

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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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	13

## 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]

<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2011</b>	<b>0452</b>	<b>13</b>

- (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]

<b>Page 4</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – October/November 2011</b>	<b>0452</b>	<b>13</b>

- (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:*

$$= (8\,300 (1) / 71\,200 (2)) \times 365$$

$$= 42 \text{ or } 43 \text{ days (1) OF}$$

[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			<u>Nil</u>	
				94 200	
Interest on capital	Adrian	1 600	(2)		
	Christopher	2 000	(2)		
Salary	Christopher	<u>18 000</u>	(1)		
				<u>21 600</u>	
				72 600	(2) OF
Profit share	Adrian	5/8	45 375	(2) OF	
	Christopher	3/8	<u>27 225</u>	(2) OF	
				72 600	

[14]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	13

(c) (i)

Adrian  
Current account

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

[6]

(ii)

Christopher  
Current account

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

Page 6	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	13

## (d) Office furniture account

2008			2011		
October 1	Bank	<u>1 800</u>	April 1	Disposal	<u>1 800</u> (1)

## Provision for depreciation of office furniture account

2011			2010		
April 1	Disposal	<u>1 152</u> (1)	October 1	Balance b/d	<u>1 152</u> (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	<u>202</u> (1)	April 1	Norse Ltd	<u>850</u> (1)
		<u>2 002</u>			<u>2 002</u>

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]

Page 7	Mark Scheme: Teachers' version	Syllabus	Paper
	IGCSE – October/November 2011	0452	13

6 (a)

Lo Shung Limited  
Balance Sheet at 30 September 2011

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

[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 =  $4\,000 (1) / (6\,200 (1) + 6\,000 (1)) \times 100$   
= 32.79 % (1) OF must be %

*Must be two decimal places*

[4]

[Total: 18]