

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

## **MARK SCHEME for the October/November 2014 series**

### **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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2014 series for most Cambridge IGCSE<sup>®</sup>, Cambridge International A and AS Level components and some Cambridge O Level components.

® IGCSE is the registered trademark of Cambridge International Examinations.

<b>Page 2</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge IGCSE – October/November 2014</b>	<b>0452</b>	<b>13</b>

**1 (a) B**

**(b) C**

**(c) C**

**(d) C**

**(e) C**

**(f) B**

**(g) B**

**(h) B**

**(i) A**

**(j) A**

**(1) mark each**

**[Total: 10]**

- 2 (a) 1 Invoice (1)  
 2 Debit note (1)  
 3 Statement of account (1) [3]

- (b) (i) Debit (1)  
 (ii) Cash discount (1)  
 (iii) For prompt payment (1) [3]

(c)

	Debit entry			Credit entry		
		\$			\$	
1	Hal account	300		Sales account	300	
2	Cash account	300	(1)	Hal account	300	(1)
3	Bank account	250	(1)	Cash account	250	(1)
4	Drawings account	400	(1)	Bank account	400	(1)
5	Bank account	600	(1)	Mabel account	600	(1)

[8]

- (d) Transaction 3 (1) [1]

- (e)  $620 (1) - 10 (1) = 610 (2)$   
**OR**  
 $660 (1) - 100 (1) + 50 (1) = 610 (1)$  [4]

- (f) Current assets (1) [1]

- (g) Inventory  
 Trade receivables  
 Other receivables  
 Cash

- Answer to be consistent with answer to (f)**  
**Any 1 item (1)** [1]

[Total: 21]

<b>Page 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge IGCSE – October/November 2014</b>	<b>0452</b>	<b>13</b>

- 3 (a) A prepayment is an amount paid in advance for a service which has not yet been received (1)  
 An accrual is an amount owed for a service which has been received but not yet paid for (1) [2]

(b)

Insurance Account			
		\$	\$
2013			2014
July 1	Balance b/d	180 (1)	June 30
Aug 2	Bank/Cash	2 340 (1)	Income Statement
		2 520	2 325 (1)OF
			Balance c/d
			195
			2 520
2014			
July 1	Balance b/d	195 (1)CF	

**+ (1) dates** [5]

(c) (i) Profit and loss/expenses (1) [1]

(ii) Accruals/matching (1) [1]

(d) (i) Service business (1) [1]

(ii) Sales/revenue/sales returns  
 Inventory (opening and closing)  
 Purchases/purchases returns  
 Carriage  
 Cost of sales  
 Goods for own use  
 Gross profit

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

(e) (i) Prudence (1) [1]

(ii) At the lower (1) of cost and net realisable value (1) [2]

(f)

	\$
Scrap value 10 × \$2	20 (1)
Less selling expenses	7 (1)
Net realisable value	13 (1)CF

[3]

<b>Page 5</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge IGCSE – October/November 2014</b>	<b>0452</b>	<b>13</b>

- (g) (i) It is a record of what has happened in the past.  
 There is a gap between the year end and the preparation of the statements.  
 Items are recorded at cost so may not be realistic/difficult to judge effect of inflation.  
 May not know what policies the business is using so problems of comparison.  
 Only information which can be expressed in monetary terms in recorded – other important factors are not recorded.  
 Different definitions can make comparisons difficult.

**Or other reasonable comment**

**Any 1 comment (2)**

**[2]**

(ii)

	Income statement		Statement of financial position	
	Debit	Credit	Assets	Liabilities
Bank overdraft				✓
Depreciation charge for the year	✓ (1)			
Prepaid rent			✓ (1)	
Discount received		✓ (1)		
Commission received		✓ (1)		

**[4]**

**[Total: 24]**

4 (a)

Error	Affects balancing of trial balance	Does not affect balancing of trial balance
1		✓
2	✓ (1)	
3		✓ (1)
4		✓ (1)
5	✓ (1)	

[4]

(b)

Statement of corrected profit

	\$	
Draft profit for the year	26 800	
Error 1	160	(1)
Error 2	1 000	(1)
Error 3	250	(1)
Error 4	No effect	(1)
Error 5	(600)	(2)
Corrected profit for the year	<u>27 610</u>	(1)OF

[7]

(c) Error of commission (1)

[1]

[Total: 12]

Page 7	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0452	13

5 (a)

	\$	\$
Cost	1 200	
Depreciation year 1	<u>240</u>	240 (1)
	960	
Depreciation year 2	<u>192</u>	192 (1)
Total depreciation	<u>432</u>	(1)

[3]

(b)

Fixtures and fittings account				
		\$	\$	
2013			2013	
Jan 1	Balance b/d	31 200 (1)	June 1 Disposal	1 200 (1)
Aug 1	Bank/cash	<u>2 500 (1)</u>	Dec 31 Balance c/d	<u>32 500</u>
		33 700		<u>33 700</u>
2014				
Jan 1	Balance b/d	32 500 (1)OF		

Provision for depreciation Account					
		\$	\$		
2013			2013		
June 1	Disposal	432 (1)OF	Jan 1 Balance b/d	9 702 (1)	
Dec 31	Balance c/d	<u>13 916</u>	Dec 31 Income Statement	<u>4 646 ***</u>	
		14 348		<u>14 348</u>	
			2014		
			Jan 1	Balance b/d	13 916 (1)OF

\*\*\*Calculation of depreciation for the year

	\$	\$
Cost of asset – Opening balance	31 200	
Less disposal	<u>1 200 (1)</u>	
	30 000	
Plus addition	<u>2 500 (1)</u>	32 500
Depreciation – Opening balance	9 702	
Less disposal	<u>432 OF</u>	<u>9 270 (1)OF</u>
		<u>23 230</u>
20% × 23 230 OF = 4646 (1)OF		

Disposal account				
		\$	\$	
2013			2013	
June 1	Fixtures and Fittings	1 200 (1)	June 1 Prov for Depreciation	432 (1)OF
		<u>1 200</u>	Bank/Cash	600 (1)
			Dec 31 Income Statement	<u>168 (1)OF</u>
				<u>1 200</u>

[15]





Page 9	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2014	0452	13

6 (a) To obtain limited liability  
To obtain extra capital  
**Any 1 reason (1)** [1]

(b) Preference share capital [1]

(c) For reinvestment in the business  
To plough back profits  
To set aside profit for dividends in the future  
If there is not enough actual cash available to pay a dividend  
**Any 2 reasons (1) each** [2]

(d)

ABC Limited	\$		
Profit for the year before interest	15 000		
Less debenture interest	<u>1 500</u>	(1)	
Profit for the year	<u>13 500</u>	(1)	
XYZ Limited	\$		
Profit for the year before interest	15 000		
Less debenture interest	<u>8 000</u>	(1)	
Profit for the year after interest	<u>7 000</u>	(1)	

[4]

(e)

ABC Limited			
Appropriation Account for the year ended 31 December 2013			
	\$	\$	
Profit for the year		13 500	(1)OF
Less Ordinary share dividend			
(260 000 shares × \$0.03)	7 800		(2)
Transfer to general reserve	<u>5 000</u>	12 800	
Profit retained in the year		<u>700</u>	
Retained profit b/f		29 300	(1)
Retained profit c/f		<u>30 000</u>	(1)OF

XYZ Limited			
Appropriation Account for the year ended 31 December 2013			
	\$	\$	
Profit for the year		7 000	(1)OF
Less Ordinary share dividend			
(62 000 shares × \$0.05)		<u>3 100</u>	(2)
Profit retained in the year		<u>3 900</u>	
Retained profit b/f		14 100	(1)
Retained profit c/f		<u>18 000</u>	(1)OF

[11]

<b>Page 10</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge IGCSE – October/November 2014</b>	<b>0452</b>	<b>13</b>

- (f) ABC has more equity  
 XYZ Limited has more long term loans/debentures/debt  
 ABC's dividend paid is less expensive than XYZ's loan interest paid  
 ABC paid a higher total dividend than XYZ  
 XYZ paid a higher total loan interest than ABC  
 ABC made a transfer to general reserve  
**Any 2 comments (1) each** **[2]**

- (g) ABC Limited  
Statement of Financial Position at 31 December 2013

	\$	
Non-current assets	100 000	(1)
Net current assets	80 000	(1)
	180 000	
Non-current liabilities		
10% Debentures	15 000	(1)
	165 000	
Capital and reserves		
Ordinary share of \$0.50 each	130 000	(1)
General reserve	5 000	(1)
Retained profit	30 000	(1)OF
	165 000	

**[6]**

- (h) Shares in ABC had a return of 6% (1) but shares in XYZ had a return of 5% (1)  
 ABC had a lower amount of loan capital (1) so less risky (1) **[4]**

**[Total: 31]**