CAMBRIDGE INTERNATIONAL EXAMINATIONS

International General Certificate of Secondary Education

MARK SCHEME for the October/November 2012 series

0452 ACCOUNTING

0452/23 Paper 2, 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 October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

1 (a)

Nadia Dhari
Statement of Affairs at 30 June 2012

	$	$	$
Non-current assets	Cost	Depreciation to date	Book value
Fixtures & fittings	7 000	2 520 **(1)**	4 480 **(1)**
Motor vehicles	12 000	7 200 **(1)**	4 800 **(1)**
	19 000	9 720	9 280
Current assets			
Inventory		2 800 **(1)**	
Trade receivables (3500 **(1)** – 70 **(1)**)		3 430	
Other receivables		220 **(1)**	
Bank		4 120 **(1)**	
		10 570	
Current liabilities			
Trade payables	3 100 **(1)**		
Other payables	350 **(1)**	3 450	
Net current assets			7 120
			16 400
Non-current liabilities			
Loan			3 000 **(1)**
			13 400
Financed by			
Capital			
Balance			13 400 **(1) O/F**
			13 400

[13]

(b) Calculation of profit for the year

	$	
Closing capital	13 400	**(1) O/F**
Drawings – cash	2 800	**(1)**
goods	350	**(1)**
	16 550	
Less Opening capital	8 200	**(1)**
	8 350	
Less Capital introduced	5 000	**(1)**
Profit for the year	3 350	**(2) O/F**

Alternative presentation

Nadia Dhari
Capital Account

			$					$	
2012					2011				
June 30	Cash		2 800	**(1)**	July 1	Balance	b/d	8 200	**(1)**
	Purchases		350	**(1)**	Dec 1	Bank		5 000	**(1)**
	Balance	c/d	13 400	**(1) O/F**	2012				
					June 30	Profit		3 350	**(2) O/F**
			16 550					16 550	
					2012				
					July 1	Balance	b/d	13 400	

[7]

(c) $\frac{3430}{28900} \times \frac{365}{1} = 43.32 = 44$ days **(2)** **[2]**

(d) Unsatisfied **(1)**
Or satisfied if answer to **(c)** is 30 or below **[1]**

(e) The business may not have enough liquid funds with which to pay the credit suppliers until money is received from credit customers.

Or

If the credit customers pay within the set time the business may be able to pay the credit suppliers within the set time without any significant impact on the bank balance.

Or

If the credit customers fail to pay within the set time it may be necessary to obtain short-term funds in order to pay the credit suppliers.

Any 1 point (2) **[2]**

[Total: 25]

2 (a) (i)

Sajeev Kumar
Fixtures account

2010			$		2011			$
Aug 1	Bank		2 600	**(1)**	July 31	Balance	c/d	2 600
2011					2012			
Aug 1	Balance	b/d	2 600		July 31	Balance	c/d	4 040
Dec 1	A1 Supplies		1 440	**(1)**				
			4 040					4 040
2012								
Aug 1	1 Balance	b/d	4 040	**(1)**				

[3]

(ii)

Provision for depreciation of fixtures account

2011			$	2011				$
July 31	Balance	c/d	650	July 31	Income statement			650 **(1)**
2012				2011				
July 31	Balance	c/d	1 540	Aug 1	Balance	b/d		650 **(1) OF**
				2012				
				July 31	Income statement		650 **(1)**	
							240 **(1)**	890
			1 540					1 540
				2012				
				Aug 1	Balance	b/d		1 540 **(1) OF**

[5]

(b)

	account to be debited	account to be credited
Transferring the accumulated depreciation on the fixtures from the ledger	Provision for depreciation of fixtures **(1)**	Disposal of fixtures **(1)**
Transferring the original cost of the fixtures from the ledger	Disposal of fixtures **(1)**	Fixtures **(1)**
Recording the proceeds of sale of the fixtures	Cash **(1)**	Disposal of fixtures **(1)**

[6]

(c)

Capital expenditure	Revenue expenditure
Money spent on purchasing, improving or extending non-current assets	Money spent on running the business on a day-to-day basis
Money spent on items which increase the profit-earning ability of the business	Money spent on the costs of running the business
Money spent of items which will be used in the business over several years	Money spend on items which only benefit the business for one financial year
Are recorded in the statement of financial position	Are recorded in the income statement

Explanation of any one difference (2) **[2]**

(d) **(i)** Profit for the year ended 31 July 2012

Effect Overstated by $300 **(1)**
Reason An expense has been omitted from the income statement **(1)**

(i) Capital employed at 31 July 2012

Effect Overstated by $300 **(1)**
Reason The non-current assets include $300 which is an expense **(1)**
Or
The total capital is overstated because the profit for the year was overstated **(1)**

[4]

(e) **(i)** Selling goods at higher prices
Purchasing goods at lower prices
Reduction in cost of sales
Change in proportions of different goods
Any 1 reason (2) **[2]**

(ii) More expenses
Reduction in other income
Change in type of expenses
Expenses not controlled as well as previously
Any 1 reason (2) **[2]**

(iii) Decreased **(1)**
The percentage of expense to sales (revenue) has increased **(1)** **[2]**

[Total: 26]

3 (a)

Daisy Matumo
Income statement for the year ended 31 October 2012

		$		$	
Fees (35 120 **(1)** + 520 **(1)**)				35 640	
Rent received (2 750 **(1)** – 150 **(1)**)				2 600	
				38 240	
Less	Wages (18 750 **(1)** + 450 **(1)** – 300**(1)**)	18 900			
	Office expenses	11 265			
	Loss on disposal ((3 450 – 3 025) **(1)** – 200 **(1)**)	225			
	Depreciation – equipment ($20\% \times 3\,000 \times \frac{3}{12}$)	150	**(2)**	30 540	
				7 700	**(1) O/F**

[12]

(b)

Daisy Matumo
Capital account

			$					$	
2012					2011				
Oct 31	Drawings		6 200	**(1)**	Nov 1	Balance	b/d	60 000	**(1)**
	Balance	c/d	61 500		2012				
					Oct 31	Profit		7 700	**(1) O/F**
			67 700					67 700	
					2012				
					Nov 1	Balance	b/d	61 500	**(1) O/F**

[4]

(c) $\frac{7\,700}{100} \times \frac{100}{1} = 12.52\%$ **(2) C/F**
(1) O/F **[2]**

(d) Error 2
Effect: Increase **(1)**
Reason: The capital employed decreases because of the drawings. There is no change in the profit. **(1)**

Error 3
Effect: No effect **(1)**
Reason: There is no change in the capital employed. There is no change in the profit. **(1)**

[4]

[Total: 22]

4 (a)

Parnell Sport Club
Receipts and Payments Account for the year ended 31 July 2012

			$				$	
2011					2012			
Aug 1	Balance	b/d	3 200	**(1)**	July 31	Equipment	9 530	**(1)**
2012						Rent	2 400	**(1)**
July 31	Sale of equipment		320	**(1)**		General expenses	2 760	**(1)**
	Subscriptions					Insurance	1 800	**(1)**
	2011		180	**(1)**		Suppliers	2 840	**(1)**
	2012		12 000	**(1)**				
	Cash sales		3 450	**(1)**				
	Balance	c/d	180					
			19 330				19 330	
					2012			
					Aug 1	Balance b/d	180	**(1) O/F**

[11]

(b) Current liability **[1]**

(c) Subscriptions are amounts paid by members of a club or society to use the facilities provided by the club **[1]**

(d) This is a non-current asset and the income and expenditure account only contains revenue expenditure.
(1) for basic statement + (1) for development **[2]**

(e) Part of the payment for insurance is for the next financial year. **(1)**
Either
The income and expenditure account includes only expenses for that year
This is an application of the matching/accruals principle **(1)** **[2]**

(f) Calculation of purchases for the year

	$	
Payments to suppliers	2 840	**(1)**
Amount owing 31 July 2012	670	**(1)**
	3 510	
Less Amounts owing 1 August 2011	750	**(1)**
Purchases for the year	2 760	**(1)**

Alternative presentation

Total trade payables account

			$					$	
2012					2011				
July 31	Bank		2 840	**(1)**	Aug 1	Balance	b/d	750	**(1)**
	Balance	c/d	670	**(1)**	2012			2 760	**(1)**
			3 510		July 31	Purchases	*	3 510	

[4]

(g)

	$	
Shop sales	3 450	
Shop purchases	2 760	**O/F**
Profit	690	**(1) O/F**

[1]

(h) $\dfrac{690}{2\ 760} \times \dfrac{100}{1} = 25\%$ **(2) C/F** **(1) O/F** **[2]**

[Total: 24]

5 (a)

Tun and Min
Journal

	Debit $	Credit $	
Motor vehicles	7000		**(1)**
Tun Capital		7000	**(1)**
Motor vehicle introduced by Tun			**(1)**
Min Capital	3000		**(1)**
Min Current		3000	**(1)**
Debit balance on Min's current account transferred to his capital account			**(1)**

[6]

(b)

Tun and Min
Balance Sheet extract at 30 September 2012

	$ Tun	$ Min	$ Total	
Capital account	47 000 **(1)**	47 000 **(1)**	94 000	
Current account	(1 180) **(1)**	230 **(1)**	(950)	
	45 820	47 230	93 050	**(1)**

[5]

(c) This represents the amount owing by Tun to the business **[2]**

(d) To compensate for an unequal workload
Or In recognition of work done in the business **[2]**

(e) To discourage the partners from making excessive drawings **[2]**

(f) Interest on capital $\frac{1\,880}{47\,000} \times \frac{100}{1}$ = 4% **(2)** **[2]**

(g) Should compare with a business in the same trade
Should compare with a business of approximately the same size/same capital
Should compare with a business of the same type (partnership)
The accounts may be for one year only which will not show trends
The accounts may be for one year only which may not be a typical year
The financial year may end on different dates (when inventories are high/low)
The businesses may operate different accounting policies
The businesses may have different types of expenses
The statements do not show non-monetary factors
It may not be possible to obtain all the information needed to make comparisons

Any two acceptable points (2) each **[4]**

[Total: 23]