

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/12

Paper 1, maximum raw mark 120

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	0452	12

1 (a) D

(b) A

(c) B

(d) A

(e) D

(f) B

(g) C

(h) C

(i) A

(j) D

(1) mark each

[Total: 10]

2 (a) Capital = assets less liabilities (1) [1]

(b) Something which is owned by a business/owed to a business (1) [1]

(c) Statement of financial position (1) [1]

(d)

Account	Ledger	Trial balance
<i>Insurance</i>	<i>Nominal/general</i>	<i>Debit</i>
Drawings	Nominal (1)	Debit (1)
Sales	Nominal (1)	Credit (1)
Grant (a credit customer)	Sales (1)	Debit (1)
Aziz (a credit supplier)	Purchases (1)	Credit (1)
Provision for depreciation of van	Nominal (1)	Credit (1)

[10]

(e) So that accounts of the same type can be kept together (1)

- Ease of maintenance/navigation
- Speed
- Easier to check/locate error
- Frees up the general ledger
- Divides the work between several people

[1]

(f) A list of balances of ledger accounts (1) at a particular date (1)

[2]

(g) To check the arithmetical accuracy of the double entry (1)

OR

As a basis for preparation of financial statements (1)

[1]

(h) Suspense (1)

[1]

(i) Any two of:

- Omission (1) transaction totally omitted from the books (1)
- Commission (1) transaction posted to wrong account of right class (1)
- Principle (1) transaction posted to account of wrong class (1)
- Original entry (1) transaction incorrectly recorded in book of prime entry (1)
- Reversal (1) debit entry posted on credit side and vice versa (1)
- Compensating (1) errors cancel one another out (1)

[4]

[Total: 22]

3 (a)

Ali Farhad account			
2015		\$	
1 Jan	Balance b/d	300	(1)
5 Jan	Sales	250	(1)
		<u>550</u>	
2015			
1 Feb	Balance b/d	125	(o.f.)

		\$	
8 Jan	Sales returns	125	(1)
19 Jan	Bank	291	(1)
	Discount allowed	9	(1)
	Balance c/d	<u>125</u>	
		<u>550</u>	

(b)

	Document	Reason
5 January	Invoice (1)	To inform Farhad of the quantity of goods bought and their price/as a demand for payment (1)
8 January	Credit note (1)	To inform Farhad of the allowance he was being given for goods returned (1)

[4]

(c)

	Book of prime (original) entry
Ali sold goods, \$250, to Farhad	Sales journal (1)
Farhad returned half of the goods bought on 5 January	Sales returns journal (1)
Farhad paid the amount owed on 1 January having deducted 3% cash discount	Cash book (1)

[3]

(d)

Ali Rent account			
2014		\$	
15 May	Bank	1800	(1)
21 Oct	Bank	2000	(1o.f.)
		<u>3800</u>	
2015			
1 Jan	Balance b/d	720	(1)

		\$	
1 Jan	Balance b/d	400	(1)
31Dec	Income statement	2680	(1)
	Balance c/d	<u>720</u>	
		<u>3800</u>	

+1 for dates

[6]

(e) Under current assets (1) O.F. as Other receivables (1) O.F.

[2]

Page 5	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	0452	12

- (f) Trade payables
 Bank
 Government
 Prospective partner or investors
 Tax authorities
 Employees
 Competitors or customers

Any 2 for (1) each [2]

[Total: 23]

4 (a)

		\$	
Fixtures and fittings	12 000 (1) – 2 400 (1)	9 600	
Motor vehicle	15 000 (1) × 0.6 (1)	9 000	
Inventory		8 340 (1)	
Trade receivables	1 600 (1) – 48 (1)	1 552	
Bank		90 (1)	
Trade payables		(1 100) (1)	
Other payables	190 (1) + 230 (1)	<u>(420)</u>	
Net assets		<u>27 062</u> (1o.f.)	[12]

(b) (i)

	\$	
Closing net assets	27 062 (1o.f.)	
Opening net assets	(18 454) (1)	
Change	<u>8 608</u> (1o.f.)	[3]

(ii) Drawings are included. Change in net assets is adjusted by the drawings to arrive at net profit. [1]

- (c) Gross profit margin
 Net profit margin
 Inventory turnover
- Any two for (1) each [2]

(d) Prudence – a business should not overstate profits/assets (1) and so should value inventory at the lower of cost and net realisable value (1)

Realisation – a business should not account for profit until it is realised (1) and should use cost price rather than selling price for inventory valuation (1) [4]

[Total: 22]

5 (a)

	\$	
Current assets 3100 + 750 + 100	3950	(1)
Current liabilities 470 + 900 + 190	1560	(1)
Working capital	2390	(1o.f.)

[3]

(b) Current ratio $3950/1560$ (1)(o.f.) = 2.53 : 1 (1o.f.)
 Quick ratio $850/1560$ (1)(o.f.) = 0.54 : 1 (1o.f.)

[4]

(c) Inventory holding is very high.
 Too much cash is tied up in inventory.
 The current ratio has increased whilst the quick ratio has decreased which indicates that inventory has increased.
 2014 ratios appear fairly 'normal'.
 2015 current ratio may be too high.
 2015 quick ratio may be too low.
 Business may be unable to pay liabilities when they fall due.

Trade payables are greater than trade receivables.

Prepaid insurance

Stock may be turned into cash to pay debts.

Bank is in overdraft.

Higher than ideal current ratio

Lower than ideal quick ratio

Quick assets less than liabilities

Business may face bankruptcy/at risk

Any four for (1) mark each

[max. 4]

(d)

Transaction	Account debited	\$	Account credited	\$
1	Bank	10 000 (1)	Loan	10 000 (1)
2	Motor vehicles	8 000 (1)	Bank	8 000 (1)
3	Purchases	300 (1)	John	300 (1)
4	Cash	<u>80</u> (1)	Sales	<u>80</u> (1)

Mark for name of account and amount

[8]

[Total: 19]

Page 7	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – May/June 2015	0452	12

6 (a)

		Quik Flo Limited				
		Factory equipment account				
2014		\$		2015		\$
1 May	Balance b/d	18 000	(1)	30 Apr	Disposal	2 000 (1)
2015						
30 Apr	Bank	<u>5 000</u>	(1)		Balance c/d	<u>21 000</u>
		<u>23 000</u>				<u>23 000</u>
2015						
1 May	Balance b/d	21 000	(1o.f.)			

[4]

(b)

		Quik Flo Limited				
		Manufacturing Account for the year ended 30 April 2015				
		\$		\$		
	Raw materials at 1 May 2014	5 000				
	Purchases of raw materials	<u>48 000</u>				
		53 000				
	Raw materials at 30 April 2015	<u>4 400</u>				
	Cost of raw materials consumed (1)			48 600	(1o.f.)	
	Factory wages			<u>20 500</u>	(1)	
	Prime cost			69 100	(1o.f.)	
	Factory depreciation (21.000 x 10%)	2 100	(1)			
	Supervisor's salary	10 800	(1)			
	Rent	<u>14 400</u>	(1)	<u>27 300</u>		
				96 400		
	Work in progress at 1 May 2014			2 000	}	
	Work in progress at 30 April 2015			<u>(1 200)</u>	}(1)	
	Cost of production			<u>97 200</u>	(1o.f.)	

[9]

(c)

		Quik Flo Limited				
		Income Statement for the year ended 30 April 2015				
		\$		\$		
	Revenue			140 000		
	Finished goods at 1 May 2014	8 500				
	Cost of production	<u>97 200</u>	(1o.f.)			
		105 700				
	Finished goods at 30 April 2015	<u>(9 000)</u>	(1) both	<u>96 700</u>		
	Gross profit			43 300	(1o.f.)	
	Profit on disposal			600	(1)	
	Office salaries	15 150	}			
	Selling and distribution costs	9 100	}(1)			
	Rent			3 600	(1)	
	Office depreciation	<u>500</u>	(1)			
	Finance charges	<u>800</u>	(1)	<u>29 150</u>		
	Profit for the year			<u>14 750</u>		

[8]

(d) Units of production which have been started but which have not been completed (1) [1]

(e) Increase in costs of raw materials (higher prices) direct labour (higher rates) (1)
 Increase in level of production (1) [2]

[Total: 24]