

**MARK SCHEME for the October/November 2013 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.

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1 (a) D

(b) C

(c) D

(d) B

(e) C

(f) A

(g) B

(h) A

(i) A

(j) B

(1) mark each

[Total: 10]

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- 2 (a) Book-keeping (1)  
Accounting (1)  
Balance sheet (1)  
Assets (1)  
Liabilities (1)  
Income statement (1) [6]

(b)

		Insurance account			
		\$		\$	
2012			2013		
Aug 1	Balance b/d	350	July 31	Income statement	1190 (1)
Nov 15	Bank	<u>1200</u> (1)		Balance c/d	<u>360</u>
		<u>1550</u>			<u>1550</u>
2013					
Aug 1	Balance b/d	360 (1) OF			

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

- (c) Insurance was prepaid [1]

(d)

	Debit	Credit
Bank overdraft		✓ (1)
Sales		✓ (1)
Discount allowed	✓ (1)	
Capital		✓ (1)
Drawings	✓ (1)	

[5]

- (e) One from –

To check the arithmetical accuracy of the double entry  
To assist in the preparation of financial statements

**Any 1 reason (1)** [1]

- (f) (i) Principle [1]

(ii) The totals of the trial balance will still agree (1)  
The non-current assets are overstated and expenses are understated (1) [2]

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- (g) Statement of account (1)  
 Invoice (1)  
 Debit note (1) [3]

[Total: 23]

- 3 (a) 2 years [2]

(b) Delivery vans account

2012			2012		
Jan 1	Balance b/d	74 000 (1)	July 1	Disposal (1)	24 000 (1)
Aug 1	Bank	14 000 (1)	Dec 31	Balance c/d	78 000
	DM Ltd (1)	14 000 (1)			
		<u>102 000</u>			<u>102 000</u>
2013					
Jan 1	Balance b/d	78 000			

[6]

- (c)

Van	Calculation	Depreciation charge for the year
A	$(20\,000 - 11\,562) \times 25\%$	\$ 2 110 (1)
B	–	– (1)
C	$(30\,000 - 13\,125) \times 25\%$	4 219 (1)
D	$28\,000 \times 25\%$	<u>7 000 (1)</u>
Total		<u>13 329 (1) OF</u>

[5]

- (d) Provision for depreciation of delivery vans account

		\$		\$
Aug 1	Balance b/d	350	July 31	Income statement 1190 (1)
2012			2012	
July 1	Disposals	10 500 (1)	Jan 1	Balance b/d 35 187 (1)
Dec 31	Balance c/d	38 016	Dec 31	Income statement <u>13 329 (1) OF</u>
		<u>48 516</u>		<u>48 516</u>
			2013	
			Jan 1	Balance b/d 38 016 (1) OF

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(e) Balance Sheet extract at 31 December 2012

	Cost	Depreciation to date	Net book value	
	\$	\$	\$	
Delivery vans	78 000	38 016	39 984	
	(1)	(1) OF	(1) OF	[3]

(f) Consistency [1]

(g) Three from –

- Wear and tear
- Obsolescence/economic factors
- Passage of time
- Depletion

**Any 3 reasons (1) each** [3]

[Total: 24]

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4 (a)

Solomon  
Statement of Affairs at 31 August 2013

	\$	\$	\$	
Non-current Assets				
Vehicle (at valuation)			4 800	(1)
Current Assets				
Inventory		6 200	}	
Trade receivables		3 100	}	(1)
Other receivables		400	}	
Bank		<u>4 700</u>	}	(1)
		14 400		
Current Liabilities				
Trade payables	2 500	)		
Other payables	<u>650</u>	)(1)	<u>3 150</u>	
Net current assets			<u>11 250</u>	
			<u>16 050</u>	
Financed by				
Capital				
Balance			<u>16 050</u>	(2) CF (1) OF

[6]

(b) Calculation of profit for the year

	\$			
Capital 31 August 2013		16 050	(1)	OF
Less Capital 1 September 2012		<u>15 500</u>	(1)	
		550		
Add Drawings (18 000 + 450)		<u>18 450</u>	(1)	
		19 000		
Less Capital introduced (2000 + 1000)		<u>3 000</u>	(1)	
Profit for the year		<u>16 000</u>	(1)	OF

**Alternative calculation**

		Capital account				\$
2013		\$		2012		\$
Aug 31	Drawings			Sept 1	Balance	b/d 15 500 (1)
	(18 000 + 450)	18 450	(1)			
	Balance c/d	<u>16 050</u>	(1)	2013		
			<b>OF</b>	Aug 31	Rent	2 000 }
					Bank	1 000 } (1)
					Profit for year	<u>16 000</u> (1) OF
		<u>34 500</u>				<u>34 500</u>
				2013		
				Jan 1	Balance	b/d 16 050

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(c)

Solomon

Income Statement for the year ended 31 August 2013

	\$	\$
Revenue (94 450 (1) + 3100 (1))		97 550
Less Cost of sales		
Purchases (71 700 (1) + 2500 (1))	74 200	
Less Goods for own use	<u>450 (2)</u>	
	73 750	
Less Closing inventory	<u>6 200 (1)</u>	<u>67 550</u>
Gross profit		<u>30 000 (1) OF</u>

[8]

(d) Advantages

Any two from –

- Extra capital
- Additional expertise
- Sharing of losses
- Sharing of responsibilities
- Sharing of risks
- Sharing of ideas

**Any 2 advantages (1) each**

Disadvantages

Any two from –

- Sharing of profits
- Possibility of disagreements
- Slower decision-making

**Any 2 disadvantages (1) each**

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[Total: 23]

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- 5 (a) Bad debts  
Amounts owing to a business which will not be paid by the debtor (1)

Provision for doubtful debts

Estimate of the amount which a business may lose in a financial year because of bad debts (1) [2]

- (b) Provision for doubtful debts account

		\$			\$
2013			2012		
Aug 31	Balance c/d (19 800 × 3%)	594 (2)	Sept 1	Balance b/d	322 (1)
		<u>594</u>	Aug 31	Income statement	<u>272 (1) OF</u> <u>594</u>
			2013		
			Sept 1	Balance b/d	594 (1) OF

[5]

- (c) Balance Sheet extract at 31 August 2013

Current Assets	\$	\$
Trade receivable	19 800 (1)	
Less Provision for doubtful debts	<u>594 (1) OF</u>	19 206

[2]

- (d)

	Manufacturing Account Direct cost	Manufacturing Account Indirect cost	Income Statement
Depreciation of delivery van			✓ (1)
Purchases of raw materials	✓ (1)		
Factory supervisor's salary		✓ (1)	
Salesman's commission			✓ (1)
Carriage inwards	✓ (1)		

[5]

[Total: 14]



6 (a)

Transaction	Debit entry			Credit entry		
2	Drawings	\$ 200	(1)	Purchases	\$ 200	(1)
3	Bank Discount allowed	600 25	(1) (1)	Tabitha	625	(1)
4	Samir	1400	(1)	Sales	1400	(1)

[7]

(b)

Opening working capital	\$ 12 100	
Transaction 1	800	(1)
2	(200)	(1)
3	(25)	(1)
4	400	(1)
Closing working capital	13 075	(1) OF

[5]

(c)

Transaction	Current ratio		Quick (acid test) ratio	
2	Decrease	(1)	No effect	(1)
3	Decrease	(1)	Decrease	(1)
4	Increase	(1)	Increase	(1)

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(d)

	Capital expenditure	Capital receipt	Revenue expenditure	Revenue Receipt
Purchase of goods for resale			✓ (1)	
Purchase of equipment	✓ (1)			
Proceeds of sale of fixtures		✓ (1)		
Payment of advertising			✓ (1)	
Credit sales				✓ (1)
Discount allowed			✓ (1)	

[6]

(e) 1 Balance sheet (1)

2 Income statement (1)

[2]

[Total: 26]