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**ACCOUNTING**

**0452/11**

Paper 1

**May/June 2019**

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 International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **17** printed pages.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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

Question	Answer				Marks	
2(a)		book of prime (original) entry			4	
	returns to credit suppliers	purchases returns journal		(1)		
	cheques received from credit customers	cash book		(1)		
	contra entry	general journal		(1)		
	bad debts written off	general journal		(1)		
2(b)		debit	credit	no entry	7	
	credit sales	✓				(1)
	cash sales			✓		(1)
	cash refund to credit customer	✓				(1)
	cash discount allowed by credit suppliers			✓		(1)
	contra entry		✓			(1)
	trade discount allowed to credit customers			✓		(1)
	interest charged on credit customer's overdue account	✓				(1)
2(c)(i)	A bad debt is an amount owing to a business which will not be paid by the credit customer				1	
2(c)(ii)	A bad debt recovered is when a credit customer pays some or all of the amount owed after the amount was written off as a bad debt.				1	
2(c)(iii)	A provision for doubtful debts is an estimate of the amount which a business will lose in a financial year because of bad debts.				1	

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2(d)	<p style="text-align: center;">Olivia Ben account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 12.5%;">Date 2019</th> <th style="width: 37.5%;">Details</th> <th style="width: 12.5%;">\$</th> <th style="width: 12.5%;">Date 2019</th> <th style="width: 37.5%;">Details</th> <th style="width: 12.5%;">\$</th> <th style="width: 12.5%;"></th> </tr> </thead> <tbody> <tr> <td>Jan 2</td> <td>Sales</td> <td style="text-align: right;">360</td> <td>Apr 30</td> <td>Cash</td> <td style="text-align: right;">200</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Bad debts</td> <td style="text-align: right;">160</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">360</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">360</td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">Bad debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 12.5%;">Date 2019</th> <th style="width: 37.5%;">Details</th> <th style="width: 12.5%;">\$</th> <th style="width: 12.5%;">Date 2019</th> <th style="width: 37.5%;">Details</th> <th style="width: 12.5%;">\$</th> <th style="width: 12.5%;"></th> </tr> </thead> <tbody> <tr> <td>Apr 30</td> <td>Total to date Ben</td> <td style="text-align: right;">384</td> <td>Apr 30</td> <td>Income statement</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(1) OF</td> <td style="text-align: right;">160</td> <td></td> <td style="text-align: right;">(1) OF</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">544</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">544</td> <td></td> </tr> </tbody> </table>						Date 2019	Details	\$	Date 2019	Details	\$		Jan 2	Sales	360	Apr 30	Cash	200	(1)					Bad debts	160	(1)			360			360		Date 2019	Details	\$	Date 2019	Details	\$		Apr 30	Total to date Ben	384	Apr 30	Income statement				(1) OF	160		(1) OF					544			544		4
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Question	Answer	Marks
3(a)	To check the arithmetical accuracy of / check for errors in the double entry (book-keeping) <b>(1)</b> To assist with the preparation of financial statements <b>(1)</b>	<b>2</b>
3(b)	<p>Commission Example: debiting Khan instead of Kean with cash paid to Kean</p> <p>Complete reversal Example: debiting sales and crediting cash with cash sales</p> <p>Compensating Example: sales and purchases accounts overcast by same amount</p> <p>Principle Example: debiting motor vehicles account with motor expenses</p> <p>Omission Example: drawings completely omitted from accounting records</p> <p>Original entry Example: amount of sales invoice entered incorrectly in sales journal</p> <p><b>Any three – (1) each for naming error (1) for a suitable example</b></p>	<b>6</b>

Question	Answer	Marks																																																																																
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3(d)	<p>1 year's insurance Revenue (expenditure) (1) This is a day-to-day cost of running the business (1)</p> <p>Delivery charge Capital (expenditure) (1) This is a cost incurred in the purchase of the non-current asset (1)</p> <p>Fuel Revenue (expenditure) (1) This is a day-to-day cost of running the business (1)</p>	<b>6</b>

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4(a)	<p style="text-align: center;">YK Club                      Shop Income Statement for the year ended 31 January 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">5 170</td> <td rowspan="2" style="text-align: right;"><b>(1) OF</b></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">896</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td></td> <td></td> <td></td> </tr> <tr> <td>(4150 – 420 <b>(1)</b> + 470 <b>(1)</b>)</td> <td style="text-align: right;">4 200</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">5 096</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">960 <b>(1)*</b></td> <td style="text-align: right;">4 136</td> <td></td> </tr> <tr> <td>Profit on shop</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1 034</td> <td style="text-align: right;"><b>(1) OF</b></td> </tr> <tr> <td colspan="4"><b>*For both inventories</b></td> </tr> </table>		\$	\$		Revenue		5 170	<b>(1) OF</b>	Cost of sales			Opening inventory	896			Purchases				(4150 – 420 <b>(1)</b> + 470 <b>(1)</b> )	4 200				5 096			Closing inventory	960 <b>(1)*</b>	4 136		Profit on shop		1 034	<b>(1) OF</b>	<b>*For both inventories</b>				<b>5</b>
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4(b)		Receipts and payments account \$	Income and expenditure account \$	Statement of financial position \$	11	
	Balance at bank on 1 February 2018	460	<i>given</i>			
	Insurance paid on 1 February 2018 for 18 months to 31 July 2019	1 080	1 080 (1)	720 (1)		360 (1)
	Purchase of new sports equipment by cheque in 31 December 2018	3 500	3 500 (1)			
	Subscriptions received in January 2019 for the year ending 31 January 2020	350	350 (1)			350 (1)
	Accumulated depreciation of sports equipment at 31 January 2019	850				850 (1)
	Cost of sports equipment at 31 January 2019	8 500				8 500 (1)
	Profit from club shop for the year ended 31 January 2019 <b>(calculated in (a))</b>	?		1 034 (1)OF		
	Bank overdraft on 31 January 2019	1 250	1 250 (1)			1 250 (1)

Question	Answer	Marks
4(c)	Increase subscriptions / membership Reduce expenses / obtain discounts Seek donations Obtain loans Seek other forms of income e.g. renting out sports ground Increase prices in club shop  <b>Or other suitable methods (excluding fund-raising activities)</b> <b>Any two (1) each</b>	<b>2</b>

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5(a)	<p style="text-align: center;">Krishna Income Statement for the year ended 30 April 2019</p> <table border="1" 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>Fees (from clients) (35 270 <b>(1)</b> + 2150 <b>(1)</b>)</td> <td></td> <td style="text-align: right;">37 420</td> </tr> <tr> <td>Commission receivable (1820 <b>(1)</b> + 60 <b>(1)</b>)</td> <td></td> <td style="text-align: right;">1 880</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">39 300</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">24 300</td> <td></td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right;">4 260 <b>(1)</b></td> <td></td> </tr> <tr> <td>Rent and rates (7750 <b>(1)</b> + 1200 <b>(1)</b> – 550 <b>(1)</b> = 8400 · <math>\frac{3}{4}</math> <b>(1)</b>)</td> <td style="text-align: right;">6 300</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">720 <b>(1)</b></td> <td></td> </tr> <tr> <td>Depreciation of office fixtures and equipment (18 900 – 17 320)</td> <td style="text-align: right;">1 580 <b>(1)</b></td> <td></td> </tr> <tr> <td>Provision for depreciation of motor vehicles (20% · 17 500 – 6300)</td> <td style="text-align: right;">2 240 <b>(1)</b></td> <td></td> </tr> <tr> <td>Loss for the year</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">39 400 100 <b>(1) OF</b></td> </tr> </tbody> </table>		\$	\$	Fees (from clients) (35 270 <b>(1)</b> + 2150 <b>(1)</b> )		37 420	Commission receivable (1820 <b>(1)</b> + 60 <b>(1)</b> )		1 880			39 300	Wages	24 300		Operating expenses	4 260 <b>(1)</b>		Rent and rates (7750 <b>(1)</b> + 1200 <b>(1)</b> – 550 <b>(1)</b> = 8400 · $\frac{3}{4}$ <b>(1)</b> )	6 300		Motor expenses	720 <b>(1)</b>		Depreciation of office fixtures and equipment (18 900 – 17 320)	1 580 <b>(1)</b>		Provision for depreciation of motor vehicles (20% · 17 500 – 6300)	2 240 <b>(1)</b>		Loss for the year		39 400 100 <b>(1) OF</b>	<b>13</b>
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5(b)	Krishna Drawings account  <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date 2019</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date 2019</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>Apr 30</td> <td>Total cash drawings</td> <td style="text-align: right;">9 150</td> <td>Apr 30</td> <td>Capital</td> <td style="text-align: right;">11 250</td> </tr> <tr> <td></td> <td>Rent and rates (1) OF</td> <td style="text-align: right;">2 100</td> <td></td> <td>(1) OF</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">11 250</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">11 250</td> </tr> </tbody> </table> Capital account  <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date 2019</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date 2018</th> <th style="width: 35%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>Apr 30</td> <td>Drawings (1) OF</td> <td style="text-align: right;">11 250</td> <td>May 1</td> <td>Balance b/d</td> <td style="text-align: right;">38 000</td> </tr> <tr> <td></td> <td>* Income statement</td> <td style="text-align: right;">100</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Balance c/d (1) OF</td> <td style="text-align: right;">26 650</td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">38 000</td> <td>May 1</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">38 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance b/d (1) OF</td> <td style="text-align: right;">26 650</td> </tr> </tbody> </table>						Date 2019	Details	\$	Date 2019	Details	\$	Apr 30	Total cash drawings	9 150	Apr 30	Capital	11 250		Rent and rates (1) OF	2 100		(1) OF				11 250			11 250	Date 2019	Details	\$	Date 2018	Details	\$	Apr 30	Drawings (1) OF	11 250	May 1	Balance b/d	38 000		* Income statement	100					Balance c/d (1) OF	26 650	2019					38 000	May 1		38 000					Balance b/d (1) OF	26 650	<b>5</b>
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5(c)	<p>Will have to pay interest on loan (1) of \$2400 per annum (1)            No rent will be payable (1) so expenses decrease (1)            Other expenses may increase (1) as expenses such as repairs, maintenance and insurance will be payable (1)            The bank loan will have to be repaid in 5 years (1) Will the necessary funds be available? (1)            Alternative uses of the capital of 40k (1) could she gain more through investing elsewhere? (1)</p> <p><b>Or other valid points e.g. does she have adequate security?</b>  <b>Any three factors (1) + basic statement (1) for development</b></p>						<b>6</b>																																																												

Question	Answer			Marks	
6(a)		True	False	<b>5</b>	
	The reward given to ordinary shareholders for investing in the company is known as a dividend.	✓			
	The amount of issued shares for which payment has been received by the company from shareholders is known as paid-up share capital.	✓			<b>(1)</b>
	Ordinary shareholders receive a fixed percentage of the profit each year.		✓		<b>(1)</b>
	In the event of the company being wound up the ordinary shares are the last to be repaid.	✓			<b>(1)</b>
	Ordinary shareholders are personally liable for the debts of the company.		✓		<b>(1)</b>
	Any ordinary share dividend paid during the financial year is entered in the statement of changes of equity irrespective of the year to which it relates.	✓			<b>(1)</b>

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6(b)	<p style="text-align: center;">ML Limited Statement of Changes in Equity for the year ended 31 December 2018</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">(1)</th> <th style="text-align: center;">Ordinary share capital</th> <th style="text-align: center;">Retained earnings</th> <th style="text-align: center;">General reserve</th> <th style="text-align: center;">Total</th> </tr> <tr> <th></th> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>On 1 January 2018</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">200 000</td> <td style="text-align: right;">16 500</td> <td style="text-align: right;">8 000</td> <td style="text-align: right;">224 500</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">(1)</td> <td></td> <td style="text-align: right;">28 000</td> <td></td> <td style="text-align: right;">28 000</td> </tr> <tr> <td>Dividend paid – final</td> <td style="text-align: right;">(1)</td> <td></td> <td style="text-align: right;">(8 000)</td> <td></td> <td style="text-align: right;">(8 000)</td> </tr> <tr> <td style="padding-left: 20px;">interim</td> <td style="text-align: right;">(1)</td> <td></td> <td style="text-align: right;">(6 000)</td> <td></td> <td style="text-align: right;">(6 000)</td> </tr> <tr> <td>Transfer to general reserve</td> <td style="text-align: right;">(1)</td> <td></td> <td style="text-align: right;">(3 000)</td> <td style="text-align: right;">3 000</td> <td></td> </tr> <tr> <td>On 31 Dec 2018</td> <td style="text-align: right;">(1)OF</td> <td style="text-align: right;">200 000</td> <td style="text-align: right;">27 500</td> <td style="text-align: right;">11 000</td> <td style="text-align: right;">238 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		(1)	Ordinary share capital	Retained earnings	General reserve	Total			\$	\$	\$	\$	On 1 January 2018	(1)	200 000	16 500	8 000	224 500	Profit for the year	(1)		28 000		28 000	Dividend paid – final	(1)		(8 000)		(8 000)	interim	(1)		(6 000)		(6 000)	Transfer to general reserve	(1)		(3 000)	3 000		On 31 Dec 2018	(1)OF	200 000	27 500	11 000	238 500							<b>6</b>
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6(c)	$\frac{6000 \cdot 100}{200000} \text{ (1) whole formula} = 3\% \text{ (1)}$	<b>2</b>																																																						
6(d)	<p>Carry a fixed rate (of dividend)  Dividend may not be paid if there is not enough profit  Dividend is paid before ordinary share dividend  Do not usually carry voting rights  Capital is repaid before ordinary share capital in a winding-up  Are not secured on the assets of the company</p> <p><b>Or other valid answers</b>  <b>Any three (1) each</b></p>	<b>3</b>																																																						



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6(e)	<p>Are long-term loans            Debenture holders are not members of the company            Do not carry voting rights            Carry a fixed rate (of interest)            Interest is not dependent on the company's profit            Are often secured on the assets of the company            Debenture holders are repaid before shareholders in a winding-up</p> <p><b>Other valid answers</b>  <b>Any three (1) each</b></p>				<b>3</b>																								
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