CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2012 series

0452 ACCOUNTING

0452/13 Paper 1, maximum raw mark 120

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1 Key

(a) **D** [1]

(b) **C** [1]

(c) **B** [1]

(d) **B** [1]

(e) **A** [1]

(f) **A** [1]

(g) **C** [1]

(h) **C** [1]

(i) **B** [1]

(j) **A** [1]

[Total: 10]

2 **(a)** Cash book, petty cash book, sales journal, sales returns journal, purchases journal, purchases returns journal, (day books), journal *[any two, 1 mark each]* [2]

(b)

	Income	Expense
Debenture interest		✓ (1)
Factory overheads		✓ (1)
Commissions earned	✓ (1)	

[3]

(c) To see the liquidity position of the business (1) and if his account will be paid (1). [2]

(d) Error (of addition, account on incorrect side, transposition, balance missing), single sided entry, entry made twice. *[any two,2 marks each]* [4]

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(e)

	Increase	Reduce	Have no effect
Bank charges		✓ (1)	
Credit Transfer	✓ (1)		
Dishonoured cheque		✓ (1)	

[3]

(f) Goodwill, brands, (other acceptable item) [any one] [1]

(g) (i) Error of original entry [1]

(ii)

	Dr $	Cr $	
Malik (1)	180		}(1)
Purchases (1)		180	}

[3]

(h) Lindie – provision for doubtful debts

Provision at 1 November 2011 3% × 28 000 = 840 (1)

Provision at 31 October 2012 3% × 32 000 = 960 (1)

Increase = 120 (1)

[or 3% × (32 000 – 28 000) = 120] (3) [3]

[Total: 22]

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3 (a)

Prince
Balance Sheet at 30 September 2012

	Cost	Provision for Depreciation	Net book value	
Non-current assets	$	$	$	
Equipment	3 500	600	2 900	)
Motor vehicle	4 500	1 000	3 500	) (1)
	8 00	1 600	6 400	
Current assets				
Inventory		3 300 (1)		
Trade receivables		3 000 (1)		
Bank		500 (1)		
		6 800		
Current Liabilities				
Trade payables		2 700 (1)		
Other payables		900 (1)		
		3 600		
Net current assets			3 200 (1)	
			9 600	
Non-current liabilities				
Bank loan repayable 2018			2 800 (1)	
Total assets			6 800	
Financed by: Capital			6 800 (1)	[9]

(b) (i) Current ratio = current assets / current liabilities [1]

(ii) (3300 + 3000 + 500) / (2700 + 900) (1) for workings
= 1.89 : 1 (1)OF [2]

(iii) No (1);
Answer is less than 2:1 which is the usual benchmark (1), unable to pay all liabilities (1) [3]

(c) (i) Quick ratio = (current assets – inventory) / current liabilities [1]

(ii) (3000 + 500) / 3600 (1) for workings
= 0.97 : 1 (1)OF [2]

(iii) No (1);
Answer is less than 1:1 which is the usual benchmark (1) , unable to pay all liabilities (1) [3]

(d) Send statement, other reminders, offer cash discount, charge interest on late accounts, refuse further supplies until paid (and similar comments).
[Any one, 2 marks] [2]

(e) Delaying payment of trade payables, increasing cash/credit sales, reducing credit period for trade receivables, sell fixed assets, introduce extra capital, take out long term loan, reduce drawings, introduce more capital, sell shares. [Any one, 2 marks] [2]

[Total: 25]

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4 **(a)** Inventory means the goods held for resale by a business at any time. [1]

(b)

Mirror type	Units in stock	Cost or net realisable value per unit	Total value
		$	$
Wall mirror	15	55	825 (1)
Table mirror	50	15	750 (1)
Hand mirror	36	20	720 (2)
			2295 [4]

(c)

Mlongo
Income statement for the year ended 31 October 2012

	$	$
Revenue (sales)		8 000 (1)
Returns inwards		215 (1)
		7 785
Cost of sales		
Inventory at 1 November 2011	1 300 (1)	
Purchases	4 650 (1)	
Carriage Inwards	50 (1)	
	6 000	
Inventory at 31 October 2012	2 295 (1)OF	
		3 705
Gross profit		4 080
Expenses		
Carriage outwards	100 (1)	
Other operating expenses (680 + 120)	800 (1)	
Rent (780 – 260)	520 (1)	
		1 420
Profit for the year		2 660 [9]

(d) **(i)** Rate of inventory turnover = cost of sales / average inventory [1]

(ii) Rate of inventory turnover 2.1 (1) times (1) [2]

(e) Rate of inventory turnover will increase (1) as inventory is being replaced quicker (1) [2]

(f) Luxury goods, large scale manufacture (ships, airplanes) [Any one] [1]

[Total: 20]

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5 **(a)** The costs and expenses of an accounting period must be matched against the revenue (of the same period). [2]

(b)

Joolia
Water account

2012			2012			
10 July	Bank	58.50)	1 July	Balance b/d	58.50	(1)
12 August	Bank	75.00)				
14 Sept	Bank	45.80) (1)	30 Sept	Income statement	183.10	(1)
30 Sept	Balance c/d	62.30				
		241.60			241.60	
			1 October	Balance b/d	62.30	(1)

+ (1) for all dates correct [5]

(c) Profit will be too high as accrued wages have not been included in expenses for the period. [1]

(d) Purchases (Ledger) [1]

(e) **7 September Bank**
Explanation: Amount paid to HiClass Foods Ltd for purchases (on credit/amounts due) (1)
Double Entry: **Credit** Bank Account (1)

7 September Discount
Explanation: Amount claimed as discount for prompt payment (1)
Double Entry: **Credit** Discount Received Account (1)

12 September Purchases
Explanation: Amount bought on credit from HiClass Foods Ltd (1)
Double Entry: **Debit** Purchases Account (1)

15 September Purchase Returns
Explanation: Goods returned to HiClass Foods Ltd as unsuitable/not required (1)
Double Entry: **Credit** Purchase Returns Account / Returns Outwards (1)

30 September Balance c/d
Explanation: Amount owing to HiClass Foods Ltd at end of month (1)
Double Entry: **Credit** HiClass Foods Ltd (October account) (1) [10]

[Total 19]

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6 (a) Ordinary share capital: 100 000 shares @ $1.50 = 150 000 (1)
Preference share capital: 120 000 shares @ $1.00 = 120 000 (1)
Total share capital 270 000 (1) [3]

(b) (i) The total amount the company has requested from shareholders. [2]

(ii) That part of the called up capital for which cash has been received. [2]

(c)
- Ordinary share dividends vary according to amount of profit made (1) Preference Shares are usually a fixed rate (1)
- If business is wound up Preference shareholders are repaid before Ordinary shares (2).
- Ordinary shares carry voting rights (1), Preference shares usually have no (or less) voting rights (1) [Any two, two marks each] [4]

(d)
- Ordinary shares are capital (1), Debentures are a long term loans (1)
- Debentures are paid interest (1), Ordinary shares receive dividends (1)
- If company is wound up debentures are repaid before Ordinary shares (2)
- Debenture holders carry no voting rights (1), Ordinary shares carry voting rights (1) [Any two, 2 marks each] [4]

(e) To distribute profit to the shareholders, reward shareholders for investment, to encourage investment. [Any one, 2 marks] [2]

(f) Ordinary shares $1 800 (2)

Preference shares $360 (3) (Allow 2 marks for $720) [5]

(g) Limited liability if business becomes bankrupt
Partners have to work in the business where shareholders may only invest
(Any other suitable comment 2 marks) [2]

[Total 24]

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