



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING

0452/11 and 0452/12

Paper 1

October/November 2014

MARK SCHEME

Maximum Mark: 120

IMPORTANT NOTICE

Mark Schemes have been issued on the basis of **one** copy per Assistant examiner and **two** copies per Team Leader.

Marking Scheme – IGCSE Examination November 2014

Question 1

(a) B

(b) C

(c) D

(d) C

(e) C

(f) A

(g) D

(h) A

(i) A

(j) C

(1) each

[10]

Marking Scheme – IGCSE Examination November 2014

Question 2

- (a) Capital = assets - liabilities (1)
 OR other acceptable version of formula [1]

(b)

		Debit entry			Credit entry		
1	Bank account	\$	10 000		Capital account	\$	10 000
2	Motor vehicles account	6 500	(1)		Capital account	6 500	(1)
3	Purchases account	2 000	(1)		Zed account	2 000	(1)
4	Rent account	3 000	(1)		Bank account	3 000	(1)

[6]

- (c) Can withdraw more from bank than put in/can have overdraft (1)
 Cannot take more cash than is physically present (1) [2]

(d)

Arun
Journal

	Debit \$	Credit \$	
Rupa (account in purchases ledger)	37		(1)
Rupa (account in sales ledger)		37	(1)

[2]

- (e) Save on administration costs (1)
 The debt can be settled by using one cheque only (1) [2]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 2 continued

(f)

Applying the same accounting treatment to similar items at all times	Consistency
Assuming a business will continue to operate indefinitely	Going concern (1)
Expressing transactions in monetary terms	Money measurement (1)

[2]

(g)

	Debit	Credit
Rent receivable		✓
Sales returns	✓ (1)	
Inventory	✓ (1)	
Discount allowed	✓ (1)	
Provision for depreciation		(1)

[4]

[Total: 19]

Marking Scheme – IGCSE Examination November 2014

Question 3

(a)	Advertising account		
	\$		\$
2013		2014	
Nov 1 Bank/cash	450 (1)	Aug 31 Income	
2014		Statement	915 (1)OF
May 1 Bank/cash	<u>620 (1)</u>	Balance c/d	<u>155 (1)CF</u>
	<u>1070</u>		<u>1070</u>
2014			
Sept 1 Balance b/d	155 (1)OF		

+ (1) dates

[6]

(b)

Book of prime entry	Source document	
Sales journal	Sales invoice	(1)
Purchases journal	Purchases invoice	(1)
Sales returns journal	Credit note issued	(1)
Purchases returns journal	Credit note received	(1)
Petty cash book	Voucher/receipt	(1)
Cash book	Cheque counterfoil/cheque/receipt/ paying-in slip	(1)

[6]

- (c) Reduces the number of entries in the ledger
 Acts as an aid for posting to the ledger
 Helps to gather and summarise accounting information/facilitate preparation of control accounts

Groups together similar types of transactions
 Allows work to be divided between several people

Any 1 reason (2)

[2]

(d)

Account(s) to be debited			Account(s) to be credited		
	\$			\$	
Amber Retail	100	(1)	Sales	187	(1)
Business Supplies	65	(1)			
Custom Print	22	(1)			

[4]

[Total: 18]

Marking Scheme – IGCSE Examination November 2014

Question 4

(a) Journal

	Debit \$	Credit \$	
Sales returns	80		(1)
Purchases returns	80		(1)
Suspense		160	(1)
Motor vehicle expenses	150		(1)
Motor vehicles		150	(1)
Suspense	100		(1)
Purchases		100	(1)
Drawings	55		(1)
Purchases		55	(1)

[9]

(b)

Suspense account

	\$		\$
Difference on Trial balance	60	Sales returns	80 (1)
Purchases	<u>100 (1)</u>	Purchases returns	80 (1)
	<u>160</u>		<u>160</u>

[3]

(c) Error of principle (1)

[1]

[Total: 13]

Marking Scheme – IGCSE Examination November 2014

Question 5

(a)

Sales ledger control account			
		\$	\$
	2013		2014
July 1	Balance b/d	4 100 (1)	June 30
2014			Sales returns
June 30	Sales	48 610 (1)	Cash/bank
	Interest	77 (1)	Discount
			allowed
			Bad debts
			Balance c/d
		<u>52 787</u>	<u>4 920</u>
			<u>52 787</u>
2014			
July 1	Balance b/d	4 920 (1)OF	

Purchases ledger control account			
		\$	\$
	2014		2013
June 30	Purchases returns	910 (1)	July 1
	Cash/bank	37 691 (1)	Balance b/d
	Discount		2014
	received	663 (1)	June 30
	Balance c/d	<u>2 998</u>	Purchases
		<u>42 262</u>	
			<u>42 262</u>
			2014
			July 1
			Balance b/d
			2 998 (1)OF

[14]

(b)

	Book of prime entry
Credit sales	Sales journal (1)
Returns of credit purchases	Purchases returns journal (1)
Receipts from credit customers	Cash book (1)
Bad debts written off	Journal (1)
Interest charged on overdue accounts	Journal (1)

[5]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 5 continued

(c)	Provision for doubtful debts account			
	\$			\$
2014		2013		
June 30 Balance c/d	246 (1)	July 1 Balance b/d		205 (1)
(5% x 4920)	OF	2014		
		June 30 Income		
		statement		<u>41 (1)OF</u>
	<u>246</u>			<u>246</u>
		2014		
		July 1 Balance b/d		246 (1)OF
				[4]

(d) The provision was \$246 **OF** but the actual bad debts were higher. **(1)**
 The provision may not be adequate. **(1)**
Comment to be based on OF provision in (c) **[2]**

[Total: 25]

Marking Scheme – IGCSE Examination November 2014

Question 6

- (a) The partnership was making losses
The drawings exceeded the partners' profit share, interest and salary
Any 1 reason (2) [2]

(b)

	\$	\$
Fixtures and fittings (100 000 – 10 000)	90 000 (1)	
Delivery van (40 000 – 12 000)	28 000 (1)	
Inventory	56 400}	
Trade receivables	<u>19 000}(1)</u>	193 400
Bank	6 600 (1)	
Trade payables	<u>25 400 (1)</u>	<u>32 000</u>
Net assets at 31 December 2013		<u>161 400 (1)CF</u>

[6]

(c)

	\$	\$
Net assets at 31 December 2013		161 400 (1)OF
Add Drawings – Dina	18 000}(1)	
Lee	<u>17 000}</u>	<u>35 000</u>
		196 400
Less Net assets 1 January 2013		<u>150 000 (1)</u>
Profit for the year		<u>46 400 (1)OF</u>

[4]

(d)

Dina and Lee		
Appropriation Account for the year ended 31 December 2013		
	\$	\$
Profit for the year		46 400 (1)OF
Less Interest on capital: Dina	10 000 (1)	
Lee	<u>6 000 (1)</u>	
	16 000	
Salary: Lee	<u>15 000 (1)</u>	<u>31 000</u>
		15 400
Share of profit: Dina	7 700 (1)OF	
Lee	<u>7 700 (1)OF</u>	<u>15 400</u>

[6]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 6 continued

		Current accounts			
		Dina	Lee		
		\$	\$	Dina	Lee
		\$	\$	\$	\$
2013				2013	
Jan 1	Balance b/d	(1) 5 200	4 800	Dec 31	Interest on capital (1)OF 10 000
Dec 31	Drawings	(1) 18 000	17 000		Salary (1) 15 000
	Balance c/d		6 900		Share of Profit (1)OF 7 700
					Balance c/d 5 500
		<u>23 200</u>	<u>28 700</u>		<u>23 200</u>
					<u>28 700</u>
2014				2014	
Jan 1	Balance	(1)OF 5 500		Jan 1	Balance b/d (1)OF 6 900

[7]

(f)

$$1 \quad (56\,400 + 19\,000) (1) : (6\,600 + 25\,400) (1)$$

$$= 75\,400 : 32\,000$$

$$= 2.36 : 1 (1) \text{ OF}$$

$$2 \quad 19\,000 (1) : (6\,600 + 25\,400) (1)$$

$$= 19\,000 : 32\,000$$

$$= 0.59 : 1 (1) \text{ OF}$$

[6]

- (g) (i) Holding excessive inventory/increase in inventory (1)
 Reduction in bank balance because of one of the following (1)
 purchase of non-current assets
 OR increase in partners' drawings
 OR repayment of long term loan

Answer to be appropriate to ratio calculated in (f) Part 2

[2]

- (ii) Cannot meet debts when due
 Cannot take advantage of cash discounts
 Cannot take advantage of business opportunities as they arise
 May have difficulty in obtaining further supplies
Or other suitable comments based on answer to (f) Part 1
Any 1 comment (2)

[2]

[Total: 35]



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING

0452/21 & 0452/22

Paper 2

October/November 2014

FINAL MARK SCHEME

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Marking Scheme – IGCSE Examination November 2014

Question 1

(a) Work can be shared amongst several people

Easier for reference as the same types of account are kept together

Easier to introduce checking procedures

Reduces the possibility of fraud

Or other suitable advantage**Any 2 advantages (1) each****[2]**

(b) Any non-current asset, inventory, capital drawings, loan, sales, purchases, returns, expenses, incomes, provisions etc

Any 1 example (1)**[1]**

(c)

		Sahira Ali			
		Waheed Khan account			
		\$		\$	
2014			2014		
Oct 16	Returns	168 (1)	Oct 1	Balance b/d	390
24	Bank/cash	380 (1)	13	Purchases	336 (1)
	Discount	10 (1)			
31	Balance c/d	<u>168</u>			
		<u>726</u>			<u>726</u>
			2014		
			Nov 1	Balance b/d	168 (1)
					OF
		Iqbal Wholesalers account			
		\$		\$	
2014			2014		
Oct 31	Balance c/d	936	Oct 1	Balance b/d	650
			5	Purchases	280 (1)
			31	Interest	<u>6 (1)</u>
		<u>936</u>			<u>936</u>
			2014		
			Nov 1	Balance b/d	936 (1)
					OF

+ (1) dates**Three column running balance format acceptable****[9]**(d) $\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ **[1]****Continued/**

Marking Scheme – IGCSE Examination November 2014

Question 1 continued

- (e) $\frac{3\,100}{21\,200} \times \frac{365(1)}{1}$ (whole formula) = 53.37 = 54 days (1) [2]
- (f) May be able to take advantage of cash discounts
Improve the relationship with suppliers
Avoid paying interest
Or other suitable comment
Any 1 advantage (1) [1]
- (g) The business is deprived of the use of the money earlier than necessary
Or other suitable comment
Any 1 disadvantage (1) [1]
- (h) To avoid overstating the profit for the year
To avoid overstating the current assets
To apply the principle of prudence
Any 2 comments (1) each [2]
- (i) The estimated receipts from the sale of the inventory (1) less any costs of completing the goods or costs of selling the goods (1) [2]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 1 continued

(j)

	Overstated	Understated	No effect
Gross profit for the year ended 31 October 2013	✓ (1)		
Gross profit for the year ended 31 October 2014		✓ (1)	
Profit for the year ended 31 October 2013	✓ (1)		
Profit for the year ended 31 October 2014		✓ (1)	
Current assets at 31 October 2013	✓ (1)		
Current assets at 31 October 2014			✓ (1)

[6]

[Total: 27]

Marking Scheme – IGCSE Examination November 2014

Question 2

(a) Mochudi Manufacturing Company
Manufacturing Account for the year ended 31 July 2014

	\$	\$
Cost of materials used		
Purchases of raw materials	99 500	
Less Returns	<u>1 100</u>	98 400 (1)
Closing inventory of raw materials		<u>8 600</u>
		89 800 (1)
Direct wages (94 200 + 3100)		<u>97 300 (1)</u>
Prime cost		187 100 (1)OF
Factory overheads		
Wages of factory supervisors	41 050 (1)	
Factory general expenses	19 400 (1)	
Factory rates and insurance ($\frac{3}{4} \times (5000 - 400)$)	3 450 (1)	
Depreciation Machinery (15% x 102 000)	15 300 (1)	
Loose tools (4400 – 3300)	<u>1 100 (1)</u>	80 300
		267 400 (1)OF
Closing work in progress		<u>8 200 (1)</u>
Cost of production		<u>259 200 (1)OF</u>

Horizontal format acceptable

[12]

(b) Mochudi Manufacturing Company
Income Statement for the year ended 31 July 2014

	\$	\$
Revenue		400 400
Cost of sales		
Cost of production	259 200 (1)OF	
Purchases of finished goods	<u>19 300 (1)</u>	
	278 500	
Closing inventory of finished goods	<u>21 100</u>	257 400 (1)OF
Gross profit		143 000 (1)OF
Less Office staff salaries	33 100 (1)	
Sales staff salaries	18 900 (1)	
Office general expenses (17 530 – 280)	17 250 (1)	
Rates and insurance ($\frac{1}{4} \times (5000 - 400)$)	1 150 (1)	
Depreciation office fixtures and fittings (12½% x 56 000)	<u>7 000 (1)</u>	77 400
Profit for the year		<u>65 600 (1)OF</u>

Horizontal format acceptable

[10]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 2 continued

(c)

Error	Effect on profit for the year		
	Increase \$	Decrease \$	No effect
1		200 (1)	
2		810 (1)	
3	940 (1)		
4		1050 (1)	

[4]

[Total: 26]

Marking Scheme – IGCSE Examination November 2014

Question 3

(a)

		Leeford Athletics Club Subscriptions account		
		\$		\$
2014				
Oct 31	Income & Expenditure	12 000 (1)	2013 Nov 1 Balance b/d	1 200 (1)
		<u>12 000</u>	2014 Oct 31 Bank/cash Balance c/d	7 920 (1) <u>2 880</u> <u>12 000</u>
2014				
Nov 1	Balance b/d	2 880 (1)OF		

+ (1) dates

Three column running balance format acceptable

[5]

(b) Current assets (1)OF

Answer to be based on closing balance in (a)

[1]

(c)

		Leeford Athletics Club Receipts and Payments Account for the year ended 31 October 2014		
		\$		\$
2013				
Nov 1	Balance b/d	4 590 (1)	2014 Oct 31 Equipment General expenses	4 000 (1) 9 310 (1)
2014			Loan interest	400 (1)
Oct 31	Subscriptions	7 920 (1)	Rent	4 500 (1)
	Sale of equipment	1 500 (1)	Bank charges	<u>30 (1)</u>
	Open day receipts	770 (1)		<u>18 240</u>
	Balance c/d	<u>3 460</u>		
		<u>18 240</u>	2014 Nov 1 Balance b/d	3 460 (1)OF

[10]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 3 continued

(d)

Item	\$	Reason
Sale of equipment	700 (1)	Only the loss (1) on the equipment is charged not the capital receipt. (1)
Rent of clubhouse	3600 (1)	The accruals (matching) principle is applied.(1) Only the expense for the year is charged to the income and expenditure account (1)

[6]

[Total: 22]

Marking Scheme – IGCSE Examination November 2014

Question 4

(a) 1 June 2013 Balance – rates \$70

Explanation This represents rates prepaid **(1)**. This was paid in the year ended 31 May 2013 but relates to the year ended 31 May 2014. **(1)**

Statement of financial position section Current assets **(1)** [3]

1 June 2013 Balance – rent \$120

Explanation This represents rent accrued **(1)**. This relates to the year ended 31 May 2013 and remained unpaid at the end of the year. **(1)**

Statement of financial position section Current liabilities **(1)** [3]

(b) 31 May 2014 Bank \$2570

This represents the total amount paid **(1)** by cheque **(1)** for rent and rates during the year ended 31 May 2014. [2]

31 May 2013 Income statement \$2280

This is the amount transferred to the income statement **(1)** which represents the rent and rates for that financial year **(1)**. [2]

(c) Only the rent and rates relating to the current year are transferred to the income statement. **(1)** Adjustments are made for accruals and prepayments **(1)** [2]

(d) $\frac{(47\,600 - 38\,400)}{47\,600} \times \frac{100}{1} = 19.33\%$ **(1)** [2]

(e) Selling goods at lower prices

Purchasing goods at higher prices

Changes in the proportions of goods sold

Or other acceptable reason

Any 2 reasons (1) each [2]

(f) Assess prospects of any requested loan/overdraft being repaid when due

Assess prospects of any interest on loan/overdraft being paid when due

Assess security available to cover any loan/overdraft

Any 2 reasons (1) each [2]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 4 continued

(g) Lender

Investor

Credit supplier

Customer

Owner

Manager (if any)

Employee/trade union

Government body

Competitor

Take-over bidder

Potential partner

Or other suitable interested person

Any 2 persons (1) each

[2]

[Total: 20]

Marking Scheme – IGCSE Examination November 2014

Question 5

(a)

Watson Limited			
Statement of Financial Position at 30 September 2014			
	\$	\$	\$
	Cost	Depreciation to date	Net Book value
Non-current Assets			
Premises	99 000		99 000
Fixtures & fittings	65 000	23 000	42 000 (1)
Motor vehicles	<u>33 000</u>	<u>11 000</u>	<u>22 000 (1)</u>
	<u>197 000</u>	<u>34 000</u>	163 000 (1)
Current Assets			
Inventory		19 300	
Trade receivables	28 000		
Provision for doubtful debts	<u>1 400</u>	26 600 (1)	
Other receivables		300}	
Cash		<u>500}(1)</u>	
		<u>46 700 (1) OF</u>	
Current Liabilities			
Trade payables	16 300		
Other payables	350}		
Bank	2 050}(1)		
Proposed dividend	<u>2 000 (1)</u>	<u>20 700 (1) OF</u>	
Net Current Assets			<u>26 000</u>
			189 000
Non-current Liabilities			
4% Debentures			<u>10 000 (1)</u>
			<u>179 000</u>
Capital and Reserves			
Ordinary share capital			120 000 (1)
General reserve (20 000 (1) + 12 000 (1))			32 000
Retained profit			<u>27 000 (1)</u>
Shareholders' funds			<u>179 000 (1) OF</u>

Accept other suitable formats

[15]

Continued/

Marking Scheme – IGCSE Examination November 2014

Question 5 continued

(b) Debentures are long-term 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
- Debenture holders are repaid before shareholders in the event of a winding up
- Debentures are repaid by a set date

Any 2 features (1) each [2]

(c) Reduction in profit available for ordinary shareholders

- Prior claim on the assets of the company in the event of a winding up

Or other acceptable point

Any 1 point (2) [2]

(d) (i) The number of times a business sells and replaces its inventory in a given period of time. [1]

(ii) $\frac{\text{Cost of sales}}{\text{Average inventory}}$ [1]

(iii) $\frac{243\,200}{(22\,500 + 19\,300)/2} = 11.64 \text{ times (1)}$ [2]

(e) Rate falling over the three years

- May indicate reduction in efficiency
- May indicate that sales are slowing down
- May indicate the inventory is too high

Or other suitable comments

Comment to be based in OF answer to (d)(iii)

Any 2 comments (1) each [2]

[Total: 25]