UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2011 question paper

for the guidance of teachers

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.

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1 Key

   (a) C

   (b) D   [1]

   (c) B   [1]

   (d) D   [1]

   (e) B   [1]

   (f) A   [1]

   (g) B   [1]

   (h) A   [1]

   (i) B   [1]

   (j) C   [1]

                                                                              [Total 10]

2 (a) Inventory (stock), trade receivables (debtors), other receivable (prepayment), bank, cash. (Any two, 1 mark each).   [2]

   (b) Assets = capital (equity) + liabilities
   (or any variation of the correct equation)   [1]

   (c)

	Capital	Revenue
Repairs to workshop windows		✓(1)
Installation of alarm system	✓(1)	
Storage shelves for tools	✓(1)	

                                                                                      [3]

(d) (i) Sales (debtors, receivables) [ledger]

    (ii) Nominal (general) [ledger]

(e) (i) Error of addition in trial balance or ledger account,
single entry,
entering item on wrong side
entering transaction twice on same side of ledger,
entering different credit and debit amounts.
(Any one description, or an actual example of one of these) [1]

    (ii) Original entry [1]

(f) Percentage of net profit to revenue = (125 000 – 85 000 – 15 000) / 125 000
                                       = 25 000 **(1)** / 125 000 **(1)**
                                         = 20.00 % **(1)OF** [3]

(g) Balance per bank statement = balance per cash book + unpresented cheques
                                 = 2 400 **(1)** + 860 **(1)**
                                 = 3 260 **(1)** (Actual figure only) [3]

(h) Share capital = ordinary shares 120 000 × 0.25 = 30 000 **(2)**
                     + preference shares 10 000 × 1.00 = 10 000 **(2)**
                                                 = 40 000 [4]

[Total: 20]
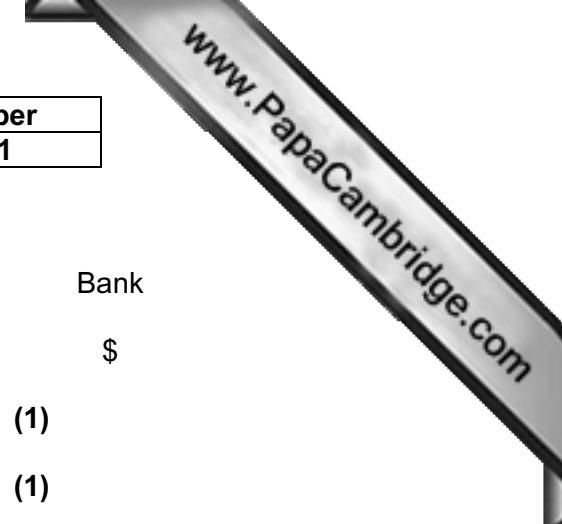
3 (a)

Moloch
Cash book

Date	Details	Discount Allowed $	Cash $	Bank $	Date	Details	Discount Received $	Cash $	Bank $
October					October				
1	Balance b/d		650	3 200 **(1)**	5	Purchases (*not* Andrews)		2 880 **(1)**	
3	Justin	10 **(1)**		390 **(1)**	7	Wages		630 **(1)**	
6	Munira			150 **(1)**					
7	[Cash] sales		3 650 **(1)**						
					7	Balance c/d		790	3 740
	Totals	10	4 300	3 740		Totals		4 300	3 740

[8]

Notes: Total reversal – no marks

Award 1 mark for both correct opening balances

Narrative and correct amount for mark

No marks for balances carried down or totals

+ 1 mark for correct dates (but disregard any date where no mark allocated to that entry)

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(b)

Revenue (sales) account

			October			
			4	Hercules	800	**(1)**
			7	Cash (*not* sales)	3 650	**(1)**
				accept cash book		

Purchases account

October			
5	Cash [book]	2 880	**(1)OF**
	(*not* Andrews)		

Discount received account

Discount allowed account

October			
7	Total [for week]	10	**(1)OF**
	allow cash book		
	not Justin		

Hercules account

October			
4	Sales	800	**(1)**

Justin account

			October				
			3	Bank	390	**(1)OF}**	accept
			3	Discount	10	**(1)OF}**	cash
							book

Munira account

			October			
			6	Bank	150	**(1)OF**
				accept cash book		[9]

Note: Allow own figures from part **(a)** where errors have been made in calculating discounts
Correct narrative and figure for each mark
+ 1 mark for correct dates
No mark for any reversal

(c) Total sales $4 450 **(2)** [2]

(d) A provision for doubtful debts is [an estimate of] the amount which a business may lose because of bad debts. [2]

(e) Trade receivables $8 200 @ 5% = $410 (2)

(f) By comparing (1) the amount of actual bad debts (1) with the provision made. (1)
(or equivalent wording to convey correct meaning)

[Total: 26]

4 (a)   Henrietta
                 Trial Balance at 30 September 2011
                                  $ $
Revenue   124 100 (1)
Inventory   14 500 (1)
Purchases   77 000 (1)
Bank (overdraft)   2 800 (1)
Cash   1 100 (1)
Equipment   19 000 (1)
Administrative expenses   26 500 (1)
Capital (equity)   25 000 (1)
Drawings   15 600 (1)
Suspense   1 800 (1)OF
                            _____   _____
                             153 700   153 700

OF mark for suspense account if trial balance balances   [10]
Must be in trial balance format – no marks for e.g. balance sheet layout

(b)

	Dr	Cr
Suspense	2 200 (1)	
Revenue (sales)		2 200 (1)

	Dr	Cr
Drawings	400 (1)	
Suspense		400 (1)

	Dr	Cr
Wages	650 (1)	
Cash [book]		650 (1)

Narrative, correct amount and on correct side for mark   [6]

(c)   Henrietta
                           Suspense account

		Difference on t/b (accept Balance)	1 800 (1)OF from **4(a)**
Sales	2 200 (1)	Drawings	400 (1)OF from **4(b)**
	2 200		2 200

[3]

[Total 19]

5 (a) A non-current asset is an asset held for the long term for use by a business (1) and resale.(1) *(Accept comments about allowing a business to earn revenue)* *(Do not accept just fixed asset)*

(b) Depreciation

(i) Year 1 (3 600 – 450) (1) / 3 (1) = 1 050 (1)OF

(ii) Year 2   1 050 (1)OF from **(i)**

(iii) Year 3   1 050 (1)OF from **(i)**

*Only award component marks (max 2) in **(i)** if candidate gives NBV as their answer*   [5]

(c)   Queresh
                     Income statement for the year ended 30 September 2011

	$	$
Revenue (sales)		72 500 (1)
Less returns		800 (1)
		71 700
Cost of sales		
Inventory at 1 October 2010	6 000 (1)	
Raw materials (purchases)	48 800 (1)	
	54 800	
Inventory at 30 September 2011	7 600 (1)	
		47 200
Gross profit		24 500 (1)OF
Other operating income (6 500 (1) – 1 300 (1))		5 200
(accept rent receivable, award 1 mark for 7 800		
with or without workings)		29 700
Expenses		
Distribution expenses	2 580 (1)	
Administrative expenses (8 225 (1) + 375 (1))	8 600	
(award 1 mark for 7 850 with or without workings)		
Other operating expenses	1 600 (1)	
Depreciation *(accept OF from year 1 only)*	1 050 (1)OF	
Finance costs	1 380 (1)	
		15 210
Profit for the year		14 490 (1)OF

*(Do **not** award marks for rent receivable if shown as an expense, but you **may** award an OF mark for the profit for the year if arithmetically correct even if rent is included as an expense.)*
[15]

(d) Depreciation should be included as a charge to the income statement so that the cost of the non-current asset is spread over the life of the asset or he is following the matching principle (1) and the profit is not overstated *(accept accurate or realistic)* or he is following the prudence principle (1).   [2]

(e) Increase revenue, increase prices, reduce cost of sales, reduce (control) expenses. (any one)   [2]

[Total 26]

6 (a)

Vasco's garage	Xavier's garage
Workings: 124 000 – 114 700 = 9 300 (1) 9 300 / 124 000 (1) =	Workings: 80 000 – 60 000 = 20 000 (1) 20 000 / 80 000 (1) =
Answer: 7.5 % (1)OF	Answer: 25.0 % (1)OF

[6]

(b)

Vasco's garage	Xavier's garage
Workings: 9 300 – 5 600 = 3 700 (1)OF 3 700 / 20 000 (1) =	Workings: 20 000 – 12 000 = 8 000 (1)OF 8 000 / 60 000 (1) =
Answer: 18.5 % (1)OF	Answer: 13.3 % (1)OF

[6]

Answer must be expressed as a percentage with or without % sign
– answers expressed as decimals e.g. 0.2 (0.185) are not acceptable.

(c)

	Increase	Decrease	No effect
Percentage of gross profit to sales		✓ (2)	
Return on capital employed	✓ (2)		

[4]

(d) Yes (1)

Reasons:
1   Selling car parts and opening a workshop would increase Vasco's profits (1)
2   The percentage of gross profit to sales would increase as the profitability of selling parts
     is higher than selling fuel (1)   [3]
(Not possible to award marks for comments about return on capital as not known)

[Total 19]