

MARK SCHEME for the May/June 2014 series

0452 ACCOUNTING

0452/12

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.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2014 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

Page 2	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

1 (a) A

(b) C

(c) C

(d) C

(e) C

(f) A

(g) A

(h) A

(i) C

(j) C

(1) each

[10]

Page 3	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

- 2 (a) Asset – anything owned by or owed to the business (1)
 Liability – anything owed by the business (1)
 Owner’s capital – funds and resources provided by the owner
 OR amount owed by the business to the owner (1) [3]

(b)

	Asset	Liability
Inventory	✓	
Motor vehicle	✓(1)	
Creditor		✓ (1)
Debtor	✓(1)	
Bank loan		✓ (1)
Cash	✓(1)	

[5]

(c)

	Debit entry		Credit entry	
		\$		\$
1	<i>Bank account</i>	10 000	<i>Capital account</i>	10 000
2	Plant and equipment	6 000 (1)	Bank ABC Finance	3 000 (1) 3 000 (1)
3	Drawings	500 (1)	Cash	500 (1)
4	Interest payable	210 (1)	Bank	210 (1)
5	ABC Finance	1 000 (1)	Bank	1 000 (1)
6	Income statement	600 (1)	Provision for depreciation	600 (1)

[11]

(d) $\frac{210}{3000} \times 100 = 7\%$ (1) [2]

(e) A business has paid out more from the bank than it has paid in (2) [2]

(f) Unpresented cheque (1) [1]

[Total: 24]

Page 4	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

- 3 (a) (i) Any non-current asset, any expense, any income, purchases, sales, returns, inventory, loan, capital, drawings, etc.
Any 1 example (1) [1]
- (ii) Sales ledger
Purchases ledger
Any 1 example (1) [1]
- (iii) Work can be shared between several people
Easier for reference
Same type of accounts are kept together
Any 1 point (2) [2]

(b)

	Financial statement	Type of organisation
Ordinary share capital	<i>Statement of financial position</i>	<i>Limited company</i>
Accumulated fund	Statement of financial position (1)	Club or society (1)
Interest on capital	Appropriation account (1)	Partnership (1)
Ordinary share dividends paid	Appropriation account (1)	Limited company (1)
Debenture interest	Income statement (1)	Limited company (1)

[8]

(c)

Debentures	Ordinary shares
Fixed rate of interest Holders receive interest Holders are creditors Are long term loans Do not carry voting rights Rank before ordinary shares in a winding up	Variable rate of dividend Holders receive dividend Holders are members of the company Are equity Carry voting rights Rank after debentures in a winding up

Any 2 comparative statements (2) marks each

[4]

- (d) For reinvestment in the business
To plough back profits
For allocating dividends in the future
If there is not enough actual cash available to pay a dividend
Any 1 reason (2)

[2]

[Total: 18]

Page 5	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

4 (a) Suspense (1) [1]

(b)

Matsumi
Trial balance at 30 April 2014

	Dr	Cr
	\$	\$
Bank overdraft		2 320
Cash	100	
Fixtures and fittings at cost	6 800	
Provision for depreciation at 1 May 2013		1 360
Fees receivable		28 105
Interest payable	200	
Rent payable	6 000	
Advertising	430	
Wages	8 005	
Loan account		3 000
Capital at 1 May 2013		2 950
Drawings	16 200	
	37 735	37 735

Any 2 correct items (1) [6]

(c) The trial balance was drawn up before the preparation of the income statement/before profit for the year has been calculated (2) [2]

(d) A service business
OR accept an example of a service business (1) [1]

(e) $(6800 - 1360) \times 20\% = 1088$ (2) [2]

(f) Provision for depreciation account

	\$		\$
2014		2013	
Apl 30 Balance c/d	2448(1)	May 1 Balance b/d	1360(1)
		2014	
		Apl 30 Income Statement	1088(1)OF
	2448		2448
		2014	
		Mar 1 Balance b/d	2448(1)OF

[4]

[Total: 16]

Page 6	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

- 5 (a) Raw materials (1)
 Direct labour (1)
 Finished goods (1)
 Work in progress (1)
 Inventory (1)
 Current assets (1) [6]

(b) (i) Randeep
 Manufacturing Account for the year ended 31 March 2014

	\$	\$
Cost of materials consumed		
Opening inventory of raw materials		16 200 *(1)both
Purchases of raw materials	159 000}	
Carriage on raw materials	<u>4 800}(1)</u>	163 800
		180 000
Closing inventory of raw materials		<u>17 500 *</u>
		162 500 (1)
Direct wages		<u>72 000 (1)</u>
Prime cost		234 500 (1)OF
Factory overheads		
Supervisor's salary	20 000 (1)	
Factory rent	30 000 (1)	
Depreciation – factory machinery	<u>38 000 (1)</u>	88 000
Cost of production		<u>322 500 (1)OF</u>

[9]

(ii) Randeep
 Income Statement for the year ended 31 March 2014

	\$	\$
Revenue		410 000 (1)
Cost of sales		
Opening inventory finished goods	9 100 *(1)both	
Cost of production	<u>322 500 (1)OF</u>	
	331 600	
Closing inventory of finished goods	<u>8 200*</u>	323 400
Gross profit		86 600 (1)OF
Administration and selling costs		<u>64 600 (1)</u>
Profit for the year		<u>22 000 (1)OF</u>

[6]

- (c) Salary of factory supervisor
 Factory rent
 Depreciation of factory machinery
 Administration and selling costs
Any 1 indirect cost (1) [1]

Page 7	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

- (d) Office rent/rates
Office salaries
Office general expenses
Office insurance
Salaries/commission of sales staff
Advertising expenses
Any example of office or sales expense
Any 2 examples (1) each

[2]

[Total: 24]

6 (a)

Capital expenditure	Revenue expenditure
Purchase of non-current asset Provides benefit for over 1 year Appears in statement of financial position	Day-to-day running expense Provides benefit for less than 1 year Appears in income statement

Any 1 comparative statement (2)

[2]

(b)

	Capital expenditure	Revenue expenditure
Salesman's commission		✓
Carriage of raw materials		✓(1)
Purchases of goods for resale		✓(1)
Purchases of plant and equipment	✓(1)	
Payment of insurance		✓(1)
Legal fees on purchase of property	✓(1)	

[5]

(c) $(41\ 000 + 28\ 000) : (44\ 000 + 2200)$ (1) whole formula
1.49 : 1 (1)

[2]

Page 9	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

(d)

Morwenna
Statement of Financial Position at 30 April 2014

	\$ Cost	\$ Depreciation to date	\$ Net book value
Non current assets			
Fixtures and fittings (15 000 (1) + 1000 (1))	16 000	4 500	11 500 (1)OF
Motor vehicles (18 000 (1) – 800 (1))	7 200	6 200	11 000 (1)OF
	33 200	10 700	22 500
Current assets			
Inventory (41 000 (1) – 10 250 (1))		30 750	
Trade receivables		28 000 (1)	
		58 750	
Current liabilities			
Trade payables	44 000 (1)		
Other payables	3 000 (1)		
Bank	2 200 (1)	49 200	9 550
			32 050
Financed by			
Capital			32 050

(2) OF for capital if no goodwill
(1) OF for capital if goodwill included

[14]

(e) 58 750 OF : 49 200 OF (1) whole formula
1.19 : 1 (1) OF

[2]

(f) Actual current ratio below that originally calculated
Shortage of liquid funds/there is an overdrawn bank balance
Trade payables higher than trade receivables
Rather a lot of money is tied up in inventory
Can only just meet current liabilities from current assets
Cannot take advantage of business opportunities which may arise
May have difficulty in paying trade payables
May depend on receipts from trade receivables to pay trade payables
Comments to be based on answer to (e)
Any three comments (1) each

[3]

[Total: 28]



Cambridge International Examinations
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ACCOUNTING

0452/21

Paper 2

May/June 2014

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **20** printed pages.

- 1 The financial year of Nasir Manufacturing Limited ends on 31 January.

The following information is available.

	\$
At 1 February 2013	
Plant and machinery at cost	94 000
Office fixtures and equipment at cost	34 000
Loose tools at valuation	2 650
Provision for depreciation of plant and machinery	33 840
Provision for depreciation of office fixtures and equipment	12 240
Inventories:	
Raw materials	23 500
Work in progress	11 020
Finished goods	18 100

For the year ended 31 January 2014

Revenue	539 000
Purchases:	
Raw materials	124 600
Finished goods	16 900
Purchases returns:	
Finished goods	200
Wages and salaries:	
Factory workers	136 000
Factory supervisors	31 400
Administrative and sales staff	61 500
Expenses:	
Direct expenses	16 300
General factory expenses	19 208
General office expenses	8 900
Rates and insurance	6 360

Additional information

- 1 On 31 January 2014
- | | | |
|---------------------------|--------|--|
| Inventories: | | |
| Raw materials | 26 100 | |
| Work in progress | 12 060 | |
| Finished goods | 19 300 | |
| Direct wages accrued | 2 200 | |
| Sales staff wages accrued | 380 | |
| Rates prepaid | 120 | |
- 2 The rates and insurance are to be apportioned $\frac{3}{4}$ to the factory and $\frac{1}{4}$ to the office.
- 3 The plant and machinery and office fixtures and equipment are being depreciated at 20% per annum using the reducing (diminishing) balance method.
- 4 During the year ended 31 January 2014 loose tools costing \$310 were purchased. On 31 January 2014 loose tools were valued at \$2740.

2 Leroy Smith is a trader. His financial year ends on 31 March.

He provided the following information about stationery for the year ended 31 March 2014.

2013			\$
April	1	Inventory of stationery	144
June	30	Purchased stationery and paid by cheque	368
Aug	1	Took stationery for personal use	26
2014			
Mar	31	Inventory of stationery	92

REQUIRED

(a) Write up the stationery account as it would appear in Leroy Smith’s ledger for the year ended 31 March 2014. Balance the account and bring down the balance on 1 April 2014.

Leroy Smith
Stationery account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....

[6]

(b) Explain how the business entity principle has been applied in the preparation of the stationery account.

.....

.....

.....

.....

[2]

Leroy Smith maintains one combined account for rent and rates. He provided the following information for the year ended 31 March 2014.

On 1 April 2013 two months' rates, totalling \$380, were prepaid and one month's rent, \$260, was accrued.

During the year ended 31 March 2014 the following payments were made by cheque:

	\$	
Rates 13 months to 30 June 2014	2470	
Rent 13 months to 31 March 2014	3380	

REQUIRED

(c) Write up the rent and rates account as it would appear in Leroy Smith's ledger for the year ended 31 March 2014. Balance the account and bring down the balance on 1 April 2014.

Leroy Smith
Rent and rates account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....

[6]

(d) Explain how the accruals (matching) principle has been applied in the preparation of the rent and rates account.

.....

.....

.....

.....

[2]

(e) Define the following terms.

Capital receipts

.....

Capital expenditure

.....

Revenue receipts

.....

Revenue expenditure

..... [4]

(f) On 31 March 2014 Leroy Smith discovered that an item of revenue expenditure had been recorded as capital expenditure.

Complete the following table by putting ticks (✓) in the correct columns to indicate the effect of this error on the non-current assets and the profit for the year.

non-current assets at 31 March 2014		profit for the year ended 31 March 2014	
Overstated	Understated	Overstated	Understated

[2]

[Total: 22]

3 (a) (i) Describe the straight line method of depreciation.

.....
.....
..... [1]

(ii) State the circumstances when this method of depreciation may be used.

.....
..... [1]

(b) (i) Describe the reducing (diminishing) balance method of depreciation.

.....
.....
..... [1]

(ii) State the circumstances when this method of depreciation may be used.

.....
..... [1]

(c) State which of the above methods of depreciation would be most appropriate to use for **each** of the following non-current assets.

1 Computer equipment

2 Buildings

3 Motor vehicle [3]

(d) (i) Describe the revaluation method of depreciation.

.....
.....
..... [1]

(ii) State the circumstances when this method of depreciation may be used.

.....
..... [1]

(iii) Suggest **one** non-current asset which may be depreciated using this method.

..... [1]

Tony Yeo is in business. His financial year ends on 30 April. He depreciates his non-current assets each year.

On 1 May 2013 the balances in Tony Yeo’s ledger included the following:

	\$
Equipment at cost	8600
Provision for depreciation of equipment	3260

The equipment is being depreciated at 20% per annum using the straight line method, calculated from the date of purchase. No depreciation is to be charged in the year of disposal.

On 31 October 2013 equipment which had cost \$2000 on 1 May 2011 was sold for \$750 cash.

On 1 November 2013 equipment costing \$3400 was purchased on credit from New2You.

REQUIRED

(e) Write up the following accounts in the ledger of Tony Yeo for the year ended 30 April 2014. Balance the accounts where necessary and bring the balances down on 1 May 2014.

Tony Yeo
Equipment account

.....
.....
.....
.....
.....
.....
.....
.....
..... [3]

Provision for depreciation of equipment account

.....

.....

.....

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.....

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.....

.....

.....

.....

..... [5]

Disposal of equipment account

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

[Total: 22]

4 The financial year of LWS Limited ends on 30 April.

The following information was available on 30 April 2014.

Paid-up share capital	140 000 ordinary shares of \$0.50 each
	50 000 6% preference shares of \$1 each
Loan capital	30 000 5% debentures of \$1 each

On 1 May 2013 the retained profits amounted to \$7500.

On 1 November 2013 debenture interest for the period 1 May to 31 October 2013 was paid.

On 29 April 2014 the annual preference share dividend was paid.

On 30 April 2014 debenture interest for the period 1 November 2013 to 30 April 2014 was accrued.

On 30 April 2014 the directors recommended a transfer of \$4000 to a general reserve and a payment of an ordinary share dividend of 8%.

The profit for the year ended 30 April 2014 **before** interest amounted to \$18600.

REQUIRED

(a) Calculate the following.

Total debenture interest for the year (in \$)

.....

.....

Preference share dividend paid (in \$)

.....

.....

Ordinary share dividend to be paid (in \$)

.....

..... [3]

(b) State why the company made a transfer to general reserve.

.....

..... [1]

(c) Calculate the profit retained in the year.

.....
.....
.....
.....
.....
.....
..... [5]

(d) Prepare the capital and reserves section of the statement of financial position of LWS Limited at 30 April 2014.

LWS Limited
Extract from Statement of Financial Position at 30 April 2014

Capital and reserves

.....
.....
.....
.....
..... [4]

(e) Name the section of the statement of financial position of LWS Limited at 30 April 2014 in which debentures would appear.

..... [1]

(f) (i) Name the section of the statement of financial position of LWS Limited at 30 April 2014 in which debenture interest would appear.

..... [1]

(ii) State the amount of debenture interest which would appear in the statement of financial position of LWS Limited at 30 April 2014.

..... [1]

[Total: 16]

Question 5 is on the next page.

- 5 Uzma Khan runs a dress-making business. She maintains a full set of accounting records. Her financial year ends on 28 February.

On 28 February 2014 she opened a suspense account and entered a credit balance of \$2027.

REQUIRED

(a) State **two** reasons why it was necessary for Uzma Khan to open a suspense account.

1
.....
2
..... [2]

Uzma Khan discovered the following **errors** had been made in her accounting records.

- 1 Rent of premises, \$250, had been debited to the rent account as \$520.
- 2 \$400 withdrawn from the bank for personal use had been debited to the wages account.
- 3 The total of the discount allowed column in the main cash book, \$43, had not been transferred to the discount allowed account in the ledger.
- 4 \$2000 received from Amina had been credited to the account of Mona as \$200.

- (c) Complete the table below to show what effect **each** of the four errors on **page 14** had on Uzma Khan's profit for the year ended 28 February 2014.

The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated \$	Understated \$	No effect
1		270	
2			
3			
4			

[6]

[Total: 21]

Question 6 is on the next page.

6 Maria Khumalo is a trader. Her financial year ends on 31 March.

She provided the following summary of her assets and liabilities on 31 March 2014.

	\$	\$
Capital	145 000	
Profit for the year	<u>35 000</u>	180 000
Trade payables		36 800
Bank overdraft		12 200
Short term loan		<u>5 000</u>
		<u>234 000</u>
Non-current assets		175 000
Inventory		21 500
Petty cash		100
Trade receivables		<u>37 400</u>
		<u>234 000</u>

For the year ended 31 March 2014:

	\$
Revenue	450 000
Cost of sales	310 000
Expenses	105 000

Maria Khumalo wishes to compare the performance of her business for the year ended 31 March 2014 with that of the previous financial year.

REQUIRED

(a) Complete the table below to show the ratios for Maria Khumalo's business for the year ended 31 March 2014.

Calculations should be correct to **two** decimal places.

You may use the space on the following page for your workings.

Ratio	Year ended 31 March	
	2013	2014
percentage of gross profit to revenue (sales)	28.10% %
percentage of profit for the year to revenue (sales)	10.25% %
current ratio	1.95 : 1
quick ratio	0.90 : 1

[8]

Workings

(b) Suggest **two** reasons for the change in the percentage of gross profit to revenue (sales).

1

.....

2

..... [2]

(c) State the year in which Maria Khumalo had better control over her expenses.
Give a reason for your answer.

Year ended 31 March

Reason

.....

..... [3]

Question 6(d) and (e) are on the next page.

- (d) Complete the following table by placing a tick (✓) in the correct column to show how **each** of the following transactions would affect the current ratio.

The first one has been completed as an example.

	Increase	Decrease	No effect
Receipt of long term loan	✓		
Cheque paid to credit supplier			
Goods taken for own use			
Purchase of non-current asset on credit			

[3]

- (e) State whether Maria Khumalo would be satisfied with the change in her liquidity position. Give a reason for your answer.

Satisfied?

Reason

.....

.....

..... [3]

[Total: 19]

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