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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.
Saira Rehman – Petty Cash Book

<table>
<thead>
<tr>
<th>Total received</th>
<th>Date</th>
<th>Details</th>
<th>Total paid</th>
<th>Postage &amp; stationery</th>
<th>Catering supplies</th>
<th>Cleaning</th>
<th>Ledger accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 56</td>
<td>Oct 1</td>
<td>Balance b/d Bank/cash</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>144 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 (1)</td>
<td>4</td>
<td>Stamps and stationery</td>
<td>19</td>
<td>19 (1)</td>
<td></td>
<td></td>
<td>34 (1)</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Refund for personal postage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Abdul Shakeel</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
<td>16 (1)</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>Tea and coffee</td>
<td>9</td>
<td>9 (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>Syed Arshad</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Cleaning</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td>80 (1)</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>Balance c/d</td>
<td>158</td>
<td>19</td>
<td>9</td>
<td>80</td>
<td>50</td>
</tr>
<tr>
<td>$ 19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 155 (1)</td>
<td>Nov 1</td>
<td>Balance b/d Bank/cash</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>OF 45 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OF 155 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dates (1)
OF Totals of analysis columns (1)
OF Totals of total columns (1) [12]
(b) Debit Abdul Shakeel account $34 (1)
    Debit Syed Arshad account $16 (1)  

(c) Credit Postage and stationery account (2)  

(d) The amount available for the day-to-day running of the business (1)
    The difference between the current assets and the current liabilities (1)  

(e)

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Effect on working capital</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned damaged goods, $35, to Annie Khan, a credit supplier</td>
<td>No effect (1)</td>
<td>Inventory (current assets) decreases by $35</td>
</tr>
<tr>
<td>Received a cheque for $190 from Uzma Ali, a credit customer, in full settlement of $200 owing</td>
<td>Decrease $10 (1)</td>
<td>Current assets decrease by $10</td>
</tr>
</tbody>
</table>
2 (a) (i) Susan Kunaka account

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1 Balance b/d</td>
<td>20</td>
<td>Bank</td>
</tr>
<tr>
<td>4 Sales (1)</td>
<td>192</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>212</td>
<td></td>
</tr>
</tbody>
</table>

(ii) Bad debts account

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30 Debtors</td>
<td>420</td>
<td>Income</td>
</tr>
<tr>
<td>July 30 S Kunaka</td>
<td>62</td>
<td>statement</td>
</tr>
<tr>
<td></td>
<td>482</td>
<td></td>
</tr>
</tbody>
</table>

(iii) Bad debts recovered account

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 31 Income statement</td>
<td>103 (1)</td>
<td></td>
</tr>
<tr>
<td>(OR bad debts)</td>
<td>103</td>
<td></td>
</tr>
</tbody>
</table>

(iv) Provision for doubtful debts account

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 31 Income statement</td>
<td>360 (1)</td>
<td></td>
</tr>
<tr>
<td>Balance c/d</td>
<td>840</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1200</td>
<td></td>
</tr>
</tbody>
</table>

Alternatively the total of the bad debts recovered account could be transferred to the bad debts account (1)
The net amount of bad debts transferred to the income statement would then be $379 (1)
(a) (i) Alternative presentation

Susan Kunaka account

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>July 1 Balance</td>
<td>20</td>
<td>20 Dr</td>
</tr>
<tr>
<td>4 Sales</td>
<td>192 (1)</td>
<td>212 Dr</td>
</tr>
<tr>
<td>24 Bank</td>
<td>150 (1)</td>
<td>62 Dr</td>
</tr>
<tr>
<td>30 Bad debts</td>
<td>62 (1)</td>
<td>0</td>
</tr>
</tbody>
</table>

(ii)

Bad debts account

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>June 30 Balance</td>
<td>420 (1)</td>
<td>420 Dr</td>
</tr>
<tr>
<td>July 30 S Kunaka</td>
<td>62 (1)</td>
<td>482 Dr</td>
</tr>
<tr>
<td>31 Income statement</td>
<td>482 (1)OF</td>
<td>0</td>
</tr>
</tbody>
</table>

(iii)

Bad debts recovered account

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>July 16 Cash (XY Stores)</td>
<td>103 (1)</td>
<td>103 Cr</td>
</tr>
<tr>
<td>31 Income statement (OR bad debts)</td>
<td>103 (1)</td>
<td>0</td>
</tr>
</tbody>
</table>

(iv)

Provision for doubtful debts account

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Aug 1 Balance</td>
<td>1200 (1)</td>
<td>1200 Cr</td>
</tr>
<tr>
<td>2013</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>July 31 Income statement</td>
<td>360 (1)</td>
<td>840 Cr</td>
</tr>
</tbody>
</table>

Alternatively the total of the bad debts recovered account could be transferred to the bad debts account (1)
The net amount of bad debts transferred to the income statement would then be $379 (1)
(b)

<table>
<thead>
<tr>
<th></th>
<th>Overstated $</th>
<th>Understated $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year ended 31 July 2013</td>
<td>-</td>
<td>360 (2)O/F</td>
</tr>
<tr>
<td>Current assets at 31 July 2013</td>
<td>-</td>
<td>360 (2)O/F</td>
</tr>
</tbody>
</table>

[4]

(c) (i) Trade receivables × 365

\[
\frac{\text{Credit sales}}{1} = \frac{28000 \times 365}{224000} = 45.6 \text{ days (1)}
\]

[2]

(iii) May not be able to pay creditors on time

May be refused further supplies on credit

May overdraw on bank account

May not be able to take advantage of business opportunities

Or other suitable comment

Any 1 comment (2)

[2]

[Total: 21]
3 (a)  
Steven Wright  
Income Statement for the year ended 30 September 2013

\[
\begin{array}{ccc}
\text{Revenue} & 169,000 & (1) \\
\text{Less Sales returns} & 5,000 & (1) \\
\text{Less Cost of sales} \\
\text{Opening inventory} & 9,000 & (1) \\
\text{Purchases} & 132,000 & (1) \\
\text{Less Goods for own use} & 1,000 & (1) \\
\text{Less Closing inventory} & 17,000 & (2) \text{C/F} \\
\end{array}
\]

\[
\begin{array}{ccc}
\text{Gross profit} & 41,000 & (2) \\
\text{Commission received} & 1,215 & (1) \\
\text{Less Wages} & 27,250 & (1) \\
\text{General expenses} & 3,800 & (1) \\
\text{Provision for doubtful debts} & 24 & (2) \\
\text{Loan interest} & 180 & (1) \\
\text{Depreciation – Equipment} & 6,000 & (1) \\
\text{Motor vehicle} & 2,250 & (1) \\
\text{Profit for the year} & 2,711 & (1) \text{O/F}
\end{array}
\]

Horizontal format acceptable  
[18]

(b) Consistency (1)  
Matching (accruals) (1)  
Accounting (business) entity (1)  
[3]

[Total: 21]
4 (a)

Samira El Badry
Suspense account

\[
\begin{array}{ccc}
\text{Debit} & \text{Credit} & \text{Balance} \\
\text{2013} & \text{2013} & \text{
\begin{array}{c}
\text{Aug 31 Difference on trial balance} \\
\text{Purchases returns} \\
\text{Discount received} \\
\text{Aug 31 Amrik Bhatti Rent received} \\
\text{Rent paid} \\
\text{Balance c/d}
\end{array}
}
\end{array}
\]

\[
\begin{array}{cccc}
116 (1) & 100 (1) & 286 (1) & \text{Amrik Bhatti 36 (1)} \\
31 Rent received & Rent paid & Balance c/d & 66 \\
\end{array}
\]

\[
\begin{array}{c}
\text{502} \\
\end{array}
\]

2013
Sept 1 Balance b/d 66 (1)O/F

Alternative presentation

Samira El Badry
Suspense account

 Debite Credit Balance

\[
\begin{array}{ccc}
\text{2013} & \text{2013} & \text{
\begin{array}{c}
\text{Aug 31 Difference on trial balance} \\
\text{Purchases returns} \\
\text{Discount received} \\
\text{Amrik Bhatti} \\
\text{Rent received} \\
\text{Rent paid}
\end{array}
}
\end{array}
\]

\[
\begin{array}{cccc}
116 (1) & 100 (1) & 286 (1) & 36 (1) \\
\text{216 Dr} & \text{216 Dr} & \text{502 Dr} & \text{502 Dr} \\
\text{466 Dr} & \text{466 Dr} & \text{66 Dr} & \text{66 Dr} \\
\text{O/F} & \text{O/F} & \text{O/F} & \text{O/F}
\end{array}
\]

(b) It would appear that not all the errors have been discovered (1) as there is still a balance on the suspense account (1)

Or – if the candidate’s suspense account is closed –

It would appear that all the errors have been discovered (1) as there is no balance remaining on the suspense account (1) [2]

(c) Only errors that affect the balancing of the trial balance are corrected using a suspense account. (1)

Error 3 (The omission of goods for own use) does not affect the balancing of the trial balance and so is not corrected using that account. (1) [2]
(d) (i) August 6 Purchases
Explanation – Samira El Badry has purchased goods on credit from Tahir Stores Ltd (2)
Double entry – Debit purchases account (1) [3]

(ii) August 6 Carriage
Explanation – Tahir Stores Ltd have charged Samira El Badry for the cost of delivering goods to her premises (2)
Double entry – Debit carriage inwards account (1) [3]

(iii) August 31 Interest
Explanation – Tahir Stores Ltd have charged Samira El Badry interest on the amount she owes (2)
Double entry – Debit interest payable account (1) [3]

(e) Liability [1]

[Total: 21]

5 (a) (i) Share losses
Share responsibilities
Share risks
Share decision-making
Additional finance may be available
Additional skills and experience are available
Or other suitable comment
Any 1 comment (1) [1]

(ii) Share profits
Decisions must be recognised by all partners
Decisions may take longer to implement
One partner’s actions can bind the other partners
Disagreements can occur
All partners are responsible for the debts of the business
Or other suitable comment
Any 1 comment (1) [1]

(b) To avoid misunderstandings and disagreements later [1]
(c)  Carol Chen Current account

\[
\begin{array}{ c c c }
\text{Year} & \text{Debit} & \text{Credit} & \text{Balance} \\
2012 & 5 100 & & \\
2013 & 2 000 & & \\
\text{Nov 1 Balance b/d} & & & 5 100 \\
\text{Oct 31 Int. on capital} & & & 2 000 \\
\text{Int. on drawings} & 612 \{1\} & & \\
\text{Oct 31 Drawings} & 20 400 \{1\} & & \\
\text{Profit share} & 7 560 \{1\} & & \\
\text{Salary} & 15 000 \{1\} & & \\
\text{Int. on drawings} & 612 \{1\} & & \\
\text{Balance c/d} & 1 552 & & \\
\text{Nov 1 Balance b/d} & 1 552 \{1\} & & 0/F \\
\end{array}
\]

\[2 6112\]

Alternative presentation

Carol Chen Current account

<table>
<thead>
<tr>
<th>Year</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$5 100 {1}</td>
<td>$5 100</td>
<td>$5 100 Dr</td>
</tr>
<tr>
<td>2013</td>
<td>2 000</td>
<td>25 500</td>
<td>26 112 Dr</td>
</tr>
<tr>
<td>Oct 31 Drawings</td>
<td>20 400 {1}</td>
<td></td>
<td>26 112 Dr</td>
</tr>
<tr>
<td>Int. on drawings</td>
<td>612 {1}</td>
<td></td>
<td>21 112 Dr</td>
</tr>
<tr>
<td>Int. on capital</td>
<td>2 000 {1}</td>
<td></td>
<td>21 112 Dr</td>
</tr>
<tr>
<td>Salary</td>
<td>15 000 {1}</td>
<td></td>
<td>1 552 Dr</td>
</tr>
<tr>
<td>Profit share</td>
<td>7 560 {1}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 1 Balance b/d</td>
<td>1 552 {1} &amp; 0/F</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[5\]

(d) The balance represents the amount owing by Carol Chen to the business.

Or appropriate answer based on candidate's answer to (c) \[2\]

(e)

<table>
<thead>
<tr>
<th>account to be debited</th>
<th>account to be credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Chen current account {1}</td>
<td>Tony Chen capital account {1}</td>
</tr>
</tbody>
</table>

\[2\]

(f) Financial information is only relevant if it can be used –
To confirm or correct prior expectations about past events
To assist in forming, revising or confirming expectations about the future
As the basis for financial decisions
In time to be able to influence decisions

Explanation of any 1 point \(2\)

\[2\]

[Total: 14]
6 (a)

<table>
<thead>
<tr>
<th></th>
<th>Percentage of gross profit to revenue</th>
<th>Percentage of profit for the year to revenue</th>
<th>Return on capital employed (ROCE)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formula</strong></td>
<td>Gross profit × 100 (1) Revenue</td>
<td>Profit for the year × 100 (1) Revenue</td>
<td>Profit for the year × 100 (1) Capital employed</td>
</tr>
<tr>
<td><strong>Workings to one decimal place</strong></td>
<td>(220 000 – 185 900) × 100 = 34 100 ( \frac{1}{100} \times 1 )</td>
<td>(34 100 – 20 240) × 100 = 13 860 ( \frac{1}{100} \times 1 )</td>
<td>13 860 ( \frac{1}{100} \times 1 )</td>
</tr>
<tr>
<td><strong>Answer</strong></td>
<td>15.5% (1)</td>
<td>6.3% (1)</td>
<td>12.5% (1)OF</td>
</tr>
</tbody>
</table>

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(b) (i) Kelly Limited –
Has a higher selling price
Is selling goods at a higher mark-up
Has a lower cost price
Is taking advantage of bulk buying
Is allowing customers a lower rate of trade discount
Or other suitable reason
Any 1 reason (2)

(ii) Kelly Limited –
Has higher expenses
Has less control over expenses
Has different types of expenses (fixed/variable)
Has lower amount of other income
Or other suitable reason
Any 1 reason (2)

(c) (i) This shows the profit earned for each $100 used in the business. (1)
The higher the percentage the more efficiently the capital is being employed. (1)

(ii) Patrick Murphy
Or appropriate answer based on answer to (a)(iii)

(d) Should compare with a business of approximately the same size
Should compare with a business of the same type (sole trader)
The financial statements may be for one year which will not show trends
The financial statements may be for one year which is not a typical year
The financial year may end on different dates (when inventories are high/low)
The businesses may operate different accounting policies
The statements do not show non-monetary factors
It may not be possible to obtain all the information needed to make comparisons
Or other suitable points
Any 2 points (2) each

[Total: 19]