

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

## **MARK SCHEME for the May/June 2015 series**

### **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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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## **MARK SCHEME for the May/June 2015 series**

### **0452 ACCOUNTING**

**0452/21**

Paper 2, maximum raw mark 120

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- 1 (a) Control/limit/keep track of petty cash expenditure  
 The cash remaining and the vouchers received should equal the imprest  
 Can help to reduce fraud  
 Or other suitable advantage  
 Any one advantage **(1)** [1]
- (b) See petty cash book on next page [11]
- (c) (i) \$78 **(1 o.f.)**
- (ii) Bank (or Cash) **(1)** [2]
- (d) Stationery **(1)** [1]

(e) Kuda Maposa  
Journal

		Debit \$	Credit \$	
<b>1</b>	Drawings Purchases Goods taken for personal use	300	300	<b>(1)</b> <b>(1)</b> <b>(1)</b>
<b>2</b>	Motor vehicles Capital Motor vehicle purchased using private funds	12 000	12 000	<b>(1)</b> <b>(1)</b> <b>(1)</b>
<b>3</b>	Machinery Machinery repairs Valley Machines Invoice received for purchase of new machine and repairs to existing machine	865 125	990	<b>}(1)</b> <b>}</b> <b>(1)</b> <b>(1)</b>

[9]

**[Total: 24]**

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(b)

Kuda Maposa – Petty Cash Book

Total Received	Date	Details	Total Paid	Postage	Stationery	General Expenses	Ledger accounts
\$	2015		\$	\$	\$	\$	\$
100	Mar 1	Balance b/d					
10 (1)	6	Postage	13	13 (1)			
	11	Tea and coffee	5			5 (1)	
	14	Stationery	27		27 (1)		
	18	T Masuka	15				15 (1)
	21	Refund for stationery					
	26	Window cleaner	12			12 (1)	
	29	P Zhonga	16				16 (1)
	30	Balance c/d	88	13	27	17	31
			22				
110			110				
22 (1 o.f.)	April 1	Balance b/d					

(1) Dates

(1 o.f.) Totalling analysis columns

(1 o.f.) Matching totals on total columns

[11]

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- 2 (a) (i) 15% (1)  
(ii) \$187 (1)  
(iii) \$217 (1) [3]

(b) Jai Kapur (1) [1]

(c) Goods returned  
Overcharge  
Allowance for faulty/damaged goods  
Any one reason (1) [1]

(d) Debit note (1) [1]

(e)

Books of Jai Kapur		Books of Vijay Singh	
Account debited	Account credited	Account debited	Account credited
Sales returns (1)	Vijay Singh (1)	Jai Kapur (1)	Purchases returns (1)

[4]

(f)

Vijay Singh Sales ledger control account					
		\$			\$
2015			2015		
April 1	Balance b/d	475 (1)	April 30	Sales returns	46 (1)
30	Sales	590 (1)		Bank	387 (1)
	Bank (dis. chq.)	26 (1)		Discount allowed	13 (1)
	Interest	8 (1)		Bad debt	32 (1)
	Balance c/d	21		Contra	150 (1)
		1120		Balance c/d	492
					1120
2015			2015		
May 1	Balance b/d	492 (1 o.f.)	May 1	Balance b/d	21 (1)

**+ (1) dates**  
**Three column running balance presentation acceptable** [12]

(g) This is when the balance of an account in the purchases ledger is set against the balance of an account of the same person in the sales ledger. (1) It is used when a trader both buys goods from and sells goods to another business. (1) [2]

(h) The customer had not paid the balance owed by the end of the period of credit allowed. (1) [1]

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- (i) To assist in the location of errors  
 To provide an instant total of trade receivables  
 To prove the arithmetical accuracy of the sales ledger  
 To enable a statement of financial position to be prepared quickly  
 To provide a summary of transactions relating to trade receivables  
 To help reduce fraud

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

- (j) An error in the sales ledger would not be revealed **(1)**  
 Any fraud would not be revealed **(1)**  
 Or other relevant point

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

**[Total: 28]**

**3 (a)**

Malala Khan  
 Statement of Affairs at 31 May 2015

Assets	Cost	Depreciation to date	Book value
	\$	\$	\$
Machinery	28 600	11 440 <b>(1)</b>	17 160 <b>(1 o.f.)</b>
Motor vehicles	<u>24 000</u>	<u>13 875</u> <b>(1)</b>	<u>10 125</u> <b>(1 o.f.)</b>
	<u>52 600</u>	<u>25 315</u>	<u>27 285</u>
Inventory		6 750 <b>(1)</b>	
Trade receivables	7 800 <b>(1)</b>		
Less Provision for doubtful debts	<u>156</u>	7 644 <b>(1)</b>	
Other receivables		<u>101</u> <b>(1)</b>	<u>14 495</u>
			<u>41 780</u>
<b>Liabilities</b>			
Long-term loan			10 000 <b>(1)</b>
Trade payables		8 100 <b>(1)</b>	
Bank overdraft		<u>4 080</u> <b>(1)</b>	<u>12 180</u>
			22 180
Capital		<u>19 600</u> <b>(1 o.f.)</b>	
		<u>41 780</u>	

**Any suitable format acceptable** [12]

(b)

		Malala Khan Capital account			
		\$		\$	
2015			2014		
May 31	Drawings	1990	June 1	Balance	20000
	Drawings	420	2015		
	Loss for year	2990	Jan 1	Bank	5000
	Balance c/d	<u>19600</u>			
		<u>25000</u>			<u>25000</u>
			2015		
			June 1	Balance b/d	19600

Three column running balance presentation acceptable

[6]

(c)

	Increase	Decrease	No effect
Reduce the credit period allowed to credit customers			✓ (1)
Sell a motor vehicle which is no longer used	✓ (1)		
Arrange with the bank to have a loan for six months			✓ (1)
Allow cash discount to credit customers who pay promptly		✓ (1)	

[4]

(d)

- To be able to meet debts when they fall due
- To be able to take advantage of cash discounts
- To be able to take advantage of business opportunities as they arise
- To ensure that there is no difficulty in obtaining further supplies
- Or other suitable explanation

Any three points (1) each

[3]

[Total: 25]

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4 (a)

Syed Zilani

Income Statement for the year ended 31 January 2015

	\$	\$	\$
Revenue			77 100
Cost of sales			
Purchases	62 030 (1)		
Less Goods for own use	<u>580</u>	61 450 (1)	
Less Closing inventory		<u>4 100 (1)</u>	<u>57 350</u>
Gross profit			19 750 (1 o.f.)
Discount received			<u>43 (1)</u>
			19 793
Wages		10 140	
Insurance (2 800 (1) – 400 (1))		2 400	
Advertising		1 120 (1)	
Bad debts		90 (1)	
Provision for doubtful debts (2% × 6 500)		130 (1)	
Rates (2 160 (1) – 720 (1))		1 440	
General expenses		151	
Depreciation – Equipment (20% × 9 300)		<u>1 860 (1)</u>	<u>17 331</u>
Profit for the year			<u>2 462 (1 o.f.)</u>

**Horizontal format acceptable**

[14]

(b) **Either**

Profit should not be overstated

**Or**

Profit should not be anticipated, but possible losses should be provided for (1)

Example

**Either** Creation of provision for doubtful debts

**Or** Providing for depreciation of equipment (1)

[2]

(c) **Comparability**

Relevance

Understandability

Any one objective (1)

[1]

(d) **Should compare with a business in the same trade**

Should compare with a business of approximately the same size/same capital

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 two points (1) for basic statement and (1) for development

[4]

**[Total: 21]**



5 (a)

Error	Increase \$	Decrease \$
Sales returns, \$420, had not been recorded		420 (2)
Inventory on 1 March 2014 was overstated by \$1500	1500 (2)	
The income statement included rent and rates, \$6150, for 15 months to 31 May 2015	1230 (2)	
Discount allowed, \$180, had been recorded as discount received		360 (2)

(1) for position and (1) for figure in each case [8]

(b)  $(7350 + 1120) : ((6870 + 5000))$   
 $8470 : 11\ 870$  (1)  
 $0.71 : 1$  (1) [2]

(c) Liquid assets are less than the current liabilities  
 Cannot meet the immediate liabilities from the immediate assets  
 Is dependent on selling inventory to meet the current liabilities  
 Is below the generally accepted "benchmark"/is inadequate/unsatisfactory  
 Or other suitable comment based on the answer to (b)  
 Any two points (1) each [2]

(d) Excludes the inventory from the calculation [1]

(e)  $\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$  [1]

(f)  $\frac{7350}{71500} \times \frac{365}{1} = 38$  days (1) [2]

(g) On average credit customers are taking 8 days more than is allowed  
 This may affect the ability of the business to pay current liabilities  
 This may affect the ability of the business to take advantage of opportunities when they arise  
 Or other suitable comments based on answer to (f)  
 Any two points (1) each [2]

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- (h) Offer cash discount for prompt payment  
 Charge interest on overdue accounts  
 Improve credit control/send invoices or statements promptly  
 Refuse further supplies until outstanding balance paid  
 Invoice discounting and debt factoring

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

- (i) On average suppliers are paid 4 days earlier than is required  
 This may enable him to take advantage of cash discounts  
 This will improve relations with credit suppliers  
 Deprives the business of the use of the money earlier than necessary

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

**[Total: 22]**

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1 (a) C

(b) B

(c) A

(d) B

(e) C

(f) D

(g) A

(h) D

(i) A

(j) A

(1) mark each

[Total: 10]

2 (a)

	<b>Asset</b>	<b>Liability</b>
Office equipment	✓	
Prepaid rent	✓ (1)	
Accrued wages		✓ (1)
Bank loan		✓ (1)
Inventory of goods for resale	✓ (1)	
Inventory of stationery for office use	✓ (1)	
Amount due to creditor		✓ (1)

[6]

- (b) An asset account has a debit **(1)** balance.  
 A liability account has a credit **(1)** balance.  
 An expense account has a debit **(1)** balance.  
 An income account has a credit **(1)** balance.

[4]

(c) Any suitable answer e.g. insurance, telephone, wages etc. (1) [1]

(d) Income statement (1) [1]

(e)

Every transaction has a two fold aspect	<i>True</i>
Costs must be matched against related income	True (1)
Revenue can be recorded before it is earned	False (1)
Staff expertise can be recorded in the financial statements	False (1)

[3]

(f)

		Lamoudi					
		Insurance account					
2014		\$		2014	\$		
1 Jan	Balance b/d	300	(1)	31 Dec	Income statement	1380	(1o.f.)
1 Apr	Bank/Cash	<u>1440</u>	(1)		Balance c/d	<u>360</u>	
		<u>1740</u>				<u>1740</u>	
2015							
1 Jan	Balance b/d	360	(1)				

**+1 for dates**

[5]

(g) To check the arithmetical accuracy of the double entry (1)

OR

As a basis for the preparation of the financial statements/final accounts (1)

[1]

(h)

Ebenon  
Trial Balance at 31 December 2014

	Debit \$	Credit \$	
Motor vehicles	38 000		}
Provision for depreciation of motor vehicles		10 000	}{(1)
Sales		190 000	}
Purchases	103 000		}{(1)
Rent	4 000		}
Wages and salaries	41 000		}{(1)
Sundry expenses	6 800		}
Drawings	23 000		}{(1)
Trade payables		5 000	}
Trade receivables	7 000		}{(1)
Bank overdraft		1 500	}
Cash	100		}{(1)
Purchase returns		600	}
Inventory	12 000		}{(1)
Capital		27 800	(1o.f.)
	234 900	234 900	

[8]

(i) 1 January 2014 (1)

[1]

**[Total: 30]**

3 (a)

Book of prime (original) entry	Source document
<i>Cash book</i>	<i>Cheque counterfoil</i>
Any two of: Sales journal Sales returns journal Purchases journal Purchases returns journal General journal  Petty cash book  for (1) mark each	Sales invoice Sales credit note issued Purchase invoice Credit note received/debit note issued Notification of debtor going bankrupt/other suitable answer Voucher  for (1) mark each

[4]

(b) To avoid multiple entries in the ledger (1)

Different books of prime entry can be maintained by different people (1)

Acts as an aid for posting to the ledger by analysing a transaction into debit and credit entry (1)

Helps to reduce the amount of detail in the ledger as only totals are posted to the ledger (1)

Provides evidence of transactions since they are recorded from source documents (1)

Helps in the auditing/tracking process/facilitates cross-referencing (1)

Easy reference to source of a transaction (1)

Helps in gathering and summarising of accounting information (1)

Groups together similar types of transactions in one book in date order (1)

Reduces number of entries in ledger (1)

**Max. 1**

[1]

(c) Discount allowed (1) Discount received (1)

[2]

(d) The debtor's bank refused payment (1)

[1]

(e)

Account debited	Account credited
Pierre (1)	Bank (1)

[2]

(f) Bank reconciliation statement (1)

[1]

(g) Paying more from the bank account than there is in it (1). This means that the business owes the bank money (the bank is a current liability) (1).

[2]

(h)

	Debit balance	Credit balance
Cash book		✓ (1)
Bank statement	✓ (1)	

[2]

(i)

Account debited	Account credited
Drawings (1)	Bank (1)

[2]

[Total: 17]

4 (a)

Green Meadow Limited  
Statement of Financial Position at 31 January 2015  
\$

<b>Non-current assets</b>	
Plant and equipment	184 000
Motor vehicles	<u>87 000</u>
	271 000 (1)*
<b>Current assets</b>	
Inventory	63 000
Trade receivables	57 000
Cash and cash equivalents/Bank	<u>2 000</u>
	122 000 (1)*
<b>Total assets</b>	<u>393 000</u>
<b>Capital and reserves (1)</b>	
Ordinary share capital	125 000 (1)
8% preference share capital	100 000 (1)
Retained earnings	<u>65 000</u> (1)
	<u>290 000</u>
<b>Non-current liabilities (1)</b>	
6% Debentures (2019)	50 000 (1)
Bank loan	<u>10 000</u> (1)
	<u>60 000</u>
<b>Current liabilities</b>	
Trade payables	<u>43 000</u> (1)*
<b>Total liabilities</b>	<u>393 000</u>

\* indicates heading required for mark

[10]

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<b>(b)</b>	\$		
		Closing profit	65 000
		Opening profit	<u>51 500</u>
			13 500 (1)
		Add back:	
		Ordinary dividend	10 000 (1)
		Preference dividend	<u>8 000</u> (1)
		Profit for the year	<u>31 500</u> (1o.f.)
			[4]

<b>(c)</b>	\$		
		Profit for the year	31 500 (1o.f.)
		Add back:	
		Bank interest	500 (1)
		Debenture interest	<u>3 000</u> (1)
		Profit for the year	<u>35 000</u> (1o.f.)
			[4]

**(d)**  $\frac{35\,000 \text{ (1o.f.)}}{290\,000 \text{ (1o.f.)} + 60\,000 \text{ (1o.f.)}} \times 100 = 10\% \text{ (1o.f.)}$  [4]

**(e)** To compare with other businesses  
To compare with rate of finance cost on debentures etc.

Any one for (1) mark [1]

**(f)** To avoid dilution of control (1)/because debentures don't have voting rights (1)  
Ensure existing owners retain control of business (1)

Any one for (1) mark [1]

**[Total: 24]**

**5**

<b>(a)</b>	Gross profit	\$400 (1)	
	Cost of sales	\$600 (1)	
	Purchases	600 (1o.f.) – (60 – 40) (1) = \$580	
	Profit for the year	\$150 (1)	
	Expenses	400 (1o.f.) – 150 (1o.f.) = \$250	[7]

**(b)** The brother has better control of his expenses (1).  
The brother has a larger business and experiences economies of scale on overheads such as rent (1).  
The brother buys goods for resale at a lower price (1).  
The brother sells the goods at a higher price (1).

Any one for (1) mark [1]



(c)  $\frac{50 \text{ (1)}}{600 \text{ (1o.f.)}} \times 365 \text{ (1)} = 30.42 = 31 \text{ days (1o.f.)}$  [4]

- (d) Increasing sales  
 Decreasing inventory levels  
 More efficient purchasing of inventory  
 Change in type of goods sold  
 Increase in business activity  
 Lower inventory levels  
 More sales activity

Any two for (1) each [2]

- (e) Increase in finance  
 Additional knowledge/skills/expertise  
 Share risks  
 Sharing of tasks and responsibilities  
 Can discuss decision-making  
 Losses can be shared between partners

Any two for (1) each [2]

[Total: 16]

6 (a)

		Healthy Ways Sports Club Subscriptions account					
2014		\$		2014		\$	
1 Jan	Balance b/d	350	(1)	1 Jan	Balance b/d	100	(1)
31 Dec	Income and expenditure a/c	19300	(1o.f.)	31 Dec	Bank/Cash	19100	(1)
	Balance c/d	<u>50</u>			Balance c/d	<u>500</u>	
		<u>19700</u>				<u>19700</u>	
2015				2015			
1 Jan	Balance b/d	500	(1)	1 Jan	Balance b/d	50	(1)

(b)

		Healthy Ways Sports Club Total trade payables account					
2014		\$		2014		\$	
31 Dec	Bank/Cash	3710	(1)	1 Jan	Balance b/d	590	(1)
	Balance c/d	<u>820</u>		31 Dec	Purchases	<u>3940</u>	(1o.f.)
		<u>4530</u>				<u>4530</u>	
2015				2015			
1 Jan	Balance b/d			1 Jan	Balance b/d	820	(1)

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(c) Healthy Ways Sports Club  
Café Income Statement for the year ended 31 December 2014

	\$	\$	
Revenue/Sales		4900	(1)
Inventory at 1 January 2014	600		(1)
Purchases	<u>3940</u>		(1o.f.)
	4540		
Inventory at 31 December 2014	<u>800</u>	<u>3740</u>	
		1160	
Staff wages		<u>1800</u>	(1)
Loss for the year		<u>(640)</u>	(1o.f.)

[6]

(d) Healthy Ways Sports Club  
Income and Expenditure Account for the year ended 31 December 2014

	\$	\$	
Subscriptions		19300	(1o.f.)
Loss from cafe	640		(1o.f.)
Staff wages (7 200 + 300)	7 500		(1)
Rent and insurance	4 800		}
Sundry expenses	1 850		} (1)
Depreciation 18 700 + 4 600 (1) – 20 100 (1)	<u>3 200</u>	<u>17 990</u>	
Surplus		<u>1 310</u>	(1o.f.)

[7]

**[Total: 23]**