UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

0452 ACCOUNTING

0452/13 Paper 1, maximum raw mark 120

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UNIVERSITY of CAMBRIDGE
International Examinations

1 Key

(a) A [1]

(b) A [1]

(c) D [1]

(d) C [1]

(e) B [1]

(f) D [1]

(g) B [1]

(h) C [1]

(i) D [1]

(j) C [1]

[Total 10]

2 (a) Income statement, trading account, profit and loss account, balance sheet [income and expenditure account, manufacturing account, appropriation account]. Statement of Affairs (Any two, 1 mark each). [2]

(b) (i) A service business provides services, not goods. (1)

(ii) Any acceptable example, e.g. travel agent, professionals, insurance. (1) [2]

(c)

	Asset	Liability
Trade payables		✓(1)
Goodwill	✓(1)	
Bank overdraft		✓(1)

[3]

(d) To apply the matching principle (to spread the cost of the non-current asset over the years of use); to apply the prudence principle (to avoid overstating non-current assets; to avoid overstating the profit, more realistic value).
(Any two, 1 mark each) [2]

(e) Owner, manager, customer, supplier, bank, investor, government, employee, accountant. [1]

(f) Business will continue indefinitely (for the foreseeable future). [1]

(g) Cost (1) *and* net realisable value (1) *Not NRV* [2]

(h) Mark-up of 25% = gross margin of 20%
Gross profit = 20% × \$36 000 = \$7 200 (2)
Cost of sales = \$36 000 (1) – \$7 200 = \$28 800 (1) OF *(allow \$27 000 OF)*

Alternative presentation:
Cost of sales = \$36 000 (1) × 100/125 (2) = \$28 800 (1) OF [4]

(i) Quarterly interest: \$120 000 @ 5% = \$6 000 (1) / 4 (1) = \$1 500 (1) [3]

[Total: 20]

3 **(a)** Purchases journal ((day) book) [1]

(b) **(i)** \$0.45 (1)

(ii) 75 (1)

(iii) \$1 622.50 (1)

(iv) 4 (1)

(v) Trade (1)

(vi) \$64.90 (1)

(vii) Cash (1) [7]

(c) Payment period = trade payables / credit purchases
= 8 000 (1) / (73 400 – 800) (1) × 365 (1) days
= 41 days (1) OF *whole figure only* [4]

(d) Rate of inventory turnover = cost of sales / average inventory
= (7 600 + 72 600 – 9 000) (2) / 8 300 (1)
= 8.58 times (1) OF

Alternative presentation:
= (8 300 (1) / 71 200 (2)) × 365
= 42 or 43 days (1) OF [4]

(e) **(i)** Reduce the level of trade accounts payable.

	Increase	Decrease	No effect
Payment period for creditors		✓(2)	
Rate of inventory turnover			✓(2)

[4]

(ii) Reduce the average amount of inventory.

	Increase	Decrease	No effect
Payment period for creditors			✓(2)
Rate of inventory turnover	✓(2)		

[4]

[Total: 24]

4 **(a)** To show how the profit for the year is shared between the partners [2]

(b) Adrian and Christopher
Appropriation Account for the year ended 31 August 2011

			$		$	
Profit for the year					93 000	(1)
Interest on drawings	Adrian				1 200	(2)
	Christopher				Nil	
					94 200	
Interest on capital	Adrian		1 600	(2)		
	Christopher		2 000	(2)		
Salary	Christopher		18 000	(1)		
					21 600	
					72 600	(2) OF
Profit share	Adrian	5/8	45 375	(2) OF		
	Christopher	3/8	27 225	(2) OF		
					72 600	

[14]

(c) (i)

Adrian
Current account

			Balance b/down	3 400	(1)
Interest on drawings	1 200	(1) OF	Interest on capital	1 600	(1) OF
Drawings	32 000	(1)	Share of profits	45 375	(1) OF
Balance c/down	17 175	OF			
	50 375			50 375	
			Balance b/down	17 175	(1) OF

[6]

(ii)

Christopher
Current account

			Balance b/down	9 000	(1)
Drawings	12 000	(1)	Interest on capital	2 000	(1) OF
Balance c/down	44 225		Salary	18 000	(1)
	56 225		Share of profits	27 225	(1) OF
				56 225	
			Balance b/down	44 225	(1) OF

[6]

[Total: 28]

5 (a) Disposal (of non-current assets account) (disposal of office furniture account). [2]

(b) (Error of) principle. [2]

(c)

	Dr $	Cr $
Sales	850 (2)	
Disposal of office furniture		850 (2)

Narrative and Amount needed for marks [4]

(d) Office furniture account

2008				2011			
October 1	Bank	1 800		April 1	Disposal	1 800	(1)

Provision for depreciation of office furniture account

2011				2010			
April 1	Disposal	1 152	(1)	October 1	Balance b/d	1 152	(1)

Disposal of office furniture account

2011				2011			
April 1	Office furniture	1 800	(1)	April 1	Provision for depreciation	1 152	(1)
Sept 30	Income statement	202	(1)	April 1	Norse Ltd	850	(1)
		2 002				2 002	

Plus 1 Date (check change in years 2008/2011) [8]

(e) **(i)** The profit on sale of the office furniture, or the difference between the NBV and the sale proceeds. *(either correct)* [2]

(ii) Select a different rate of depreciation on the reducing balance method, or select a different method of providing for depreciation. *(either correct)* [2]

[Total: 20]

6 (a)

Lo Shung Limited
Balance Sheet at 30 September 2011

	$		$	
Non-current assets				
Equipment at cost	18 500	(1)		
Provision for depreciation	9 800	(1)		
Net book value			8 700	
Current assets				
Inventory	4 500	(1)		
Trade receivables	8 700	(1)		
Bank and cash	1 000	(1)		
	14 200			
Current Liabilities				
Trade payables	5 800	(1)		
Other payables	900	(1)		
	6 700			
Net current assets			7 500	
			16 200	
Long term liabilities				
3% debentures repayable 2020			6 000	(1)
Total assets			10 200	
Share capital			5 000	(1)
Retained profits (4 000 (1) +1 200 (1))			5 200	
			10 200	

[11]

(b)

	Profitability	Liquidity
Percentage of profit for the year (net profit) to sales	✓(1)	
Current ratio		✓(1)
Return on capital employed	✓(1)	

[3]

(c) Return on opening capital employed = 4 000 (1) / (6 200 (1) + 6 000 (1)) × 100
= 32.79 % (1) OF must be %

Must be two decimal places [4]

[Total: 18]