CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/11 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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2015 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is the registered trademark of Cambridge International Examinations.

CAMBRIDGE
International Examinations

1 **(a)** C

(b) B

(c) A

(d) B

(e) C

(f) D

(g) A

(h) D

(i) A

(j) A

(1) mark each **[Total: 10]**

2 **(a)**

	Asset	Liability
Office equipment	✓	
Prepaid rent	✓ **(1)**	
Accrued wages		✓ **(1)**
Bank loan		✓ **(1)**
Inventory of goods for resale	✓ **(1)**	
Inventory of stationery for office use	✓ **(1)**	
Amount due to creditor		✓ **(1)**

[6]

(b) An asset account has a debit **(1)** balance.
A liability account has a credit **(1)** balance.
An expense account has a debit **(1)** balance.
An income account has a credit **(1)** balance. [4]

© Cambridge International Examinations 2015

(c) Any suitable answer e.g. insurance, telephone, wages etc. **(1)** [1]

(d) Income statement **(1)** [1]

(e)

Every transaction has a two fold aspect	*True*
Costs must be matched against related income	True **(1)**
Revenue can be recorded before it is earned	False **(1)**
Staff expertise can be recorded in the financial statements	False **(1)**

[3]

(f)

Lamoudi
Insurance account

2014		$		2014		$	
1 Jan	Balance b/d	300	**(1)**	31 Dec	Income statement	1380	**(1o.f.)**
1 Apr	Bank/Cash	1440	**(1)**		Balance c/d	360	
		1740				1740	
2015							
1 Jan	Balance b/d	360	**(1)**				

+1 for dates [5]

(g) To check the arithmetical accuracy of the double entry **(1)**
OR
As a basis for the preparation of the financial statements/final accounts **(1)** [1]

© Cambridge International Examinations 2015

(h)

Ebenon
Trial Balance at 31 December 2014

	Debit $	Credit $	
Motor vehicles	38 000		}
Provision for depreciation of motor vehicles		10 000	}**(1)**
Sales		190 000	}
Purchases	103 000		}**(1)**
Rent	4 000		}
Wages and salaries	41 000		}**(1)**
Sundry expenses	6 800		}
Drawings	23 000		}**(1)**
Trade payables		5 000	}
Trade receivables	7 000		}**(1)**
Bank overdraft		1 500	}
Cash	100		}**(1)**
Purchase returns		600	}
Inventory	12 000		}**(1)**
Capital		27 800	**(1o.f.)**
	234 900	234 900	

[8]

(i) 1 January 2014 **(1)** [1]

[Total: 30]

© Cambridge International Examinations 2015

3 (a)

Book of prime (original) entry	Source document
Cash book	*Cheque counterfoil*
Any two of: Sales journal Sales returns journal Purchases journal Purchases returns journal General journal Petty cash book for **(1)** mark each	 Sales invoice Sales credit note issued Purchase invoice Credit note received/debit note issued Notification of debtor going bankrupt/other suitable answer Voucher for **(1)** mark each

[4]

(b) To avoid multiple entries in the ledger **(1)**
Different books of prime entry can be maintained by different people **(1)**
Acts as an aid for posting to the ledger by analysing a transaction into debit and credit entry **(1)**
Helps to reduce the amount of detail in the ledger as only totals are posted to the ledger **(1)**
Provides evidence of transactions since they are recorded from source documents **(1)**
Helps in the auditing/tracking process/facilitates cross-referencing **(1)**
Easy reference to source of a transaction **(1)**
Helps in gathering and summarising of accounting information **(1)**
Groups together similar types of transactions in one book in date order **(1)**
Reduces number of entries in ledger **(1)**

Max. 1 [1]

(c) Discount allowed **(1)** Discount received **(1)** [2]

(d) The debtor's bank refused payment **(1)** [1]

(e)

Account debited	Account credited
Pierre **(1)**	Bank **(1)**

[2]

(f) Bank reconciliation statement **(1)** [1]

(g) Paying more from the bank account then there is in it **(1)**. This means that the business owes the bank money (the bank is a current liability) **(1)**. [2]

© Cambridge International Examinations 2015

(h)

	Debit balance	Credit balance
Cash book		✓ **(1)**
Bank statement	✓ **(1)**	

[2]

(i)

Account debited	Account credited
Drawings **(1)**	Bank **(1)**

[2]

[Total: 17]

4 (a)

Green Meadow Limited
Statement of Financial Position at 31 January 2015

	$	
Non-current assets		
Plant and equipment	184 000	
Motor vehicles	87 000	
	271 000	**(1)***
Current assets		
Inventory	63 000	
Trade receivables	57 000	
Cash and cash equivalents/Bank	2 000	
	122 000	**(1)***
Total assets	393 000	
Capital and reserves (1)		
Ordinary share capital	125 000	**(1)**
8% preference share capital	100 000	**(1)**
Retained earnings	65 000	**(1)**
	290 000	
Non-current liabilities (1)		
6% Debentures (2019)	50 000	**(1)**
Bank loan	10 000	**(1)**
	60 000	
Current liabilities		
Trade payables	43 000	**(1)***
Total liabilities	393 000	

* indicates heading required for mark [10]

© Cambridge International Examinations 2015

(b)

	$	
Closing profit	65 000	
Opening profit	51 500	
	13 500	**(1)**
Add back:		
Ordinary dividend	10 000	**(1)**
Preference dividend	8 000	**(1)**
Profit for the year	31 500	**(1o.f.)**

[4]

(c)

	$	
Profit for the year	31 500	**(1o.f.)**
Add back:		
Bank interest	500	**(1)**
Debenture interest	3 000	**(1)**
Profit for the year	35 000	**(1o.f.)**

[4]

(d) $\frac{35\,000\ \textbf{(1o.f.)}}{290\,000\ \textbf{(1o.f.)} + 60\,000\ \textbf{(1o.f.)}} \times 100 = 10\%\ \textbf{(1o.f.)}$ [4]

(e) To compare with other businesses
To compare with rate of finance cost on debentures etc.

Any one for **(1)** mark [1]

(f) To avoid dilution of control **(1)**/because debentures don't have voting rights **(1)**
Ensure existing owners retain control of business **(1)**

Any one for (1) mark [1]

[Total: 24]

5 **(a)**

Gross profit	$400 **(1)**
Cost of sales	$600 **(1)**
Purchases	600 **(1o.f.)** – (60 – 40) **(1)** = $580
Profit for the year	$150 **(1)**
Expenses	400 **(1o.f.)** – 150 **(1o.f.)** = $250

[7]

(b) The brother has better control of his expenses **(1)**.
The brother has a larger business and experiences economies of scale on overheads such as rent **(1)**.
The brother buys goods for resale at a lower price **(1)**.
The brother sells the goods at a higher price **(1)**.

Any one for **(1)** mark [1]

© Cambridge International Examinations 2015

(c) $\frac{50\ \textbf{(1)}}{600\ \textbf{(1o.f.)}} \times 365\ \textbf{(1)} = 30.42 = 31\,\text{days}\ \textbf{(1o.f.)}$ [4]

(d) Increasing sales
Decreasing inventory levels
More efficient purchasing of inventory
Change in type of goods sold
Increase in business activity
Lower inventory levels
More sales activity

Any two for **(1)** each [2]

(e) Increase in finance
Additional knowledge/skills/expertise
Share risks
Sharing of tasks and responsibilities
Can discuss decision-making
Losses can be shared between partners

Any two for **(1)** each [2]

[Total: 16]

6 (a)

Healthy Ways Sports Club
Subscriptions account

2014		$		2014		$	
1 Jan	Balance b/d	350	**(1)**	1 Jan	Balance b/d	100	**(1)**
31 Dec	Income and expenditure a/c	19300	**(1o.f.)**	31 Dec	Bank/Cash	19100	**(1)**
	Balance c/d	50			Balance c/d	500	
		19700				19700	
2015				2015			
1 Jan	Balance b/d	500	**(1)**	1 Jan	Balance b/d	50	**(1)**

[6]

(b)

Healthy Ways Sports Club
Total trade payables account

2014		$		2014		$	
31 Dec	Bank/Cash	3710	**(1)**	1 Jan	Balance b/d	590	**(1)**
	Balance c/d	820		31 Dec	Purchases	3940	**(1o.f.)**
		4530				4530	
				2015			
				1 Jan	Balance b/d	820	**(1)**

[4]

© Cambridge International Examinations 2015

(c)

Healthy Ways Sports Club
Café Income Statement for the year ended 31 December 2014

	$		$		
Revenue/Sales			4900	**(1)**	
Inventory at 1 January 2014	600	**(1)**			
Purchases	3940	**(1o.f.)**			
	4540				
Inventory at 31 December 2014	800	**(1)**	3740		
			1160		
Staff wages			1800	**(1)**	
Loss for the year			(640)	**(1o.f.)**	[6]

(d)

Healthy Ways Sports Club
Income and Expenditure Account for the year ended 31 December 2014

	$		$		
Subscriptions			19 300	**(1o.f.)**	
Loss from cafe	640	**(1o.f.)**			
Staff wages (7 200 + 300)	7 500	**(1)**			
Rent and insurance	4 800	}			
Sundry expenses	1 850	} **(1)**			
Depreciation 18 700 + 4 600 **(1)** – 20 100 **(1)**	3 200		17 990		
Surplus			1 310	**(1o.f.)**	[7]

[Total: 23]

© Cambridge International Examinations 2015