CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/11 Paper 1, maximum raw mark 120

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1 **(a)** C

(b) B

(c) A

(d) B

(e) C

(f) D

(g) A

(h) D

(i) A

(j) A

(1) mark each **[Total: 10]**

2 **(a)**

	Asset	**Liability**
Office equipment	✓	
Prepaid rent	✓ **(1)**	
Accrued wages		✓ **(1)**
Bank loan		✓ **(1)**
Inventory of goods for resale	✓ **(1)**	
Inventory of stationery for office use	✓ **(1)**	
Amount due to creditor		✓ **(1)**

[6]

(b) An asset account has a debit **(1)** balance.
A liability account has a credit **(1)** balance.
An expense account has a debit **(1)** balance.
An income account has a credit **(1)** balance. [4]

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(c) Any suitable answer e.g. insurance, telephone, wages etc. **(1)** [1]

(d) Income statement **(1)** [1]

(e)

Every transaction has a two fold aspect	*True*
Costs must be matched against related income	True **(1)**
Revenue can be recorded before it is earned	False **(1)**
Staff expertise can be recorded in the financial statements	False **(1)**

[3]

(f)

Lamoudi
Insurance account

2014		$		2014		$	
1 Jan	Balance b/d	300	**(1)**	31 Dec	Income statement	1380	**(1o.f.)**
1 Apr	Bank/Cash	1440	**(1)**		Balance c/d	360	
		1740				1740	
2015							
1 Jan	Balance b/d	360	**(1)**				

+1 for dates [5]

(g) To check the arithmetical accuracy of the double entry **(1)**
OR
As a basis for the preparation of the financial statements/final accounts **(1)** [1]

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(h) Ebenon
Trial Balance at 31 December 2014

	Debit $	Credit $	
Motor vehicles	38 000		}
Provision for depreciation of motor vehicles		10 000	}**(1)**
Sales		190 000	}
Purchases	103 000		}**(1)**
Rent	4 000		}
Wages and salaries	41 000		}**(1)**
Sundry expenses	6 800		}
Drawings	23 000		}**(1)**
Trade payables		5 000	}
Trade receivables	7 000		}**(1)**
Bank overdraft		1 500	}
Cash	100		}**(1)**
Purchase returns		600	}
Inventory	12 000		}**(1)**
Capital		27 800	**(1o.f.)**
	234 900	234 900	

[8]

(i) 1 January 2014 **(1)** [1]

[Total: 30]

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3 (a)

Book of prime (original) entry	Source document
Cash book	*Cheque counterfoil*
Any two of: Sales journal Sales returns journal Purchases journal Purchases returns journal General journal Petty cash book for **(1)** mark each	 Sales invoice Sales credit note issued Purchase invoice Credit note received/debit note issued Notification of debtor going bankrupt/other suitable answer Voucher for **(1)** mark each

[4]

(b) To avoid multiple entries in the ledger **(1)**
Different books of prime entry can be maintained by different people **(1)**
Acts as an aid for posting to the ledger by analysing a transaction into debit and credit entry **(1)**
Helps to reduce the amount of detail in the ledger as only totals are posted to the ledger **(1)**
Provides evidence of transactions since they are recorded from source documents **(1)**
Helps in the auditing/tracking process/facilitates cross-referencing **(1)**
Easy reference to source of a transaction **(1)**
Helps in gathering and summarising of accounting information **(1)**
Groups together similar types of transactions in one book in date order **(1)**
Reduces number of entries in ledger **(1)**

Max. 1 [1]

(c) Discount allowed **(1)** Discount received **(1)** [2]

(d) The debtor's bank refused payment **(1)** [1]

(e)

Account debited	Account credited
Pierre **(1)**	Bank **(1)**

[2]

(f) Bank reconciliation statement **(1)** [1]

(g) Paying more from the bank account then there is in it **(1)**. This means that the business owes the bank money (the bank is a current liability) **(1)**. [2]

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(h)

	Debit balance	Credit balance
Cash book		✓ **(1)**
Bank statement	✓ **(1)**	

[2]

(i)

Account debited	Account credited
Drawings **(1)**	Bank **(1)**

[2]

[Total: 17]

4 (a)

Green Meadow Limited
Statement of Financial Position at 31 January 2015

	$	
Non-current assets		
Plant and equipment	184 000	
Motor vehicles	87 000	
	271 000	**(1)***
Current assets		
Inventory	63 000	
Trade receivables	57 000	
Cash and cash equivalents/Bank	2 000	
	122 000	**(1)***
Total assets	393 000	
Capital and reserves (1)		
Ordinary share capital	125 000	**(1)**
8% preference share capital	100 000	**(1)**
Retained earnings	65 000	**(1)**
	290 000	
Non-current liabilities (1)		
6% Debentures (2019)	50 000	**(1)**
Bank loan	10 000	**(1)**
	60 000	
Current liabilities		
Trade payables	43 000	**(1)***
Total liabilities	393 000	

* indicates heading required for mark [10]

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(b)

	$	
Closing profit	65 000	
Opening profit	51 500	
	13 500	**(1)**
Add back:		
Ordinary dividend	10 000	**(1)**
Preference dividend	8 000	**(1)**
Profit for the year	31 500	**(1o.f.)**

[4]

(c)

	$	
Profit for the year	31 500	**(1o.f.)**
Add back:		
Bank interest	500	**(1)**
Debenture interest	3 000	**(1)**
Profit for the year	35 000	**(1o.f.)**

[4]

(d) $\dfrac{35\,000\ \textbf{(1o.f.)}}{290\,000\ \textbf{(1o.f.)} + 60\,000\ \textbf{(1o.f.)}} \times 100 = 10\%\ \textbf{(1o.f.)}$ [4]

(e) To compare with other businesses
To compare with rate of finance cost on debentures etc.

Any one for **(1)** mark [1]

(f) To avoid dilution of control **(1)**/because debentures don't have voting rights **(1)**
Ensure existing owners retain control of business **(1)**

Any one for (1) mark [1]

[Total: 24]

5 **(a)**

Gross profit	$400 **(1)**
Cost of sales	$600 **(1)**
Purchases	600 **(1o.f.)** – (60 – 40) **(1)** = $580
Profit for the year	$150 **(1)**
Expenses	400 **(1o.f.)** – 150 **(1o.f.)** = $250

[7]

(b) The brother has better control of his expenses **(1)**.
The brother has a larger business and experiences economies of scale on overheads such as rent **(1)**.
The brother buys goods for resale at a lower price **(1)**.
The brother sells the goods at a higher price **(1)**.

Any one for **(1)** mark [1]

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(c) $\frac{50\ \textbf{(1)}}{600\ \textbf{(1o.f.)}} \times 365\ \textbf{(1)} = 30.42 = 31\,\text{days}\ \textbf{(1o.f.)}$ [4]

(d) Increasing sales
Decreasing inventory levels
More efficient purchasing of inventory
Change in type of goods sold
Increase in business activity
Lower inventory levels
More sales activity

Any two for **(1)** each [2]

(e) Increase in finance
Additional knowledge/skills/expertise
Share risks
Sharing of tasks and responsibilities
Can discuss decision-making
Losses can be shared between partners

Any two for **(1)** each [2]

[Total: 16]

6 **(a)**

Healthy Ways Sports Club
Subscriptions account

2014		$		2014		$	
1 Jan	Balance b/d	350	**(1)**	1 Jan	Balance b/d	100	**(1)**
31 Dec	Income and expenditure a/c	19 300	**(1o.f.)**	31 Dec	Bank/Cash	19 100	**(1)**
	Balance c/d	50			Balance c/d	500	
		19 700				19 700	
2015				2015			
1 Jan	Balance b/d	500	**(1)**	1 Jan	Balance b/d	50	**(1)**

[6]

(b)

Healthy Ways Sports Club
Total trade payables account

2014		$		2014		$	
31 Dec	Bank/Cash	3710	**(1)**	1 Jan	Balance b/d	590	**(1)**
	Balance c/d	820		31 Dec	Purchases	3940	**(1o.f.)**
		4530				4530	
				2015			
				1 Jan	Balance b/d	820	**(1)**

[4]

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(c) Healthy Ways Sports Club
Café Income Statement for the year ended 31 December 2014

	$		$		
Revenue/Sales			4900	**(1)**	
Inventory at 1 January 2014	600	**(1)**			
Purchases	3940	**(1o.f.)**			
	4540				
Inventory at 31 December 2014	800	**(1)**	3740		
			1160		
Staff wages			1800	**(1)**	
Loss for the year			(640)	**(1o.f.)**	[6]

(d) Healthy Ways Sports Club
Income and Expenditure Account for the year ended 31 December 2014

	$		$		
Subscriptions			19 300	**(1o.f.)**	
Loss from cafe	640	**(1o.f.)**			
Staff wages (7 200 + 300)	7 500	**(1)**			
Rent and insurance	4 800	}			
Sundry expenses	1 850	} **(1)**			
Depreciation 18 700 + 4 600 **(1)** – 20 100 **(1)**	3 200		17 990		
Surplus			1 310	**(1o.f.)**	[7]

[Total: 23]

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