

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
International General Certificate of Secondary Education

## **MARK SCHEME for the May/June 2014 series**

### **0452 ACCOUNTING**

**0452/12**

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.

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<b>Page 2</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2014</b>	<b>0452</b>	<b>12</b>

**1 (a) A**

**(b) C**

**(c) C**

**(d) C**

**(e) C**

**(f) A**

**(g) A**

**(h) A**

**(i) C**

**(j) C**

**(1) each**

**[10]**

<b>Page 3</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2014</b>	<b>0452</b>	<b>12</b>

- 2 (a) Asset – anything owned by or owed to the business (1)  
 Liability – anything owed by the business (1)  
 Owner's capital – funds and resources provided by the owner  
 OR amount owed by the business to the owner (1) [3]

(b)

	Asset	Liability
Inventory	✓	
Motor vehicle	✓(1)	
Creditor		✓ (1)
Debtor	✓(1)	
Bank loan		✓ (1)
Cash	✓(1)	

[5]

(c)

	Debit entry		Credit entry	
		\$		\$
1	<i>Bank account</i>	10 000	<i>Capital account</i>	10 000
2	Plant and equipment	6 000 (1)	Bank ABC Finance	3 000 (1) 3 000 (1)
3	Drawings	500 (1)	Cash	500 (1)
4	Interest payable	210 (1)	Bank	210 (1)
5	ABC Finance	1 000 (1)	Bank	1 000 (1)
6	Income statement	600 (1)	Provision for depreciation	600 (1)

[11]

(d)  $\frac{210}{3000} \times 100 = 7\%$  (1) [2]

(e) A business has paid out more from the bank than it has paid in (2) [2]

(f) Unpresented cheque (1) [1]

[Total: 24]

<b>Page 4</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2014</b>	<b>0452</b>	<b>12</b>

- 3 (a) (i) Any non-current asset, any expense, any income, purchases, sales, returns, inventory, loan, capital, drawings, etc.  
**Any 1 example (1)** [1]
- (ii) Sales ledger  
Purchases ledger  
**Any 1 example (1)** [1]
- (iii) Work can be shared between several people  
Easier for reference  
Same type of accounts are kept together  
**Any 1 point (2)** [2]

(b)

	Financial statement	Type of organisation
Ordinary share capital	<i>Statement of financial position</i>	<i>Limited company</i>
Accumulated fund	Statement of financial position (1)	Club or society (1)
Interest on capital	Appropriation account (1)	Partnership (1)
Ordinary share dividends paid	Appropriation account (1)	Limited company (1)
Debenture interest	Income statement (1)	Limited company (1)

[8]

(c)

Debentures	Ordinary shares
Fixed rate of interest Holders receive interest Holders are creditors Are long term loans Do not carry voting rights Rank before ordinary shares in a winding up	Variable rate of dividend Holders receive dividend Holders are members of the company Are equity Carry voting rights Rank after debentures in a winding up

**Any 2 comparative statements (2) marks each**

[4]

- (d) For reinvestment in the business  
To plough back profits  
For allocating dividends in the future  
If there is not enough actual cash available to pay a dividend  
**Any 1 reason (2)**

[2]

[Total: 18]

<b>Page 5</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2014</b>	<b>0452</b>	<b>12</b>

4 (a) Suspense (1) [1]

(b)

Matsumi  
Trial balance at 30 April 2014

	Dr	Cr
	\$	\$
Bank overdraft		2 320
Cash	100	
Fixtures and fittings at cost	6 800	
Provision for depreciation at 1 May 2013		1 360
Fees receivable		28 105
Interest payable	200	
Rent payable	6 000	
Advertising	430	
Wages	8 005	
Loan account		3 000
Capital at 1 May 2013		2 950
Drawings	16 200	
	37 735	37 735

**Any 2 correct items (1)** [6]

(c) The trial balance was drawn up before the preparation of the income statement/before profit for the year has been calculated (2) [2]

(d) A service business  
OR accept an example of a service business (1) [1]

(e)  $(6800 - 1360) \times 20\% = 1088$  (2) [2]

(f) Provision for depreciation account

	\$		\$
2014		2013	
Apl 30 Balance c/d	2448(1)	May 1 Balance b/d	1360(1)
		2014	
		Apl 30 Income Statement	1088(1)OF
	2448		2448
		2014	
		Mar 1 Balance b/d	2448(1)OF

[4]

[Total: 16]

Page 6	Mark Scheme	Syllabus	Paper
	IGCSE – May/June 2014	0452	12

- 5 (a) Raw materials (1)  
 Direct labour (1)  
 Finished goods (1)  
 Work in progress (1)  
 Inventory (1)  
 Current assets (1) [6]

(b) (i) Randeep  
 Manufacturing Account for the year ended 31 March 2014

	\$	\$
Cost of materials consumed		
Opening inventory of raw materials		16 200 *(1)both
Purchases of raw materials	159 000}	
Carriage on raw materials	<u>4 800}(1)</u>	163 800
		180 000
Closing inventory of raw materials		<u>17 500 *</u>
		162 500 (1)
Direct wages		<u>72 000 (1)</u>
Prime cost		234 500 (1)OF
Factory overheads		
Supervisor's salary	20 000 (1)	
Factory rent	30 000 (1)	
Depreciation – factory machinery	<u>38 000 (1)</u>	88 000
Cost of production		<u>322 500 (1)OF</u>

[9]

(ii) Randeep  
 Income Statement for the year ended 31 March 2014

	\$	\$
Revenue		410 000 (1)
Cost of sales		
Opening inventory finished goods	9 100 *(1)both	
Cost of production	<u>322 500 (1)OF</u>	
	331 600	
Closing inventory of finished goods	<u>8 200*</u>	323 400
Gross profit		86 600 (1)OF
Administration and selling costs		<u>64 600 (1)</u>
Profit for the year		<u>22 000 (1)OF</u>

[6]

- (c) Salary of factory supervisor  
 Factory rent  
 Depreciation of factory machinery  
 Administration and selling costs  
**Any 1 indirect cost (1)** [1]

<b>Page 7</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2014</b>	<b>0452</b>	<b>12</b>

- (d) Office rent/rates  
Office salaries  
Office general expenses  
Office insurance  
Salaries/commission of sales staff  
Advertising expenses  
**Any example of office or sales expense**  
**Any 2 examples (1) each**

[2]

[Total: 24]

6 (a)

Capital expenditure	Revenue expenditure
Purchase of non-current asset Provides benefit for over 1 year Appears in statement of financial position	Day-to-day running expense Provides benefit for less than 1 year Appears in income statement

**Any 1 comparative statement (2)**

**[2]**

(b)

	Capital expenditure	Revenue expenditure
Salesman's commission		✓
Carriage of raw materials		✓(1)
Purchases of goods for resale		✓(1)
Purchases of plant and equipment	✓(1)	
Payment of insurance		✓(1)
Legal fees on purchase of property	✓(1)	

**[5]**

(c)  $(41\ 000 + 28\ 000) : (44\ 000 + 2200)$  (1) whole formula  
1.49 : 1 (1)

**[2]**



<b>Page 9</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>IGCSE – May/June 2014</b>	<b>0452</b>	<b>12</b>

(d)

Morwenna  
Statement of Financial Position at 30 April 2014

	\$ Cost	\$ Depreciation to date	\$ Net book value
Non current assets			
Fixtures and fittings (15 000 (1) + 1000 (1))	16 000	4 500	11 500 (1)OF
Motor vehicles (18 000 (1) – 800 (1))	7 200	6 200	11 000 (1)OF
	33 200	10 700	22 500
Current assets			
Inventory (41 000 (1) – 10 250 (1))		30 750	
Trade receivables		28 000 (1)	
		58 750	
Current liabilities			
Trade payables	44 000 (1)		
Other payables	3 000 (1)		
Bank	2 200 (1)	49 200	9 550
			32 050
Financed by Capital			32 050

(2) OF for capital if no goodwill  
(1) OF for capital if goodwill included

[14]

(e) 58 750 OF : 49 200 OF (1) whole formula  
1.19 : 1 (1) OF

[2]

(f) Actual current ratio below that originally calculated  
Shortage of liquid funds/there is an overdrawn bank balance  
Trade payables higher than trade receivables  
Rather a lot of money is tied up in inventory  
Can only just meet current liabilities from current assets  
Cannot take advantage of business opportunities which may arise  
May have difficulty in paying trade payables  
May depend on receipts from trade receivables to pay trade payables  
**Comments to be based on answer to (e)**  
**Any three comments (1) each**

[3]

[Total: 28]