CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2014 series

0452 ACCOUNTING

0452/12 Paper 1, maximum raw mark 120

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1 **(a)** B

(b) C

(c) D

(d) C

(e) C

(f) A

(g) D

(h) A

(i) A

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

[10]

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2 (a) Capital = assets – liabilities **(1)**
OR other acceptable version of formula **[1]**

(b)

	Debit entry			Credit entry		
1	Bank account	$ 10 000		Capital account	$ 10 000	
2	Motor vehicles account	6 500	**(1)**	Capital account	6 500	**(1)**
3	Purchases account	2 000	**(1)**	Zed account	2 000	**(1)**
4	Rent account	3 000	**(1)**	Bank account	3 000	**(1)**

[6]

(c) Can withdraw more from bank than put in/can have overdraft **(1)**
Cannot take more cash than is physically present **(1)** **[2]**

(d)

Arun Journal

	Debit $	Credit $	
Rupa (account in purchases ledger)	37		**(1)**
Rupa (account in sales ledger)		37	**(1)**

[2]

(e) Save on administration costs **(1)**
The debt can be settled by using one cheque only **(1)** **[2]**

(f)

Applying the same accounting treatment to similar items at all times	Consistency
Assuming a business will continue to operate indefinitely	Going concern **(1)**
Expressing transactions in monetary terms	Money measurement **(1)**

[2]

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(g)

	Debit	Credit
Rent receivable		✓
Sales returns	✓**(1)**	
Inventory	✓**(1)**	
Discount allowed	✓**(1)**	
Provision for depreciation		**(1)**

[4]

[Total: 19]

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3 (a)

Advertising account

			$						$	
2013					2014					
Nov	1	Bank/cash	450	**(1)**	Aug	31	Income Statement		915	**(1)OF**
2014							Balance c/d		155	**(1)CF**
May	1	Bank/cash	620	**(1)**						
			1070						1070	
2014										
Sept	1	Balance b/d	155	**(1)OF**						

+ (1) dates **[6]**

(b)

Book of prime entry	Source document	
Sales journal	Sales invoice	**(1)**
Purchases journal	Purchases invoice	**(1)**
Sales returns journal	Credit note issued	**(1)**
Purchases returns journal	Credit note received	**(1)**
Petty cash book	Voucher/receipt	**(1)**
Cash book	Cheque counterfoil/cheque/receipt/paying-in slip	**(1)**

[6]

(c) Reduces the number of entries in the ledger
Acts as an aid for posting to the ledger
Helps to gather and summarise accounting information/facilitate preparation of control accounts
Groups together similar types of transactions
Allows work to be divided between several people

Any 1 reason (2) **[2]**

(d)

Account(s) to be debited			Account(s) to be credited		
	$			$	
Amber Retail	100	**(1)**	Sales	187	**(1)**
Business Supplies	65	**(1)**			
Custom Print	22	**(1)**			

[4]

[Total: 18]

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4 (a)

Journal

	Debit $	Credit $	
Sales returns	80		**(1)**
Purchases returns	80		**(1)**
Suspense		160	**(1)**
Motor vehicle expenses	150		**(1)**
Motor vehicles		150	**(1)**
Suspense	100		**(1)**
Purchases		100	**(1)**
Drawings	55		**(1)**
Purchase		55	**(1)**

[9]

(b)

Suspense Account

	$			$	
Difference on Trial balance	60		Sales returns	80	**(1)**
			Purchase returns	80	**(1)**
Purchases	100	**(1)**			
	160			160	

[3]

(c) Error of principle **(1)** **[1]**

[Total: 13]

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5 (a)

Sales ledger control account

			$					$
2013				2014				
July	1	Balance b/d	4 100 **(1)**	June	30	Sales returns		1 001 **(1)**
2014						Cash/bank		45 702 **(1)**
June	30	Sales	48 610 **(1)**			Discount allowed		890 **(1)**
		Interest	77 **(1)**			Bad debts		274 **(1)**
						Balance c/d		4 920
			52 787					52 787
2014								
July	1	Balance b/d	4 920 **(1)OF**					

Purchases ledger control account

			$					$
2014				2013				
June	30	Purchases returns	910 **(1)**	July	1	Balance b/d		3 161 **(1)**
		Cash/bank	37 691 **(1)**	2014				
		Discount received	663 **(1)**	June	30	Purchases		39 101 **(1)**
		Balance c/d	2 998					
			42 262					42 262
				2014				
				July	1	Balance b/d		2 998 **(1)OF**

[14]

(b)

	Book of prime entry	
Credit sales	Sales journal	**(1)**
Returns of credit purchases	Purchases returns journal	**(1)**
Receipts from credit customers	Cash book	**(1)**
Bad debts written off	Journal	**(1)**
Interest charged on overdue accounts	Journal	**(1)**

[5]

(c)

Provision for doubtful debts account

			$					$
2014				2013				
June	30	Balance c/d (5%×4920)	246 **(1)OF**	July	1	Balance b/d		205 **(1)**
				2014				
				June	30	Income statement		41 **(1)OF**
			246					246
				2014				
				July	1	Balance b/d		246 **(1)OF**

[4]

(d) The provision was $246 **OF** but the actual bad debts were higher. **(1)**
The provision may not be adequate. **(1)**
Comment to be based on OF provision in (c) **[2]**

[Total: 25]

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6 (a) The partnership was making losses
The drawings exceeded the partners' profit share, interest and salary
Any 1 reason (2) **[2]**

(b)

	$		$	
Fixtures and fittings (100 000 – 10 000)	90 000	**(1)**		
Delivery van (40 000 – 12 000)	28 000	**(1)**		
Inventory	56 400	**}**		
Trade receivables	19 000	**}(1)**	193 400	
Bank	6 600	**(1)**		
Trade payables	25 400	**(1)**	32 000	
Net assets at 31 December 2013			161 400	**(1)CF**

[6]

(c)

	$		$	
Net assets at 31 December 2013			161 400	**(1)OF**
Add Drawings – Dina	18 000	**}(1)**		
Lee	17 000	**}**	35 000	
			196 400	
Less Net assets 1 January 2013			150 000	**(1)**
Profit for the year			46 400	**(1)OF**

[4]

(d)

Dina and Lee
Appropriation Account for the year ended 31 December 2013

	$		$	
Profit for the year			46 400	**(1)OF**
Less interest on capital: Dina	10 000	**(1)**		
Lee	6 000	**(1)**		
	16 000			
Salary: Lee	15 000	**(1)**	31 000	
			15 400	
Share of profit: Dina	7 700	**(1)OF**		
Lee	7 700	**(1)OF**	15 400	

[6]

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(e)

Current Accounts

			Dina $	Lee $				Dina $	Lee $
2013					2013				
Jan 1	Balance b/d	**(1)**	5200	4800	Dec 31	Interest on capital	**(1)OF**	10000	6000
Dec 31	Drawings	**(1)**	18000	17000		Salary	**(1)**		15000
	Balance c/d			6900		Share of Profit	**(1)OF**	7700	7700
						Balance c/d		5500	
			23200	28700				23200	28700
2014					2014				
Jan 1	Balance	**(1)OF**	5500		Jan 1	Balance b/d	**(1)OF**		6900

[7]

(f) 1 (56400 + 19000) **(1)** : (6600 + 25400) **(1)**
= 75400 : 32000
= 2.36 : 1 **(1)OF**

2 19000 **(1)** : (6600 + 25400) **(1)**
= 19000 : 32000
= 0.59 : 1 **(1)OF** **[6]**

(g) (i) Holding excessive inventory/increase in inventory **(1)**
Reduction in bank balance because of one of the following **(1)**
Purchase of non-current assets
OR increase in partners' drawings
OR repayment of long term loan
Answer to be appropriate to ratio calculated in (f) Part 2 **[2]**

(ii) Cannot meet debts when due
Cannot take advantage of cash discounts
Cannot take advantage of business opportunities as they arise
May have difficulty in obtaining further supplies
Or other suitable comments based on answer to (f) Part 1
Any 1 comment (2) **[2]**

[Total: 35]

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