Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/12**

Paper 1 **October/November 2017**

MARK SCHEME

Maximum Mark: 120

Published

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Question	Answer	Marks
1(a)	C	**1**
1(b)	D	**1**
1(c)	A	**1**
1(d)	A	**1**
1(e)	A	**1**
1(f)	B	**1**
1(g)	A	**1**
1(h)	C	**1**
1(i)	D	**1**
1(j)	B	**1**

Question	Answer	Marks
2(a)	duality **(1)**	**1**
2(b)	<table><tr><th></th><th>True or False</th></tr><tr><td>Carriage inwards appears on the debit side of a trial balance.</td><td>True **(1)**</td></tr><tr><td>Inventory is included in current assets.</td><td>True **(1)**</td></tr><tr><td>A suspense account represents the difference between the cash book balance and the balance on the bank statement.</td><td>False **(1)**</td></tr><tr><td>A sole trader enjoys limited liability.</td><td>False **(1)**</td></tr><tr><td>The sales account appears in the nominal/general ledger.</td><td>True **(1)**</td></tr></table>	**5**
2(c)	An adjustment for a prepayment **reduces** expenses and **increases** profit. **(1)**	**1**
2(d)	To monitor progress To prepare financial statements For decision making **Any one reason for (1) mark**	**1**
2(e)	<table><tr><th>term</th><th>organisation</th></tr><tr><td>prime cost</td><td>*manufacturing business*</td></tr><tr><td>accumulated fund</td><td>club/society **(1)**</td></tr><tr><td>dividend</td><td>limited company **(1)**</td></tr><tr><td>interest on capital</td><td>partnership **(1)**</td></tr><tr><td>work in progress</td><td>manufacturing business **(1)**</td></tr><tr><td>drawings</td><td>sole trader **(1) OR** partnership **(1)**</td></tr></table>	**5**

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Question	Answer	Marks
2(f)	In the income statement **(1)** as an addition to gross profit / as an item of income/credit **(1)**	**2**
2(g)	An income statement deals with revenues and costs, **(1)** whilst a statement of financial position deals with assets and liabilities. **(1)** OR An income statement covers a period of time, **(1)** whilst a statement of financial position is for a specified date. **(1)**	**2**
2(h)	Trade payable Club member Committee member Bank Accept other valid answers **Any one for (1) mark**	**1**
2(i)	Historic cost Difficulties of definition Non-financial aspects **Any one for (1) mark**	**1**

Question	Answer	Marks
3(a)	To reduce the number of entries in the ledger To allow book-keeping duties to be shared As an aid for posting to the ledger To summarise accounting information To help in the preparation of control accounts To group together similar types of transactions To make it easier to check for errors Accept other valid answers. **Any one for (1) mark**	**1**
3(b)	Cash book **(1)**	**1**
3(c)	<table><tr><td>Date</td><td>Source document</td><td>Issued by</td></tr><tr><td>May 2</td><td>invoice **(1)**</td><td>Asnee **(1)**</td></tr><tr><td>May 4</td><td>credit note **(1)**</td><td>Asnee **(1)**</td></tr></table>	**4**

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Question	Answer	Marks
3(d)	Jason Purchases account 2017 | | $ | 2017 | | $ May 1 | Balance b/d | 19 620 **(1)** | May 31 | Income statement | 21 725 **(1)OF** 31 | Total for month | 2 105 **(1)** | | | | | | 21 725 | | | 21 725 Purchases returns account 2017 | | $ | 2017 | | $ May 31 | Income statement | 1010 **(1)OF** | May 1 | Balance b/d | 850 **(1)** | | | 31 | Total for month | 160 **(1)** | | 1010 | | | 1 010	**6**
3(e)	Asnee account 2017 | | $ | 2017 | | $ May 4 | Purchases returns | 105 **(1)** | May 1 | Balance b/d | 480 **(1)** 6 | Bank | 468 **(1)** | 2 | Purchases | 400 **}** 6 | Discount received | 12 **(1)** | 19 | Purchases | 190 **{(1)** 31 | Balance c/d | 485 | | | | | | 1 070 | | | 1 070 | | | Jun 1 | Balance b/d | 485 **(1)OF** **+1 for dates**	**7**
3(f)	A list of account balances **(1)** at a specific date. **(1)**	**2**
3(g)	Any two of: 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)**	**4**
3(h)	By comparing control account totals to the totals of balances of the sales and purchases ledgers, **(1)** Jason might be able to locate the error. **(1)**	**2**

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Question	Answer	Marks
4(a)	FTA Industries Provision for doubtful debts account 2015 — Dec 31 Income statement $787 **(1)OF**; Dec 31 Balance c/d $1 376 **(1)**; $2 163 2015 — Jan 1 Balance b/d $2 163 **(1)** 2016 — Dec 31 Balance c/d $1 638 **(1)**; $1 638 2016 — Jan 1 Balance b/d $1 376 **(1)OF**; Dec 31 Income statement $262 **(1)OF**; $1 638 2017 — Jan 1 Balance b/d $1 638 **(1)OF** **+1 for dates**	**8**
4(b)	Increase **(1) OF** of $787 **(1)OF**	**2**
4(c)	Account debited: Bad debts **(1)**; Account credited: Eddie **(1)**	**2**
4(d)	General journal **(1)**	**1**
4(e)	FTA Industries Income Statement (extract) for the year ended 31 December 2016 Expenses **(1)** Bad debts $1 400 **(1)** Increase in provision for doubtful debts $262 **(1)OF**	**3**
4(f)	Accruals/matching **(1)** Prudence **(1)**	**2**

Question	Answer	Marks
5(a)	Receipts Share issue (opening balance) $500 000 **(1)** Trade receivables $290 000 **(1)** $790 000 Payments Non-current assets (400+20+35) $455 000 **(1)** Trade payables $193 000 **(1)** Wages and other expenses $80 000 $728 000 **(1)** $62 000 **(1)OF**	**6**

Question	Answer	Marks
5(b)	HS Limited Income Statement for the year ended 31 December 2016 $ $ Revenue 290 **(1)** + 20 **(1)** 310 000 Purchases 193 **(1)** + 25 **(1)** 218 000 Inventory at 31 December 2016 21 000 **(1)** Cost of sales 197 000 Gross profit 113 000 **(1)OF** Wages and other expenses 80**(1)**–10**(1)** 70 000 Depreciation – buildings 2 000 **(1)** – vehicles 5 000 **(1)** – fixtures and fittings 3 500 **(1)** 80 500 Profit for the year 32 500 **(1)OF**	**12**
5(c)	HS Limited Statement of Financial Position at 31 December 2016 Non-current assets Cost / Acc dep / NBV $ / $ / $ Premises 400 000 / 2 000 / 398 000 **(1)OF** Vehicle 20 000 / 5 000 / 15 000 **(1)OF** Fixtures and fittings 35 000 / 3 500 / 31 500 **(1)OF** 455 000 / 10 500 / 444 500 Current assets Inventory 21 000 **}(1)** Trade receivables 20 000 **}** Other receivables 10 000 **(1)** Bank 62 000 **(1)OF** 113 000 Total assets 557 500 Equity 1 000 000 ordinary shares of $0.50 500 000 **(1)** Retained earnings 32 500 **(1)OF** 532 500 Current liabilities Trade payables 25 000 **(1)** Total liabilities 557 500 Accept alternative format	**9**
5(d)	In statement of changes in equity **(1)**	**1**

Question	Answer	Marks
5(e)	Percentage of gross profit to revenue: Lower selling prices Undercutting competitors Use of promotional pricing/trade discount to enter market Higher purchase prices Lack of trade discount on purchases Any one for **(1)** mark Percentage of profit to revenue: Better control of expenses **(1)**	**2**

Question	Answer	Marks
6(a)	Current assets minus current liabilities **(1)**	**1**
6(b)	5600 : 4400 **(1)** = 1.27 : 1 **(1)OF**	**2**
6(c)	Quick ratio/acid test/liquid ratio Trade receivables collection period Trade payables payment period (Rate of) inventory turnover Any one for **(1)** mark	**1**
6(d)	He may not be able to meet liabilities as they fall due. He may not be able to pay day to day running expenses. He may not be able to take advantage of discounts. He has a lot of cash tied up in inventory. Inventory makes up more than half of his current assets. His trade payables are greater than his trade receivables. He has a bank overdraft. Each basic statement **(1)** plus development **(1)** to max 4	**4**
6(e)	<table><tr><th></th><th></th><th>working capital</th><th>owner's capital</th></tr><tr><td>1</td><td>introduced $2000 capital in the form of cash</td><td>increase $2000</td><td>increase $2000</td></tr><tr><td>2</td><td>received a long term loan, $500</td><td>increase $500 (1)</td><td>no effect (1)</td></tr><tr><td>3</td><td>bought inventory, $400, on credit</td><td>no effect (1)</td><td>no effect (1)</td></tr><tr><td>4</td><td>sold goods costing $100 for $180 cash</td><td>increase $80 (1)</td><td>increase $80 (1)</td></tr></table>	**6**
6(f)	1 – capital intro **(1), or** 2 – loan **(1)**	**1**
6(g)	To know the return earned on total funds used in the business. **(1)** Or to compare with other businesses. **(1)**	**1**

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