UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/12 Paper 1, maximum raw mark 120

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1 Key

(a) A [1]

(b) C [1]

(c) B [1]

(d) B [1]

(e) A [1]

(f) D [1]

(g) D [1]

(h) C [1]

(i) C [1]

(j) B [1]

[Total: 10]

2 **(a)** Purchases (ledger)/Trade Payables / Creditors [1]

(b) Cost and net realisable value [1]

(c)

	Income	Expense
Bad debt recovered	✓**(1)**	
Carriage inwards		✓**(1)**
Discount received	✓**(1)**	

[3]

(d) **(i)** When a transaction is entered using the correct amount and on the correct side **(1)**, but in the wrong class of account. **(1)**
Example – Motor Vehicles debited to the account of Motor Expenses
Any suitable example of an error of principle (2)

(ii) Compensating errors occur when two or more errors cancel each other out **(2)**
Example – sales account undercast and wages account undercast
Any suitable example of a compensating error (2) [8]

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(e) 4% × $28 000 = $1120 [1]

(f) **(i)** $120 – $87.60 = $32.40 **(1)**

(ii) $87.60 **(1)** [2]

(g)

Payments	$715	
Less opening accrual	240	**(1)**
	475	
Plus closing accrual	320	**(1)**
Charge for the year	795	**(1)**

[3]

(h) (6000 × $1.50) or $9000 **(1)** × 3% × ½ = $135 **(1)** [2]

[Total: 21]

3 **(a)** **Mitchell April 8**
Amanda paid $120 in cash to Mitchell **(1)**

Julian April 9
Amanda received a cheque, $194, from Julian **(1)**
Julian was allowed $6 cash discount for prompt payment **(1)**

Sylvia April 14
Amanda received a cheque, $180 from Sylvia **(1)**

Sylvia April 21
The cheque, $180, previously received from Sylvia was dishonoured by the bank **(1)**

Equipment April 26
Amanda purchased equipment, $2000, by cheque **(1)**

Sales April 28
Amanda sold good for cash $1300 **(1)** [7]

(b) This is a contra entry. **(1)**
Office cash was paid into the bank **(1)** [2]

(c) **(i)** The cash balance represents the cash in hand **(1)**
The bank balance represents a bank overdraft **(1)** [2]

(ii) Cash balance – current asset **(1)**
Bank balance – current liability **(1)** [2]

(iii) It is not possible to take out more cash than is available [2]

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(d)

Amanda Mitchell account

		$			$
2012					
April 6	Cash	120 **(1)**			

Julian account

		$			$
			2012		
			April 9	Bank	194 **(1)**
				Discount	6 **(1)**

Sylvia account

		$			$
2012			2012		
April 21	Bank (dis.chq	180 **(1)**	April 14	Bank	180 **(1)**

Equipment account

		$			$
2012					
April 26	Bank	2000 **(1)**			

Sales account

		$			$
			2012		
			April 28	Cash	1300 **(1)**

Discount allowed account

		$			$
2012					
April 30	Total for month	6 **(1)**			

+ (1) for dates [9]

[Total: 24]

4 (a) (i) Expenses are overstated **(1)**
Profit for the year is understated **(1)** [2]

(ii) Non-current assets are understated **(1)**
Owner's capital (Profit)is understated **(1)** [2]

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(b)

	Capital expenditure	Revenue expenditure
Purchase of computer	✓**(1)**	
Purchase of laser printer	✓**(1)**	
Replacement of hard disc in computer		✓**(1)**

[3]

(c) (i) ($4800 + $750) **(1) O/F based on answer to (b)** – $600 **(1)** = $4950

$\frac{\$4950}{3 \text{ years}}$ **(1)** = $1650 **(1) O/F** [4]

(ii) ($4800 + $750) **O/F based on answer to (b)** – $1650 **(1) O/F**
= $3900 **(1) O/F** [2]

(d)

	Non-current tangible asset	Non-current intangible asset	Current asset
Office building	✓**(1)**		
Motor vehicle	✓**(1)**		
Goodwill		✓**(1)**	
Work in progress			✓**(1)**

[4]

[Total: 17]

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5 (a)

Rachel Smith
Income Statement for the year ended 31 March 2012

	$	$	$	
Revenue			63 100	**(1)**
Less Cost of sales				
Opening inventory		3 100 **(1)**		
Purchases	42 500 **(1)**			
Less Purchases returns	1 900 **(1)**			
	40 600			
Carriage inwards	1 050 **(1)**	41 650		
		44 750		
Less Closing inventory		3 750 **(1)**	41 000	**(1) OF**
Gross profit			22 100	**(1) OF**
Less Carriage outwards		540		
Bad debts		190 **(1)**		
Provision for doubtful debts		150 **(1)**		
Property tax (6000 – 1200)		4 800 **(2)**		
Wages (7100 + 180)		7 280 **(2)**		
General expenses		1 620		
Depreciation – Equipment		1 920 **(1)**	16 500	
Profit for the year			5 600	**(1) OF**

[16]

(b) (i) $\frac{22\,100}{63\,100}$ **O/F}** **(1)** $\times \frac{100}{1} = 35.02\%$ **(1) O/F** [2]

(ii) Increase selling prices
Reduce cost of purchases

Any 1 comment (2) [2]

(c) (i) $\frac{5\,600}{63\,100}$ **O/F}** **(1)** $\times \frac{100}{1} = 8.87\%$ **(1) O/F** [2]

(ii) Reduce expenses
Increase gross profit
Increase other income
Any 1 comment (2) [2]

[Total: 24]

6 (a) The business will continue to operate for an indefinite period of time **(1)** and there is no intention to close down or significantly reduce the size of the business. **(1)** [2]

(b) (i) Current assets : Current liabilities [1]

(ii) 11 400 : 13 800 **(1)** = 0.83 : 1 **(1)** [2]

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(iii) Unsatisfied **(1)**
The business cannot meet the immediate liabilities from the immediate assets **(2)** [3]

(c)

	Increase	Decrease	No effect
Capital			✓**(1)**
Current assets	✓**(1)**		
Current liabilities		✓**(1)**	
Non-current liabilities	✓**(1)**		

[4]

(d) To assess whether the interest can be paid when due
To assess whether the loan can be repaid when due
To assess whether there is security for the loan
Any 2 reasons (2) each [4]

(e) There are not enough non-current assets for security of the loan
There is not enough profit to cover the loan interest
The business would not be able to re-pay the loan on time
Drawings for the year exceed the profit for the year
Any 2 reasons (2) each [4]

(f) Introduce additional capital
Admit a partner/form a limited company
Mortgage
Loans from other sources
Sell surplus non-current assets
Any 2 (2) each [4]

[Total: 24]

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