UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2011 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.

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1 Key

(a) A [1]

(b) B [1]

(c) D [1]

(d) B [1]

(e) C [1]

(f) A [1]

(g) B [1]

(h) C [1]

(i) D [1]

(j) B [1]

[Total: 10]

2 (a) Cash book, petty cash book, sales day book (journal), sales returns day book (journal), purchases day book (journal), purchases returns day book (journal), journal.
(Any two, 1 mark each). [2]

(b) To calculate the [net] profit [or loss] [for the year] – *not gross profit.* [1]

(c)

	Income	Expense
Carriage outwards		✓(1)
Bad debt recovered	✓(1)	
Discount received	✓(1)	

[3]

(d) The petty cashier has a fixed amount of money (the imprest) (1) and is reimbursed the amount of the actual expenses each period (1) to maintain this amount. [2]

(e) **(i)** Consistency [1]

(ii) Reliability [1]

(f) Current assets (1) *less* Current liabilities (1) [2]

(g) **(i)** Working capital = Trade receivables + bank + inventory – trade payables
= (1300 + 3500 + 2900) *(7700)* (1) – 1800 (1)
= 5900 (1)OF [3]

(ii) Quick ratio = current assets less inventory / current liabilities
= (7700 – 2900) *(4800)* (1) / 1800 (1)
= 2.67 : 1 (1)OF *(accept 2.66 : 1)* [3]

(h) Ordinary shares (equity shares), preference shares. [2]

[Total: 20]

3 (a) Alcazar – credit sales

		$		
Bank deposits		15 270	(1)	
Less cash sales		2 680	(1)	
		12 590		
Add trade receivables at 31 March 2011	4 080			
Less trade receivables at 1 April 2010	3 140			
		940	(1)	
		13 530	(1)OF	[4]

(b)

Alcazar
Income Statement for the year ended 31 March 2011

		$		$		
Revenue	– credit sales			13 530	(1)OF	
	– cash sales			2 680	(1)	
				16 210		
Less	Cost of sales					
	Inventory at 1 April 2010	1 780	(1)			
	Purchases	9 560	(1)			
	Carriage inwards	280	(1)			
		11 620				
	Inventory at 31 March 2011	1 920	(1)			
				9 700		
Gross profit *(must be correct caption)*				6 510	(1)OF	
Rent		600	(1)			
Electricity		360	(1)			
Insurance		580	(1)			
Wages		1 370	(1)			
				2 910		
[Net] Profit [for the year] *(must have caption)*				3 600	(1)OF	[12]

(c) **(i)** Gross profit / sales = 6510 (1)OF / 16210 (1)OF = 40.16% (1)OF [3]

(ii) Net profit / sales = 3600 (1)OF / 16210 (1)OF = 22.21% (1)OF [3]

(d) **(i)** New gross profit / new sales = 9010 (1)OF / 18710 (1)OF = 48.16% (1)OF [3]

(ii) Increased (1)OF [1]

[Total: 26]

4 **(a)** An **other payable (accrued expense)** is an amount due and payable [in respect of expenses incurred in an accounting period] (1) which remains unpaid at the end of that period (1). [2]

(b)

Khalim
Fuel expenses account

			2010			
			1 May	Balance b/d	30	(1)
2011			2011			
30 April	Bank	340 (1)	30 April	Income statement *(accept profit/loss acc)*	360	(1)OF
	Balance c/d	50 (1)				
		390			390	
			1 May	Balance b/d	50	(1)

(+ 1 for all correct dates)
[6]

(c)

	Non-current tangible	Non-current intangible	Current
Warehouse	✓(1)		
Goodwill		✓(1)	
Motor van	✓(1)		
Trade receivables			✓(1)

[4]

(d) At the lower (1) of cost (1) and net realisable value (1) [3]

(e)

Chair type	Units in stock	Cost or net realisable value per unit $	Total value $
Armchair	15 (1)	55 (1)	825
Dining chair	36 (1)	20 (2)	720
Folding chair	60 (1)	15 (1)	900
			2 445 (1)

[8]

[Total: 23]

5 (a) Straight line method, revaluation method (1 mark each) [2]

(b) Depreciation

(i) **Year 1** 4500 (1) @ 40% (1) = 1800 (1)OF

(ii) **Year 2** (4500 – 1800) = 2700 (2)OF @ 40% = 1080 (1)OF

(iii) **Year 3** (2700 – 1080) = 1620 (2)OF @ 40% = 648 (1)OF

[9]

(c)

Piranha Limited
Balance Sheet at end of third year (extract)

	Cost	Provision for Depreciation	Net book value
	$	$	$
Non-current assets			
Computer system	4500 (1)	3528 (1)OF	972 (1)OF

[3]

(d) Depreciation rate should have been higher (1) because net book value after three years ($972) is greater than expected scrap value after three years ($750) (1) [2]

(e)

	Increase	Decrease	No effect
Net profit			✓(2)
Working capital	✓(2)		
Return on capital employed		✓(2)	

[6]

[Total: 22]

6 (a)

Error 1

	Dr	Cr
Suspense	180 (1)	
[Carlo] – [loan]		180 (1)

Error 2

Cash [book]	850 (1)	
Sales		850 (1)

Error 3

Purchases	900 (1)	
Suspense		900 (1)

Error 4

Fixtures and fittings	1200 (1)	
Repairs		1200 (1)

[8]

(b)

Monica
Suspense account

[Difference on] trial balance (1)	720 (1)	Purchases (1)	900 (1)
Carlo – loan account (1)	180 (1)		
	900		900

[6]

(c)

Monica
Statement of corrected profit for the year ended 28 February 2011

Draft profit		3600	(1)
Error 1:	no effect		
Error 2:	add: sales	850	(1)
Error 3:	less: purchases	(900)	(1)
Error 4:	add: repairs	1200	(1)
Corrected profit		4750	(1)OF

[5]

[Total: 19]

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1 **(a)** To notify the customer of the amount outstanding at the end of the month.
To provide the customer with a summary of the month's transactions.

Any 1 reason (1) [1]

(b) Fiona Fraser [1]

(c)

Journal	Debit $	Credit $	
Interest payable	2		**(1)**
Fiona Fraser		2	**(1)**
Interest charged by creditor on overdue account			**(1)**

[3]

(d)

	Account debited	Account credited
(i)	Purchases **(1)**	Fiona Fraser **(1)**
(ii)	Fiona Fraser **(1)**	Purchases returns **(1)**

[4]

(e) **(i)** Cash book **(1)**

(ii) Sales journal **(1)**

(iii) Sales returns journal **(1)** [3]

(f) Goods returned
Allowance for damaged/faulty goods
Correction of overcharge

Any one reason (1) [1]

(g) **(i)** $225.40 **(1)**

(ii) The amount was paid within the period of credit allowed **(1)** [2]

[Total: 15]

2 (a)

Paul Muyambo
Statement of Affairs 31 January 2011

	$		$		$	
Non-current Assets						
Machinery at book value			32 500			
Less Depreciation for the year			8 125	**(1)**	24 375	**(1)**
Motor vehicle at valuation			10 300			
Less Depreciation for the year			1 200		9 100	**(1)**
					33 475	
Current Assets						
Inventory			12 648	**(1)**		
Trade receivables	11 320					
Less Provision for doubtful debts	283	**(1)**	11 037	**(1)**		
Other receivables			261	**(1)**		
			23 946			
Current Liabilities						
Trade payables	9 485	**(1)**				
Other payables	315	**(1)**				
Bank overdraft	11 146	**(1)**	20 946			
Net current assets					3 000	**(1) O/F**
					36 475	
Financed by						
Capital						
Balance					36 475	**(2) C/F** **(1) O/F**

Horizontal format acceptable [13]

(b) Calculation of profit or loss for the year ended 31 January 2011

	$	$
Capital at 31 January 2011		36 475 **(1) O/F**
Drawings cash	5 575 **(1)**	
Drawings goods	1 700 **(1)**	7 275
		43 750
Less Capital 1 February 2010	42 500 **(1)**	
Capital introduced	3 000 **(1)**	45 500
Loss for the year		1 750 **(2) O/F**

Alternative presentation

Capital account

		$				$	
2011				2010			
Jan 31	Drawings cash	5 575	**(1)**	Feb 1	Balance b/d	42 500	**(1)**
	Drawings goods	1 700	**(1)**	2011			
	Loss for year	1 750	**(2) O/F**	Jan 31	Bank/cash	3 000	**(1)**
	Balance c/d	36 475	**(1) O/F**				
		45 500				45 500	
				2011			
				Feb 1	Balance b/d	36 475	

Three column running balance presentation acceptable [7]

[Total: 20]

3 (a) Drawings and interest on drawings exceeded the interest on capital and share of profit. [2]

(b) Current accounts

			Omar $	Fatima $				Omar $	Fatima $
2010					2010				
Apl 1	Balance b/d	**(1)**	215		Apl 1	Balance b/d	**(1)**		1 945
2011					2011				
Mar 31	Drawings	**(1)**	2 900	9 600	Mar 31	Interest on capital	**(1)**	2 400	1 600
	Interest on Drawings	**(1)**	87	288		Salary	**(1)**		12 000
	Share of loss	**(1)**	1 230	820		Balance c/d	**(1)**	2 032	
	Balance c/d	**(1)**		4 837					
			4 432	15 545				4 432	15 545
2011					2011				
Apl 1	Balance	**(1) O/F**	2 032		Apl 1	Balance b/d	**(1) O/F**		4 837

Alternatively accept two separate "T" accounts

Alternative presentation

Omar Aziz Current account

		Debit $	Credit $	Balance $
2010				
April 1	Balance	215 **(1)**		215 Dr
2011				
Mar 31	Interest on capital		2 400	2 185 Cr
	Drawings	2 900		715 Dr
	Interest on drawings	87		802 Dr
	Share of loss	1 230		2 032 Dr
				(2) C/F (1) O/F

Fatima Aziz current account

		Debit $	Credit $	Balance $
2010				
April 1	Balance		1 945 **(1)**	1 945 Cr
2011				
Mar 31	Interest on capital		1 600	3 545 Cr
	Salary		12 000 **(1)**	15 545 Cr
	Drawings	9 600		5 945 Cr
	Interest on drawings	288		5 657 Cr
	Share of loss	820		4 837 Cr
				(2) C/F (1) O/F

Need correct entries for interest on capital, interest on drawings, drawings and share of loss to earn the (1) for these items [11]

(c)

Aziz Stores
Extract from Balance Sheet at 31 March 2011

	Omar Aziz $		Fatima Aziz $		Total $		
Capital accounts	60 000	**(1)**	40 000	**(1)**	100 000		
Current accounts	(2 032)	**(1) O/F**	4 837	**(1) O/F**	2 805		
	57 968		44 837		102 805	**(1) O/F**	[5]

(d) Easier to see the profit retained by each partner
Easier to calculate the interest on capital

Or other suitable point
Any one point (2) [2]

(e) The members of a limited liability company have limited liability and their personal assets are not at risk is the business fails. [2]

[Total: 22]

4 (a) (i) Income and expenditure account **(1)**

(ii) Surplus (**or** excess of income over expenditure) **(1)**

(iii) Accumulated fund **(1)** [3]

(b) Muara Swimming Club
Receipts and Payments Account for the year ended 28 February 2011

		$				$	
2010				2011			
Mar 1	Balance b/d	3 450	**(1)**	Feb 28	Equipment	1 200	**(1)**
2011					Rent 2011	1 690	**(1)**
Feb 28	Subscriptions 2010	270}			Competition		
	2011	5 400}	**(1)**		expenses	645	**(1)**
	2012	180}			General		
	Equipment proceeds	890	**(1)**		expenses	732	**(1)**
	Competition receipts	780	**(1)**		Insurance	496	**(1)**
	Loan – Swim-for-all	1 000	**(1)**		Balance c/d	7 207	**(1)**
		11 970				11 970	
2011							
Mar 1	Balance b/d	7 207	**(1) O/F**				

[12]

(c) Subscriptions account

		$				$	
2010				2011			
Mar 1	Balance b/d	270	**(1)**	Feb 28	Bank	270	**(1)**
2011					Bank	5400	**(1)**
Feb 28	Income and				Bank	180	**(1)**
	expenditure **(1)**	5400	**(1)**				
	Balance c/d	180	**(1)**				
		5850				5850	
				2011			
				Mar 1	Balance b/d	180	**(1)**

[8]

Alternative presentation

Subscriptions account

		Debit		Credit		Balance	
2010		$		$		$	
Mar 1	Balance	270	**(1)**			270	Dr
2011							
Feb 28	Bank			270	**(1)**	0	
	Bank			5400	**(1)**	5400	Cr
	Bank			180	**(1)**	5580	Cr
	Income and						
	expenditure **(1)**	5400	**(1)**			180	Cr **(2)**

[8]

[Total: 23]

5 **(a)** **(i)** Balance 1 November 2009

Explanation – This is the amount of rent owing by the tenant for the financial year ended 31 October 2009 **(2)**

Double entry – Credit rent receivable account for the year ended 31 October 2009 **(1)** [3]

(ii) Bank 2 November 2009

Explanation – This is the total amount of rent received from the tenant by cheque, including $100 for the previous year **(2)**

Double entry – Debit bank column in cash book **(1)** [3]

(iii) Income statement 31 October 2010

Explanation – This is the rent receivable relating to the current financial year transferred to the income statement **(2)**

Double entry – Credit income statement **(1)** [3]

(b) The balance represents the amount of rent prepaid by the tenant for the following financial year. [2]

(c) **(i)** Capital expenditure is money spent on acquiring, improving and installing fixed assets. **(1)**
Revenue expenditure is money spent on running a business on a day-to-day basis. **(1)** [2]

(ii) Capital receipts are amounts received which do not form part of the day-to-day trading activities. **(1)**

Revenue receipts are amounts received in the day-to-day trading activities from revenue and other items of income. **(1)** [2]

(d) Leo Yang

Statement of corrected profit for the six months ended 30 April 2011

		$	$
Profit			7 900
Add	Purchase of new equipment	16 800 **(1)**	
	Rent received	1 200 **(1)**	18 000
			25 900
Less	Sale of old equipment	9 200 **(1)**	
	Loan from Sports-aid	10 000 **(1)**	
	Purchase of stationery	110 **(1)**	
	Loan interest paid	200 **(1)**	19 510
Corrected net profit			6 390 **(1)**

Alternative presentation

Leo Yang

Income Statement for the six months ended 30 April 2011

		$	$
Fees			14 000
Add Rent received			1 200 **(1)**
			15 200
Less	General expenses	8 500	
	Stationery	110 **(1)**	
	Loan interest	200 **(1)**	8 810
Profit for the six months			6 390 **(1)**

+ (1) for omission of sale of equipment
+ (1) for omission of purchase of equipment
+ (1) for omission of loan [7]

[Total: 22]

6 **(a)** $\frac{5300}{42500} \times \frac{365}{1}$ **(1)** = 45.52 = 46 days **(1)** [2]

(b) Unsatisfied if O/F in **(a)** is over 30 days **(1)**
They are not receiving the amount due within the period of credit allowed **(2)**

Or
Satisfied if O/F in **(a)** is 30 days or below **(1)**
They are receiving the amount due within the period of credit allowed **(2)** [3]

(c) $\frac{4100}{52800} \times \frac{365}{1}$ **(1)** = 28.34 = 29 days **(1)** [2]

(d) Disadvantage if O/F in **(c)** is over 24 days **(1)**
She is receiving the amount due 5 (O/F) days later than in the previous year **(2)**

Or
Advantage if O/F in **(c)** is 24 days or below **(1)**
She is receiving the amount due x (O/F) days earlier than in the previous year **(2)** [3]

(e) Offer cash discount for prompt payment
Charge interest on overdue accounts
Improve credit control
Refuse further supplies on credit until outstanding balance paid
Invoice discounting and debt factoring

Or other relevant points
Any two points (1) each [2]

(f) (4100 + 3800) : (5300 + 2900) **(1)** = 0.96 : 1 **(1)** [2]

(g) Unsatisfied if O/F in **(f)** is less than 2:1 **(1)**
She is unable to meet her immediate liabilities from her immediate assets **(1)**

Or
Satisfied if O/F in **(f)** is 2:1 or over **(1)**
She is able to meet her immediate liabilities from her immediate assets **(1)** [2]

(h) Introduce additional capital
Reduce drawings
Obtain long term loan
Sell surplus non-current assets

Any two points (1) each [2]

[Total: 18]