CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2012 series

0452 ACCOUNTING

0452/13 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.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

1 Key

(a) **D** [1]

(b) **C** [1]

(c) **B** [1]

(d) **B** [1]

(e) **A** [1]

(f) **A** [1]

(g) **C** [1]

(h) **C** [1]

(i) **B** [1]

(j) **A** [1]

[Total: 10]

2 **(a)** Cash book, petty cash book, sales journal, sales returns journal, purchases journal, purchases returns journal, (day books), journal *[any two, 1 mark each]* [2]

(b)

	Income	Expense
Debenture interest		✓ (1)
Factory overheads		✓ (1)
Commissions earned	✓ (1)	

[3]

(c) To see the liquidity position of the business (1) and if his account will be paid (1). [2]

(d) Error (of addition, account on incorrect side, transposition, balance missing), single sided entry, entry made twice. *[any two,2 marks each]* [4]

(e)

	Increase	Reduce	Have no effect
Bank charges		✓ (1)	
Credit Transfer	✓ (1)		
Dishonoured cheque		✓ (1)	

[3]

(f) Goodwill, brands, (other acceptable item) [any one] [1]

(g) **(i)** Error of original entry [1]

(ii)

	Dr $	Cr $
Malik (1)	180	}(1)
Purchases (1)		180 }

[3]

(h) Lindie – provision for doubtful debts

Provision at 1 November 2011 3% × 28 000 = 840 (1)

Provision at 31 October 2012 3% × 32 000 = 960 (1)

Increase = 120 (1)

[or 3% × (32 000 – 28 000) = 120] (3) [3]

[Total: 22]

3 (a)

Prince
Balance Sheet at 30 September 2012

	Cost	Provision for Depreciation	Net book value	
Non-current assets	$	$	$	
Equipment	3 500	600	2 900)	
Motor vehicle	4 500	1 000	3 500) (1)	
	8 00	1 600	6 400	
Current assets				
Inventory		3 300 (1)		
Trade receivables		3 000 (1)		
Bank		500 (1)		
		6 800		
Current Liabilities				
Trade payables		2 700 (1)		
Other payables		900 (1)		
		3 600		
Net current assets			3 200 (1)	
			9 600	
Non-current liabilities				
Bank loan repayable 2018			2 800 (1)	
Total assets			6 800	
Financed by: Capital			6 800 (1)	[9]

(b) (i) Current ratio = current assets / current liabilities [1]

(ii) (3300 + 3000 + 500) / (2700 + 900) (1) for workings
= 1.89 : 1 (1)OF [2]

(iii) No (1);
Answer is less than 2:1 which is the usual benchmark (1), unable to pay all liabilities (1) [3]

(c) (i) Quick ratio = (current assets – inventory) / current liabilities [1]

(ii) (3000 + 500) / 3600 (1) for workings
= 0.97 : 1 (1)OF [2]

(iii) No (1);
Answer is less than 1:1 which is the usual benchmark (1) , unable to pay all liabilities (1) [3]

(d) Send statement, other reminders, offer cash discount, charge interest on late accounts, refuse further supplies until paid (and similar comments).
[Any one, 2 marks] [2]

(e) Delaying payment of trade payables, increasing cash/credit sales, reducing credit period for trade receivables, sell fixed assets, introduce extra capital, take out long term loan, reduce drawings, introduce more capital, sell shares. [Any one, 2 marks] [2]

[Total: 25]

4 **(a)** Inventory means the goods held for resale by a business at any time. [1]

(b)

Mirror type	Units in stock	Cost or net realisable value per unit	Total value	
		$	$	
Wall mirror	15	55	825 (1)	
Table mirror	50	15	750 (1)	
Hand mirror	36	20	720 (2)	
			2295	[4]

(c)

Mlongo
Income statement for the year ended 31 October 2012

	$	$	
Revenue (sales)		8 000 (1)	
Returns inwards		215 (1)	
		7 785	
Cost of sales			
Inventory at 1 November 2011	1 300 (1)		
Purchases	4 650 (1)		
Carriage Inwards	50 (1)		
	6 000		
Inventory at 31 October 2012	2 295 (1)OF		
		3 705	
Gross profit		4 080	
Expenses			
Carriage outwards	100 (1)		
Other operating expenses (680 + 120)	800 (1)		
Rent (780 – 260)	520 (1)		
		1 420	
Profit for the year		2 660	[9]

(d) **(i)** Rate of inventory turnover = cost of sales / average inventory [1]

(ii) Rate of inventory turnover 2.1 (1) times (1) [2]

(e) Rate of inventory turnover will increase (1) as inventory is being replaced quicker (1) [2]

(f) Luxury goods, large scale manufacture (ships, airplanes) [Any one] [1]

[Total: 20]

5 **(a)** The costs and expenses of an accounting period must be matched against the revenue (of the same period). [2]

(b) Joolia
Water account

2012			2012			
10 July	Bank	58.50)	1 July	Balance b/d	58.50	(1)
12 August	Bank	75.00)				
14 Sept	Bank	45.80) (1)	30 Sept	Income statement	183.10	(1)
30 Sept	Balance c/d	62.30				
		241.60			241.60	
			1 October	Balance b/d	62.30	(1)

+ (1) for all dates correct [5]

(c) Profit will be too high as accrued wages have not been included in expenses for the period. [1]

(d) Purchases (Ledger) [1]

(e) **7 September Bank**
Explanation: Amount paid to HiClass Foods Ltd for purchases (on credit/amounts due) (1)
Double Entry: **Credit** Bank Account (1)

7 September Discount
Explanation: Amount claimed as discount for prompt payment (1)
Double Entry: **Credit** Discount Received Account (1)

12 September Purchases
Explanation: Amount bought on credit from HiClass Foods Ltd (1)
Double Entry: **Debit** Purchases Account (1)

15 September Purchase Returns
Explanation: Goods returned to HiClass Foods Ltd as unsuitable/not required (1)
Double Entry: **Credit** Purchase Returns Account / Returns Outwards (1)

30 September Balance c/d
Explanation: Amount owing to HiClass Foods Ltd at end of month (1)
Double Entry: **Credit** HiClass Foods Ltd (October account) (1) [10]

[Total 19]

6 **(a)** Ordinary share capital: 100 000 shares @ $1.50 = 150 000 (1)
Preference share capital: 120 000 shares @ $1.00 = <u>120 000</u> (1)
Total share capital <u>270 000</u> (1) [3]

(b) **(i)** The total amount the company has requested from shareholders. [2]

(ii) That part of the called up capital for which cash has been received. [2]

(c)
- Ordinary share dividends vary according to amount of profit made (1) Preference Shares are usually a fixed rate (1)
- If business is wound up Preference shareholders are repaid before Ordinary shares (2).
- Ordinary shares carry voting rights (1), Preference shares usually have no (or less) voting rights (1) [Any two, two marks each] [4]

(d)
- Ordinary shares are capital (1), Debentures are a long term loans (1)
- Debentures are paid interest (1), Ordinary shares receive dividends (1)
- If company is wound up debentures are repaid before Ordinary shares (2)
- Debenture holders carry no voting rights (1), Ordinary shares carry voting rights (1) [Any two, 2 marks each] [4]

(e) To distribute profit to the shareholders, reward shareholders for investment, to encourage investment. [Any one, 2 marks] [2]

(f) Ordinary shares $1 800 (2)

Preference shares $360 (3) (Allow 2 marks for $720) [5]

(g) Limited liability if business becomes bankrupt
Partners have to work in the business where shareholders may only invest
(Any other suitable comment 2 marks) [2]

[Total 24]