

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the May/June 2014 series

0452 ACCOUNTING

0452/12

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) A

(b) C

(c) C

(d) C

(e) C

(f) A

(g) A

(h) A

(i) C

(j) C

(1) each

[10]

Page 3	Mark Scheme	Syllabus	Paper
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- 2 (a) Asset – anything owned by or owed to the business (1)
 Liability – anything owed by the business (1)
 Owner's capital – funds and resources provided by the owner
 OR amount owed by the business to the owner (1) [3]

(b)

	Asset	Liability
Inventory	✓	
Motor vehicle	✓(1)	
Creditor		✓ (1)
Debtor	✓(1)	
Bank loan		✓ (1)
Cash	✓(1)	

[5]

(c)

	Debit entry		Credit entry	
		\$		\$
1	<i>Bank account</i>	10 000	<i>Capital account</i>	10 000
2	Plant and equipment	6 000 (1)	Bank ABC Finance	3 000 (1) 3 000 (1)
3	Drawings	500 (1)	Cash	500 (1)
4	Interest payable	210 (1)	Bank	210 (1)
5	ABC Finance	1 000 (1)	Bank	1 000 (1)
6	Income statement	600 (1)	Provision for depreciation	600 (1)

[11]

(d) $\frac{210}{3000} \times 100 = 7\%$ (1) [2]

(e) A business has paid out more from the bank than it has paid in (2) [2]

(f) Unpresented cheque (1) [1]

[Total: 24]

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- 3 (a) (i) Any non-current asset, any expense, any income, purchases, sales, returns, inventory, loan, capital, drawings, etc.
Any 1 example (1) [1]
- (ii) Sales ledger
Purchases ledger
Any 1 example (1) [1]
- (iii) Work can be shared between several people
Easier for reference
Same type of accounts are kept together
Any 1 point (2) [2]

(b)

	Financial statement	Type of organisation
Ordinary share capital	<i>Statement of financial position</i>	<i>Limited company</i>
Accumulated fund	Statement of financial position (1)	Club or society (1)
Interest on capital	Appropriation account (1)	Partnership (1)
Ordinary share dividends paid	Appropriation account (1)	Limited company (1)
Debenture interest	Income statement (1)	Limited company (1)

[8]

(c)

Debentures	Ordinary shares
Fixed rate of interest Holders receive interest Holders are creditors Are long term loans Do not carry voting rights Rank before ordinary shares in a winding up	Variable rate of dividend Holders receive dividend Holders are members of the company Are equity Carry voting rights Rank after debentures in a winding up

Any 2 comparative statements (2) marks each

[4]

- (d) For reinvestment in the business
To plough back profits
For allocating dividends in the future
If there is not enough actual cash available to pay a dividend
Any 1 reason (2)

[2]

[Total: 18]

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4 (a) Suspense (1) [1]

(b)

Matsumi
Trial balance at 30 April 2014

	Dr	Cr
	\$	\$
Bank overdraft		2 320
Cash	100	
Fixtures and fittings at cost	6 800	
Provision for depreciation at 1 May 2013		1 360
Fees receivable		28 105
Interest payable	200	
Rent payable	6 000	
Advertising	430	
Wages	8 005	
Loan account		3 000
Capital at 1 May 2013		2 950
Drawings	16 200	
	37 735	37 735

Any 2 correct items (1) [6]

(c) The trial balance was drawn up before the preparation of the income statement/before profit for the year has been calculated (2) [2]

(d) A service business
OR accept an example of a service business (1) [1]

(e) $(6800 - 1360) \times 20\% = 1088$ (2) [2]

(f) Provision for depreciation account

	\$		\$
2014		2013	
Apl 30 Balance c/d	2448(1)	May 1 Balance b/d	1360(1)
		2014	
		Apl 30 Income Statement	1088(1)OF
	2448		2448
		2014	
		Mar 1 Balance b/d	2448(1)OF

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[Total: 16]

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- 5 (a) Raw materials (1)
 Direct labour (1)
 Finished goods (1)
 Work in progress (1)
 Inventory (1)
 Current assets (1) [6]

(b) (i) Randeep
 Manufacturing Account for the year ended 31 March 2014

	\$	\$
Cost of materials consumed		
Opening inventory of raw materials		16 200 *(1)both
Purchases of raw materials	159 000}	
Carriage on raw materials	<u>4 800}(1)</u>	163 800
		180 000
Closing inventory of raw materials		<u>17 500 *</u>
		162 500 (1)
Direct wages		<u>72 000 (1)</u>
Prime cost		234 500 (1)OF
Factory overheads		
Supervisor's salary	20 000 (1)	
Factory rent	30 000 (1)	
Depreciation – factory machinery	<u>38 000 (1)</u>	88 000
Cost of production		<u>322 500 (1)OF</u>

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(ii) Randeep
 Income Statement for the year ended 31 March 2014

	\$	\$
Revenue		410 000 (1)
Cost of sales		
Opening inventory finished goods	9 100 *(1)both	
Cost of production	<u>322 500 (1)OF</u>	
	331 600	
Closing inventory of finished goods	<u>8 200*</u>	323 400
Gross profit		86 600 (1)OF
Administration and selling costs		<u>64 600 (1)</u>
Profit for the year		<u>22 000 (1)OF</u>

[6]

- (c) Salary of factory supervisor
 Factory rent
 Depreciation of factory machinery
 Administration and selling costs
Any 1 indirect cost (1) [1]

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- (d) Office rent/rates
- Office salaries
- Office general expenses
- Office insurance
- Salaries/commission of sales staff
- Advertising expenses
- Any example of office or sales expense**
- Any 2 examples (1) each**

[2]

[Total: 24]

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6 (a)

Capital expenditure	Revenue expenditure
Purchase of non-current asset Provides benefit for over 1 year Appears in statement of financial position	Day-to-day running expense Provides benefit for less than 1 year Appears in income statement

Any 1 comparative statement (2)**[2]**

(b)

	Capital expenditure	Revenue expenditure
Salesman's commission		✓
Carriage of raw materials		✓(1)
Purchases of goods for resale		✓(1)
Purchases of plant and equipment	✓(1)	
Payment of insurance		✓(1)
Legal fees on purchase of property	✓(1)	

[5]

(c) $(41\ 000 + 28\ 000) : (44\ 000 + 2200)$ (1) whole formula
1.49 : 1 (1)

[2]

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(d)

Morwenna
Statement of Financial Position at 30 April 2014

	\$ Cost	\$ Depreciation to date	\$ Net book value
Non current assets			
Fixtures and fittings (15 000 (1) + 1000 (1))	16 000	4 500	11 500 (1)OF
Motor vehicles (18 000 (1) – 800 (1))	7 200	6 200	11 000 (1)OF
	<u>33 200</u>	<u>10 700</u>	<u>22 500</u>
Current assets			
Inventory (41 000 (1) – 10 250 (1))		30 750	
Trade receivables		<u>28 000 (1)</u>	
		58 750	
Current liabilities			
Trade payables	44 000 (1)		
Other payables	3 000 (1)		
Bank	<u>2 200 (1)</u>	<u>49 200</u>	<u>9 550</u>
			<u>32 050</u>
Financed by Capital			<u>32 050</u>

(2) OF for capital if no goodwill
(1) OF for capital if goodwill included

[14]

(e) 58 750 OF : 49 200 OF (1) whole formula
1.19 : 1 (1) OF

[2]

(f) Actual current ratio below that originally calculated
Shortage of liquid funds/there is an overdrawn bank balance
Trade payables higher than trade receivables
Rather a lot of money is tied up in inventory
Can only just meet current liabilities from current assets
Cannot take advantage of business opportunities which may arise
May have difficulty in paying trade payables
May depend on receipts from trade receivables to pay trade payables
Comments to be based on answer to (e)
Any three comments (1) each

[3]

[Total: 28]