

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the March 2016 series

0452 ACCOUNTING

0452/12

Paper 12, maximum raw mark 120

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| | | | |
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1 (a) B

(b) B

(c) D

(d) A

(e) B

(f) B

(g) C

(h) A

(i) A

(j) D

(1) mark each

[10]

2 (a) Assets **less** (1) liabilities equal capital

Current assets **less** (1) current liabilities equal working capital

Owner's capital **plus** (1) non-current liabilities equals capital employed

[3]

(b)

| Account debited | Account credited |
|-----------------|------------------|
| Drawings (1) | Bank (1) |

[2]

(c) Business entity (1)

A distinction is made between the financial transactions of a business and those of its owner(s) (1)

[2]

(d) Prepaid amount (1)

[1]

| | | | |
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- (e) Accruals (matching) (1)
Income should be matched with costs (1) in an accounting period (1) [3]

(f)

| Account | Ledger |
|--------------------------|------------------------|
| Premises | <i>Nominal/general</i> |
| Sales | Nominal/general |
| Drawings | Nominal/general |
| Amit, a credit customer | Sales |
| Purchases returns | Nominal/general |
| Discount allowed | Nominal/general |
| Enoch, a credit supplier | Purchases |

Any two correct for (1) mark [3]

- (g) So that accounts of the same type can be kept together
To allow division of work
To allow easier reference
To allow checking procedures to be introduced
Any one reason (1) [1]

- (h) The total sales are credited to the sales account (1)
Each sale is debited to the individual debtor's account on a daily basis (1) [2]

- (i) Sales returns journal – return of goods sold on credit
Purchases journal – purchase of good bought on credit
Purchases returns journal – return of goods bought on credit
Cash book – cash sales/receipt from credit customer/any sort of payment
Petty cash book – any minor expense
General journal – correction of error/purchase of non-current asset on credit

Any two books for (1) each and any two examples for (1) each
Allow any reasonable example [4]

[Total: 21]

| | | | |
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- 3 (a) To check the arithmetical accuracy of the double entry (1)
As a basis for the preparation of the financial statements (1) [2]

(b)

Deepa
Trial Balance at 31 December 2015

| | Debit \$ | Credit \$ | |
|---|-------------|--------------|-------|
| Fixtures and fittings | 17 000 | | } |
| Provision for depreciation of fixtures and fittings | | 7 500 | }{(1) |
| Sales | | 72 000 | } |
| Sales returns | 3 100 | | }{(1) |
| Purchases | 36 800 | | } |
| Purchases returns | | 2 260 | }{(1) |
| Drawings | 5 200 | | } |
| Bank | 2 700 | | }{(1) |
| Inventory | 12 450 | | } |
| Rent | 2 400 | | }{(1) |
| Wages | 21 810 | | } |
| Discount allowed | 1 000 | | }{(1) |
| Sundry expenses | 10 100 | | } |
| Ali (a credit customer) | 600 | | }{(1) |
| Kelvin (a credit customer) | 970 | | } |
| Jules (a credit supplier) | | 4 210 | }{(1) |
| Capital | | 28 160 | (1of) |
| | 114 130 | 114 130 | |

[9]

| | | | |
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(c) (i)

| | | |
|-------------------------|---------------|-------|
| | \$ | |
| Sales (72 000 – 3100) | 68 900 | (1) |
| | × 0.6 | (1) |
| Cost of sales | <u>41 340</u> | (1of) |

OR

| | | |
|-----------------------|---------------|-------|
| | \$ | |
| Sales | 68 900 | (1) |
| Gross profit (at 0.4) | <u>27 560</u> | (1) |
| Cost of sales | <u>41 340</u> | (1of) |

[3]

(ii)

| | | | |
|-------------------------------|----------------|----------------|-------|
| | \$ | \$ | |
| Inventory at 1 January 2015 | | 12 450 | |
| Purchases | 36 800 | | |
| Purchases returns | <u>(2 260)</u> | <u>34 540</u> | (1) |
| | | 46 990 | |
| Inventory at 31 December 2015 | | <u>(5 650)</u> | (1of) |
| Cost of sales | | <u>41 340</u> | (1of) |

OR

| | | | |
|-------------------------------|----------------|-----------------|-------|
| | \$ | \$ | |
| Cost of sales | | 41 340 | (1of) |
| Purchases | 36 800 | | |
| Purchases returns | <u>(2 260)</u> | <u>(34 540)</u> | (1) |
| | | 6 800 | |
| Inventory at 1 January 2015 | | <u>(12 450)</u> | |
| Inventory at 31 December 2015 | | <u>(5 650)</u> | (1of) |

[3]

(d)

| | | | | | | | |
|-------|-------------|--------------|----------------------|--------|------------------|--------------|-----|
| | | | Deepa Ali account | | | | |
| 2016 | | \$ | 2016 | | \$ | | |
| 1 Jan | Balance b/d | 600 | (1) | 8 Jan | Bank | 582 | (1) |
| 6 Jan | Sales | 800 | (1) | | Discount allowed | 18 | (1) |
| | | | | 10 Jan | Sales returns | 120 | (1) |
| | | | | 31 Jan | Balance c/d | <u>680</u> | |
| | | <u>1 400</u> | | | | <u>1 400</u> | |
| 1 Feb | Balance b/d | 680 | (1of) | | | | |

+1 for dates

[7]

| | | | |
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- (e) Advantage
 Money can be used elsewhere
 Cash is not tied up
 Reduces risk of theft/deterioration/obsolescence/damage
 Reduces inventory holding cost e.g. insurances

Any one advantage (1) mark

- Disadvantage
 If buying in smaller quantity risk of losing quantity discounts
 Risk of inventory running out
 Risk of not meeting customer demand

Any one disadvantage (1) mark

[2]

- (f) Current assets (1)

[1]

- (g) Long term loan/debt (1)

OR debentures (1)

OR mortgage (1)

[1]

[Total: 28]

- 4 (a) A provision for doubtful debts stops current assets from being overstated (1) and profit from being overstated (1) [2]

(b)

| Nesbit Limited | | | | | |
|--------------------------------------|-------------|--------------|--------|------------------|--------------|
| Provision for doubtful debts account | | | | | |
| 2014 | | \$ | 2014 | | \$ |
| Dec 31 | Balance c/d | 1 900 | Dec 31 | Income statement | 1 900 (1) |
| | | <u>1 900</u> | | | <u>1 900</u> |
| 2015 | | | 2015 | | |
| Dec 31 | Balance c/d | 2 200 (1) | Jan 1 | Balance b/d | 1 900 (1) |
| | | <u>2 200</u> | Dec 31 | Income statement | 300 (1) |
| | | | | | <u>2 200</u> |
| | | | 2016 | | |
| | | | Jan 1 | Balance b/d | 2 200 (1of) |

+1 for dates

[6]

(c)

| Nesbit Limited | | |
|--|-------|-------|
| Income Statement (extract) for the year ended 31 December 2015 | | |
| | \$ | |
| Expenses | | |
| Bad debts | 1 000 | (1) |
| Increase in provision for doubtful debts | 300 | (1of) |

[2]

| | | | |
|--------|------------------------------|----------|-------|
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(d)

Nesbit Limited
Statement of Financial Position (extract) at 31 December 2015
\$

| | | |
|------------------------------|--------|-------|
| Current assets | | |
| Trade receivables | 44 000 | (1) |
| Provision for doubtful debts | 2 200 | (1of) |
| | 41 800 | (1of) |

[3]

(e) Provision for depreciation (1)

[1]

(f)

| cost | capital expenditure | revenue expenditure |
|------------------------------|---------------------|---------------------|
| cost of machinery | ✓ | |
| delivery charges | ✓ (1) | |
| installation costs | ✓ (1) | |
| supply of cleaning materials | | ✓ (1) |
| machine oil | | ✓ (1) |

[4]

(g) Proceeds of sale of non-current asset
Issue of shares/Capital introduced by owner
Receipt of loan

Any one for (1) mark

[1]

[Total: 19]

5 (a)

| | prime cost section of the manufacturing account | overheads section of the manufacturing account | income statement |
|-----------------------------|---|--|------------------|
| office rent | | | ✓ (1) |
| factory supervisor's salary | | ✓ (1) | |
| carriage on raw materials | ✓ (1) | | |
| purchase of finished goods | | | ✓ (1) |
| salesman's commission | | | ✓ (1) |

[5]

| | | | |
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(b) Advantage

- more capital introduced to business
- more expertise available
- responsibilities are shared e.g. holidays, sickness
- risk is shared
- losses are shared

Any one for **(1)** mark

Disadvantage

- profits must be shared
- decision making may be more difficult
- disagreements may occur

Any one for **(1)** mark**[2]****(c) To avoid disagreements in the future (1)****[1]****(d) Interest on capital – to reward partners who invest more (1)**Interest on drawings – to discourage drawings **(1)****[2]****(e)**

Sumit and Theo
Appropriation account for the year ended 31 December 2015

| | | \$ | \$ | |
|----------------------|---------|----------|----------|--------------|
| Profit for the year | | | 64 000 | |
| Interest on drawings | – Sumit | 1 800 | | } (1) |
| | – Theo | 1 200 | 3 000 | |
| | | | 67 000 | |
| Salary | – Sumit | | (7 000) | (1) |
| Interest on capital | – Sumit | (10 000) | | (1) |
| | – Theo | (15 000) | (25 000) | (1) |
| | | | 35 000 | |
| Profit shares | – Sumit | 21 000 | | (1of) |
| | – Theo | 14 000 | 35 000 | (1of) |

[6]**(f)**

| | | \$ | Theo Current account | | \$ | | |
|--------|----------------------|--------|-------------------------|-------------|---------------------|--------|--------------|
| 2015 | | | 2015 | | | | |
| Jan 1 | Balance b/d | 6 900 | (1) | Dec 31 | Interest on capital | 15 000 | (1of) |
| Dec 31 | Drawings | 12 000 | (1) | | Share of profit | 14 000 | (1of) |
| | Interest on drawings | 1 200 | (1) | | | | |
| | Balance c/d | 8 900 | | | | | |
| | | 29 000 | | | | 29 000 | |
| | | | 2016 | | | | |
| | | | Jan 1 | Balance b/d | 8 900 | | (1of) |

[6]**[Total: 22]**

| | | | |
|--------|------------------------------|----------|-------|
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6 (a)

| error | working capital | owner's capital |
|-------|-------------------|---------------------|
| 1 | Increase \$3000 | Increase \$3000 |
| 2 | No effect (1) | No effect (1) |
| 3 | Decrease \$99 (1) | Decrease \$99 (1) |
| 4 | Decrease \$70 (1) | Decrease \$70 (1) |
| 5 | No effect (1) | Increase \$2500 (1) |

[8]

(b)

| | | |
|---------|----------------|-----|
| Error 2 | commission | (1) |
| Error 3 | original entry | (1) |
| Error 4 | reversal | (1) |
| Error 5 | omission | (1) |

[4]

(c)

Akira
Journal

| Error number | Details | Debit \$ | Credit \$ |
|--------------|---------------------------|----------|-----------|
| 2 | D Bones J Jones | 1500 (1) | 1500 (1) |
| 3 | Bank charges Bank | 99 (1) | 99 (1) |
| 4 | Stationery Petty cash | 70 (1) | 70 (1) |
| 5 | Motor vehicles Capital | 2500 (1) | 2500 (1) |

[8]

[Total: 20]