CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2014 series

0452 ACCOUNTING

0452/13 Paper 1, maximum raw mark 120

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1 **(a)** B

(b) C

(c) C

(d) C

(e) C

(f) B

(g) B

(h) B

(i) A

(j) A **(1) mark each**

[Total: 10]

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2 (a) **1** Invoice **(1)**
2 Debit note **(1)**
3 Statement of account **(1)** **[3]**

(b) **(i)** Debit **(1)**
(ii) Cash discount **(1)**
(iii) For prompt payment **(1)** **[3]**

(c)

	Debit entry			Credit entry		
		$			$	
1	Hal account	300		Sales account	300	
2	Cash account	300	**(1)**	Hal account	300	**(1)**
3	Bank account	250	**(1)**	Cash account	250	**(1)**
4	Drawings account	400	**(1)**	Bank account	400	**(1)**
5	Bank account	600	**(1)**	Mabel account	600	**(1)**

[8]

(d) Transaction 3 **(1)** **[1]**

(e) 620 **(1)** – 10 **(1)** = 610 **(2)**
OR
660 **(1)** – 100 **(1)** + 50 **(1)** = 610 **(1)** **[4]**

(f) Current assets **(1)** **[1]**

(g) Inventory
Trade receivables
Other receivables
Cash

Answer to be consistent with answer to (f)
Any 1 item (1) **[1]**

[Total: 21]

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3 (a) A prepayment is an amount paid in advance for a service which has not yet been received **(1)**
An accrual is an amount owed for a service which has been received but not yet paid for **(1)**
[2]

(b)

Insurance Account

			$					$	
2013					2014				
July	1	Balance b/d	180	**(1)**	June	30	Income Statement	2 325	**(1)OF**
Aug	2	Bank/Cash	2 340	**(1)**			Balance c/d	195	
			2 520					2 520	
2014									
July	1	Balance b/d	195	**(1)CF**					

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

(c) (i) Profit and loss/expenses **(1)** **[1]**

(ii) Accruals/matching **(1)** **[1]**

(d) (i) Service business **(1)** **[1]**

(ii) Sales/revenue/sales returns
Inventory (opening and closing)
Purchases/purchases returns
Carriage
Cost of sales
Goods for own use
Gross profit

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

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

(ii) At the lower **(1)** of cost and net realisable value **(1)** **[2]**

(f)

	$	
Scrap value 10 × $2	20	**(1)**
Less selling expenses	7	**(1)**
Net realisable value	13	**(1)CF**

[3]

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(g) (i) It is a record of what has happened in the past.
There is a gap between the year end and the preparation of the statements.
Items are recorded at cost so may not be realistic/difficult to judge effect of inflation.
May not know what policies the business is using so problems of comparison.
Only information which can be expressed in monetary terms in recorded – other important factors are not recorded.
Different definitions can make comparisons difficult.

Or other reasonable comment
Any 1 comment (2) **[2]**

(ii)

	Income statement		Statement of financial position	
	Debit	Credit	Assets	Liabilities
Bank overdraft				✓
Depreciation charge for the year	✓ **(1)**			
Prepaid rent			✓ **(1)**	
Discount received		✓ **(1)**		
Commission received		✓ **(1)**		

[4]

[Total: 24]

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4 (a)

Error	Affects balancing of trial balance	Does not affect balancing of trial balance
1		✓
2	✓ **(1)**	
3		✓ **(1)**
4		✓ **(1)**
5	✓ **(1)**	

[4]

(b)

Statement of corrected profit

	$	
Draft profit for the year	26 800	
Error 1	160	**(1)**
Error 2	1 000	**(1)**
Error 3	250	**(1)**
Error 4	No effect	**(1)**
Error 5	(600)	**(2)**
Corrected profit for the year	27 610	**(1)OF**

[7]

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

[Total: 12]

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5 (a)

	$	$	
Cost	1 200		
Depreciation year 1	240	240	**(1)**
	960		
Depreciation year 2	192	192	**(1)**
Total depreciation		432	**(1)**

[3]

(b)

Fixtures and fittings account

			$					$	
2013					2013				
Jan	1	Balance b/d	31 200	**(1)**	June	1	Disposal	1 200	**(1)**
Aug	1	Bank/cash	2 500	**(1)**	Dec	31	Balance c/d	32 500	
			33 700					33 700	
2014									
Jan	1	Balance b/d	32 500	**(1)OF**					

Provision for depreciation Account

			$					$	
2013					2013				
June	1	Disposal	432	**(1)OF**	Jan	1	Balance b/d	9 702	**(1)**
Dec	31	Balance c/d	13 916		Dec	31	Income Statement	4 646	***
			14 348					14 348	
					2014				
					Jan	1	Balance b/d	13 916	**(1)OF**

***Calculation of depreciation for the year

	$		$	
Cost of asset – Opening balance	31 200			
Less disposal	1 200	**(1)**		
	30 000			
Plus addition	2 500	**(1)**	32 500	
Depreciation – Opening balance	9 702			
Less disposal	432	**OF**	9 270	**(1)OF**
			23 230	

20% × 23 230 **OF** = 4646 **(1)OF**

Disposal account

			$					$	
2013					2013				
June	1	Fixtures and Fittings	1 200	**(1)**	June	1	Prov for Depreciation	432	**(1)OF**
							Bank/Cash	600	**(1)**
					Dec	31	Income Statement	168	**(1)OF**
			1 200					1 200	

[15]

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(c)

Ajith
Extract from Income Statement for the year ended 31 December 2013

	$	
Expenses		
Loss on disposal of fixtures and fittings	168	**(1)OF**
Depreciation – fixtures and fittings	4 646	**(1)OF**

Ajith
Extract from Statement of Financial Position at 31 December 2013

	$	
Non-current assets		
Fixtures and fittings at cost	32 500	**(1)OF**
Depreciation to date	13 916	**(1)OF**
	18 584	

[4]

[Total: 22]

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6 (a) To obtain limited liability
To obtain extra capital
Any 1 reason (1) **[1]**

(b) Preference share capital **[1]**

(c) For reinvestment in the business
To plough back profits
To set aside profit for dividends in the future
If there is not enough actual cash available to pay a dividend
Any 2 reasons (1) each **[2]**

(d)

ABC Limited	$	
Profit for the year before interest	15 000	
Less debenture interest	1 500	**(1)**
Profit for the year	13 500	**(1)**

XYZ Limited	$	
Profit for the year before interest	15 000	
Less debenture interest	8 000	**(1)**
Profit for the year after interest	7 000	**(1)**

[4]

(e)

ABC Limited
Appropriation Account for the year ended 31 December 2013

	$		$	
Profit for the year			13 500	**(1)OF**
Less Ordinary share dividend				
(260 000 shares × $0.03)	7 800	**(2)**		
Transfer to general reserve	5 000	**(1)**	12 800	
Profit retained in the year			700	
Retained profit b/f			29 300	**(1)**
Retained profit c/f			30 000	**(1)OF**

XYZ Limited
Appropriation Account for the year ended 31 December 2013

	$	$	
Profit for the year		7 000	**(1)OF**
Less Ordinary share dividend			
(62 000 shares × $0.05)		3 100	**(2)**
Profit retained in the year		3 900	
Retained profit b/f		14 100	**(1)**
Retained profit c/f		18 000	**(1)OF**

[11]

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(f) ABC has more equity
XYZ Limited has more long term loans/debentures/debt
ABC's dividend paid is less expensive than XYZ's loan interest paid
ABC paid a higher total dividend than XYZ
XYZ paid a higher total loan interest than ABC
ABC made a transfer to general reserve
Any 2 comments (1) each **[2]**

(g)

ABC Limited
Statement of Financial Position at 31 December 2013

	$	
Non-current assets	100 000	**(1)**
Net current assets	80 000	**(1)**
	180 000	
Non-current liabilities		
10% Debentures	15 000	**(1)**
	165 000	
Capital and reserves		
Ordinary share of $0.50 each	130 000	**(1)**
General reserve	5 000	**(1)**
Retained profit	30 000	**(1)OF**
	165 000	

[6]

(h) Shares in ABC had a return of 6% **(1)** but shares in XYZ had a return of 5% **(1)**
ABC had a lower amount of loan capital **(1)** so less risky **(1)** **[4]**

[Total: 31]

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