

**MARK SCHEME for the October/November 2011 question paper
for the guidance of teachers**

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 Key

- (a) C [1]
- (b) D [1]
- (c) B [1]
- (d) D [1]
- (e) B [1]
- (f) A [1]
- (g) B [1]
- (h) A [1]
- (i) B [1]
- (j) C [1]

[Total 10]

2 (a) Inventory (stock), trade receivables (debtors), other receivable (prepayment), bank, cash.
(Any two, 1 mark each). [2]

(b) Assets = capital (equity) + liabilities
(or any variation of the correct equation) [1]

(c)

| | Capital | Revenue |
|------------------------------|---------|---------|
| Repairs to workshop windows | | ✓(1) |
| Installation of alarm system | ✓(1) | |
| Storage shelves for tools | ✓(1) | |

[3]

| | | | |
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- (d) (i) Sales (debtors, receivables) [ledger] [1]
- (ii) Nominal (general) [ledger] [1]
- (e) (i) Error of addition in trial balance or ledger account,
single entry,
entering item on wrong side
entering transaction twice on same side of ledger,
entering different credit and debit amounts.
(Any one description, or an actual example of one of these) [1]
- (ii) Original entry [1]
- (f) Percentage of net profit to revenue = $(125\,000 - 85\,000 - 15\,000) / 125\,000$
= $25\,000$ (1) / $125\,000$ (1)
= 20.00 % (1) **OF** [3]
- (g) Balance per bank statement = balance per cash book + unrepresented cheques
= $2\,400$ (1) + 860 (1)
= $3\,260$ (1) (Actual figure only) [3]
- (h) Share capital = ordinary shares $120\,000 \times 0.25 = 30\,000$ (2)
+ preference shares $10\,000 \times 1.00 = 10\,000$ (2)
= $40\,000$ [4]

[Total: 20]

3 (a)

| | | | | | Moloch Cash book | | | | |
|--------------|--------------|---------------------|--------------|--------------|---------------------|-------------------------------------|----------------------|--------------|--------------|
| Date | Details | Discount Allowed | Cash | Bank | Date | Details | Discount Received | Cash | Bank |
| | | \$ | \$ | \$ | | | \$ | \$ | \$ |
| October 1 | Balance b/d | | 650 | 3 200 (1) | October 5 | Purchases (<i>not Andrews</i>) | | 2 880 (1) | |
| 3 | Justin | 10 (1) | | 390 (1) | 7 | Wages | | 630 (1) | |
| 6 | Munira | | | 150 (1) | | | | | |
| 7 | [Cash] sales | | 3 650 (1) | | 7 | Balance c/d | | <u>790</u> | <u>3 740</u> |
| | Totals | 10 | <u>4 300</u> | <u>3 740</u> | | Totals | | <u>4 300</u> | <u>3 740</u> |

[8]

Notes: Total reversal – no marks
Award 1 mark for both correct opening balances
Narrative and correct amount for mark
No marks for balances carried down or totals
+ 1 mark for correct dates (but disregard any date where no mark allocated to that entry)

| | | | |
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(b) Revenue (sales) account

| | | | |
|-------------------------|---------------------------|-------|-----|
| October | | | |
| 4 | Hercules | 800 | (1) |
| 7 | Cash (<i>not sales</i>) | 3 650 | (1) |
| <i>accept cash book</i> | | | |

Purchases account

| | | | |
|----------------------|-------------|-------|-------|
| October | | | |
| 5 | Cash [book] | 2 880 | (1)OF |
| <i>(not Andrews)</i> | | | |

Discount received account

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Discount allowed account

| | | | |
|------------------------|------------------|----|-------|
| October | | | |
| 7 | Total [for week] | 10 | (1)OF |
| <i>allow cash book</i> | | | |
| <i>not Justin</i> | | | |

Hercules account

| | | | |
|---------|-------|-----|-----|
| October | | | |
| 4 | Sales | 800 | (1) |

Justin account

| | | | |
|-------------|----------|-----|---------------|
| October | | | |
| 3 | Bank | 390 | (1)OF} accept |
| 3 | Discount | 10 | (1)OF} cash |
| <i>book</i> | | | |

Munira account

| | | | |
|-------------------------|------|-----|-------|
| October | | | |
| 6 | Bank | 150 | (1)OF |
| <i>accept cash book</i> | | | |
| [9] | | | |

Note: Allow own figures from part (a) where errors have been made in calculating discounts
 Correct narrative and figure for each mark
 + 1 mark for correct dates
 No mark for any reversal

(c) Total sales \$4 450 (2) [2]

(d) A provision for doubtful debts is [an estimate of] the amount which a business may lose because of bad debts. [2]

| | | | |
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(e) Trade receivables \$8 200 @ 5% = \$410 (2) [2]

(f) By comparing (1) the amount of actual bad debts (1) with the provision made. (1) [3]
(or equivalent wording to convey correct meaning)

[Total: 26]

4 (a)

| Henrietta | |
|------------------------------------|-------------------------------|
| Trial Balance at 30 September 2011 | |
| | \$ |
| Revenue | 124 100 (1) |
| Inventory | 14 500 (1) |
| Purchases | 77 000 (1) |
| Bank (overdraft) | 2 800 (1) |
| Cash | 1 100 (1) |
| Equipment | 19 000 (1) |
| Administrative expenses | 26 500 (1) |
| Capital (equity) | 25 000 (1) |
| Drawings | 15 600 (1) |
| Suspense | <u>1 800</u> (1)OF |
| | <u>153 700</u> <u>153 700</u> |

OF mark for suspense account if trial balance balances [10]
Must be in trial balance format – no marks for e.g. balance sheet layout

(b)

| | Dr | Cr |
|-----------------|-----------|-----------|
| Suspense | 2 200 (1) | |
| Revenue (sales) | | 2 200 (1) |
| Drawings | 400 (1) | |
| Suspense | | 400 (1) |
| Wages | 650 (1) | |
| Cash [book] | | 650 (1) |

Narrative, correct amount and on correct side for mark [6]

(c)

| Henrietta | | |
|------------------|---------------------------------------|----------------------------|
| Suspense account | | |
| | Difference on t/b (accept Balance) | 1 800 (1)OF from 4(a) |
| Sales | <u>2 200</u> (1) | <u>400</u> (1)OF from 4(b) |
| | <u>2 200</u> | <u>2 200</u> |

[3]
[Total 19]

| | | | |
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- 5 (a) A non-current asset is an asset held for the long term for use by a business (1) and is not for resale.(1) (*Accept comments about allowing a business to earn revenue*)
(*Do not accept just fixed asset*) [2]

(b) Depreciation

(i) Year 1 (3 600 – 450) (1) / 3 (1) = 1 050 (1)OF

(ii) Year 2 1 050 (1)OF from (i)

(iii) Year 3 1 050 (1)OF from (i)

Only award component marks (max 2) in (i) if candidate gives NBV as their answer [5]

(c)

Queresh

Income statement for the year ended 30 September 2011

| | \$ | \$ |
|--|-------------------|---------------------|
| Revenue (sales) | | 72 500 (1) |
| Less returns | | <u>800</u> (1) |
| | | 71 700 |
| Cost of sales | | |
| Inventory at 1 October 2010 | 6 000 (1) | |
| Raw materials (purchases) | <u>48 800</u> (1) | |
| | 54 800 | |
| Inventory at 30 September 2011 | <u>7 600</u> (1) | |
| | | <u>47 200</u> |
| Gross profit | | 24 500 (1)OF |
| Other operating income (6 500 (1) – 1 300 (1)) | | <u>5 200</u> |
| (<i>accept rent receivable, award 1 mark for 7 800 with or without workings</i>) | | 29 700 |
| Expenses | | |
| Distribution expenses | 2 580 (1) | |
| Administrative expenses (8 225 (1) + 375 (1)) | 8 600 | |
| (<i>award 1 mark for 7 850 with or without workings</i>) | | |
| Other operating expenses | 1 600 (1) | |
| Depreciation (<i>accept OF from year 1 only</i>) | 1 050 (1)OF | |
| Finance costs | <u>1 380</u> (1) | |
| | | <u>15 210</u> |
| Profit for the year | | <u>14 490</u> (1)OF |

(*Do not award marks for rent receivable if shown as an expense, but you may award an OF mark for the profit for the year if arithmetically correct even if rent is included as an expense.*) [15]

- (d) Depreciation should be included as a charge to the income statement so that the cost of the non-current asset is spread over the life of the asset or he is following the matching principle (1) and the profit is not overstated (*accept accurate or realistic*) or he is following the prudence principle (1). [2]

- (e) Increase revenue, increase prices, reduce cost of sales, reduce (control) expenses. (any one) [2]

[Total 26]

6 (a)

| Vasco's garage | Xavier's garage |
|---|--|
| Workings: 124 000 – 114 700 = 9 300 (1) 9 300 / 124 000 (1) = | Workings: 80 000 – 60 000 = 20 000 (1) 20 000 / 80 000 (1) = |
| Answer: 7.5 % (1)OF | Answer: 25.0 % (1)OF |

[6]

(b)

| Vasco's garage | Xavier's garage |
|--|--|
| Workings: 9 300 – 5 600 = 3 700 (1)OF 3 700 / 20 000 (1) = | Workings: 20 000 – 12 000 = 8 000 (1)OF 8 000 / 60 000 (1) = |
| Answer: 18.5 % (1)OF | Answer: 13.3 % (1)OF |

[6]

*Answer must be expressed as a percentage with or without % sign
– answers expressed as decimals e.g. 0.2 (0.185) are not acceptable.*

(c)

| | Increase | Decrease | No effect |
|-------------------------------------|----------|----------|-----------|
| Percentage of gross profit to sales | | ✓ (2) | |
| Return on capital employed | ✓ (2) | | |

[4]

(d) Yes (1)

Reasons:

- 1 Selling car parts and opening a workshop would increase Vasco's profits (1)
 - 2 The percentage of gross profit to sales would increase as the profitability of selling parts is higher than selling fuel (1) [3]
- (Not possible to award marks for comments about return on capital as not known)

[Total 19]