

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

MARK SCHEME for the May/June 2012 question paper
for the guidance of teachers

0452 ACCOUNTING

0452/12

Paper 1, maximum raw mark 120

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1 Key

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

[Total: 10]

- 2 (a) Purchases (ledger)/Trade Payables / Creditors [1]
 (b) Cost and net realisable value [1]

(c)

	Income	Expense
Bad debt recovered	✓(1)	
Carriage inwards		✓(1)
Discount received	✓(1)	

[3]

- (d) (i) When a transaction is entered using the correct amount and on the correct side (1), but in the wrong class of account. (1)
 Example – Motor Vehicles debited to the account of Motor Expenses
Any suitable example of an error of principle (2)
- (ii) Compensating errors occur when two or more errors cancel each other out (2)
 Example – sales account undercast and wages account undercast
Any suitable example of a compensating error (2) [8]

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(e) $4\% \times \$28\,000 = \1120 [1]

(f) (i) $\$120 - \$87.60 = \$32.40$ (1)

(ii) $\$87.60$ (1) [2]

(g) Payments $\$715$
 Less opening accrual $\underline{240}$ (1)
 475
 Plus closing accrual $\underline{320}$ (1)
 Charge for the year $\underline{795}$ (1)

[3]

(h) $(6000 \times \$1.50)$ or $\$9000$ (1) $\times 3\% \times \frac{1}{2} = \135 (1)

[2]

[Total: 21]

3 (a) **Mitchell April 8**

Amanda paid \$120 in cash to Mitchell (1)

Julian April 9

Amanda received a cheque, \$194, from Julian (1)

Julian was allowed \$6 cash discount for prompt payment (1)

Sylvia April 14

Amanda received a cheque, \$180 from Sylvia (1)

Sylvia April 21

The cheque, \$180, previously received from Sylvia was dishonoured by the bank (1)

Equipment April 26

Amanda purchased equipment, \$2000, by cheque (1)

Sales April 28

Amanda sold good for cash \$1300 (1)

[7]

(b) This is a contra entry. (1)

Office cash was paid into the bank (1)

[2]

(c) (i) The cash balance represents the cash in hand (1)

The bank balance represents a bank overdraft (1)

[2]

(ii) Cash balance – current asset (1)

Bank balance – current liability (1)

[2]

(iii) It is not possible to take out more cash than is available

[2]

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(d)

		Amanda Mitchell account		
		\$		\$
2012				
April 6	Cash	120	(1)	
		Julian account		
		\$		\$
			2012	
			April 9	
	Bank	194	(1)	
	Discount	6	(1)	
		Sylvia account		
		\$		\$
2012			2012	
April 21	Bank (dis.chq)	180	(1)	
			April 14	
	Bank	180	(1)	
		Equipment account		
		\$		\$
2012				
April 26	Bank	2000	(1)	
		Sales account		
		\$		\$
			2012	
			April 28	
	Cash	1300	(1)	
		Discount allowed account		
		\$		\$
2012				
April 30	Total for month	6	(1)	

+ (1) for dates

[9]

[Total: 24]

- 4 (a) (i) Expenses are overstated (1)
Profit for the year is understated (1) [2]
- (ii) Non-current assets are understated (1)
Owner's capital (Profit) is understated (1) [2]

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(b)

	Capital expenditure	Revenue expenditure
Purchase of computer	✓(1)	
Purchase of laser printer	✓(1)	
Replacement of hard disc in computer		✓(1)

[3]

(c) (i) $(\$4800 + \$750) (1) \text{ O/F based on answer to (b) } - \$600 (1) = \$4950$

$$\frac{\$4950}{3 \text{ years } (1)} = \$1650 (1) \text{ O/F}$$

[4]

(ii) $(\$4800 + \$750) \text{ O/F based on answer to (b) } - \$1650 (1) \text{ O/F}$
 $= \$3900 (1) \text{ O/F}$

[2]

(d)

	Non-current tangible asset	Non-current intangible asset	Current asset
Office building	✓(1)		
Motor vehicle	✓(1)		
Goodwill		✓(1)	
Work in progress			✓(1)

[4]

[Total: 17]

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5 (a) Rachel Smith
Income Statement for the year ended 31 March 2012

	\$	\$	\$
Revenue			63 100 (1)
Less Cost of sales			
Opening inventory		3 100 (1)	
Purchases	42 500 (1)		
Less Purchases returns	<u>1 900 (1)</u>		
	40 600		
Carriage inwards	<u>1 050 (1)</u>	<u>41 650</u>	
		44 750	
Less Closing inventory		<u>3 750 (1)</u>	<u>41 000 (1) OF</u>
Gross profit			22 100 (1) OF
Less Carriage outwards		540	
Bad debts		190 (1)	
Provision for doubtful debts		150 (1)	
Property tax (6000 – 1200)		4 800 (2)	
Wages (7100 + 180)		7 280 (2)	
General expenses		1 620	
Depreciation – Equipment		<u>1 920 (1)</u>	<u>16 500</u>
Profit for the year			<u>5 600 (1) OF</u>

[16]

(b) (i) $\frac{22\,100 \text{ O/F}}{63\,100} \times 100 = 35.02\% (1) \text{ O/F}$ [2]

- (ii) Increase selling prices
Reduce cost of purchases

Any 1 comment (2) [2]

(c) (i) $\frac{5\,600 \text{ O/F}}{63\,100} \times 100 = 8.87\% (1) \text{ O/F}$ [2]

- (ii) Reduce expenses
Increase gross profit
Increase other income

Any 1 comment (2) [2]

[Total: 24]

- 6 (a) The business will continue to operate for an indefinite period of time (1) and there is no intention to close down or significantly reduce the size of the business. (1) [2]

(b) (i) Current assets : Current liabilities [1]

(ii) 11 400 : 13 800 (1) = 0.83 : 1 (1) [2]

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- (iii) Unsatisfied (1)
The business cannot meet the immediate liabilities from the immediate assets (2) [3]

(c)

	Increase	Decrease	No effect
Capital			✓(1)
Current assets	✓(1)		
Current liabilities		✓(1)	
Non-current liabilities	✓(1)		

[4]

- (d) To assess whether the interest can be paid when due
To assess whether the loan can be repaid when due
To assess whether there is security for the loan
Any 2 reasons (2) each [4]

- (e) There are not enough non-current assets for security of the loan
There is not enough profit to cover the loan interest
The business would not be able to re-pay the loan on time
Drawings for the year exceed the profit for the year
Any 2 reasons (2) each [4]

- (f) Introduce additional capital
Admit a partner/form a limited company
Mortgage
Loans from other sources
Sell surplus non-current assets
Any 2 (2) each [4]

[Total: 24]