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

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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UNIVERSITY of CAMBRIDGE
International Examinations

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]

(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]

(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)) × 365
= 42 or 43 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				Nil	
					94 200	
Interest on capital	Adrian		1 600	(2)		
	Christopher		2 000	(2)		
Salary	Christopher		18 000	(1)		
					21 600	
					72 600	(2) OF
Profit share	Adrian	5/8	45 375	(2) OF		
	Christopher	3/8	27 225	(2) OF		
					72 600	[14]

(c) (i)

Adrian
Current account

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

[6]

(ii)

Christopher
Current account

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

(d) Office furniture account

2008				2011			
October 1	Bank	1 800		April 1	Disposal	1 800	(1)

Provision for depreciation of office furniture account

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

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]

6 (a)

Lo Shung Limited
Balance Sheet at 30 September 2011

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

[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)) × 100
= 32.79 % (1) OF must be %

Must be two decimal places [4]

[Total: 18]