MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/11   Paper 1, maximum raw mark 120

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 must be read in conjunction with the question papers and the report on the examination.

Cambridge is publishing the mark schemes for the May/June 2012 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 Key

   (a) C   [1]

   (b) D   [1]

   (c) D   [1]

   (d) A   [1]

   (e) B   [1]

   (f) B   [1]

   (g) D   [1]

   (h) C   [1]

   (i) A   [1]

   (j) A   [1]

                    [Total: 10]

2 (a) Invoice   [1]

   (b) To show the financial position of a business on a certain date.   [1]

   (c)

	Asset	Liability
Inventory	✓**(1)**	
Rent receivable prepaid		✓**(1)**
Trade payables		✓**(1)**

                    [3]

   (d) To calculate how much it has cost the business to manufacture the goods **(1)** produced in the financial year **(1)**.   [2]

(e) (i) Money measurement **(1)**

   (ii) Relevance **(1)**   [2]

(f) $(300 \times \$10.30)$ **(1)** = \$3090 – 4% = \$3090 – \$123.60 = \$2966.40 **(1)**   [2]

(g) Land, buildings, machinery, equipment, fixtures, motor vehicles, goodwill
    Any 2 (1) each   [2]

(h) The business is treated as being completely separate from the owner. **(1)**
    The accounting records relate only to the business, **(1)**   [2]

(i) $(200 \times \$100)$ **(1)** = \$20 000 $\times$ 3% $\times$ ½ = \$300 **(1)**   [2]

(j)

Payments	$2100	
Less opening accrual	350	**(1)**
	1750	
Plus closing accrual	470	**(1)**
Charge for the year	2220	**(1)**

                                                             [3]

                                                          [Total: 20]

3 (a) To assist in the preparation of financial statements
    To check for **arithmetical** accuracy/errors (must include arithmetical)
    Any 1 reason (1)   [1]

(b)   Hans Lee
                          Trial Balance at 30 April 2012

	Dr $	Cr $	
Revenue		110 000	
Purchases	65 000		
Inventory *(1 May 2011)*	11 500		**(1)**
Trade receivables	1 300		**}**
Trade payables		1 900	**}(1)**
Machinery	7 400		
Expenses	31 600		
Bank overdraft		3 100	**(1)**
Capital		11 500	**}**
Drawings	7 600		**}(1)**
Suspense **(1)**	2 100		**(1) OF**
	126 500	126 500	**(1)**

[7]

(c)   Hans Lee
                                                Journal

		Debit $	Credit $	
1	Purchases	1 600		**(1)**
	Suspense		1 600	**(1)**
2	Suspense	300		**(1)**
	John Tan		300	**(1)**
3	Drawings	200		**(1)**
	Suspense		200	**(1)**

[6]

(d)

	Increase	Decrease	No effect
Error 1		✓(1)	
Error 2			✓(1)
Error 3			✓(1)

[3]

(e) All the errors have NOT YET been discovered. **(1)**
There is a balance remaining on the suspense account/Trial Balance. **(1)**   [2]

[Total: 19]

4 (a) To avoid recording small cash payments in the main cash book **(2)**
To reduce the number of entries in the main cash book **(2)**
Any one reason (2)   [2]

(b) The petty cashier starts each month with the same amount of money. **(1)**
At the end of the period the amount spent is reimbursed so the cash remaining is equal to the imprest amount. **(1)**   [2]

(c) Refer to next page   [12]

(d)   Postages and stationery account
2012 $ 2012 $
April 30 Petty cash   60 **(1)**   April 30   Petty cash   4   **(1)**

                          Motor expenses account
2012 $
April 30 Petty cash   38 **(1)**

                          Catering supplies account
2012 $
April 30 Petty cash   12 **(1)**

                          Cleaning account
2012 $
April 30 Petty cash   70 **(1)**

[5]

(e) $24 **(1)** O/F from (c)   [1]

[Total: 22]

4   continued   Theba – Petty Cash Book

Total Received	Date	Details	Total Paid	Postages and stationery	Motor expenses	Catering supplies	Cleaning
$			$	$	$	$	$
97	April 1	Balance b/d					
103 **(1)**		Bank					
	4	Postage stamps	24	24 **(1)**			
4 **(1)**	12	Stationery	36	36 **(1)**			
	17	Fuel	38		38 **(1)**		
	21	Stationery refund					
	24	Catering supplies	12			12 **(1)**	
	29	Cleaning	70				70 **(1)**
			180	60	38	12	70
	30	Balance c/d	24				
204	May 1		204				
		Balance b/d					
24 **(1)**		Bank/Cash					
176 **(1)**							
O/F							

Totals of analysis columns (1);
Totals of total columns (1)
Dates (1)   [12]

5 **(a)** Additional finance
Additional knowledge and skills
Sharing of responsibilities
Sharing of risks
Discussions can take place before taking decisions
Any 2 (1) each [2]

(b) Profits have to be shared
Decisions have to be recognised by all partners/disagreements may arise
Decisions may take longer to put into effect
One partner's actions are binding on all partners
All partners are responsible for the debts of the business
Any 2 (1) each [2]

(c) Raoul and Hassan
Journal

	Debit $	Credit $	
Bank	6000		**(1)**
Capital Raoul		6000	**(1)**
Inventory	4000		**(1)**
Capital Hassan		4000	**(1)**
Rent	600		**(1)**
Shop fittings	750		**(1)**
Bank (or Cash Book)		1350	**(2)**

[8]

(d) Raoul and Hassan
Profit and Loss Appropriation Account for the year ended 31 March 2012

	$	$	$	
Profit for the year			8800	**(1)**
Less Interest on capital – Raoul	180 **(1)**			
Hassan	120 **(1)**	300		
Partner's salary – Rauol		3000 **(1)**	3300	
			5500	
Profit shares – Raoul		2200 **(2)(1) OF**		
Hassan		3300 **(2)(1) OF**	5500	

[8]

(e)
<div align="center">Raoul</div>
<div align="center">Current account</div>

2012		$	2012		$	
Mar 31	Balance c/d	5380	Mar 31	Interest on cap	180	**(1)**O/F
				Salary	3000	**(1)**
				Profit share	2200	**(1)**O/F
		5380			5380	
			April 1	Balance b/d	5380	**(1)**O/F

[4]

(f) Increase Raoul's salary
Allow commission on sales
Change the profit-sharing ratio
Any 1 (2) [2]

[Total: 26]

6 (a) (i) Current assets – current liabilities **(1)**
(36 000 + 60 000) – (63 000 + 17 000) = 96 000 – 80 000 **(1)**
= $16 000 **(1) OF** [3]

(ii) Current assets : current liabilities **(1)**
96 000 : 80 000 **(1)** = 1.2 : 1 **(1) OF** [3]

(iii) Current assets – inventory : current liabilities **(1)**
60 000 : 80 000 **(1)** = 0.75 : 1 **(1) OF** [3]

(b) (i) Cole Limited **(1)**
Cole Limited can pay the immediate liabilities from **the current assets** and/or Fanza
Limited's ratio is lower than is usually acceptable **(2)** [3]

(ii) Cole Limited **(1)**
Cole Limited can meet the immediate liabilities from **the liquid assets** but Fanza may
have difficulty in paying current liabilities when they fall due/Fanza Limited's ratio is lower
than is usually acceptable **(2)** [3]

(c) Receive a fixed rate of dividend
The dividend is paid before ordinary share dividend
Capital is returned before ordinary share capital in a winding up
Do not usually carry voting rights
Preference shares are part of the capital of the company
Preference shareholders are members of the company
Any 2 (2) each [4]

(d) Receive a fixed rate of interest
Interest is paid irrespective of the profit of the company
Are long term loans
Are often secured on the assets of the company
Debentures are repaid before share capital in a winding up
Debenture holders are not members of the company
Do not carry voting rights

Any 2 (2) each [4]

[Total: 23]

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0452 ACCOUNTING

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 must be read in conjunction with the question papers and the report on the examination.

Cambridge is publishing the mark schemes for the May/June 2012 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 (a) The cash book is a book of prime (original) entry because it is written up from business documents. **(1)**
The cash book is part of the double entry system as it acts as ledger accounts for cash and bank. **(1)**   **[2]**

(b)   Stewart Hanson
                                        Cash Book

Date	Details		Discount allowed $	Cash $	Bank $	Date	Details		Discount received $	Cash $	Bank $
2012						2012					
Jan 1	Balances	b/d		100	1942	Jan 3	Paul Yim	**(1)**	12		398
28	Sales	**(1)**		1970		8	Office equipment	**(1)**			1795
30	Cash	c **(1)**			2020	13	Drawings	**(1)**			250
						20	Sue West (dis. cheque)	**(1)**			115
						30	Bank c	**(1)**		2020	
						31	Balances c/d			50	1404
2012				2070	3962				12	2070	3962
Feb 1	Balances	b/d		50	1404						
				(1)OF	**(1)OF**						

          + (1) dates   **[10]**

© University of Cambridge International Examinations 2012

(c) (i) Between 8 and 29 January the payments from the bank exceeded the money in the bank account. **[2]**

(ii) Purchase of equipment could possibly have been delayed until later in the month. **[2]**

(d) The personal motor expenses have been treated as drawings and not as a business expense. **[2]**

(e)   Journal

	Debit $	Credit $	
Bad debts	115		(1)
Sue West		115	(1)
Amount owed by Sue West written off as a bad debt			(1)

[3]

(f)

Account debited		Account credited	
Bank	(1)	Bad debts recovered	(1)

OR

Account debited		Account credited	
Sue West }		Bad debts recovered }	
Bank }	(1)	Sue West }	(1)

[2]

(g) Reduce credit sales/sell on a cash basis
Obtain references from new credit customers
Fix a credit limit for each customer
Improve credit control
Issue invoices and monthly statements promptly
Refuse further supplies until outstanding balance is paid

Any 2 points (1) each **[2]**

[Total: 25]

2 (a) To assist in the location of errors
To provide instant totals of trade receivables and trade payables
To prove the arithmetical accuracy of the sales and purchases ledgers
To enable a balance sheet to be prepared quickly
To provide a summary of transactions relating to trade receivables and trade payables
To provide an internal check on sales and purchases ledgers – may reduce fraud

Any 2 points (1) each [2]

(b) The purchases ledger control account acts as a check on the purchases ledger. If there is an error in the purchases ledger it will not be revealed by a control account prepared from the individual accounts in the ledger. [2]

(c)
<div align="center">

Fatima Ayub
Purchases ledger control account

</div>

2012		$	2012		$	
April 1	Balance b/d	38	April1	Balance b/d	4 260	**(1) for both balances**
30	Purchases returns	243 **(1)**	30	Purchases	6 680	**(1)**
	Bank	3 705 **(1)**		Interest charged	11	**(1)**
	Discount received	95 **(1)**		Balance c/d	22	**(1)**
	Contra entry	320 **(1)**				
	Balance c/d	6 572 **(1)**				
		10 973			10 973	
2012			2012			
May 1	Balance b/d	22 **(1)**	May 1	Balance b/d	6 572	**(1)OF**

+ (1) dates [12]

(d) Overpayment to supplier
Payment made without deducting cash discount
Goods returned to supplier after payment of balance due
Payment made in advance to supplier

Any 2 points (1) each [2]

(e) A contra entry is one which appears on the debit of the purchases ledger control account and the credit of the sales ledger control account. **(1)**
This entry is made when a sales ledger account is set off against an a purchases ledger account of the same person/business. **(1)** [2]

[Total: 20]

3 (a) Mark Mutanda
Income Statement for the year ended 31 January 2012

	$	$
Income from clients		82 100 **(1)**
Rent received (2 600 – 200)		2 400 **(2)**
Decrease in provision for doubtful debts		
(154 – 136)		18 **(2)**
		84 518
Less Insurance (5 630 – 2 320)	3 310 **(2)**	
Wages and salaries (33 000 + 3 200)	36 200 **(2)**	
Rates	5 200 **(1)**	
Loan interest (900 + 300)	1 200 **(2)**	
Office expenses (17 177 – 214)	16 963 **(2)**	
Depreciation – Office equipment		
(1 900 + 600 **(1)** – 2 100 **(1)**)	400	
Depreciation – Fixtures & fittings		
(10% × 5250)	525 **(1)**	63 798
Profit for the year		20 720 **(1)OF**

[18]

(b) Mark Mutanda
Capital account

2012		$	2011			$	
Jan 31	Office expenses		Feb 1	Balance b/d	200 000 **(1)**	
	(drawings)	214 **(1)**	2012			
	Cash (drawings)	16 000 **(1)**	Jan 31	Profit	20 720 **(1)OF**	
	Balance c/d	204 506				
		220 720			220 720	
			2012			
			Feb 1	Balance b/d	204 506 **(1)OF**	

+ (1) dates [6]

(c) $\dfrac{20\,720\ \textbf{(1)OF}}{200\,000 + 20\,000\ \textbf{(1)}} \times \dfrac{100}{1} = 9.42\%\ \textbf{(1)OF}$ [3]

(d) This shows the profit earned for every $100 used in the business. **(1)**
The higher the percentage the more efficiently the capital is being employed. **(1)** [2]

(e) Lower profit for the year
Higher capital employed

Any 1 point (2) [2]

4 (a) The accumulated fund represents the surpluses (less any deficits) the club has made since it was formed. **[2]**

(b) Dhavari Sports Club
Calculation of Corrected Surplus for the year ended 31 March 2012

	$	$		
Original surplus		17 400		
Add Insurance prepaid		300	**(1)**	
Expenditure overcast		100	**(1)**	
		17 800		
Less Depreciation of equipment	1 400 **(1)**			
Bank charges	150 **(1)**			
Subscriptions prepaid	600 **(1)**	2 150		
Corrected surplus		15 650 **(1)OF**		**[6]**

(c) The income and expenditure account includes only revenue items
The income and expenditure account includes non-monetary items
The income and expenditure account adjusts figures for accruals and prepayments
The receipts and payments account shows total money paid and received

Any 2 points (2) each **[4]**

(d) Dhavari Sports Club
Balance Sheet at 31 March 2012

	$	$	$	
Non-current assets				
Premises at cost			70 000	
Sports equipment at valuation			11 600	**(1)**
			81 600	**(1)**
Current assets				
Shop inventory		8 500		
Subscriptions owing		1 500	**(1)**	
Other receivables		300	**(1)**	
Petty cash		200	**(1)**	
		10 500	**(1)OF**	
Current liabilities				
Trade payables	4 300 **(1)**			
Bank overdraft (1 400 + 150)	1 550 **(1)**			
Subscriptions prepaid	600 **(1)**	6 450 **(1)OF**		
Net current assets			4 050	
			85 650	
Non-current liabilities				
Loan (repayable 1 January 2015)			10 000	**(1)**
			75 650	
Financed by				
Accumulated fund				
Opening balance			60 000	
Plus Surplus for the year			15 650	**(1)OF**
			75 650	

[12]

[Total: 24]

5 (a) The cost of inventory is the actual purchase price of the goods **(1)** plus any additional costs incurred in bringing the goods to their present position and condition. **(1)** **[2]**

(b) The net realisable value is the estimated receipts from selling the goods **(1)** less any costs of completing the goods or costs of selling. **(1)** **[2]**

(c) This ensures that the profit is not overstated **(1)**
This ensures that the inventory is not overstated **(1)** **[2]**

(d)

		overstated	understated	no effect
(ii)	profit for the year ended 31 December 2012		✓ **(2)**	
(iii)	credit balance on capital account on 1 January 2013		✓ **(2)**	

[4]

(e) Cost of sales = 80% × 87 000 = 69 600 **(1)**

Average inventory = $\dfrac{6\,000 + 7\,400}{2}$ = 6700 **(1)**

Rate of turnover = $\dfrac{69\,600}{6\,700}$ = 10.39 times **(1)** **[3]**

(f) Lower inventory levels
More sales activity

Any 1 reason (2) **[2]**

(g) The business should be selling similar goods
The business should be of a similar size

Or other acceptable point

Any 1 point (1) **[1]**

(h) To assess the liquidity position
To calculate the payment period for trade payables
To determine the period of credit to be allowed
To determine the credit limit
To identify future prospects

Any 2 reasons (1) each **[2]**

(i) **(i)** Employee
To assess the ability of the business to continue operating
To consider the prospects for jobs and wages

Any 1 point (1) [1]

(ii) Bank manager
To assess the prospect of any requested loan/overdraft being repaid when due
To assess the prospects of any interest on loan/overdraft being paid when due
To determine the security available to cover any loan/overdraft

Any 1 point (1) [1]

[Total: 20]