Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/12**

Paper 1 **May/June 2016**

MARK SCHEME

Maximum Mark: 120

Published

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1 **(a)** A

(b) B

(c) D

(d) B

(e) A

(f) C

(g) B

(h) A

(i) D

(j) C **[10]**

2 **(a)** Assets – liabilities = capital **(1)** **[1]**

Or suitable alternative

(b)

account debited	account credited
drawings **(1)**	cash **(1)**

[2]

(c) Decreased **(1)** **[1]**

(d) Goods for own use **[1]**
Private expenses paid by business
Business asset taken over by owner
Any one **(1)** mark

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(e) Capital employed = owner's capital + non-current liabilities **(1)** **[1]**

OR

Capital employed = assets less current liabilities **(1)**

(f) The recording of all financial transactions in the books of account **(1)** **[1]**

(g) Any one of: **[1]**

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

(h)

book of prime (original) entry	source document
cash book	*cheque counterfoil*
sales journal	sales invoice **(1)**
sales returns journal	credit note issued**(1)**
purchases journal	purchase invoice **(1)**
petty cash book	voucher **(1)**

[4]

(i) Any correct answer for (1) mark **[1]**

E.g. depreciation, bad debt, creation of/increase in/decrease in provision for doubtful debts, correction of error, purchase/sale of non-current asset on credit, drawings of goods etc.

(j) Duality / dual aspect **(1)** **[1]**

[Total: 14]

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3 (a) A statement comprised of revenues and expenses **(1)** for a specific period **(1)** **[2]**

(b) To know if he has made a profit/has an adequate return on his investment **(1)** **[1]**

(c)

User	Reason
credit supplier	to check on likelihood of being paid
manager	to see efficiency and progress of the business
bank/lender	to check on suitability for loan
government	to use in tax calculation

OR other suitable user

(1) mark for any suitable user plus related reason for (1) mark **[2]**

(d) To check the arithmetical accuracy of the double entry **(1)** **[1]**

OR

As a basis for the preparation of the financial statements **(1)**

(e)

	debit side	credit side
machinery	✓	
bank overdraft		✓
inventory	✓	
capital		✓
purchases	✓	
discount received		✓
carriage outwards	✓	
trade receivables	✓	

Any **two** correct answers = 1 mark **[4]**

(f) (i) Machinery } **[2]**
Inventory}
Trade receivables}
all 3 correct for (2) marks, any 2 correct for (1) mark

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(ii) Bank overdraft **(1)** **[3]**

(g) Suspense **(1)** **[1]**

(h) Any two for 2 marks: **[4]**

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)**

[Total: 18]

4 (a)

		$	
Year 1	10 000 × 0.25	2500	**(1)**
Year 2	7500 × 0.25	1875	**(1)**
Total		4375	**(1)**

[3]

(b)

Virginia
Motor vehicle account

2015		$		2015		$	
Jan 1	Balance b/d	10 000	**(1)**	May 28	Disposal	10 000	**(1)**
May 28	Bank	17 000	**(1)**	Dec 31	Balance c/d	17 000	
		27 000				27 000	
2016							
Jan 1	Balance b/d	17 000	**(1of)**				

Provision for depreciation of motor vehicle account

2015		$		2015		$	
May 28	Disposal	4375	**(1of)**	Jan 1	Balance b/d	4375	**(1of)**
Dec 31	Balance c/d	4250		Dec 31	Income statement	4250	**(1)**
		8625				8625	
				2016			
				Jan 1	Balance b/d	4250	**(1of)**

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Motor vehicle disposal account

2015		$		2015		$	
May 28	Motor vehicle	10 000	**(1)**	May 28	Provision for depreciation	4 375	**(1of)**
Dec 31	Income statement **(1)**	1 585	**(1of)**		Cash	7 210	**(1)**
		11 585				11 585	

+**(1)** for dates

[14]

(c) Statement of financial position **(1)** **[2]**

Non-current assets **(1)**

(d) The cost of the non-current asset and the revenues arising from its use are matched **(1)** in an accounting period **(1)** **[2]**

OR

The cost of the non-current asset is spread **(1)** over its useful life **(1)**

(e) Prudence **(1)** **[1]**

(f) Small items of equipment e.g. loose tools **(1)** **[1]**

[Total: 23]

5 **(a)** Separate legal identity from its owner **(1)** **[max 3]**
Limited liability **(1)**
Can issue shares to raise capital **(1)**
May find it easier to obtain loans/issue debentures **(1)**
Continuity **(1)**

Other reasonable answers acceptable

(b)

definition	term
the value of shares which a company has requested from its shareholders	called up capital **(1)**
the value of shares for which the company has received cash	paid up capital **(1)**

[2]

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(c)

AC Industries Limited
Statement of Changes in Equity for the year ended 31 March 2016

Details	Share capital $	General reserve $	Retained earnings $	Total $	
On 1 April 2015	100 000	20 000	36 800	156 800	**(1)**
Share issue	10 000	.....	.....	10 000	**(1)**
Profit for the year	.....	.....	19 300	19 300	**(1)**
Dividend paid	.....	.....	(7 000)	(7 000)	**(1)**
Transfer to general reserve	.....	5 000	(5 000)	–	**(1)**
On 31 March 2016	110 000	25 000	44 100	179 100	**(1of)**

[6]

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(d)

AC Industries Limited
Statement of Financial Position at 31 March 2016

	$	
Non-current assets	189 800	**(1of)**
Current assets		
Inventory	17 800	**(1)**
Trade receivables	8 000	**(1)**
	25 800	
Total assets	215 600	
Equity and reserves **(1)**		
Ordinary share capital	110 000	**}**
General reserve	25 000	**}(1of)**
Retained earnings	44 100	**}**
	179 100	**(1of)**
Non-current liabilities **(1)**		
Bankloan	15 000	**(1)**
Current liabilities		
Trade payables	19 000	**(1)**
Bank overdraft	2 500	**(1)**
	21 500	
Total liabilities	215 600	

Accept alternative presentation **[10]**

(e) To reduce the overdraft **[1]**
To fund an increase in inventory
To purchase new non-current assets
Growth/expansion
Any reasonable answer for (1) mark

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(f) Quick (acid test) ratio **(1)** **[4]**

8 000 **(1)** = 0.37: 1 **(1of)**
21 500 **(1of)**

(g) Liquidity is poor **(1)** **[Max 4]**
Both ratios appear low **(1)**
There is insufficient cash to meet current liabilities as they fall due **(1)**
Current assets do exceed current liabilities **(1)**
There is already a bank overdraft **(1)**
Too high a proportion of current assets is made up of inventory **(1)**
Trade payables are much higher than trade receivables **(1)**
Overdraft facilities could be withdrawn at any time **(1)**
Relationship with credit suppliers could be damaged **(1)**

Award OF for comments linked to (d) and (f)

[Total: 30]

6 (a)

	$	
Opening balance	6 100	**(1)**
Receipts (10 100 + 3550)	13 650	**(1)**
Payments (2800 + 3920 + 2400 + 2750 + 1880)	(13 750)	**(1)**
Closing balance	6 000	**(1of)**

[4]

(b)

Cambridge Club
Subscriptions account

2015		$		2016		$	
Apr 1	Balance b/d	200	**(1)**	Mar 31	Bank	10 100	**(1)**
2016 Mar 31	Income and expenditure account	10 000	**(1of)**		Balance c/d	100	
		10 200				10 200	
2016 Apr 1	Balance b/d	100	**(1)**				

+(1) for dates **[5]**

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(c)

Cambridge Club
Calculation of shop profit for the year ended 31 March 2016

	$		$	
Sales			3550	**(1)**
Opening inventory	710	*		
Purchases 2800 **(1)**– 350 **(1)** + 510 **(1)**	2960			
	3670			
Closing inventory	560	***(1) both**	3110	
Profit			440	**(1of)**

Accept alternative formats **[6]**

(d)

Cambridge Club
Income and Expenditure Account for the year ended 31 March 2016

	$		$	
Subscriptions			10000	**(1of)**
Shop profit			440	**(1of)**
			10440	
Less: expenditure				
Rent paid for sports ground	2400	**(1)**		
Wages of football coach	2750	**(1)**		
Other operating expenses	1880	**(1)**		
Depreciation on equipment (3600 + 3920 – 5920)	1600	**(2)**	8630	
Surplus			1810	**(1of)**

[8]

(e) Increase the selling price **(1)** **[max 2]**
Buy cheaper goods **(1)**
Other valid points acceptable

[Total: 25]

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