CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2013 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.

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1 (a) A

(b) D

(c) C

(d) C

(e) A

(f) C

(g) A

(h) B

(i) D

(j) B

(1) Mark each **[Total: 10]**

2 (a)

	Capital receipt	Revenue receipt	Capital expenditure	Revenue expenditure
Proceeds of sale of vehicle	✓ **(1)**			
Purchase of goods for resale				✓ **(1)**
Discount allowed				✓ **(1)**
Discount received		✓ **(1)**		
Legal fees on purchase of property			✓ **(1)**	

[5]

(b) A 600 × \$15 \$9000 **(2)**
B 100 × \$11.50 \$1150 **(2)**
C 50 × \$15 \$750 **(2)** **[6]**

(c) Raw materials **(1)**
Work in progress **(1)**
Finished goods **(1)** **[3]**

(d) Amount in manufacturing account = \$8000 × 60% = \$4800 **(2)**

Amount in income statement = \$8000 × 40% = \$3200 **(2)**

Amount in balance sheet = \$2000 **(1)** **[5]**

(e) Trading account **[2]**

[Total: 21]

3 (a)

Document	Book of prime entry	
Sales invoice	Sales journal	**(1)**
Credit note	Sales returns journal	**(1)**
Statement of account	No entry	**(2)**

[4]

(b) Hannah account

				$						$
Mar	1	Balance	b/d	200	**(1)**	Mar	12	Returns		64**(1)**
	6	Sales		256	**(1)**		28	Bank/cash		196**(1)**
								Discount		4**(1)**
							31	Balance	c/d	192
				456						456
Apr	1	Balance	b/d	192	**(1) OF**					

+ (1) Dates

[7]

(c) Trade discount – Bulk buying (1)
Regular customer/encourage repeat custom (1)
In the same trade (1)
MAX 2

Cash discount – Prompt payment (1)
Payment before the due date (1)
MAX 2 **[4]**

[Total: 15]

4 (a)

	Debit	Credit
Opening balance trade receivables	✓ **(1)**	
Credit sales	✓ **(1)**	
Sales returns		✓ **(1)**
Receipts from credit customers		✓ **(1)**
Discount allowed		✓ **(1)**
Bad debts		✓**(1)**
Dishonoured cheques	✓ **(1)**	
Interest on overdue account	✓ **(1)**	

[8]

(b) (i) $\frac{924}{46\,200} \times \frac{100}{1} = 2\,\%$ **[2]**

(ii) Increase in value of trade receivables/increase in credit sales
Increase in rate of provision/anticipating higher bad debts
Any 1 reason (2) **[2]**

(iii) Tellwright Ltd
Journal

	Debit $	Credit $	
Income statement	636		**(1)**
Provision for doubtful debts		636	**(1)**
Increase in provision for doubtful debts			**(1)**

[3]

(c) Either
Matching **(1)**
To match the amount of sales for which the business is unlikely to be paid against the sales of the year in which the sale was made **(2)**
Or
Prudence **(1)**
To avoid overstating the profits for the year/anticipate losses but not profits
Or to avoid overstating the trade receivables/current assets **(2)** **[3]**

[Total: 18]

5 **(a)** Economic reasons
Obsolescence/out of date
Depletion
Passage of time
Any 3 reasons (1) each **[3]**

(b)

Machinery account

			$				$
2011				2012			
Jan 1	Bank		27 000**(1)**	July 1	Disposal (A)		9 000**(1)**
				Dec 31	Balance	c/d	18 000
			27 000				27 000
2012							
Jan 1	Balance	b/d	18 000**(1)OF**				

+ (1) Dates **[4]**

Provision for depreciation of machinery account

			$				$
2011				2011			
Dec 31	Balance	c/d	6 000	Dec 31	Income statement		6 000**(1)**
			6 000				6 000
2012				2012			
Jul 1	Disposal (A)		3 000**(1)**	Jan 1	Balance	b/d	6 000**(1) OF**
Dec 31	Balance	c/d	8 000	Dec 31	Income statement		
					A	1000 **(1)**	
					B & C	4000 **(1)**	5 000
			11 000				11 000
				2013			
				Jan1	Balance	b/d	8 000**(1) OF**

+ (1) Dates **[7]**

(c)

Disposal account

		$			$
2012			2012		
July 1	Machinery	9 000 **(1)**	July 1	Prov for Dep	3 000**(1) OF**
				Bank	5 800**(1)**
			Dec 31	Income statement	200**(1) OF**
		9 000			9 000

[4]

[Total: 18]

6 (a)

Sukesh
Statement of Affairs at 31 December 2011

	$	$	$
Non-current Assets			
Vehicle at cost			16 000
Fixtures and fittings at cost			4 000
			20 000**(1)**
Current Assets			
Inventory		9 200	
Trade receivables		6 500	
Other receivables		200	
		15 900**(1)**	
Current Liabilities			
Trade payables	9 100 **}**		
Bank overdraft	420 **}(1)**		
Loan (1/10 × 10 000)	1 000 **(1)**	10 520	
Net Current assets			5 380
			25 380
Non-current Liabilities			
Loan (9/10 × 10 000)			9 000**(1)**
			16 380
Financed by			
Capital			
Balance			16 380**(1) OF**

[6]

(b)

	$	
Opening trade receivables	6 500	
Less Closing trade receivables	4 100	
	2 400	
Add Sales for the year	52 200	**(1)**
	54 600	
Less Cash from credit customers	54 300	**(1)**
Bad debts	300	**(1) CF**

Alternative calculations acceptable **[3]**

(c)

	$	
Opening trade payables	9 100	
Less Closing trade payables	9 300	
	(200)	
Add Purchases for the year	36 000	**(1)**
	35 800	
Less Cash paid to credit suppliers	35 400	**(1)**
Discount received	400	**(1) CF**

Alternative calculations acceptable **[3]**

(d)

Sukesh
Income Statement for the year ended 31 December 2012

	$		$
Revenue (52 200 **(1)** + 6200 **(1)**)			58 400
Less Cost of sales			
Opening inventory	9 200	**(1)**	
Purchases (36 000 **(1)** + 900 **(1)**)	36 900		
	46 100		
Less Closing inventory	8 800	**(1)**	37 300
Gross profit			21 100**(1) OF**
Add Discount received			400**(1) OF**
			21 500
Less Loan interest	450	**(1)**	
Rent	6 000		
Insurance (200 **(1)** + 800 **(1)** – 250 **(1)**	750		
Other running costs	2 500		
Bad debts	300	**(1) OF**	
			10 000
Profit for the year			11 500**(1) OF**

[14]

(e) To spread the cost of the asset over its useful life **(2)** **[2]**

(f) Bank
Suppliers/creditors
Lenders
Managers
Employees
Potential partners
Tax authorities
Customers/debtors
Competitors
Investors
Trade unions
Potential purchaser of the business
Any 4 acceptable answers (1) each **[4]**

(g) $\frac{37\,300}{9\,000}$ **(1) OF** / **(1) CF** = 4.14 times **(1) OF** **[3]**

(h) **(i)** Duarte **(1) OF**

(ii) Any suitable comment to imply that Duarte's inventory is selling faster

Answer to be based on OF answer to (g)

Any one acceptable reason (2)

[3]

[Total: 38]

CAMBRIDGE INTERNATIONAL EXAMINATIONS

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0452/21 Paper 2, maximum raw mark 120

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CAMBRIDGE
International Examinations

1 (a) To record small cash payments
Removes small cash payments from the main cash book
Reduces the number of entries in the main cash book
Reduces the number of entries in the ledger
Allows the chief cashier to delegate some of the work
Provides training for any junior staff members

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

(b) Chief cashier knows exactly how much is spent in each month/can control expenditure of petty cash
The cash remaining and the vouchers received should equal the imprest
Can help reduce fraud

Any 1 advantage (1) **[1]**

(c) **See following page** **[12]**

(d) At the month end **(1)** the totals debited to postage account **(1)** **[2]**

(e) Cheques not presented
Amounts not credited
Cash book errors

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

(f) Standing orders
Direct debits
Credit transfers
Dishonoured cheques
Bank charges/interest
Bank errors

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

[Total: 21]

Question 1 (c)

Annie Rongsen – Petty Cash Book

Total received	Date		Details		Total paid	Postage	Travel	Sundries	Ledger accounts
$	2013				$	$	$	$	$
23	Mar	1	Balance	b/d					
67 **(1)**			Bank/cash						
		4	Postages		19	19 **(1)**			
		8	Taxi fares		16		16 **(1)**		
20 **(1)**		13	Loan repayment						
		19	Parcel post		4	4 **(1)**			
		23	R Singh		24				24 **(1)**
		29	Window Cleaner		12			12 **(1)**	
					75	23	16	12	24
		31	Balance	c/d	35				
110					110				
35 **(1) OF**	Apr	1	Balance	b/d					
55 **(1) OF**			Bank/cash						

(1) Dates
(1) OF totals of analysis columns
(1) OF totals and total columns **[12]**

2 (a)

Ashraf Zayed
Income statement for the year ended 28 February 2013

	$		$	
Revenue			323 000	**(1)**
Cost of sales				
Cost of production	267 100	**(1)**		
Purchases of finished goods	4 300	**(1)**		
	271 400			
Less Closing inventory finished goods	19 600	**(1)**	251 800	
Gross profit			71 200	**(1) OF**

Horizontal format acceptable **[5]**

(b) Production did not meet demand
It was cheaper to buy rather than make
Could not make those particular items
Not economical to make such a small amount

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

(c)

Ashraf Zayed
Journal

	Debit $	Credit $	
Income statement	1130		**(1)**
Carriage outwards		1130	**(1)**
Transfer of carriage outwards to income statement			**(1)**
Income statement	600		**(1)**
Provision for doubtful debts		600	**(1)**
Creation of provision for doubtful debts			**(1)**

[6]

(d)

Ashraf Zayed
Motor insurance account

		$			$	
2012			2013			
Jun 1	Bank	720 **(1)**	Feb 28	Drawings	360	**(1)**
				Income statement	270	**(1)** **OF**
				Balance c/d	90	
		720			720	
2013						
Mar 1	Balance b/d	90 **(1) OF**				

+ (1) Dates

Accept three column running balance presentation **[5]**

(e) The accruals (matching) principle requires the revenue of the accounting period to be matched against the costs of the same period. **(1)**
The insurance relating to the financial year ended 28 February 2013 has been transferred to the income statement. **(1)** **[2]**

(f)

	Overstated $	Understated $
Profit of the year ended 28 February 2013	270 **(2) O/F**	....

[2]

(g) Applying the business (accounting entity principle the business is treated as being completely separate from the owner. **(1)**
Only the transactions of the business are recorded in the business' books. **(1)** **[2]**

[Total: 24]

3 (a)

Sanath Jaffer
Trial Balance at 31 January 2013

	Debit $	Credit $	
Capital		53 000	
Drawings	6 100		
Revenue		66 000	
Purchases	43 350		
Purchases returns		1 150	
Inventory	3 700		**(2)**
Bank overdraft		3 050	**(2)**
Trade receivables	5 320		
Trade payables		3 450	
General expenses	17 850		
Non-current assets	50 400		
Suspense **(1)**		70	**(1) OF**
			(1) CF
	126 720	126 720	

[7]

(b)

	Debit			Credit		
	Account	$		Account	$	
(ii)	General expenses	400	**(1)**	Non-current assets	400	**(1)**
(iii)	-	-	**(1)**	Suspense	80	**(1)**
(iv)	Suspense	100	**(1)**	Purchases returns	100	**(1)**
(v)	Suspense	50	**(1)**	General expenses	50	**(1)**

[8]

(c) Either

Error number (i) **(1)**
Reasons it is an error or omission
Neither a debit nor a credit entry has been made so the books balance

Any 1 reason (1)

Or

Error number (ii) **(1)**
Reason it is an error of principle
A double entry has been made but in the wrong class of account.

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

(d) Money measurement **[1]**

(e) Realisation **[1]**

(f) (i) Work can be shared amongst several people
Easier for reference as the same types of account are kept together
Easier to introduce checking procedures
Make fraud more difficult

Any 1 advantage (1) **[1]**

(ii) 1 Any non-current asset, inventory, capital, drawings, loan, sales, purchases, returns, expenses, incomes, etc. **(1)**

2 Credit customers/debtors/trade receivables **(1)**

3 Credit suppliers/creditors/trade payables **(1)**

[3]

[Total: 23]

4 (a)

Sildean Ltd
Calculation of retained profit for the year ended 30 April 2013

	$	$
Profit for the year		24 800
Less Debenture interest		1 600 **(1)**
		23 200
Less Interim ordinary share dividend	14 000 **(1)**	
Transfer to general reserve	5 000 **(1)**	19 000
Profit retained in the year		4 200 **(1) CF**

Alternative forms of presentation acceptable

[4]

(b)

Sildean Ltd
Balance Sheet at 30 April 2013

	$	$	$
Non-current assets	Cost	Depreciation to date	Book value
	206 000	12 500	193 500
Current assets			
Inventory		16 300**}**	
Petty cash		200**}(1)**	
Trade receivables	15 400		
Provision for doubtful debts	462	14 938 **(1)**	
		31 438	
Current liabilities			
Trade payables	14 156**}**		
Bank overdraft	7 982**}(1)**		
Other payables (deb. int.)	1 600 **(1)**	23 738	
Net current assets			7 700
			201 200
4% Debentures			40 000 **(1)**
			161 200
Capital and reserves			
Ordinary shares of $0.50 each			140 000 **(1)**
General reserve (10 000 **(1)** + 5000**(1)**)			15 000
Retained profits (2000 **(1)** + 4200 **(1)OF**)			6 200
			161 200

Horizontal format acceptable

[10]

(c) (i) 31.438 **(OF)** : 23 738 **(OF) (1)**
1.32 **(1) OF** **[2]**

(ii) (31 438 **(OF)** – 16 300) : 23 738 **(OF) (1)**
0.64 **(1) (OF)** **[2]**

(iii) Shows whether the company can pay its immediate (current) liabilities from the liquid assets (current assets less inventory) **(1)**
Indication of the liquidity of the company **(1)**

Or suitable answer based on O/F answer to (ii) **[2]**

(iv) Issue additional shares
Issue additional debentures
Obtain long term loan
Sell surplus non-current assets
Reduced dividends paid
Reduce inventory level

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

(d) Ordinary shareholders are members of the company
Ordinary shares carry voting rights
Ordinary shareholders receive a dividend
Ordinary share dividend is a share of the profit
Ordinary share dividend is variable
Ordinary share dividend is paid after any dividend on preference shares
Ordinary shareholders are repaid last in the event of a winding up

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

(e) Debentures are loans
Debenture holders are not members of the company
Debentures do not carry voting rights
Debentures carry a fixed rate of interest
Debenture interest is not dependent on the company's profit
Debentures are often secured on the assets of the company
Debentures holders are repaid before the shareholders in the event of a winding up

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

[Total: 26]

5 (a) Tom and Gill Kayumba

Statement of corrected profit for the year ended 31 March 2013

	$	$
Profit for the year		22 500
Add Advertising prepaid	600 **(2)**	
Goods taken for own use	1 000 **(2)**	
Motor vehicle expenses accrued	320 **(2)**	1 920
		24 420
Less Stationery purchased		260 **(2)**
Corrected profit for the year		24 160 **(1) O/F**

Alternative forms of presentation acceptable **[9]**

(b) Tom and Gill Kayumba

Statement of corrected profit for the year ended 31 March 2013

		$	$
Corrected profit for the year			24 160 **(1) O/F**
Interest on drawings	Tom Kayumba	1 040}	
	Gill Kayumba	1 300}**(1)**	2 340
			26 500
Interest on capital	Tom Kayumba		
	5% × 60 000 × 6 mths	1 500 **(1)**	
	5% × 80 000 × 6 mths	2 000 **(1)**	
		3 500	
	Gill Kayumba		
	5% × 40 000	2 000 **(1)**	
		5 500	
Partnership salary	Gill Kayumba		
	(5000 **(1)** + 7000 **(1)**)	12 000	17 500
Residual profit			9 000
Share of profit	Tom Kayumba		
	2000 **(1)** +		
	(½ x 7000) **(1) OF**	5 500	
	Gill Kayumba		
	½ x 7000 **(1) OF**	3 500	9 000

Horizontal format acceptable **[10]**

(c) **(i)** To reward the partner investing more capital
To encourage partners to invest in the business

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

(ii) To discourage the partners from making drawings
To discourage drawings early in the financial year
To help the cash flow of the business

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

(d) Selling goods at higher prices
Purchasing goods at lower prices
Change in proportions of different goods

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

(e) Year ended 31 March 2012 **(1)**

The expenses/revenue were 11.90% in 2012 and 14.30% in 2013 **(1)**
Although the profit for the year/revenue was higher in 2013 this was caused by an increase in gross profit/revenue **(1)** **[3]**

[Total: 26]