CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2012 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 Key

(a) C [1]

(b) B [1]

(c) B [1]

(d) C [1]

(e) A [1]

(f) C [1]

(g) D [1]

(h) D [1]

(i) B [1]

(j) A [1]

[Total 10]

2 **(a)** **(i)** [Sales] invoice [1]

(ii) Credit note [1]

(b) Revenue (sales), purchases, carriage inwards, Sales returns, purchase returns, inventory *(any two)* [2]

(c) $14.00 [1]

(d) Consistency [1]

(e) Original Entry [1]

(f) $28.00 [1]

(g) **(i)** A bad debt is an amount owing/debtor **(1)** which they are unable or unwilling **(1)** to pay [2]

(ii) An estimate **(1)** of the amount which a business will lose because of bad debts **(1)** [2]

(iii) 3% x 48000 = $1 440 **(1)**
$1440 – $1350 = $90 **(1)** [2]

(h) 80000 shares **(1)** x $0.30 per share = $24000 OF **(1)** [2]

[Total 16]

3 (a)

Walek – Cash Book (bank columns)

September	Detail	Dr $		September	Detail	Cr $	
1	Balance b/d	2 400		14	Wages	250	**(1)**
3	Lashki	640	**(1)**	21	Yovell	370	**(1)**
16	Yovell	370	**(1)**	28	Wages	280	**(1)**
30	Sales	3 560	**(1)**	29	Bruton	1 980	**(1)**
				30	Balance c/d	4 090	
		6 970				6 970	
Oct 1	Balance b/d	4 090 **(1) OF**					

Mark for date, detail and amount.

[8]

(b) Sales account

				September		$	
				4	Sharon	420	**(1)**
				27	Bank	3 650	**(1)**

Do not accept *Cash* or *Sales* for the month

Purchases account

September		$					
9	Bruton	1 980	**(1)**				

Wages account

September		$					
14	Bank	250 }					
28	Bank	250 **}**	**(1)**				

Lashki account

				September		$	
				3	Bank`	640	**(1)**

Sharon account

September		$					
4	Sales	420	**(1)**				

Yovell account

September		$		September		$	
21	Bank (dis chq)	370	**(1)**	16	Bank	370	**(1)**

Bruton account

September		$		September		$	
29	Bank	1 980	**(1)**	9	Purchases	1 980	**(1)**

1 mark for date [11]

(c) Walek – Bank Reconciliation Statement at 30 September 2012

	$	
Balance shown on bank statement	2 510	**(1)**
Add: amounts not yet credited – cash sales	3 560	**(1)**
	6 070	
Less Cheques not yet presented – Bruton	1 980	**(1)**
Balance shown in cash book	4 090	**(1) OF**

Marks for amounts not narratives
Accept statements in reverse order [4]

(d) The bank statement is a copy of the account of the business as it appears in the books of the bank. This is from the viewpoint of the bank **(1)** – the business depositing money is a creditor of the bank. **(1)**

The bank account in the cash book is prepared from the viewpoint of the business **(1)** – the bank is a debtor of the business which has deposited the money **(1)**.

[4]

[Total: 27]

4 (a)

Mbane - Trial Balance at 31 October 2012

	Dr		Cr	
	$		$	
Capital			2 600	**(1)**
Motor Vehicle	4 400			
Purchases	12 400			
Trade payables			3 200	**(1)**
Revenue			30 800	**(1)**
Inventory at 1 November 2011	4 500	**(1)**		
General expenses	600			
Cash at bank	5 200	**(1)**		
Motor expenses	860			
Drawings	8 640			
	36 600		36 600	**(2) CF**

(1) OF for matching totals if arithmetically correct;
if both stock figures included then once counts as an alien [7]

(b)

Mbane
Income statement for the year ended 31 October 2012

	$		$	
Revenue (sales)			30 800	**(1)**
Cost of sales				
Inventory at 1 November 2011	4 500	**(1)**		
Purchases	12 400	**(1)**		
	16 900			
Inventory at 31 October 2012	3 300	**(1)**		
			13 600	
			17 200	**(1) OF**
Gross profit				
Expenses	600	**(1)**		
General expenses	860	**(1)**		
			1 460	
Profit for the year			15 740	**(1) OF**

[8]

(c) **(i)** Working capital = current assets – current liabilities (CA-CL) [1]

(ii) Working capital = $ 5 300 [2]

(d)

	Increase	Decrease	No change
Increased revenue (sales)	✓ **(1)**		
Increased trade payables		✓ **(1)**	
Increased motor expenses		✓ **(1)**	
Reduced drawings	✓ **(1)**		

[4]

(e) **(i)** Current Assets : Current Liabilities (CA : CL) [1]

(ii) 8500 : 3200 **(1)** = 2.7 : 1 **(1) OF** [2]

[Total: 25]

5 **(a)** Straight line, reducing (diminishing) balance, revaluation (any two **(1)** each) [2]

(b) **(i)** Depreciation = $\frac{\$\ 6\ 400 - \$\ 800}{4 \text{ years}}$ **(1) for correct formula**

2010 = $ 1 400 **(1) OF**
2011 = $ 1 400 **(1) OF if same figure** [3]

(ii) Net book value = $6400 **(1)** – $2800 **(1)OF** = $3600 [2]

(c)

Agricola
Disposal of Tractor Account

2012		$		2012		$	
Jan 1	Tractor	6 400	**(1)**	Jan 1	Prov for Depr	2 800	**(1) OF**
					Bank/Cash	2 600	**(1)**
				Dec 31	Income Statement (Profit/Loss)	1 000	**(1) OF**

1 mark for date
Accept P/L and IS for income statement [5]

(d) **(i)** The sale proceeds were less than the net book value (worth)
The expected life might have been shorter than assumed
The expected scrap value was less than assumed
Depreciation should have been higher
Accept a valid *non-accounting reason (eg: properly maintain asset)* [2]

(ii) Increase the rate of depreciation (NOT decrease/lower)
Assume a shorter life
Assume a lower scrap value
Use a different method eg revaluation

Accept a valid *non-accounting reason (eg: properly maintain asset)* [2]

(e)

Agricola
Journal

		Debit $	Credit $	
1	Cattle Feeds Ltd	320		**(1)**
	Cattle & Co.		320	**(1)**
	Correction of error – Cattle & Co. wrongly debited			**(1)**
2	Repairs to Machinery	30		**(1)**
	Machinery		30	**(1)**
	Correction of error –repairs to machinery entered in asset account			**(1)**

[6]

[Total: 22]

6 (a) (i)

	Conrad's supermarket	Congo's shop
Percentage of gross profit to revenue (sales)	= 35.0% **(2)** Accept 35	= 55.0% **(2)** Accept 55

[4]

(ii) Supermarket/Conrad turnover is higher but gross profit percentage lower
Supermarket prices may be lower than shop/Congo prices
Different goods have different profit margins
Customers may be willing to pay higher prices for fresh items
Supermarket has to carry greater stock

Any acceptable comment
Any one comment (2) based on OF [2]

(b) (i)

	Conrad's supermarket	Congo's shop
Percentage of net profit to revenue (sales)	= 12.0% **(2)** Accept 12	= 36.7% **(2)** Accept 36.7

[4]

(ii) Supermarket has higher expenses than shop
Supermarket pays more rent than shop (or similar examples)
Shop better at controlling expenses

Any acceptable comment
Any one comment (2) based on OF [2]

(c) (i)

	Conrad's supermarket	Congo's shop
Return on Opening Capital employed	= 15.0% **(2)** Accept 15	= 35.2% **(2)** Accept 35.2

[4]

(ii) Supermarket made higher profit for the year on less capital
Shop made better use of capital employed

Any acceptable comment
Any one comment (2) based on OF [2]

(d) May reduce prices **(1)** so could be selling at a gross loss **(1)**
May be selling at a lower profit margin **(1)** and not covering costs **(1)**
May have higher expenses **(1)** which reduces profit **(1)**

Any acceptable comment
(1) for identification and (1) for expansion [2]

[Total: 20]

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0452/21 Paper 2, maximum raw mark 120

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1 (a)

Zabeel
Manufacturing Account for the year ended 31 October 2012

	$	$
Cost of materials consumed		
Purchases of raw materials	54 300 **(1)**	
Less Purchases returns	2 100 **(1)**	
	52 200	
Carriage on purchases	480 **(1)**	
	52 680	
Less Closing inventory of raw materials	4 300 **(1)**	48 380
Direct factory wages (46 000 + 2150)		48 150 **(1)**
Prime cost		96 530 **(1) O/F**
Factory overheads		
Indirect wages	11 210 **(1)**	
General expenses (21 660 – 370)	21 290 **(1)**	
Rates and insurance (60% x 6000)	3 600 **(1)**	
Depreciation – Machinery (20% x 64 500)	12 900 **(1)**	
Loose tools (980 + 130 – 820)	290 **(1)**	49 290
		145 820 **(1) O/F**
Less Closing work in progress		10 200 **(1)**
Production cost of goods completed		135 620 **(1) O/F**

[14]

(b)

Zabeel
Income Statement for the year ended 31 October 2012

	$	$
Revenue	183 400 **(1)**	
Less Sales returns	2 600 **(1)**	180 800
Less Cost of sales		
Production cost of goods completed	135 620 **(1) O/F**	
Purchases of finished goods	9 200 **(1)**	
	144 820	
Less Closing inventory of finished goods	12 620 **(1)**	132 200
Gross profit		48 600 **(1) O/F**

[6]

(c) (i) Lower of cost and net realisable value **[1]**

(ii) Prudence **[1]**

(d) (i) Realisation **[1]**

(ii) Business entity **[1]**

[Total: 24]

2 (a)

Nancy Tanwin
Rent received account

		$			$
2012			2011		
Oct 31 Income statement		2592 **(2)C/F (1)O/F**	Nov 1 Balance/bank/cash		432 **(1)**
			2012		
			Jan 1 Bank		1296**} (1)**
Oct 31 Balance	c/d	216	July 1 Bank		1080**}**
		2808			2808
			2012		
			Nov 1 Balance	b/d	216 **(1) O/F**

+ (1) Dates **[6]**

(b) Current liabilities **(1)**
Nancy Tanwin has a liability to provide a benefit for which she has already been paid. **(1)** **[2]**

(c)

Nancy Tanwin
Advertising expenses account

		$			$
2011			2011		
Nov 15 Cash		74**}**	Nov 1 Balance	b/d	74 **(1)**
2012		**} (1)**	2012		
June 1 Bank		1200**}**	Oct 31 Income Statement		500 **(2)C/F (1)O/F**
			Balance	c/d	700
		1274			1274
2012					
Nov 1 Balance	b/d	700 **(1) O/F**			

+ (1) Dates **[6]**

(d)

Effect on capital employed	Tick
Overstate	
Understated	✓

[1]

(e) Nancy Tanwin

Statement of corrected profit/loss for the year ended 31 October 2012

	Increase in profit	Decrease in profit	
			$
Profit for the year before corrections			(550)
	$	$	
Error 1		20	
Error 2	1100 **(2)**		
Error 3	No effect **(2)**		
Error 4		310 **(2)**	
Error 5	260 **(2)**		
	1360	330	1030
	Corrected profit for the year		480 **(1) O/F**

[9]

[Total: 24]

3 (a) The liability of the ordinary shareholders for the debts of the company is limited to the amount they agree to pay the company for their shares. **[2]**

(b) Ordinary shareholders are members (owners) of the company: debenture holders are lenders.
Ordinary shares carry voting rights: debentures do not carry voting rights.
Ordinary shareholders receive a dividend; debenture holders receive interest.
Ordinary shareholders receive a variable return on their shares: debentures holders received a fixed interest rate.
Ordinary share dividend is a share of profit and may not be paid if there is no profit: debenture interest is an expense and is payable irrespective of profits
In the event of a winding-up, debentures are repaid before ordinary shares.
Debentures have to be repaid but ordinary shares do not

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

(c) White Rose Ltd

Profit and Loss Appropriation Account for the year ended 31 August 2012

	$	$
Profit for the year		36 000 **(1)**
Less Transfer to general reserve	10 000 **(1)**	
Ordinary share dividend – paid **(1)**	5 250 **(1)**	
proposed **(1)**	7 000 **(1)**	22 250
Retained profit for the year		13 750 **(1) O/F**
Retained profit brought forward		7 300 **(1)**
Retained profit carried forward		21 050 **(1) O/F**

[9]

(d) White Rose Ltd

Extract from Balance Sheet at 31 August 2012

	$
Capital and Reserves	
Ordinary shares of $0.50 each	175 000 **(1)**
General reserve (18 500 + 10 000)	28 500 **(2)**
Retained profit	21 050 **(2) C/F** **(1) O/F**

[5]

(e) White Rose Ltd

Extract from Balance Sheet at 31 August 2012

	$
Non-current liabilities	
5% Debentures of $100 each	100 000 **(2)**

[2]

[Total: 22]

4 **(a)** Work can be shared amongst several people
Easier for reference as the same type of accounts are kept together
Easier to introduce checking procedures

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

(b) Ruth Van Zyl
Purchases Ledger Control account

2012			$	2012			$
Sept 1	Balance	b/d	210 **(1)**	Sept 1	Balance	b/d	9 530 **(1)**
30	Returns		1 160 **(1)**	30	Purchases		11 740 **(1)**
	Bank		8 730 **(1)**		Interest		90 **(1)**
	Discount		270 **(1)**		Balance	c/d	160
	Balance	c/d	11 150				
			21 520				21 520
2012				2012			
Oct 1	Balance	b/d	160 **(1) O/F**	Oct 1	Balance	b/d	11 150 **(2)C/F (1)O/F**

+(1) Dates **[11]**

(c) Assist in the location of errors
Provide instant total of trade payables
Proves the arithmetical accuracy of the purchases ledger/the ledger they control
Enables a balance sheet to be prepared quickly
Provides a summary of the transactions relating to trade payables
May reduce fraud

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

(d)

	Item	Entry in sales ledger control account	
(ii)	Sales returns	Credit	**(1)**
(iii)	Bad debt written off	Credit	**(1)**
(iv)	Provision for doubtful debts	No entry	**(1)**
(v)	Credit customer's cheque dishonoured	Debit	**(1)**

[4]

(e)

Ruth Van Zyl
Journal

	Debit $	Credit $	
Wilhelm	15		**(1)**
Interest receivable		15	**(1)**
Interest charged on overdue account			**(1)**
Ansie (purchases ledger account)	500		**(1)**
Ansie (sales ledger account)		500	**(1)**
Transfer of balance of purchases ledger account to sales ledger account			**(1)**

[6]

[Total: 24]

5 **(a)** Total trade receivables account

2011			$	2012		$
Oct 1 Balance	b/d		4 950 **(1)**	Sept 30 Bank		56 360 **(1)**
2012				Discount		1 640 **(1)**
Sept 30 Sales	*		60 600 **(1)**	Bad debts		1 260 **(1)**
				Balance	c/d	6 290 **(1)**
			65 550			65 550

Alternative presentation

Calculation of sales for the year

	$
Receipts from customer	56 360 **(1)**
Discounts allowed	1 640 **(1)**
Bad debts	1 260 **(1)**
Amount owing 30 September 2012	6 290 **(1)**
	65 550
Less Amounts owing 1 August 2011	4 950 **(1)**
Sales for the year	60 600 **(1)**

[6]

(b) $\frac{25}{125} \times \frac{60\,600}{1}$ **OF** = 12 120 **(2) O/F** **[2]**

(c)

Sales	60 600 **O/F**
Gross profit	12 120 **O/F**
Cost of sales	48 480 **(2) O/F**

[2]

(d) $\frac{48\,480}{6\,000}$ **O/F** = 8.08 times **(2) C/F**
(1) O/F **[2]**

(e) Reduce inventory levels
Generate more sales activity
Only replace inventory when needed

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

(f) (5800 + 6290 + 100) : (6150 + 1240)
= 12 190 **(1) C/F** : 7390 **(1) C/F**
= 1.649 : 1
= 1.65 : 1 **(1) C/F**

[3]

(g) (6290 + 100) : (6150 + 1240)
= 6390 **(1) C/F** : 7390 **(1) C/F**
= 0.864 : 1
= 0.86 : 1 **(1) C/F** **[3]**

(h) Inventory is not included in the calculation of the quick ratio **(1)**
Either
Inventory is not regarded as a liquid asset – a buyer has to be found and then the money collected. **(1)**
Or
The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets. **(1)**
[2]

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

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

[Total: 26]