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**ACCOUNTING**

**0452/11**

Paper 1

**May/June 2017**

MARK SCHEME

Maximum Mark: 120

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**Published**

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 May/June 2017 series for most Cambridge IGCSE<sup>®</sup>, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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

Question	Answer			Marks	
2(a)	capital = assets – liabilities <b>(1)</b> , or assets = capital + liabilities <b>(1)</b> , or liabilities = assets – capital <b>(1)</b>			<b>1</b>	
2(b)	asset – something a business owns or which is owed to the business <b>(1) (need all)</b> liability – something which a business owes to a third party <b>(1)</b> inventory – goods bought for resale not yet sold <b>(1)</b>			<b>3</b>	
2(c)	duality <b>(1)</b>			<b>1</b>	
2(d)		debit account	credit account	<b>4</b>	
	Taha receives a cheque from Michael, a credit customer	bank <b>(1)</b>	Michael <b>(1)</b>		
	Taha writes off of a debt owed by Zoe	bad debts <b>(1)</b>	Zoe <b>(1)</b>		
2(e)	sales (ledger) <b>(1)</b> or Trade receivables (ledger) <b>(1)</b>			<b>1</b>	
2(f)			true	false	<b>4</b>
	it will increase the total of the non-current assets			√	
	it will increase the total of current assets			√ <b>(1)</b>	
	it will decrease cash and bank			√ <b>(1)</b>	
	it will require a credit entry in the provision for doubtful debts account		√ <b>(1)</b>		
	it will have no effect on profit for the year			√ <b>(1)</b>	

Question	Answer	Marks																								
2(g)	<p style="text-align: center;">Andy Factory Street Toptown</p> <p style="text-align: right;">Invoice no 1001</p> <p style="text-align: center;">Fred Shop Road Toptown</p> <p style="text-align: right;">22 May 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Quantity</th> <th style="text-align: left;">Details</th> <th style="text-align: left;">Unit price</th> <th style="text-align: left;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">20</td> <td>Standard chair</td> <td style="text-align: right;">\$50</td> <td style="text-align: right;">1000 (1)</td> </tr> <tr> <td style="text-align: right;">10</td> <td>Luxury chair</td> <td style="text-align: right;">\$75 (1)</td> <td style="text-align: right;"><u>750 (1)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">1750</td> </tr> <tr> <td></td> <td style="text-align: right;">10% trade discount</td> <td></td> <td style="text-align: right;"><u>175 (1) OF</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1575 (1) OF</u></td> </tr> </tbody> </table>	Quantity	Details	Unit price	Amount	20	Standard chair	\$50	1000 (1)	10	Luxury chair	\$75 (1)	<u>750 (1)</u>				1750		10% trade discount		<u>175 (1) OF</u>				<u>1575 (1) OF</u>	<b>5</b>
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2(h)	\$1575 (1) OF	<b>1</b>																								
2(i)	credit note (1)	<b>1</b>																								
2(j)	Andy's business buys or manufactures goods which it then sells. (1) A service business provides a service to its customers or clients. (1)	<b>2</b>																								

Question	Answer	Marks																																													
3(a)	Any reasonable comment for (1) mark e.g. Because purchases represent costs to the business Purchases are amounts which reduce profit Purchases are amounts paid by the business	1																																													
3(b)	Book of prime (original) entry (1)	1																																													
3(c)	<p style="text-align: center;">Zameer Purchases account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> </tr> <tr> <td>Feb 21 Balance b/d</td> <td style="text-align: right;">67 210 (1)</td> <td>Feb 28 Income statement</td> <td style="text-align: right;">68 170 (1) OF</td> <td></td> </tr> <tr> <td>28 Purchases for the week</td> <td style="text-align: right;">960 (1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>68 170</u></td> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>68 170</u></td> <td></td> </tr> </table> <p style="text-align: center;">Rent payable account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> </tr> <tr> <td>Feb 21 Balance b/d</td> <td style="text-align: right;">6 600 (1)</td> <td>Feb Income statement</td> <td style="text-align: right;">7 200 (1) OF</td> <td></td> </tr> <tr> <td>25 Bank</td> <td style="text-align: right;">1 800</td> <td>28 statement</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>8 400</u></td> <td>Balance c/d</td> <td style="text-align: right;"><u>1 200 (1)</u></td> <td></td> </tr> <tr> <td>Mar 1 Balance b/d</td> <td style="text-align: right;">1 200 (1) OF</td> <td></td> <td style="text-align: right;"><u>8 400</u></td> <td></td> </tr> </table> <p>+(1) for dates</p>		\$		\$		Feb 21 Balance b/d	67 210 (1)	Feb 28 Income statement	68 170 (1) OF		28 Purchases for the week	960 (1)					<u>68 170</u>		<u>68 170</u>			\$		\$		Feb 21 Balance b/d	6 600 (1)	Feb Income statement	7 200 (1) OF		25 Bank	1 800	28 statement				<u>8 400</u>	Balance c/d	<u>1 200 (1)</u>		Mar 1 Balance b/d	1 200 (1) OF		<u>8 400</u>		8
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3(d)	Revenue (1) Revenue (1)	2																																													

Question	Answer	Marks
3(e)	(i) sales commission received rent received interest received any one for <b>(1)</b> mark.  (ii) capital introduced <b>proceeds</b> of sale of non-current asset receipt of loan any one for <b>(1)</b> mark	<b>2</b>

Question	Answer	Marks
4(a)	at the lower of cost and net realisable value <b>(1)</b>	<b>1</b>
4(b)	\$ 50×\$40                    2 000 <b>(1)</b> 1870 <b>(1)</b> ×\$60 <u>112 200</u> <b>(1) OF</b> total <u>114 200</u> <b>(1) OF</b>	<b>4</b>
4(c)	\$                                    \$ Revenue                            114 200 <b>(1) OF</b> Inventory at 1 January        2 400 <b>(1)</b> 2016 Purchases <u>48 000</u> <b>(1)</b> 50 400 Inventory at 31 December <u>4 320</u> <b>(1)</b> 2016 Cost of sales <u>46 080</u> Gross profit <u>68 120</u> <b>(1) OF</b> accept alternative presentation	<b>5</b>

Question	Answer	Marks																																
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4(e)	<p>To apply the matching (accruals) principle <b>(1)</b>                      Because the income statement accounts for sales made during the year <b>(1)</b>                      Because receipts may not arise in the same year as the sale is made <b>(1)</b>                      accept other suitable answers <b>[maximum 2]</b></p>	<b>2</b>																																
4(f)	cash discount <b>(1)</b>	<b>1</b>																																
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5(c)	<p style="text-align: center;">JW Limited Statement of Changes in Equity for the year ended 30 April 2017</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Details</th> <th style="text-align: center;">Share capital \$</th> <th style="text-align: center;">General reserve \$</th> <th style="text-align: center;">Retained earnings \$</th> <th style="text-align: center;">Total \$</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">On 1 May 2016</td> <td style="text-align: center;">100 000</td> <td style="text-align: center;">50 000 (1)</td> <td style="text-align: center;">23 700 (1of)</td> <td style="text-align: center;">173 700 (1) OF</td> </tr> <tr> <td style="text-align: center;">Interim dividend paid</td> <td></td> <td></td> <td style="text-align: center;">(6 000) (1)</td> <td style="text-align: center;">(6 000)</td> </tr> <tr> <td style="text-align: center;">Profit for the year</td> <td></td> <td></td> <td style="text-align: center;">7 000 (1of)</td> <td style="text-align: center;">7 000</td> </tr> <tr> <td style="text-align: center;">Transfer to general reserve</td> <td></td> <td style="text-align: center;">10 000 (1)</td> <td style="text-align: center;">(10 000) (1)</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">On 30 April 2017</td> <td style="text-align: center;">100 000</td> <td style="text-align: center;">60 000</td> <td style="text-align: center;">14 700</td> <td style="text-align: center;">174 700 (1) OF row</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$	On 1 May 2016	100 000	50 000 (1)	23 700 (1of)	173 700 (1) OF	Interim dividend paid			(6 000) (1)	(6 000)	Profit for the year			7 000 (1of)	7 000	Transfer to general reserve		10 000 (1)	(10 000) (1)	0	On 30 April 2017	100 000	60 000	14 700	174 700 (1) OF row						8
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5(d)	$\frac{7\,000\text{ (1 OF)}}{174\,700\text{ (1 OF)}+30\,000\text{ (1)}} \times 100 = 3.42\% \text{ (1) OF}$ <p style="text-align: center;"><b>OR</b></p> $\frac{(7\,000+3\,000)\text{ (1 OF)}}{174\,700\text{ (1 OF)}+30\,000\text{ (1)}} \times 100 = 4.89\% \text{ (1) OF}$	4																																			
5(e)	<p>mark up applied to goods for resale is lower poorer control of expenses profit is lower higher interest payable poorer utilisation of resources capital used less efficiently capital employed is higher any two for (1) mark</p>	2																																			

Question	Answer	Marks
5(f)	increase sale <b>(1)</b> reduce cost of sales/find cheaper supplier <b>(1)</b> reduce expenses <b>(1)</b> reduce interest payments <b>(1)</b> reduce capital employed <b>(1)</b> reduce loans and debentures <b>(1)</b> any three for <b>(1)</b> mark	<b>3</b>

Question	Answer	Marks																														
6(a)	Subscriptions paid in advance at the year-end <b>(1)</b>	<b>1</b>																														
6(b)	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2" style="text-align: center;">current assets</td> </tr> <tr> <td style="padding-left: 20px;">cash and cash equivalents/bank</td> <td style="text-align: right;">\$6120 <b>(1)</b></td> </tr> <tr> <td style="padding-left: 20px;">inventory</td> <td style="text-align: right;">\$710 <b>(1)</b></td> </tr> <tr> <td style="padding-left: 20px;">subscriptions in arrears</td> <td style="text-align: right;">\$980 <b>(1)</b></td> </tr> <tr> <td colspan="2" style="text-align: center;">current liabilities</td> </tr> <tr> <td style="padding-left: 20px;">subscriptions in advance</td> <td style="text-align: right;">\$395 <b>(1)</b></td> </tr> </table>	current assets		cash and cash equivalents/bank	\$6120 <b>(1)</b>	inventory	\$710 <b>(1)</b>	subscriptions in arrears	\$980 <b>(1)</b>	current liabilities		subscriptions in advance	\$395 <b>(1)</b>	<b>4</b>																		
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Question	Answer	Marks																														
6(d)	<p style="text-align: center;">The Hi-Jump Income and Expenditure Account for the year ended 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Income</td> <td></td> <td></td> </tr> <tr> <td>Subscriptions</td> <td></td> <td style="text-align: right;">52 905 (1)</td> </tr> <tr> <td>Less expenditure</td> <td></td> <td></td> </tr> <tr> <td>Shop loss</td> <td style="text-align: right;">2 560 (1) OF</td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">10 800 (1)</td> <td></td> </tr> <tr> <td>Club expenses</td> <td style="text-align: right;">34 200 (1)</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">250 (1)</td> <td></td> </tr> <tr> <td>Depreciation - equipment</td> <td style="text-align: right;"><u>2 300</u> (3) *</td> <td style="text-align: right;"><u>50 110</u></td> </tr> <tr> <td>Surplus</td> <td></td> <td style="text-align: right;"><u>2 795</u> (1) OF</td> </tr> </tbody> </table> <p>* 17 100 (1)+5 100 (1)–19 900 (1) =2 300</p>		\$	\$	Income			Subscriptions		52 905 (1)	Less expenditure			Shop loss	2 560 (1) OF		Rent	10 800 (1)		Club expenses	34 200 (1)		Bad debts	250 (1)		Depreciation - equipment	<u>2 300</u> (3) *	<u>50 110</u>	Surplus		<u>2 795</u> (1) OF	<b>9</b>
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6(e)	<p>to provide a service to members  because the club can still make a surplus  because the loss is small in relation to subscriptions  because it encourages members to join this club rather than another one  because the rent would still be payable even if the shop closed  any two reasons for (1) mark each</p>	<b>2</b>																														
6(f)	<p>the surplus would not change (1)  plus development  the shop's loss would decrease (1)  OR rent in the income and expenditure account would increase (1)  <b>[maximum 2]</b></p>	<b>2</b>																														