UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/12 Paper 12, 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 must be read in conjunction with the question papers and the report on the examination.

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UNIVERSITY of CAMBRIDGE
International Examinations

MARKING GUIDELINES

- Award marks only in accordance with the mark scheme. If a script contains an answer which is not anticipated please refer to Principal Examiner before awarding any marks.

- Where a candidate makes an arithmetical error or selects the wrong figure in an account or a calculation, so that totals or the results of the calculation are wrong but are correct on his own figures, he will lose the mark for selecting the original figure but may earn an own figure (OF) mark for the result, total or calculation.

- Where particular wording is shown on the mark scheme accept any reasonable spelling and abbreviation as long as the meaning is clear.

- For example, for "Balance brought down" accept Balance b/down, Balance b/d, Balance, Bal b/down, Bal b/d, Bal, Brought down, b/down, b/d, but not Bbd, bd, or any variation of "Balance carried down".

- If a candidate gives two alternative answers without crossing one out, mark both answers and give credit for the better answer. If one is crossed out, mark the other answer.

- Where a ledger account is to be prepared, each mark is usually for the date, narrative and amount together. If the candidate has correctly prepared the account but not shown some or all of the dates, he may earn some marks according to the mark scheme.

- If a ledger account is completely reversed, no marks will be awarded for individual entries but there may be marks available for own figure balances carried and brought down.

- Where an answer is to be shown as a ratio, it should be shown as xx:1 and **not** as 1:xx. An answer of just the correct figure xx may be accepted but not if any other description such as %, times, days etc. is shown and not if shown as negative when it should be positive.

- Where a calculation is to be shown to two decimal places, an answer rounded up or down may be accepted (e.g. 2.85 or 2.86 if the true answer is 2.853) but not an answer shown to only the nearest whole number or one decimal place (e.g. 2.8 or 3).

- Where dollars and cents are shown in a question and exact cents are required in a calculated answer (e.g. $35.60), many candidates will show $35.6, as their calculators will suppress the final 0. Although wrong this may be accepted. The $ sign is not required.

- Ledger accounts may be accepted in either two sided or the running balance format and the mark scheme will show how marks should be allocated.

- Where a final account is requested, a list of items will not normally earn any marks.

- If candidates are required to prepare a Balance Sheet, either a two sided or a vertical presentation will be accepted and the mark scheme will show how marks are to be awarded.

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Question Number	*Key*	*Question Number*	*Key*
(a)	**B**	(f)	**B**
(b)	**A**	(g)	**A**
(c)	**A**	(h)	**D**
(d)	**A**	(i)	**A**
(e)	**B**	(j)	**D**

[Total marks: 10]

2 **(a)** Return on capital employed (or Return on Net Assets).
Percentage of gross profit to sales or GP margin or GP%.
Percentage of net profit to sales or NP margin or NP%.
Any two, (1) each [2]

(b)

	Current asset	Current liability
Inventory (stock)	✓ **(1)**	
Trade payables (creditors)		✓ **(1)**
Other receivables (prepayments)	✓ **(1)**	

[3]

(c)

	Bank column	Cash column
Debit side		
Credit side	✓ **(1)**	

If more than one tick then 0 [1]

(d) Income statement (trading/profit and loss account) [1]

(e) Error of principle [1]

(f) Matching or prudence or conservatism [1]

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(g) (i) rate of inventory (stock) turnover
= cost of goods sold/average stock
= (OS + Purch + CI – CS) [***1** for **+ CI; 1** for **other figs]**

$= \frac{(4\,000 + 45\,500 + 2\,500 - 5\,600) = 46\,400}{(4\,000 + 5\,600)/2 = 4\,800}$ **(2 * as above)** **(1)**

= 9.66 times **(1)OF** [4]

(ii) Payment period for trade payables
= creditors / credit purchases × 365 days

= 3 750 **(1)**/45 500 **(1)** × 365 days
= 30 days **(2)** (to nearest whole day)
***[OF** for correct formula]* [4]

(h) Hooper – wages account

Bank (Cash)	32 800	**(1)**	Balance b/d (or Accruals)	300	**(1)**
Balance c/d (or Accruals)	450	**(1)**	Income statement (Profit & Loss account)	32 950	**(1) OF**
	33 250			33 250	
			Balance b/d	450	**(1)**

[5]

Narrative and amount for mark
No aliens or extraneous items for OF

[Total marks: 22]

3 (a) (i) Arthur
$30 000 × 3% **(1)** = $900 **(1) OF** [2]

(ii) Nancy
$40 000 × 3% **(1)** = $1 200 **(1) OF** [2]

(b) (i) Arthur
$35 000 × 4% **(1)** = $1 400 **(1) OF** [2]

(ii) Nancy
$15 000 × 4% **(1)** = $600 **(1) OF** [2]

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(c)

Net profit			89 000	
Interest on drawings			2 000	**(1)OF**
			91 000	
Less	salary	15 000 **(1)**		
	Interest on capital	2 100 **(1)OF**		
			17 100	
Residual profit			73 900	

Shared 2:3 Arthur:Nancy

Arthur	29 560	**(2)OF as below**
Nancy	44 340	**(2)OF as below**
	73 900	

2 OF for profit share only if based on **Profit** (not Capital)
1 OF for profit share if any aliens (**Drawings**) [7]

(d) Arthur – current account

Interest on drawings	1 400	**(1)OF**	Interest on capital	900	**(1) OF**
Drawings	35 000	**(1)**	Salary	15 000	**(1)**
Balance c/d	9 060	**(1)OF**	Residual profit	29 560	**(1)OF**
	45 460			45 460	
			Balance b/d	9 060	

No OF if aliens or extraneous items [6]

(e)

Increase	✓ **(2)**
Reduce	
Unchanged	

[2]

[Total marks: 23]

4 (a) Used to prepare final accounts.
Can trace or identify errors.
Other sensible comment.
One reason **[1]**

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(b)

Deali
Trial Balance at 31 March 2010

	$		$	
Revenue (sales)			125 000	**(1)**
Inventory (stock)	14 500	**(1)**		
Purchases	76 000	**(1)**		
Bank (overdraft)			2 300	**(1)**
Equipment	9 000	**(1)**		
Trade receivables (debtors)	1 700	**(1)**		
Trade payables (creditors)			2 800	**(1)**
Expenses	37 500	**(1)**		
Capital			15 500	**(1)**
Drawings	8 000	**(1)**		
Suspense			1 100	**(1)OF**
	146 700		146 700	

OF only if arithmetically correct [11]

(c)

	Dr	Cr
Suspense **(1)**	1 100 **(1)**	
Revenue (sales) **(1)**		1 100 **(1)**
Sales omitted from the ledger **(1) must be related to error**		

Marks for narrative not dependent upon correct figures.
Marks carried with narrative. [5]

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(d)

Deali
Summary Income Statement (Trading and Profit and Loss Account)
for the year ended 31 March 2010

	$	$	
Revenue (sales)		126 100	**(1)**
Inventory (stock) at 1 April 2009	14 500		**(1)**
Purchases	76 000		**(1)**
	90 500		
Inventory (stock) at 31 March 2010	18 000		**(1)**
Cost of sales		72 500	**(1) OF**
Gross profit		53 600	**(1) OF**
Expenses		37 500	**(1)**
Net profit		16 100	**(1) OF**

[8]

[Total marks: 25]

5 (a) (i) A bad debt is an amount owing to the business **(1)** which the debtor is unable or unwilling to pay **(1)**. [2]

(ii) A provision for doubtful debts is an estimate (**not %**)**(1)** of the amount likely to be lost through bad debts **(1)**. [2]

(b)

	Dr $	Cr $
Bad debts (income statement) **(1)** (profit and loss account)	850 **(1)**	
Veeku))**(1)** ***or*** *Debtors **(1)***		300))**(1)**
Wlanda))		550))

[4]

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(c) Balance on sales ledger 12 600 **(1)**
Less: bad debts written off 850 **(1)**
11 750

Provision for doubtful debts @ 4% = 470 **(1)OF** [3]

(d)

	Dr $	Cr $
Income statement **(1)** (Profit and Loss account)	470 **(1)** **OF**	
Provision for doubtful debts**(1)**		470 **(1)** **OF**

[4]

(e) Bad debts account

Debtors	850 **(1)**	Income statement (Profit and loss)	850 **(1)**

or Veeku 300
Wland 550 [2]

Provision for doubtful debts account

Balance c/d	470	Income statement (Profit and loss)	470 **(1) OF**
		Balance b/d	470 **(1) OF**

[2]

(f) Bad debts recovered account

Income statement (Profit and loss)	300 **(1)** **OF**	Bank (Cash/Veeku)	300 **(1)**

[2]

[Total marks: 21]

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6 (a) Managers, bank or other lender, creditors, customers, suppliers.
Employees, Government, competitors, potential investors.
Other acceptable comment.
Any two, 2 marks each [4]

(b)

	Capital	Revenue
New factory extension	✓ **(1)**	
Repainting old factory		✓ **(1)**
Architect's fees for designing extension	✓ **(1)**	
New plant and equipment for extension	✓ **(1)**	

[4]

(c) (i) Factory cost 30 000 **(1)** + Architect's fees 3 000 **(1)**

Total cost 33 000
Over useful life 20 years 20 **(1)**
= 1 650 **(1) OF** [4]

(ii) Plant and equipment 6 000 – residual value 800 = 5 200

5 200 **(1)**
Over useful life 4 years **(1)**
= 1 300 **(1) OF** [3]

(d) Land has an indefinite expected life.
Land does not wear out.
Land is not consumed by use.
Land increases in value over time.
Other acceptable comment (allow NEVER).
Any two, 2 each [4]

[Total marks: 19]

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