</td> <td style="text-align: right;">356</td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;">96</td> </tr> <tr> <td>Mar 30</td> <td>Cash (1)</td> <td style="text-align: right;">45</td> <td></td> <td></td> <td></td> </tr> <tr> <td>July 6</td> <td>SS Limited (1)</td> <td style="text-align: right;"><u>322</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>452</u></td> <td></td> <td></td> <td style="text-align: right;"><u>452</u></td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Aug 1</td> <td>Balance b/d (1)</td> <td style="text-align: right;">96</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>+ (1) Dates</b></p>	Date	Details	\$	Date	Details	\$	2018			2018			Sept 3	Bank (1)	429	Aug 1	Balance b/d	440		Discount (1)	11	2019			2019			July 6	Stationery (1)	322	July 31	Balance c/d	<u>322</u>						<u>762</u>	2019						Aug 1	Balance b/d (1)OF	322						<u>762</u>	Date	Details	\$	Date	Details	\$	2018			2019			Aug 1	Balance b/d	85	July 31	Income statement(1)OF	356	2019				Balance c/d	96	Mar 30	Cash (1)	45				July 6	SS Limited (1)	<u>322</u>						<u>452</u>			<u>452</u>	2019						Aug 1	Balance b/d (1)	96				<b>9</b>
Date	Details	\$	Date	Details	\$																																																																																																									
2018			2018																																																																																																											
Sept 3	Bank (1)	429	Aug 1	Balance b/d	440																																																																																																									
	Discount (1)	11	2019																																																																																																											
2019			July 6	Stationery (1)	322																																																																																																									
July 31	Balance c/d	<u>322</u>																																																																																																												
		<u>762</u>	2019																																																																																																											
			Aug 1	Balance b/d (1)OF	322																																																																																																									
					<u>762</u>																																																																																																									
Date	Details	\$	Date	Details	\$																																																																																																									
2018			2019																																																																																																											
Aug 1	Balance b/d	85	July 31	Income statement(1)OF	356																																																																																																									
2019				Balance c/d	96																																																																																																									
Mar 30	Cash (1)	45																																																																																																												
July 6	SS Limited (1)	<u>322</u>																																																																																																												
		<u>452</u>			<u>452</u>																																																																																																									
2019																																																																																																														
Aug 1	Balance b/d (1)	96																																																																																																												
5(b)	<p>Credit customers paying early to take advantage of cash discount                      Increase in rate of cash discount                      Introduction of interest charge on overdue accounts                      Improved credit control                      Issue invoices/statements of account promptly                      Refusal of further supplies until outstanding balance paid  <b>Any 2 reasons (1) each</b></p>	<b>2</b>																																																																																																												

Question	Answer	Marks
5(c)	Have to wait longer for the money/could cause cash flow problems Increased risk of bad debts <b>Or other suitable disadvantage</b> <b>Any 1 disadvantage (1)</b>	<b>1</b>
5(d)	Opportunity to earn more cash discount/pay smaller amount Have to pay earlier/deprived of use of the money earlier/may create cash flow problems If credit customers delay in paying the business will have to use existing money to pay the credit suppliers if wish to earn the cash discount If cannot pay on time may be charged interest on overdue account If cannot pay on time relationship with suppliers may be damaged Will have little impact as is not earning the cash discount now <b>Any two comments (1) each</b>	<b>2</b>
5(e)	Capital expenditure Money spend on acquiring, improving and installing non-current assets <b>(1)</b>  Capital receipt Amounts received which do not form part of the day-to-day trading activities <b>(1)</b>  Revenue expenditure Money spent on the running of a business on a day-to-day basis <b>(1)</b>  Revenue receipt Amounts received in the day-to-day trading activities and other items of income <b>(1)</b>	<b>4</b>



Question	Answer					Marks	
5(f)	effect on non-current assets			effect on profit for the year		<b>9</b>	
		overstated \$	understated \$	no effect	overstated \$		understated \$
	error 1		3000				3000
	error 2	1630 (1)			1630 (1)		
	error 3			✓(1)	1280 *		
	error 4		1350*				1350*
<b>*(1) position and (1) amount</b>							