CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the May/June 2014 series

0452 ACCOUNTING

0452/12 Paper 1, maximum raw mark 120

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1 **(a)** A

(b) C

(c) C

(d) C

(e) C

(f) A

(g) A

(h) A

(i) C

(j) C

(1) each **[10]**

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2 **(a)** Asset – anything owned by or owed to the business **(1)**
Liability – anything owed by the business **(1)**
Owner's capital – funds and resources provided by the owner
OR amount owed by the business to the owner **(1)** **[3]**

(b)

	Asset	Liability
Inventory	✓	
Motor vehicle	✓**(1)**	
Creditor		✓ **(1)**
Debtor	✓**(1)**	
Bank loan		✓ **(1)**
Cash	✓**(1)**	

[5]

(c)

	Debit entry		Credit entry	
		$		$
1	*Bank account*	*10 000*	*Capital account*	*10 000*
2	Plant and equipment	6 000 **(1)**	Bank ABC Finance	3 000 **(1)** 3 000 **(1)**
3	Drawings	500 **(1)**	Cash	500 **(1)**
4	Interest payable	210 **(1)**	Bank	210 **(1)**
5	ABC Finance	1 000 **(1)**	Bank	1 000 **(1)**
6	Income statement	600 **(1)**	Provision for depreciation	600 **(1)**

[11]

(d) $\left.\frac{210}{3000}\right\}$ **(1)** $\times$ 100 = 7% **(1)** **[2]**

(e) A business has paid out more from the bank than it has paid in **(2)** **[2]**

(f) Unpresented cheque **(1)** **[1]**

[Total: 24]

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3 (a) (i) Any non-current asset, any expense, any income, purchases, sales, returns, inventory, loan, capital, drawings, etc.
Any 1 example (1) **[1]**

(ii) Sales ledger
Purchases ledger
Any 1 example (1) **[1]**

(iii) Work can be shared between several people
Easier for reference
Same type of accounts are kept together
Any 1 point (2) **[2]**

(b)

	Financial statement	Type of organisation
Ordinary share capital	*Statement of financial position*	*Limited company*
Accumulated fund	Statement of financial position **(1)**	Club or society **(1)**
Interest on capital	Appropriation account **(1)**	Partnership **(1)**
Ordinary share dividends paid	Appropriation account **(1)**	Limited company **(1)**
Debenture interest	Income statement **(1)**	Limited company **(1)**

[8]

(c)

Debentures	Ordinary shares
Fixed rate of interest Holders receive interest Holders are creditors Are long term loans Do not carry voting rights Rank before ordinary shares in a winding up	Variable rate of dividend Holders receive dividend Holders are members of the company Are equity Carry voting rights Rank after debentures in a winding up

Any 2 comparative statements (2) marks each **[4]**

(d) For reinvestment in the business
To plough back profits
For allocating dividends in the future
If there is not enough actual cash available to pay a dividend
Any 1 reason (2) **[2]**

[Total: 18]

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4 (a) Suspense **(1)** **[1]**

(b)

Matsumi
Trial balance at 30 April 2014

	Dr	Cr
	$	$
Bank overdraft		2 320
Cash	100	
Fixtures and fittings at cost	6 800	
Provision for depreciation at 1 May 2013		1 360
Fees receivable		28 105
Interest payable	200	
Rent payable	6 000	
Advertising	430	
Wages	8 005	
Loan account		3 000
Capital at 1 May 2013		2 950
Drawings	16 200	
	37 735	37 735

Any 2 correct items (1) **[6]**

(c) The trial balance was drawn up before the preparation of the income statement/before profit for the year has been calculated **(2)** **[2]**

(d) A service business
OR accept an example of a service business **(1)** **[1]**

(e) (6800 – 1360) × 20% = 1088 **(2)** **[2]**

(f) Provision for depreciation account

2014		$	2013		$
Apl 30	Balance c/d	2448**(1)**	May 1	Balance b/d	1360**(1)**
			2014		
			Apl 30	Income Statement	1088**(1)OF**
		2448			2448
			2014		
			Mar 1	Balance b/d	2448**(1)OF**

[4]

[Total: 16]

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5 (a) Raw materials **(1)**
Direct labour **(1)**
Finished goods **(1)**
Work in progress **(1)**
Inventory **(1)**
Current assets **(1)** **[6]**

(b) (i)

Randeep
Manufacturing Account for the year ended 31 March 2014

	$	$	
Cost of materials consumed			
Opening inventory of raw materials		16 200	***(1)both**
Purchases of raw materials	159 000**}**		
Carriage on raw materials	4 800**}(1)**	163 800	
		180 000	
Closing inventory of raw materials		17 500	*
		162 500	**(1)**
Direct wages		72 000	**(1)**
Prime cost		234 500	**(1)OF**
Factory overheads			
Supervisor's salary	20 000 **(1)**		
Factory rent	30 000 **(1)**		
Depreciation – factory machinery	38 000 **(1)**	88 000	
Cost of production		322 500	**(1)OF**

[9]

(ii)

Randeep
Income Statement for the year ended 31 March 2014

	$	$	
Revenue		410 000	**(1)**
Cost of sales			
Opening inventory finished goods	9 100	***(1)both**	
Cost of production	322 500	**(1)OF**	
	331 600		
Closing inventory of finished goods	8 200*	323 400	
Gross profit		86 600	**(1)OF**
Administration and selling costs		64 600	**(1)**
Profit for the year		22 000	**(1)OF**

[6]

(c) Salary of factory supervisor
Factory rent
Depreciation of factory machinery
Administration and selling costs
Any 1 indirect cost (1) **[1]**

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(d) Office rent/rates
Office salaries
Office general expenses
Office insurance
Salaries/commission of sales staff
Advertising expenses
Any example of office or sales expense
Any 2 examples (1) each **[2]**

[Total: 24]

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6 (a)

Capital expenditure	Revenue expenditure
Purchase of non-current asset Provides benefit for over 1 year Appears in statement of financial position	Day-to-day running expense Provides benefit for less than 1 year Appears in income statement

Any 1 comparative statement (2) **[2]**

(b)

	Capital expenditure	Revenue expenditure
Salesman's commission		✓
Carriage of raw materials		✓**(1)**
Purchases of goods for resale		✓ **(1)**
Purchases of plant and equipment	✓**(1)**	
Payment of insurance		✓**(1)**
Legal fees on purchase of property	✓**(1)**	

[5]

(c) (41 000 + 28 000) : (44 000 + 2200) **(1) whole formula**
1.49 : 1 **(1)** **[2]**

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(d)

Morwenna
Statement of Financial Position at 30 April 2014

Non current assets	$ Cost	$ Depreciation to date	$ Net book value	
Fixtures and fittings				
(15 000 **(1)** + 1000 **(1)**)	16 000	4 500	11 500	**(1)OF**
Motor vehicles				
(18 000 **(1)** – 800 **(1)**)	7 200	6 200	11 000	**(1)OF**
	33 200	10 700	22 500	
Current assets				
Inventory (41 000 **(1)** – 10 250 **(1)**)		30 750		
Trade receivables		28 000 **(1)**		
		58 750		
Current liabilities				
Trade payables	44 000 **(1)**			
Other payables	3 000 **(1)**			
Bank	2 200 **(1)**	49 200	9 550	
			32 050	
Financed by				
Capital			32 050	

(2) OF for capital if no goodwill
(1) OF for capital if goodwill included

[14]

(e) 58 750 **OF** : 49 200 **OF (1) whole formula**
1.19 : 1 **(1) OF** **[2]**

(f) Actual current ratio below that originally calculated
Shortage of liquid funds/there is an overdrawn bank balance
Trade payables higher than trade receivables
Rather a lot of money is tied up in inventory
Can only just meet current liabilities from current assets
Cannot take advantage of business opportunities which may arise
May have difficulty in paying trade payables
May depend on receipts from trade receivables to pay trade payables
Comments to be based on answer to (e)
Any three comments (1) each **[3]**

[Total: 28]

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