CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the May/June 2015 series

0452 ACCOUNTING

0452/11

Paper 1, maximum raw mark 120

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.

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- 1 (a) C
 - **(b)** B
 - (c) A
 - (d) B
 - (e) C
 - **(f)** D
 - (g) A
 - **(h)** D
 - (i) A
 - (j) A

(1) mark each [Total: 10]

2 (a)

	Asset	Liability
Office equipment	✓	
Prepaid rent	√ (1)	
Accrued wages		√ (1)
Bank loan		√ (1)
Inventory of goods for resale	√ (1)	
Inventory of stationery for office use	√ (1)	
Amount due to creditor		√ (1)

[6]

(b) An asset account has a debit (1) balance.
 A liability account has a credit (1) balance.
 An expense account has a debit (1) balance.
 An income account has a credit (1) balance.

[4]

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(c) Any suitable answer e.g. insurance, telephone, wages etc. (1)

[1]

(d) Income statement (1)

[1]

(e)

Every transaction has a two fold aspect	True
Costs must be matched against related income	True (1)
Revenue can be recorded before it is earned	False (1)
Staff expertise can be recorded in the financial statements	False (1)

[3]

(f)

Lamoudi

		Insuran	ce account	
2014		\$	2014	\$
1 Jan	Balance b/d	300 (1)	31 Dec Income statement	1380 (1o.f.)
1 Apr	Bank/Cash	<u>1440</u> (1)	Balance c/d	360
		<u>1740</u>		<u>1740</u>
2015				
1 Jan	Balance b/d	360 (1)		

+1 for dates [5]

(g) To check the arithmetical accuracy of the double entry (1) OR

As a basis for the preparation of the financial statements/final accounts (1)

[1]

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(h) Ebenon
Trial Balance at 31 December 2014

	Debit \$	Credit \$	
Motor vehicles	38 000		}
Provision for depreciation of motor vehicles		10 000	}(1)
Sales		190 000	}
Purchases	103 000		}(1)
Rent	4000		}
Wages and salaries	41 000		}(1)
Sundry expenses	6800		}
Drawings	23 000		}(1)
Trade payables		5000	}
Trade receivables	7000		}(1)
Bank overdraft		1500	}
Cash	100		}(1)
Purchase returns		600	}
Inventory	12000		}(1)
Capital		27800	(1o.f.)
	234900	234900	

[8]

(i) 1 January 2014 (1)

[1]

[Total: 30]

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3 (a)

Book of prime (original) entry	Source document
Cash book	Cheque counterfoil
Any two of: Sales journal Sales returns journal Purchases journal Purchases returns journal General journal	Sales invoice Sales credit note issued Purchase invoice Credit note received/debit note issued Notification of debtor going bankrupt/other suitable answer Voucher
for (1) mark each	for (1) mark each

(b) To avoid multiple entries in the ledger (1)

Different books of prime entry can be maintained by different people (1)

Acts as an aid for posting to the ledger by analysing a transaction into debit and credit entry (1) Helps to reduce the amount of detail in the ledger as only totals are posted to the ledger (1) Provides evidence of transactions since they are recorded from source documents (1)

Helps in the auditing/tracking process/facilitates cross-referencing (1)

Easy reference to source of a transaction (1)

Helps in gathering and summarising of accounting information (1)

Groups together similar types of transactions in one book in date order (1)

Reduces number of entries in ledger (1)

Max. 1 [1]

(c) Discount allowed (1) Discount received (1)

[2]

[4]

(d) The debtor's bank refused payment (1)

[1]

(e)

Account debited	Account credited
Pierre (1)	Bank (1)

[2]

(f) Bank reconciliation statement (1)

[1]

(g) Paying more from the bank account then there is in it (1). This means that the business owes the bank money (the bank is a current liability) (1). [2]

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(h)

	Debit balance	Credit balance
Cash book		√ (1)
Bank statement	√ (1)	

[2]

(i)

Account debited	Account credited		
Drawings (1)	Bank (1)		

[2]

[Total: 17]

4 (a) Green Meadow Limited
Statement of Financial Position at 31 January 2015

ooition at	0.0
\$	
184000	
87000	
271 000	(1)*
63000	
57000	
2000	
122000	(1)*
393 000	` '
125000	(1)
100 000	` '
	87000 271000 63000 57000 2000 122000 393000

o 70 protot office office	.00000 (.)
Retained earnings	<u>65 000</u> (1)
	290 000
Non-current liabilities (1)	
6% Debentures (2019)	50 000 (1)
Bank loan	<u>10 000</u> (1)
	60 000

Current liabilities

Trade payables $\frac{43000}{393000}$ (1)*

[10]

^{*} indicates heading required for mark

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	(b)	Closing profit Opening profit Add back: Ordinary dividend Preference dividen Profit for the year	\$ 65000 51500 13500 (1) 10000 (1) d 8000 (1) 31500 (10.f.)		[4]
	(c)	Profit for the year Add back: Bank interest Debenture interest Profit for the year	\$ 31500 (1o.f.) 500 (1) 3000 (1) 35000 (1o.f.)		[4]
	(d)	35 000 (1	$\frac{\text{o.f.})}{60000\text{(1o.f.)}} \times 100 = 10\%\text{(1o.f.)}$		[4]
	(u)	290 000 (1o.f.) +	60 000 (1 o .f.)		נייו
	(e)	To compare with other businesses To compare with rate of finance cost on debentures etc. Any one for (1) mark			
	(f)	To avoid dilution of control (1)/because debentures don't have voting rights (1) Ensure existing owners retain control of business (1)			
		Any one for (1) mark			[1]
					[Total: 24]
5	(a)	Gross profit	\$400 (1)		
		Cost of sales	\$600 (1)		
		Purchases	600 (1o.f.) $-$ (60 $-$ 40) (1) = \$580		
		Profit for the year	\$150 (1)		
		Expenses	400 (1o.f.) – 150 (1o.f.) = \$250		[7]
	(b)	The brother has better control of his expenses (1). The brother has a larger business and experiences economies of scale on overheads such as rent (1). The brother buys goods for resale at a lower price (1). The brother sells the goods at a higher price (1).			nds such

Any one for (1) mark [1]

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(c)
$$\frac{50 \text{ (1)}}{600 \text{ (1o.f.)}} \times 365 \text{ (1)} = 30.42 = 31 \text{ days (1o.f.)}$$
 [4]

(d) Increasing sales

Decreasing inventory levels
More efficient purchasing of inventory
Change in type of goods sold
Increase in business activity
Lower inventory levels
More sales activity

Any two for (1) each [2]

(e) Increase in finance

Additional knowledge/skills/expertise Share risks Sharing of tasks and responsibilities Can discuss decision-making Losses can be shared between partners

Any two for (1) each [2]

[Total: 16]

[6]

Subscriptions account 2014 2014 \$ 1 Jan 1 Jan 100 (1) Balance b/d 350 **(1)** Balance b/d 19300 **(1o.f.)** 31 Dec Bank/Cash 19100 **(1)** 31 Dec Income and expenditure a/c Balance c/d 50 Balance c/d 500

2015 Balance ord 300 19700 2015

1 Jan Balance b/d 500 **(1)** 1 Jan Balance b/d 50 **(1)**

(b) Healthy Ways Sports Club
Total trade payables account

2014 2014 \$ \$ 3710 **(1)** 31 Dec Bank/Cash 1 Jan 590 (1) Balance b/d Balance c/d 820 31 Dec Purchases 3940 (1o.f.) 4530 4530 2015

1 Jan Balance b/d

820 (1) [4]

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(c)	Healthy Ways Sports Club Café Income Statement for the year ended 31 December 2014				
		\$	\$		
	Revenue/Sales		4900 (1))	
	Inventory at 1 January 2014	600 (1)	` '		
	Purchases	<u>3940</u> (1 o .f.)			
		4540			
	Inventory at 31 December 2014	<u>800</u> (1)	<u>3740</u>		
		(-/	1160		
	Staff wages		1800 (1)	1	
	Loss for the year		(640) (1 0		[6]
	Loss for the year		<u>(040</u>) (10	J.1. <i>)</i>	[o]
(d)	Healthy Ways Sports Club				
	Income and Expenditure Account for the year ended 31 December 2014				
		\$	\$		
	Subscriptions		1930	00 (1o.f.)	
	Loss from cafe 640 (1o.f.)			• •	
		`	-		

7500 **(1)**

1850 } (1)

<u> 17990</u>

1310 **(1o.f.)**

4800 }

3200

Mark Scheme

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Staff wages (7200 + 300)

Depreciation 18700 + 4600 (1) - 20100 (1)

Rent and insurance

Sundry expenses

Surplus

[Total: 23]

[7]

Syllabus

Paper