**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**International General Certificate of Secondary Education**

# MARK SCHEME for the October/November 2013 series

## 0452 ACCOUNTING

**0452/12** 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.

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Cambridge is publishing the mark schemes for the October/November 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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**1 (a) D**

**(b) D**

**(c) D**

**(d) B**

**(e) A**

**(f) B**

**(g) C**

**(h) A**

**(i) A**

**(j) C** **(1) mark each**

**[Total: 10]**

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**2** **(a)** Dividends **(1)**
Transfer to general reserve **(1)** **[2]**

**(b)** Shareholders have a legally separate identity from that of the company in which they hold shares
**OR**
Shareholders are only responsible for the debts of the company up to the amount they agreed to pay for their shares **[2]**

**(c)** Maximum **(1)**
Called up **(1)**
Money/cash/payment **(1)** **[3]**

**(d)** $\frac{8}{100} \times \frac{500\,000}{1\,000\,000} = \$0.04$ **[1]**

**(e)** To spread the cost of a non-current asset over its useful life **[1]**

**(f)** **(i)** 8000 – 1600 = 6400 **(1)** – 1600) = 4800 **(1)** **[2]**

**(ii)** 8000 – 2000 = 6000 **(1)** – 1500) = 4500 **(1)** **[2]**

**(g)** Revaluation **(1)**
Packing cases/loose tools/other appropriate example **(1)** **[2]**

**(h)** Disposal account **[1]**

**[Total: 16]**

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**3 (a)** Any two from –

To see the return on his investment
To see if he is generating funds for re-investment
To decide whether to continue in business or close the business
To compare the profit with previous years
To compare the profit with that of other businesses
To ensure that drawings do not exceed profit
To plan for the future/assist decision-making
To know if expenses can be controlled better/if improvements can be made
To calculate ratios/calculate profitability/measure performance
To compare profit with the salary if he worked elsewhere
For legal or tax purposes

**Any 2 reasons (1) each** **[2]**

**(b)**

| Account | Trial balance Debit or credit | | Balance sheet section | |
|---|---|---|---|---|
| Drawings | Debit | **(1)** | Capital | **(1)** |
| Provision for doubtful debts | Credit | **(1)** | Current assets | **(1)** |
| Credit supplier | Credit | **(1)** | Current liabilities | **(1)** |
| Bank overdraft | Credit | **(1)** | Current liabilities | **(1)** |
| Long term bank loan | Credit | **(1)** | Non-current liabilities | **(1)** |
| Provision for depreciation | Credit | **(1)** | Non-current assets | **(1)** |

**[12]**

**(c)** Any two from –

| | | | |
|---|---|---|---|
| Omission | **(1)** | example of transaction totally omitted from the books | **(1)** |
| Commission | **(1)** | example of transaction posted to correct side of wrong account of right class | **(1)** |
| Principle | **(1)** | example of transaction posted to correct side of wrong account of wrong class | **(1)** |
| Original entry | **(1)** | example of transaction incorrectly recorded in book of prime entry | **(1)** |
| Reversal | **(1)** | example of debit entry posted on credit side and vice versa | **(1)** |
| Compensating | **(1)** | example of two or more errors cancelling each other out | **(1)** |

**Naming any 2 errors (1) each**
**+ (1) each for appropriate example** **[4]**

**[Total: 18]**

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**4 (a)**

| Document | Alan | Vicky |
|---|---|---|
| Invoice | ✓ **(1)** | |
| Credit note | ✓ **(1)** | |
| Debit note | | ✓ **(1)** |
| Statement of account | ✓ **(1)** | |

**[4]**

**(b)**

Insurance account

| | | | $ | | | | | $ | |
|---|---|---|---|---|---|---|---|---|---|
| 2012 | | | | | 2013 | | | | |
| July 1 | Balance | b/d | 200 | **(1)** | June 30 | Income statement | | 1300 | **(1)OF** |
| Sept 1 | Bank/cash | | 1320 | **(1)** | | Balance c/d | | 220 | |
| | | | 1520 | | | | | 1520 | |
| 2013 | | | | | | | | | |
| July 1 | Balance | b/d | 220 | **(1)** | | | | | |

**+ (1) dates**

**[5]**

**(c)**

Stationery account

| | | | $ | | | | | $ | |
|---|---|---|---|---|---|---|---|---|---|
| 2012 | | | | | 2013 | | | | |
| July 1 | Balance | b/d | 60 | **(1)** | June 30 | Income statement | | 760 | **(1)OF** |
| 2013 | | | | | | Balance c/d | | 110 | |
| June 30 | Bank/cash | | 810 | **(1)** | | | | | |
| | | | 870 | | | | | 870 | |
| 2013 | | | | | | | | | |
| July 1 | Balance | b/d | 110 | **(1)** | | | | | |

**+ (1) dates**

**[5]**

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**(d)** One from –

Sales ledger control account
Purchases ledger control account
Trial balance

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

**(e)**

Cash Book (Bank columns only)

| | | | $ | | | | | $ | |
|---|---|---|---|---|---|---|---|---|---|
| 2013 | | | | | 2013 | | | | |
| Aug 1 | Balance | b/d | 1690 | **(1)** | Aug 1 | Bank charges | | 61 | **(1)** |
| | Diga | | 658 | **(1)** | | Water rates | | 205 | **(1)** |
| | Howat | | 512 | **(1)** | | Rent | | 1000 | **(1)** |
| | | | | | | Balance | c/d | 1594 | |
| | | | 2860 | | | | | 2860 | |
| 2013 | | | | | | | | | |
| Aug 1 | Balance | b/d | 1594 | **(1) OF** | | | | | |

**[7]**

**(f)**

Bank Reconciliation Statement at 1 August 2013

| | | $ | | $ | |
|---|---|---|---|---|---|
| Balance shown in cash book | | | | 1594 | **(1)OF** |
| Add Cheques not yet presented | Nash | 701 | **(1)** | | |
| | Zamir | 451 | **(1)** | 1152 | |
| | | | | 2746 | |
| Less Amounts not yet credited | Cash sales | | | 1112 | **(1)** |
| Balance shown on bank statement | | | | 1634 | **(1)** |

**Alternative presentation**

Bank Reconciliation Statement at 1 August 2013

| | | $ | | $ | |
|---|---|---|---|---|---|
| Balance shown on bank statement | | | | 1634 | **(1)** |
| Add Amounts not yet credited | Cash sales | | | 1112 | **(1)** |
| | | | | 2746 | |
| Less Cheques not yet presented | Nash | 701 | **(1)** | | |
| | Zamir | 451 | **(1)** | 1152 | |
| Balance shown in cash book | | | | 1594 | **(1)OF** |

**[5]**

**[Total: 27]**

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**5 (a)**

Subscriptions account

| | | $ | | | | $ | |
|---|---|---|---|---|---|---|---|
| 2012 | | | | 2012 | | | |
| Aug 1 | Balance b/d | 60 | **(1)** | Aug 1 | Balance b/d | 70 | **(1)** |
| 2013 | | 00 | | 2013 | | | |
| July 31 | Income and | | | July 31 | Bank | 3100 | **(1)** |
| | Expenditure | 3190 | **(1)OF** | | Bad debts | 50 | **(1)** |
| | Balance c/d | 10 | | | Balance c/d | 40 | |
| | | 3260 | | | | 3260 | |
| 2013 | | | | 2013 | | | |
| Aug 1 | Balance b/d | 40 | **(1)** | Aug 1 | Balance b/d | 10 | **(1)** |

**[7]**

**(b)**

Top Shot Badminton Club
Income Statement for the year ended 31 July 2013

| | $ | | $ | |
|---|---|---|---|---|
| Revenue | | | 5200 | **(1)** |
| Less Cost of sales | | | | |
| Inventory 1 August 2012 | 400 | **(1)** | | |
| Purchases (2800 – 150) | 2650 | **(1)** | | |
| | 3050 | | | |
| Less Inventory 31 July 2013 | 480 | **(1)** | 2570 | |
| Profit | | | 2630 | **(1)OF** |

**[5]**

**(c)**

Top Shot Badminton Club
Income and Expenditure Account for the year ended 31 July 2013

| | $ | | $ | |
|---|---|---|---|---|
| Subscriptions | | | 3190 | **(1)OF** |
| Profit on refreshments | | | 2630 | **(1)OF** |
| | | | 5820 | |
| Rent | 1400**}** | | | |
| Wages | 1200**}** | **(1)** | | |
| Other costs | 370 | **(1)** | | |
| Bad debts | 50 | **(1)** | | |
| Depreciation – equipment (6200 + 3800 – 8100) | 1900 | **(2)** | 4920 | |
| Surplus for the year | | | 900 | **(1)OF** |

**[8]**

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**(d)**

Top Shot Badminton Club
Balance Sheet at 31 July 2013

| | $ | | $ | | $ | |
|---|---|---|---|---|---|---|
| Non-current Assets | | | | | | |
| Equipment at valuation | | | | | 8 100 | **(1)** |
| Current Assets | | | | | | |
| Inventory | 480 | **(1)** | | | | |
| Subscriptions accrued | 40 | **(1)** | | | | |
| Bank | 1 420 | **(1)** | | | | |
| | | | 1 940 | | | |
| Current Liabilities | | | | | | |
| Subscriptions prepaid | | | 10 | **(1)** | | |
| Net current assets | | | | | 1 930 | |
| | | | | | 10 030 | |
| Accumulated Fund | | | | | | |
| Opening balance | | | | | 9 130 | **(1)** |
| Plus Surplus for the year | | | | | 900 | **(1)OF** |
| | | | | | 10 030 | |

**[7]**

**(e)**

| Bank balance | Income and expenditure account |
|---|---|
| No adjustments made for accruals and prepayments | Items are adjusted for accruals and prepayments |
| Includes all money received and paid | Includes only revenue receipts and expenditures |
| Includes only monetary items | Includes non-monetary items |

**Any four reasons (1) each** **[4]**

**[Total: 31]**

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**6 (a)**

Amina
Revised Income Statement for the year ended 31 August 2014

| | $ | | $ | |
|---|---|---|---|---|
| Revenue (95 000 + 9500) | | | 104 500 | **(1)** |
| Less Cost of production (60 000 – 4000) | 56 000 | **(1)** | | |
| Depreciation of equipment (10% × 80 000) | 8 000 | **(1)** | 64 000 | |
| Gross profit | | | 40 500 | |
| Less Other costs | 25 000 | | | |
| Loan interest (4% × 80 000) | 3 200 | **(1)** | 28 200 | |
| Profit for the year **(1)** | | | 12 300 | **(1)CF** |

**Alternative presentation**

Amina
Revised Income Statement for the year ended 31 August 2014

| | $ | | $ | |
|---|---|---|---|---|
| Original profit | | | 10 000 | |
| Add Increase in selling price | 9 500 | **(1)** | | |
| Decrease in repairs | 4 000 | **(1)** | 13 500 | |
| | | | 23 500 | |
| Less Interest on loan | 3 200 | **(1)** | | |
| Depreciation | 8 000 | **(1)** | 11 200 | |
| Revised profit for the year **(1)** | | | 12 300 | **(1)CF** |

**[6]**

**(b)** Advice – Purchase the equipment **(1)**
Reason – Profit for the year is increased **(1)**

**Or suitable advice and reason based on OF answer to (a)** **[2]**

**(c)** Any one from –

May not be able to obtain the loan
Interest must be paid irrespective of profit
Loan has to be re-paid at a future date
May not want the commitment of a liability
Estimated costs may be too low
Loan interest may increase

**Or other appropriate comment**

**Any 1 comment (2) marks** **[2]**

**(d) (i)** $\frac{10\,000}{64\,000} \times \frac{100}{1} = 15.62\%$ **(1)**

**(ii)** $\frac{(12\,300\ \textbf{(1)OF} + 3\,200\ \textbf{(1)})}{(64\,000 + 80\,000)\ \textbf{(1)}} \times \frac{100}{1} = 10.76\%$ **(1) OF** **[5]**

**[Total: 15]**

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