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**ACCOUNTING**

**0452/12**

Paper 1

**October/November 2017**

MARK SCHEME

Maximum Mark: 120

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**Published**

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

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This document consists of **7** printed pages.

Question	Answer	Marks
1(a)	C	1
1(b)	D	1
1(c)	A	1
1(d)	A	1
1(e)	A	1
1(f)	B	1
1(g)	A	1
1(h)	C	1
1(i)	D	1
1(j)	B	1

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2(a)	duality (1)	1														
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2(c)	An adjustment for a prepayment <b>reduces</b> expenses and <b>increases</b> profit. (1)	1														
2(d)	To monitor progress To prepare financial statements For decision making <b>Any one reason for (1) mark</b>	1														
2(e)	<table border="1"> <thead> <tr> <th>term</th> <th>organisation</th> </tr> </thead> <tbody> <tr> <td>prime cost</td> <td><i>manufacturing business</i></td> </tr> <tr> <td>accumulated fund</td> <td>club/society (1)</td> </tr> <tr> <td>dividend</td> <td>limited company (1)</td> </tr> <tr> <td>interest on capital</td> <td>partnership (1)</td> </tr> <tr> <td>work in progress</td> <td>manufacturing business (1)</td> </tr> <tr> <td>drawings</td> <td>sole trader (1) <b>OR</b> partnership (1)</td> </tr> </tbody> </table>	term	organisation	prime cost	<i>manufacturing business</i>	accumulated fund	club/society (1)	dividend	limited company (1)	interest on capital	partnership (1)	work in progress	manufacturing business (1)	drawings	sole trader (1) <b>OR</b> partnership (1)	5
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2(f)	In the income statement <b>(1)</b> as an addition to gross profit / as an item of income/credit <b>(1)</b>	<b>2</b>
2(g)	An income statement deals with revenues and costs, <b>(1)</b> whilst a statement of financial position deals with assets and liabilities. <b>(1)</b> OR An income statement covers a period of time, <b>(1)</b> whilst a statement of financial position is for a specified date. <b>(1)</b>	<b>2</b>
2(h)	Trade payable Club member Committee member Bank Accept other valid answers <b>Any one for (1) mark</b>	<b>1</b>
2(i)	Historic cost Difficulties of definition Non-financial aspects <b>Any one for (1) mark</b>	<b>1</b>

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3(a)	To reduce the number of entries in the ledger To allow book-keeping duties to be shared As an aid for posting to the ledger To summarise accounting information To help in the preparation of control accounts To group together similar types of transactions To make it easier to check for errors  Accept other valid answers. <b>Any one for (1) mark</b>	<b>1</b>									
3(b)	Cash book <b>(1)</b>	<b>1</b>									
3(c)	<table border="1"> <thead> <tr> <th>Date</th> <th>Source document</th> <th>Issued by</th> </tr> </thead> <tbody> <tr> <td>May 2</td> <td>invoice <b>(1)</b></td> <td>Asnee <b>(1)</b></td> </tr> <tr> <td>May 4</td> <td>credit note <b>(1)</b></td> <td>Asnee <b>(1)</b></td> </tr> </tbody> </table>	Date	Source document	Issued by	May 2	invoice <b>(1)</b>	Asnee <b>(1)</b>	May 4	credit note <b>(1)</b>	Asnee <b>(1)</b>	<b>4</b>
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Gross profit		113 000	(1)OF																																																																																																								
Wages and other expenses	80(1)–10(1) 70 000																																																																																																										
Depreciation – buildings	2 000		(1)																																																																																																								
– vehicles	5 000		(1)																																																																																																								
– fixtures and fittings	<u>3 500</u>		(1)																																																																																																								
		<u>80 500</u>																																																																																																									
Profit for the year		<u>32 500</u>	(1)OF																																																																																																								
5(c)	<p style="text-align: center;">HS Limited Statement of Financial Position at 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%;">Cost \$</th> <th style="width: 15%;">Acc dep \$</th> <th style="width: 15%;">NBV \$</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Non-current assets</b></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">400 000</td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">398 000</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Vehicle</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>35 000</u></td> <td style="text-align: right;"><u>3 500</u></td> <td style="text-align: right;">31 500</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>455 000</u></td> <td style="text-align: right;"><u>10 500</u></td> <td style="text-align: right;"><u>444 500</u></td> <td></td> </tr> <tr> <td colspan="5"><b>Current assets</b></td> </tr> <tr> <td>Inventory</td> <td></td> <td></td> <td style="text-align: right;">21 000</td> <td style="text-align: right;">}(1)</td> </tr> <tr> <td>Trade receivables</td> <td></td> <td></td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">}</td> </tr> <tr> <td>Other receivables</td> <td></td> <td></td> <td style="text-align: right;">10 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank</td> <td></td> <td></td> <td style="text-align: right;"><u>62 000</u></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>113 000</u></td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;">557 500</td> <td></td> </tr> <tr> <td colspan="5"><b>Equity</b></td> </tr> <tr> <td>1 000 000 ordinary shares of \$0.50</td> <td></td> <td></td> <td style="text-align: right;">500 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Retained earnings</td> <td></td> <td></td> <td style="text-align: right;"><u>32 500</u></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>532 500</u></td> <td></td> </tr> <tr> <td colspan="5"><b>Current liabilities</b></td> </tr> <tr> <td>Trade payables</td> <td></td> <td></td> <td style="text-align: right;"><u>25 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Total liabilities</td> <td></td> <td></td> <td style="text-align: right;"><u>557 500</u></td> <td></td> </tr> <tr> <td colspan="5">Accept alternative format</td> </tr> </tbody> </table>		Cost \$	Acc dep \$	NBV \$		<b>Non-current assets</b>					Premises	400 000	2 000	398 000	(1)OF	Vehicle	20 000	5 000	15 000	(1)OF	Fixtures and fittings	<u>35 000</u>	<u>3 500</u>	31 500	(1)OF		<u>455 000</u>	<u>10 500</u>	<u>444 500</u>		<b>Current assets</b>					Inventory			21 000	}(1)	Trade receivables			20 000	}	Other receivables			10 000	(1)	Bank			<u>62 000</u>	(1)OF				<u>113 000</u>		Total assets			557 500		<b>Equity</b>					1 000 000 ordinary shares of \$0.50			500 000	(1)	Retained earnings			<u>32 500</u>	(1)OF				<u>532 500</u>		<b>Current liabilities</b>					Trade payables			<u>25 000</u>	(1)	Total liabilities			<u>557 500</u>		Accept alternative format					<b>9</b>
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5(e)	<p>Percentage of gross profit to revenue:</p> <p>Lower selling prices Undercutting competitors Use of promotional pricing/trade discount to enter market Higher purchase prices Lack of trade discount on purchases Any one for <b>(1)</b> mark</p> <p>Percentage of profit to revenue:</p> <p>Better control of expenses <b>(1)</b></p>	<b>2</b>

Question	Answer	Marks																				
6(a)	Current assets minus current liabilities <b>(1)</b>	<b>1</b>																				
6(b)	5600 : 4400 <b>(1)</b> = 1.27 : 1 <b>(1)</b> <b>OF</b>	<b>2</b>																				
6(c)	<p>Quick ratio/acid test/liquid ratio Trade receivables collection period Trade payables payment period (Rate of) inventory turnover Any one for <b>(1)</b> mark</p>	<b>1</b>																				
6(d)	<p>He may not be able to meet liabilities as they fall due. He may not be able to pay day to day running expenses. He may not be able to take advantage of discounts. He has a lot of cash tied up in inventory. Inventory makes up more than half of his current assets. His trade payables are greater than his trade receivables. He has a bank overdraft.</p> <p>Each basic statement <b>(1)</b> plus development <b>(1)</b> to max 4</p>	<b>4</b>																				
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6(f)	1 – capital intro <b>(1)</b> , or 2 – loan <b>(1)</b>	<b>1</b>																				
6(g)	<p>To know the return earned on total funds used in the business. <b>(1)</b> Or to compare with other businesses. <b>(1)</b></p>	<b>1</b>																				