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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CAMBRIDGE
International Examinations

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]**

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

(f)

Account	Ledger
Premises	*Nominal/general*
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]

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]

(c) (i)

	$	
Sales (72 000 – 3100)	68 900	**(1)**
	× 0.6	**(1)**
Cost of sales	41 340	**(1of)**

OR

	$	
Sales	68 900	**(1)**
Gross profit (at 0.4)	27 560	**(1)**
Cost of sales	41 340	**(1of)**

[3]

(ii)

	$	$	
Inventory at 1 January 2015		12 450	
Purchases	36 800		
Purchases returns	(2 260)	34 540	**(1)**
		46 990	
Inventory at 31 December 2015		(5 650)	**(1of)**
Cost of sales		41 340	**(1of)**

OR

	$	$	
Cost of sales		41 340	**(1of)**
Purchases	36 800		
Purchases returns	(2 260)	(34 540)	**(1)**
		6 800	
Inventory at 1 January 2015		(12 450)	
Inventory at 31 December 2015		(5 650)	**(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	680	
		1 400				1 400	
1 Feb	Balance b/d	680	**(1of)**				

+1 for dates

[7]

(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)**
		1 900				1 900	
2015				2015			
				Jan 1	Balance b/d	1 900	**(1)**
Dec 31	Balance c/d	2 200	**(1)**	Dec 31	Income statement	300	**(1)**
		2 200				2 200	
				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]

(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]

(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		}
	– Theo	1 200	3 000	}**(1)**
			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	6900	**(1)**	Dec 31	Interest on capital	15000	**(1of)**
Dec 31	Drawings	12000	**(1)**		Share of profit	14000	**(1of)**
	Interest on drawings	1200	**(1)**				
	Balance c/d	8900					
		29000				29000	
				2016			
				Jan 1	Balance b/d	8900	**(1of)**

[6]

[Total: 22]

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]