Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/12**

Paper 1 **October/November 2017**

MARK SCHEME

Maximum Mark: 120

Published

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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**

Question	Answer	Marks
2(a)	duality **(1)**	**1**
2(b)	(see table below)	**5**
2(c)	An adjustment for a prepayment **reduces** expenses and **increases** profit. **(1)**	**1**
2(d)	To monitor progress To prepare financial statements For decision making **Any one reason for (1) mark**	**1**
2(e)	(see table below)	**5**

2(b)

	True or False
Carriage inwards appears on the debit side of a trial balance.	True **(1)**
Inventory is included in current assets.	True **(1)**
A suspense account represents the difference between the cash book balance and the balance on the bank statement.	False **(1)**
A sole trader enjoys limited liability.	False **(1)**
The sales account appears in the nominal/general ledger.	True **(1)**

2(e)

term	organisation
prime cost	*manufacturing business*
accumulated fund	club/society **(1)**
dividend	limited company **(1)**
interest on capital	partnership **(1)**
work in progress	manufacturing business **(1)**
drawings	sole trader **(1) OR** partnership **(1)**

Question	Answer	Marks
2(f)	In the income statement **(1)** as an addition to gross profit / as an item of income/credit **(1)**	**2**
2(g)	An income statement deals with revenues and costs, **(1)** whilst a statement of financial position deals with assets and liabilities. **(1)** OR An income statement covers a period of time, **(1)** whilst a statement of financial position is for a specified date. **(1)**	**2**
2(h)	Trade payable Club member Committee member Bank Accept other valid answers **Any one for (1) mark**	**1**
2(i)	Historic cost Difficulties of definition Non-financial aspects **Any one for (1) mark**	**1**

Question	Answer	Marks
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. **Any one for (1) mark**	**1**
3(b)	Cash book **(1)**	**1**
3(c)	(see table below)	**4**

Date	Source document	Issued by
May 2	invoice **(1)**	Asnee **(1)**
May 4	credit note **(1)**	Asnee **(1)**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(d)</td><td>
Jason
Purchases account
<table>
<tr><td>2017</td><td></td><td>$</td><td></td><td>2017</td><td></td><td>$</td><td></td></tr>
<tr><td>May 1</td><td>Balance b/d</td><td>19 620</td><td>(1)</td><td>May 31</td><td>Income statement</td><td>21 725</td><td>(1)OF</td></tr>
<tr><td>31</td><td>Total for month</td><td>2 105</td><td>(1)</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>21 725</td><td></td><td></td><td></td><td>21 725</td><td></td></tr>
</table>
Purchases returns account
<table>
<tr><td>2017</td><td></td><td>$</td><td></td><td>2017</td><td></td><td>$</td><td></td></tr>
<tr><td>May 31</td><td>Income statement</td><td>1010</td><td>(1)OF</td><td>May 1</td><td>Balance b/d</td><td>850</td><td>(1)</td></tr>
<tr><td></td><td></td><td></td><td></td><td>31</td><td>Total for month</td><td>160</td><td>(1)</td></tr>
<tr><td></td><td></td><td>1010</td><td></td><td></td><td></td><td>1 010</td><td></td></tr>
</table>
</td><td>6</td></tr>
<tr><td>3(e)</td><td>
Asnee account
<table>
<tr><td>2017</td><td></td><td>$</td><td></td><td>2017</td><td></td><td>$</td><td></td></tr>
<tr><td>May 4</td><td>Purchases returns</td><td>105</td><td>(1)</td><td>May 1</td><td>Balance b/d</td><td>480</td><td>(1)</td></tr>
<tr><td>6</td><td>Bank</td><td>468</td><td>(1)</td><td>2</td><td>Purchases</td><td>400</td><td>}</td></tr>
<tr><td>6</td><td>Discount received</td><td>12</td><td>(1)</td><td>19</td><td>Purchases</td><td>190</td><td>{(1)</td></tr>
<tr><td>31</td><td>Balance c/d</td><td>485</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>1 070</td><td></td><td></td><td></td><td>1 070</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>Jun 1</td><td>Balance b/d</td><td>485</td><td>(1)OF</td></tr>
</table>
+1 for dates
</td><td>7</td></tr>
<tr><td>3(f)</td><td>A list of account balances (1) at a specific date. (1)</td><td>2</td></tr>
<tr><td>3(g)</td><td>Any two of:
Omission (1) transaction totally omitted from the books. (1)
Commission (1) transaction posted to wrong account of right class. (1)
Principle (1) transaction posted to account of wrong class. (1)
Original entry (1) transaction incorrectly recorded in book of prime entry. (1)
Reversal (1) debit entry posted on credit side and vice versa. (1)
Compensating (1) errors cancel one another out. (1)</td><td>4</td></tr>
<tr><td>3(h)</td><td>By comparing control account totals to the totals of balances of the sales and purchases ledgers, (1) Jason might be able to locate the error. (1)</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>FTA Industries
Provision for doubtful debts account
2015 | $ | 2015 | $
Dec 31 Income statement 787 (1)OF | Jan 1 Balance b/d 2 163 (1)
Balance c/d 1 376 (1)
2 163 | 2 163
2016 | 2016
| Jan 1 Balance b/d 1 376 (1)OF
Dec 31 Balance c/d 1 638 (1) | Dec 31 Income statement 262 (1)OF
1 638 | 1 638
| 2017
+1 for dates | Jan 1 Balance b/d 1 638 (1)OF</td><td>8</td></tr>
<tr><td>4(b)</td><td>Increase (1) OF of $787 (1)OF</td><td>2</td></tr>
<tr><td>4(c)</td><td><table><tr><th>Account debited</th><th>Account credited</th></tr><tr><td>Bad debts (1)</td><td>Eddie (1)</td></tr></table></td><td>2</td></tr>
<tr><td>4(d)</td><td>General journal (1)</td><td>1</td></tr>
<tr><td>4(e)</td><td>FTA Industries
Income Statement (extract) for the year ended 31 December 2016
$
Expenses (1)
Bad debts 1 400 (1)
Increase in provision for doubtful debts 262 (1)OF</td><td>3</td></tr>
<tr><td>4(f)</td><td>Accruals/matching (1)
Prudence (1)</td><td>2</td></tr>
</table>

Question	Answer				Marks
5(a)		$	$		6
	Receipts				
	Share issue (opening balance)		500 000	**(1)**	
	Trade receivables		290 000	**(1)**	
			790 000		
	Payments				
	Non-current assets (400+20+35)	455 000		**(1)**	
	Trade payables	193 000		**(1)**	
	Wages and other expenses	80 000	728 000	**(1)**	
			62 000	**(1)OF**	

Question	Answer	Marks
5(b)	HS Limited Income Statement for the year ended 31 December 2016 <table><tr><td></td><td>$</td><td>$</td><td></td></tr><tr><td>Revenue 290 **(1)** + 20 **(1)**</td><td></td><td>310 000</td><td></td></tr><tr><td>Purchases 193 **(1)** + 25 **(1)**</td><td>218 000</td><td></td><td></td></tr><tr><td>Inventory at 31 December 2016</td><td>21 000</td><td></td><td>**(1)**</td></tr><tr><td>Cost of sales</td><td></td><td>197 000</td><td></td></tr><tr><td>Gross profit</td><td></td><td>113 000</td><td>**(1)OF**</td></tr><tr><td>Wages and other expenses 80**(1)**–10**(1)**</td><td>70 000</td><td></td><td></td></tr><tr><td>Depreciation – buildings</td><td>2 000</td><td></td><td>**(1)**</td></tr><tr><td>– vehicles</td><td>5 000</td><td></td><td>**(1)**</td></tr><tr><td>– fixtures and fittings</td><td>3 500</td><td></td><td>**(1)**</td></tr><tr><td></td><td></td><td>80 500</td><td></td></tr><tr><td>Profit for the year</td><td></td><td>32 500</td><td>**(1)OF**</td></tr></table>	**12**
5(c)	HS Limited Statement of Financial Position at 31 December 2016 <table><tr><td>Non-current assets</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Cost $</td><td>Acc dep $</td><td>NBV $</td><td></td></tr><tr><td>Premises</td><td>400 000</td><td>2 000</td><td>398 000</td><td>**(1)OF**</td></tr><tr><td>Vehicle</td><td>20 000</td><td>5 000</td><td>15 000</td><td>**(1)OF**</td></tr><tr><td>Fixtures and fittings</td><td>35 000</td><td>3 500</td><td>31 500</td><td>**(1)OF**</td></tr><tr><td></td><td>455 000</td><td>10 500</td><td>444 500</td><td></td></tr><tr><td>Current assets</td><td></td><td></td><td></td><td></td></tr><tr><td>Inventory</td><td></td><td></td><td>21 000</td><td>**}(1)**</td></tr><tr><td>Trade receivables</td><td></td><td></td><td>20 000</td><td>**}**</td></tr><tr><td>Other receivables</td><td></td><td></td><td>10 000</td><td>**(1)**</td></tr><tr><td>Bank</td><td></td><td></td><td>62 000</td><td>**(1)OF**</td></tr><tr><td></td><td></td><td></td><td>113 000</td><td></td></tr><tr><td>Total assets</td><td></td><td></td><td>557 500</td><td></td></tr><tr><td>Equity</td><td></td><td></td><td></td><td></td></tr><tr><td>1 000 000 ordinary shares of $0.50</td><td></td><td></td><td>500 000</td><td>**(1)**</td></tr><tr><td>Retained earnings</td><td></td><td></td><td>32 500</td><td>**(1)OF**</td></tr><tr><td></td><td></td><td></td><td>532 500</td><td></td></tr><tr><td>Current liabilities</td><td></td><td></td><td></td><td></td></tr><tr><td>Trade payables</td><td></td><td></td><td>25 000</td><td>**(1)**</td></tr><tr><td>Total liabilities</td><td></td><td></td><td>557 500</td><td></td></tr></table>Accept alternative format	**9**
5(d)	In statement of changes in equity **(1)**	**1**

Question	Answer	Marks
5(e)	Percentage of gross profit to revenue: 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 **(1)** mark Percentage of profit to revenue: Better control of expenses **(1)**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>6(a)</td><td>Current assets minus current liabilities (1)</td><td>1</td></tr>
<tr><td>6(b)</td><td>5600 : 4400 (1) = 1.27 : 1 (1)OF</td><td>2</td></tr>
<tr><td>6(c)</td><td>Quick ratio/acid test/liquid ratio
Trade receivables collection period
Trade payables payment period
(Rate of) inventory turnover
Any one for (1) mark</td><td>1</td></tr>
<tr><td>6(d)</td><td>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.

Each basic statement (1) plus development (1) to max 4</td><td>4</td></tr>
<tr><td>6(e)</td><td>
<table>
<tr><th></th><th></th><th>working capital</th><th>owner’s capital</th></tr>
<tr><td>1</td><td>introduced $2000 capital in the form of cash</td><td>increase $2000</td><td>increase $2000</td></tr>
<tr><td>2</td><td>received a long term loan, $500</td><td>increase $500 (1)</td><td>no effect (1)</td></tr>
<tr><td>3</td><td>bought inventory, $400, on credit</td><td>no effect (1)</td><td>no effect (1)</td></tr>
<tr><td>4</td><td>sold goods costing $100 for $180 cash</td><td>increase $80 (1)</td><td>increase $80 (1)</td></tr>
</table>
</td><td>6</td></tr>
<tr><td>6(f)</td><td>1 – capital intro (1), or 2 – loan (1)</td><td>1</td></tr>
<tr><td>6(g)</td><td>To know the return earned on total funds used in the business. (1)
Or to compare with other businesses. (1)</td><td>1</td></tr>
</table>

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