

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

## **MARK SCHEME for the October/November 2014 series**

### **0452 ACCOUNTING**

**0452/13**

Paper 1, maximum raw mark 120

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1 (a) B

(b) C

(c) C

(d) C

(e) C

(f) B

(g) B

(h) B

(i) A

(j) A

(1) mark each

[Total: 10]

- 2 (a) 1 Invoice (1)  
 2 Debit note (1)  
 3 Statement of account (1) [3]

- (b) (i) Debit (1)  
 (ii) Cash discount (1)  
 (iii) For prompt payment (1) [3]

(c)

	Debit entry			Credit entry		
		\$			\$	
1	Hal account	300		Sales account	300	
2	Cash account	300	(1)	Hal account	300	(1)
3	Bank account	250	(1)	Cash account	250	(1)
4	Drawings account	400	(1)	Bank account	400	(1)
5	Bank account	600	(1)	Mabel account	600	(1)

[8]

- (d) Transaction 3 (1) [1]

- (e)  $620 (1) - 10 (1) = 610 (2)$   
**OR**  
 $660 (1) - 100 (1) + 50 (1) = 610 (1)$  [4]

- (f) Current assets (1) [1]

- (g) Inventory  
 Trade receivables  
 Other receivables  
 Cash

**Answer to be consistent with answer to (f)**  
**Any 1 item (1)** [1]

[Total: 21]

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- 3 (a) A prepayment is an amount paid in advance for a service which has not yet been received (1)  
 An accrual is an amount owed for a service which has been received but not yet paid for (1) [2]

(b)

Insurance Account			
		\$	\$
2013			2014
July 1	Balance b/d	180 (1)	June 30
Aug 2	Bank/Cash	2 340 (1)	Income Statement
		2 520	2 325 (1)OF
			Balance c/d
			195
			2 520
2014			
July 1	Balance b/d	195 (1)CF	

**+ (1) dates** [5]

(c) (i) Profit and loss/expenses (1) [1]

(ii) Accruals/matching (1) [1]

(d) (i) Service business (1) [1]

(ii) Sales/revenue/sales returns  
 Inventory (opening and closing)  
 Purchases/purchases returns  
 Carriage  
 Cost of sales  
 Goods for own use  
 Gross profit

**Any 2 items (1) each** [2]

(e) (i) Prudence (1) [1]

(ii) At the lower (1) of cost and net realisable value (1) [2]

(f)

	\$
Scrap value 10 × \$2	20 (1)
Less selling expenses	7 (1)
Net realisable value	13 (1)CF

[3]

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- (g) (i) It is a record of what has happened in the past.  
 There is a gap between the year end and the preparation of the statements.  
 Items are recorded at cost so may not be realistic/difficult to judge effect of inflation.  
 May not know what policies the business is using so problems of comparison.  
 Only information which can be expressed in monetary terms in recorded – other important factors are not recorded.  
 Different definitions can make comparisons difficult.

**Or other reasonable comment**

**Any 1 comment (2)**

**[2]**

(ii)

	Income statement		Statement of financial position	
	Debit	Credit	Assets	Liabilities
Bank overdraft				✓
Depreciation charge for the year	✓ (1)			
Prepaid rent			✓ (1)	
Discount received		✓ (1)		
Commission received		✓ (1)		

**[4]**

**[Total: 24]**

4 (a)

Error	Affects balancing of trial balance	Does not affect balancing of trial balance
1		✓
2	✓ (1)	
3		✓ (1)
4		✓ (1)
5	✓ (1)	

[4]

(b)

Statement of corrected profit

	\$	
Draft profit for the year	26 800	
Error 1	160	(1)
Error 2	1 000	(1)
Error 3	250	(1)
Error 4	No effect	(1)
Error 5	(600)	(2)
Corrected profit for the year	<u>27 610</u>	(1)OF

[7]

(c) Error of commission (1)

[1]

[Total: 12]

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5 (a)

	\$	\$
Cost	1 200	
Depreciation year 1	<u>240</u>	240 (1)
	960	
Depreciation year 2	<u>192</u>	192 (1)
Total depreciation	<u>432</u>	(1)

[3]

(b)

Fixtures and fittings account					
		\$	\$		
2013			2013		
Jan 1	Balance b/d	31 200 (1)	June 1 Disposal	1 200 (1)	
Aug 1	Bank/cash	<u>2 500 (1)</u>	Dec 31	Balance c/d	<u>32 500</u>
		33 700			<u>33 700</u>
2014					
Jan 1	Balance b/d	32 500 (1)OF			

Provision for depreciation Account					
		\$	\$		
2013			2013		
June 1	Disposal	432 (1)OF	Jan 1	Balance b/d	9 702 (1)
Dec 31	Balance c/d	<u>13 916</u>	Dec 31	Income Statement	<u>4 646 ***</u>
		14 348			<u>14 348</u>
			2014		
			Jan 1	Balance b/d	13 916 (1)OF

\*\*\*Calculation of depreciation for the year

	\$	\$
Cost of asset – Opening balance	31 200	
Less disposal	<u>1 200 (1)</u>	
	30 000	
Plus addition	<u>2 500 (1)</u>	32 500
Depreciation – Opening balance	9 702	
Less disposal	<u>432 OF</u>	<u>9 270 (1)OF</u>
		<u>23 230</u>
20% × 23 230 OF = 4646 (1)OF		

Disposal account					
		\$	\$		
2013			2013		
June 1	Fixtures and Fittings	1 200 (1)	June 1	Prov for Depreciation	432 (1)OF
		<u>1 200</u>		Bank/Cash	600 (1)
			Dec 31	Income Statement	<u>168 (1)OF</u>
					<u>1 200</u>

[15]

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(c)

Ajith

Extract from Income Statement for the year ended 31 December 2013

\$

Expenses	
Loss on disposal of fixtures and fittings	168 <b>(1)OF</b>
Depreciation – fixtures and fittings	4 646 <b>(1)OF</b>

Ajith

Extract from Statement of Financial Position at 31 December 2013

\$

Non-current assets	
Fixtures and fittings at cost	32 500 <b>(1)OF</b>
Depreciation to date	<u>13 916</u> <b>(1)OF</b>
	18 584

**[4]**

**[Total: 22]**



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6 (a) To obtain limited liability  
To obtain extra capital  
**Any 1 reason (1)** [1]

(b) Preference share capital [1]

(c) For reinvestment in the business  
To plough back profits  
To set aside profit for dividends in the future  
If there is not enough actual cash available to pay a dividend  
**Any 2 reasons (1) each** [2]

(d)

ABC Limited	\$		
Profit for the year before interest	15 000		
Less debenture interest	<u>1 500</u>	(1)	
Profit for the year	<u>13 500</u>	(1)	
XYZ Limited	\$		
Profit for the year before interest	15 000		
Less debenture interest	<u>8 000</u>	(1)	
Profit for the year after interest	<u>7 000</u>	(1)	

[4]

(e)

ABC Limited			
Appropriation Account for the year ended 31 December 2013			
	\$	\$	
Profit for the year		13 500	(1)OF
Less Ordinary share dividend			
(260 000 shares × \$0.03)	7 800		(2)
Transfer to general reserve	<u>5 000</u>	12 800	
Profit retained in the year		<u>700</u>	
Retained profit b/f		29 300	(1)
Retained profit c/f		<u>30 000</u>	(1)OF

XYZ Limited			
Appropriation Account for the year ended 31 December 2013			
	\$	\$	
Profit for the year		7 000	(1)OF
Less Ordinary share dividend			
(62 000 shares × \$0.05)		<u>3 100</u>	(2)
Profit retained in the year		<u>3 900</u>	
Retained profit b/f		14 100	(1)
Retained profit c/f		<u>18 000</u>	(1)OF

[11]

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- (f) ABC has more equity  
 XYZ Limited has more long term loans/debentures/debt  
 ABC's dividend paid is less expensive than XYZ's loan interest paid  
 ABC paid a higher total dividend than XYZ  
 XYZ paid a higher total loan interest than ABC  
 ABC made a transfer to general reserve  
**Any 2 comments (1) each** [2]

(g)

ABC Limited  
 Statement of Financial Position at 31 December 2013

	\$	
Non-current assets	100 000	(1)
Net current assets	80 000	(1)
	180 000	
Non-current liabilities		
10% Debentures	15 000	(1)
	165 000	
Capital and reserves		
Ordinary share of \$0.50 each	130 000	(1)
General reserve	5 000	(1)
Retained profit	30 000	(1)OF
	165 000	

[6]

- (h) Shares in ABC had a return of 6% (1) but shares in XYZ had a return of 5% (1)  
 ABC had a lower amount of loan capital (1) so less risky (1) [4]

[Total: 31]