CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/12 Paper 1, maximum raw mark 120

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CAMBRIDGE
International Examinations

1 **(a)** D

(b) A

(c) D

(d) A

(e) D

(f) B

(g) C

(h) C

(i) A

(j) D

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

2 **(a)** Capital = assets less liabilities **(1)** [1]

(b) Something which is owned by a business/owed to a business **(1)** [1]

(c) Statement of financial position **(1)** [1]

(d)

Account	Ledger	Trial balance
Insurance	*Nominal/general*	*Debit*
Drawings	Nominal **(1)**	Debit **(1)**
Sales	Nominal **(1)**	Credit **(1)**
Grant (a credit customer)	Sales **(1)**	Debit **(1)**
Aziz (a credit supplier)	Purchases **(1)**	Credit **(1)**
Provision for depreciation of van	Nominal **(1)**	Credit **(1)**

[10]

(e) So that accounts of the same type can be kept together **(1)**
Ease of maintenance/navigation
Speed
Easier to check/locate error
Frees up the general ledger
Divides the work between several people [1]

(f) A list of balances of ledger accounts **(1)** at a particular date **(1)** [2]

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

(h) Suspense **(1)** [1]

(i) Any two of:
Omission **(1)** transaction totally omitted from the books **(1)**
Commission **(1)** transaction posted to wrong account of right class **(1)**
Principle **(1)** transaction posted to account of wrong class **(1)**
Original entry **(1)** transaction incorrectly recorded in book of prime entry **(1)**
Reversal **(1)** debit entry posted on credit side and vice versa **(1)**
Compensating **(1)** errors cancel one another out **(1)** [4]

[Total: 22]

3 (a)

Ali
Farhad account

2015		$		2015		$	
1 Jan	Balance b/d	300	**(1)**	8 Jan	Sales returns	125	**(1)**
5 Jan	Sales	250	**(1)**	19 Jan	Bank	291	**(1)**
					Discount allowed	9	**(1)**
					Balance c/d	125	
		550				550	
2015							
1 Feb	Balance b/d	125	**(o.f.)**				

(b)

	Document	Reason
5 January	Invoice **(1)**	To inform Farhad of the quantity of goods bought and their price/as a demand for payment **(1)**
8 January	Credit note **(1)**	To inform Farhad of the allowance he was being given for goods returned **(1)**

[4]

(c)

	Book of prime (original) entry
Ali sold goods, $250, to Farhad	Sales journal **(1)**
Farhad returned half of the goods bought on 5 January	Sales returns journal **(1)**
Farhad paid the amount owed on 1 January having deducted 3% cash discount	Cash book **(1)**

[3]

(d)

Ali
Rent account

2014		$		2014		$	
15 May	Bank	1800	**(1)**	1 Jan	Balance b/d	400	**(1)**
21 Oct	Bank	2000	**(1o.f.)**	31Dec	Income statement	2680	**(1)**
					Balance c/d	720	
		3800				3800	
2015							
1 Jan	Balance b/d	720	**(1)**		**+1 for dates**		

[6]

(e) Under current assets **(1) O.F.** as Other receivables **(1) O.F.** [2]

(f) Trade payables
Bank
Government
Prospective partner or investors
Tax authorities
Employees
Competitors or customers

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

[Total: 23]

4 (a)

		$	
Fixtures and fittings	12 000 **(1)** – 2 400 **(1)**	9 600	
Motor vehicle	15 000 **(1)** × 0.6 **(1)**	9 000	
Inventory		8 340	**(1)**
Trade receivables	1 600 **(1)** – 48 **(1)**	1 552	
Bank		90	**(1)**
Trade payables		(1 100)	**(1)**
Other payables	190 **(1)** + 230 **(1)**	(420)	
Net assets		27 062	**(1o.f.)**

[12]

(b) (i)

	$	
Closing net assets	27 062	**(1o.f.)**
Opening net assets	(18 454)	**(1)**
Change	8608	**(1o.f.)**

[3]

(ii) Drawings are included. Change in net assets is adjusted by the drawings to arrive at net profit. [1]

(c) Gross profit margin
Net profit margin
Inventory turnover

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

(d) Prudence – a business should not overstate profits/assets **(1)** and so should value inventory at the lower of cost and net realisable value **(1)**

Realisation – a business should not account for profit until it is realised **(1)** and should use cost price rather than selling price for inventory valuation **(1)** [4]

[Total: 22]

5 **(a)**

	$	
Current assets 3100 + 750 + 100	3950	**(1)**
Current liabilities 470 + 900 + 190	1560	**(1)**
Working capital	2390	**(1o.f.)**

[3]

(b) Current ratio 3950/1560 **(1)(o.f.)** = 2.53 : 1 **(1o.f.)**
Quick ratio 850/1560 **(1)(o.f.)** *= 0.54 : 1* **(1o.f.)** [4]

(c) Inventory holding is very high.
Too much cash is tied up in inventory.
The current ratio has increased whilst the quick ratio has decreased which indicates that inventory has increased.
2014 ratios appear fairly 'normal'.
2015 current ratio may be too high.
2015 quick ratio may be too low.
Business may be unable to pay liabilities when they fall due.

Trade payables are greater than trade receivables.
Prepaid insurance
Stock may be turned into cash to pay debts.
Bank is in overdraft.
Higher than ideal current ratio
Lower than ideal quick ratio
Quick assets less than liabilities
Business may face bankruptcy/at risk

Any four for **(1)** mark each [max. 4]

(d)

Transaction	Account debited	$	Account credited	$
1	Bank	10 000 **(1)**	Loan	10 000 **(1)**
2	Motor vehicles	8 000 **(1)**	Bank	8 000 **(1)**
3	Purchases	300 **(1)**	John	300 **(1)**
4	Cash	80 **(1)**	Sales	80 **(1)**

Mark for name of account and amount [8]

[Total: 19]

6 **(a)**

Quik Flo Limited
Factory equipment account

2014		$		2015		$	
1 May	Balance b/d	18000	**(1)**	30 Apr	Disposal	2000	**(1)**
2015							
30 Apr	Bank	5000	**(1)**		Balance c/d	21000	
		23000				23000	
2015							
1 May	Balance b/d	21 000	**(1o.f.)**				

[4]

(b)

Quik Flo Limited
Manufacturing Account for the year ended 30 April 2015

	$		$	
Raw materials at 1 May 2014	5000			
Purchases of raw materials	48000			
	53000			
Raw materials at 30 April 2015	4400			
Cost of raw materials consumed **(1)**			48600	**(1o.f.)**
Factory wages			20500	**(1)**
Prime cost			69100	**(1o.f.)**
Factory depreciation (21000 x 10%)	2100	**(1)**		
Supervisor's salary	10800	**(1)**		
Rent	14400	**(1)**	27300	
			96400	
Work in progress at 1 May 2014			2000	}
Work in progress at 30 April 2015			(1200)	} **(1)**
Cost of production			97200	**(1o.f.)**

[9]

(c)

Quik Flo Limited
Income Statement for the year ended 30 April 2015

	$		$	
Revenue			140000	
Finished goods at 1 May 2014	8500			
Cost of production	97200	**(1o.f.)**		
	105700			
Finished goods at 30 April 2015	(9000)	**(1) both**	96700	
Gross profit			43300	**(1o.f.)**
Profit on disposal			600	**(1)**
Office salaries	15150	}		
Selling and distribution costs	9100	} **(1)**		
Rent			3600	**(1)**
Office depreciation	500	**(1)**		
Finance charges	800	**(1)**	29150	
Profit for the year			14750	

[8]

(d) Units of production which have been started but which have not been completed **(1)** [1]

(e) Increase in costs of raw materials (higher prices) direct labour (higher rates) **(1)**
Increase in level of production **(1)** [2]

[Total: 24]