**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**International General Certificate of Secondary Education**

# MARK SCHEME for the May/June 2013 series

# 0452 ACCOUNTING

**0452/11** 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 May/June 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

CAMBRIDGE
International Examinations

1 (a) A

(b) D

(c) C

(d) C

(e) A

(f) C

(g) A

(h) B

(i) D

(j) B

(1) Mark each [Total: 10]

2 **(a)**

| | Capital receipt | Revenue receipt | Capital expenditure | Revenue expenditure |
|---|---|---|---|---|
| Proceeds of sale of vehicle | ✓ **(1)** | | | |
| Purchase of goods for resale | | | | ✓ **(1)** |
| Discount allowed | | | | ✓ **(1)** |
| Discount received | | ✓ **(1)** | | |
| Legal fees on purchase of property | | | ✓ **(1)** | |

**[5]**

**(b)**

| | | | | | |
|---|---|---|---|---|---|
| A | 600 | × | $15 | $9000 | **(2)** |
| B | 100 | × | $11.50 | $1150 | **(2)** |
| C | 50 | × | $15 | $750 | **(2)** |

**[6]**

**(c)** Raw materials **(1)**
Work in progress **(1)**
Finished goods **(1)** **[3]**

**(d)** Amount in manufacturing account = $8000 × 60% = $4800 **(2)**

Amount in income statement = $8000 × 40% = $3200 **(2)**

Amount in balance sheet = $2000 **(1)** **[5]**

**(e)** Trading account **[2]**

**[Total: 21]**

3 (a)

| Document | Book of prime entry | |
|---|---|---|
| Sales invoice | Sales journal | **(1)** |
| Credit note | Sales returns journal | **(1)** |
| Statement of account | No entry | **(2)** |

**[4]**

(b) Hannah account

| | | | | $ | | | | | | $ |
|---|---|---|---|---|---|---|---|---|---|---|
| Mar | 1 | Balance | b/d | 200 | **(1)** | Mar | 12 | Returns | | 64 **(1)** |
| | 6 | Sales | | 256 | **(1)** | | 28 | Bank/cash | | 196 **(1)** |
| | | | | | | | | Discount | | 4 **(1)** |
| | | | | | | | 31 | Balance | c/d | 192 |
| | | | | 456 | | | | | | 456 |
| Apr | 1 | Balance | b/d | 192 | **(1) OF** | | | | | |

**+ (1) Dates**

**[7]**

**(c)** Trade discount – Bulk buying (1)
Regular customer/encourage repeat custom (1)
In the same trade (1)
**MAX 2**

Cash discount – Prompt payment (1)
Payment before the due date (1)
**MAX 2** **[4]**

**[Total: 15]**

**4 (a)**

| | Debit | Credit |
|---|---|---|
| Opening balance trade receivables | ✓ **(1)** | |
| Credit sales | ✓ **(1)** | |
| Sales returns | | ✓ **(1)** |
| Receipts from credit customers | | ✓ **(1)** |
| Discount allowed | | ✓ **(1)** |
| Bad debts | | ✓**(1)** |
| Dishonoured cheques | ✓ **(1)** | |
| Interest on overdue account | ✓ **(1)** | |

**[8]**

**(b) (i)** $\frac{924}{46\,200} \times \frac{100}{1} = 2\,\%$ **[2]**

**(ii)** Increase in value of trade receivables/increase in credit sales
Increase in rate of provision/anticipating higher bad debts
**Any 1 reason (2)** **[2]**

**(iii)** Tellwright Ltd
Journal

| | Debit $ | Credit $ | |
|---|---|---|---|
| Income statement | 636 | | **(1)** |
| Provision for doubtful debts | | 636 | **(1)** |
| Increase in provision for doubtful debts | | | **(1)** |

**[3]**

**(c) Either**
Matching **(1)**
To match the amount of sales for which the business is unlikely to be paid against the sales of the year in which the sale was made **(2)**
**Or**
Prudence **(1)**
To avoid overstating the profits for the year/anticipate losses but not profits
**Or** to avoid overstating the trade receivables/current assets **(2)** **[3]**

**[Total: 18]**

5 (a) Economic reasons
Obsolescence/out of date
Depletion
Passage of time
**Any 3 reasons (1) each** **[3]**

(b) Machinery account

| | | | $ | | | | $ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2012 | | | |
| Jan 1 | Bank | | 27 000**(1)** | July 1 | Disposal (A) | | 9 000**(1)** |
| | | | | Dec 31 | Balance | c/d | 18 000 |
| | | | 27 000 | | | | 27 000 |
| 2012 | | | | | | | |
| Jan 1 | Balance | b/d | 18 000**(1)OF** | | | | |

**+ (1) Dates** **[4]**

Provision for depreciation of machinery account

| | | | $ | | | | $ |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 2011 | | | |
| Dec 31 | Balance | c/d | 6 000 | Dec 31 | Income statement | | 6 000**(1)** |
| | | | 6 000 | | | | 6 000 |
| 2012 | | | | 2012 | | | |
| Jul 1 | Disposal (A) | | 3 000**(1)** | Jan 1 | Balance | b/d | 6 000**(1) OF** |
| Dec 31 | Balance | c/d | 8 000 | Dec 31 | Income statement | | |
| | | | | | A | 1000 **(1)** | |
| | | | | | B & C | 4000 **(1)** | 5 000 |
| | | | 11 000 | | | | 11 000 |
| | | | | 2013 | | | |
| | | | | Jan1 | Balance | b/d | 8 000**(1) OF** |

**+ (1) Dates** **[7]**

(c) Disposal account

| | | $ | | | $ |
|---|---|---|---|---|---|
| 2012 | | | 2012 | | |
| July 1 | Machinery | 9 000 **(1)** | July 1 | Prov for Dep | 3 000**(1) OF** |
| | | | | Bank | 5 800**(1)** |
| | | | Dec 31 | Income statement | 200**(1) OF** |
| | | 9 000 | | | 9 000 |

**[4]**

**[Total: 18]**

6 (a)

Sukesh
Statement of Affairs at 31 December 2011

| | $ | $ | $ |
|---|---|---|---|
| Non-current Assets | | | |
| Vehicle at cost | | | 16 000 |
| Fixtures and fittings at cost | | | 4 000 |
| | | | 20 000(**1**) |
| Current Assets | | | |
| Inventory | | 9 200 | |
| Trade receivables | | 6 500 | |
| Other receivables | | 200 | |
| | | 15 900(**1**) | |
| Current Liabilities | | | |
| Trade payables | 9 100 **}** | | |
| Bank overdraft | 420 **}(1)** | | |
| Loan (1/10 × 10 000) | 1 000 **(1)** | 10 520 | |
| Net Current assets | | | 5 380 |
| | | | 25 380 |
| Non-current Liabilities | | | |
| Loan (9/10 × 10 000) | | | 9 000(**1**) |
| | | | 16 380 |
| Financed by | | | |
| Capital | | | |
| Balance | | | 16 380(**1**) **OF** |

**[6]**

**(b)**

| | $ | |
|---|---|---|
| Opening trade receivables | 6 500 | |
| Less Closing trade receivables | 4 100 | |
| | 2 400 | |
| Add Sales for the year | 52 200 | **(1)** |
| | 54 600 | |
| Less Cash from credit customers | 54 300 | **(1)** |
| Bad debts | 300 | **(1) CF** |

**Alternative calculations acceptable** **[3]**

**(c)**

| | $ | |
|---|---|---|
| Opening trade payables | 9 100 | |
| Less Closing trade payables | 9 300 | |
| | (200) | |
| Add Purchases for the year | 36 000 | **(1)** |
| | 35 800 | |
| Less Cash paid to credit suppliers | 35 400 | **(1)** |
| Discount received | 400 | **(1) CF** |

**Alternative calculations acceptable** **[3]**

**(d)** Sukesh

Income Statement for the year ended 31 December 2012

| | $ | | $ |
|---|---|---|---|
| Revenue (52 200 **(1)** + 6200 **(1)**) | | | 58 400 |
| Less Cost of sales | | | |
| Opening inventory | 9 200 | **(1)** | |
| Purchases (36 000 **(1)** + 900 **(1)**) | 36 900 | | |
| | 46 100 | | |
| Less Closing inventory | 8 800 | **(1)** | 37 300 |
| Gross profit | | | 21 100**(1) OF** |
| Add Discount received | | | 400**(1) OF** |
| | | | 21 500 |
| Less Loan interest | 450 | **(1)** | |
| Rent | 6 000 | | |
| Insurance (200 **(1)** + 800 **(1)** – 250 **(1)** | 750 | | |
| Other running costs | 2 500 | | |
| Bad debts | 300 | **(1) OF** | |
| | | | 10 000 |
| Profit for the year | | | 11 500**(1) OF** |

**[14]**

**(e)** To spread the cost of the asset over its useful life **(2)** **[2]**

**(f)** Bank
Suppliers/creditors
Lenders
Managers
Employees
Potential partners
Tax authorities
Customers/debtors
Competitors
Investors
Trade unions
Potential purchaser of the business
**Any 4 acceptable answers (1) each** **[4]**

**(g)** $\frac{37\,300}{9\,000}$ **(1) OF** / **(1) CF** = 4.14 times **(1) OF** **[3]**

**(h)** **(i)** Duarte **(1) OF**

**(ii)** Any suitable comment to imply that Duarte's inventory is selling faster

**Answer to be based on OF answer to (g)**

**Any one acceptable reason (2)**

**[3]**

**[Total: 38]**