MARK SCHEME for the October/November 2010 question paper

for the guidance of teachers

0452 ACCOUNTING

0452/13   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 must be read in conjunction with the question papers and the report on the examination.

UNIVERSITY *of* CAMBRIDGE
International Examinations

1 **(a)** A   [1]

(b) C   [1]

(c) B   [1]

(d) B   [1]

(e) A   [1]

(f) C   [1]

(g) D   [1]

(h) D   [1]

(i) C   [1]

(j) D   [1]

                                                                                                    [Total: 10]

2 **(a)** (Sales) invoice   [1]

(b)

	Capital expenditure	Revenue expenditure
Purchase of shop	✓ (1)	
Repairs to shop windows		✓ (1)
Purchase of new lock for shop door	✓ (1)	

                                                                                                    [3]

(c) Balance sheet   [1]

(d) The business is expected to continue **(1)** for the foreseeable future **(1)**   [2]

(e) Error of principle   [1]

(f) 5000 shares **(1)** × $0.25 **(1)** = $1250   [2]

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(g) Premium for year = $600
Period 1 July – 30 September is 3 months
Expense = $600 **(1)** / 4 **(1)** = $150 **(1)OF**   [3]

(h) Current assets – current liabilities
$15 000 + 14 500 **(1)** + 16 000 **(1)** – 18 200 **(1)** = $27 300 **(1)**   [4]

(i) Collection period = trade receivables / credit sales × 365 days
= $13 800 **(1)** / $126 000 **(1)**
= 39.97 = 40 **OF (1)** days **(1)**
OF if Cash + Credit sales   [4]

[Total: 21]

3 (a)   Summa account

October				October			
8	Purchase returns	100 **(1)**		5	Purchases	320 **(1)**	
30	Bank (*not Cash*)	220 **(1)**		29	Purchases	270 **(1)**	
31	Balance c/d **OF**	270 **(1)**					
		590				350	
				November			
				1	Balance b/d	270 **OF (1)**	

+ (1) for all correct dates   [7]

Carter account

October				October			
31	Bank (not Cash)	485 **(1)**		17	Purchases	500 **(1)**	
31	Discount	15 **(2)**					
		500				500	

+ (1) for all correct dates   [5]

(b) (i) 200 units **(1)** × $2.80 **(1)**   =   560.00   [2]

(ii) 100 units **(1)** × $3.20 **(1)**   =   320.00
130 units **(1)** × $3.10 **(1)**   =   403.00
120 units **(1)** × $2.90 **(1)**   =   348.00
1071.00   [6]

(c) 130 units **(1)** × $3.00 (*NRV*) **(2)** =   390.00
120 units **(1)** × $2.90 (*cost*) **(1)** =   348.00
250   738.00

Allow **2** if 250 × $3.00   [5]

[Total: 25]

4 (a) A trial balance is a list of balances **(1)** on the accounts in the books / ledgers / records **(1)** at a particular date **(1)** used to check the accuracy of accounts. Allow "**check accuracy**" if linked with "**list of balances**". [Max 3]

(b)
<div align="center">

Gorman Limited
Income statement (trading and profit and loss account)
Year ended 30 September 2010
</div>

	$		$
Revenue (sales)			92 000 **(1)**
Inventory (stock) at 1 October 2009	13 900	**(1)**	
Purchases	70 300	**(1)**	
Carriage inwards	600	**(1)**	
	84 800		
Less: inventory (stock) at 30 Sept 2010	14 300	**(1)**	
Cost of goods sold			70 500
Gross profit			21 500 **OF (1)**
Rent	2 600 }	**(1)**	
Electricity	850 }		
Property tax (1500-300)	1 200	**(1)**	
Wages and salaries	5 750	**(1)**	
Repairs and maintenance	1 100 }	**(1)**	
Administrative expenses	4 000 }		
Depreciation	1 700	**(1)**	
Bank charges	120	**(1)**	
			17 320
Profit for the year (net profit)			4 180 **OF (1)**

[13]

(c) (i) Prudence, consistency, lower of cost and net realizable value (any one) **(2)**

(ii) Accruals, matching (any one) **(2)** [4]

(d) (Rate of inventory (stock) turnover = cost of goods sold / average stock
= 70 500 **(1)** / (13 900 + 14 300) **(1)** / 2 **(1)**
= 5 **(1)** times **(1)** [5]

(e) Collect receivables, reduce inventory, delay payment of payables, sell Fixed Assets (any one). [2]

[Total: 27]

5 (a) (i) Cash discount **(1)**, 3% **(1)** × $300 **(1)** = $9.00   [3]
                      (or 3/97 × 291)

    (ii) Trade discount **(1)**, 5% **(1)** × $2000 **(1)** = $100.00   [3]
                      (or 5/95 × 1900)

(b)   Sohara Cash Book
                                  September 2010

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
		$	$	$			$	$	$
1	Balance b/down **(1)**		700	3000					
6	Juno **(1)**	9 **OF (1)**		*291 **(1)**	8	Apollo **(1)**		1900 **(1)**	
9	Minos **(1)**			85 **(1)**	10	Wages **(1)**		350 **(1)**	
10	Sales **(1)**		1850 **(1)**						

    * OF if $300 – OF Discount   [12]

(c) (i) $300 **(1)** – $270 **(1)** = $30   [2]

    (ii) Lost or missing voucher
          Lost or stolen cash
          Error brought forward or in counting cash
          Amount not recorded   (any one)   [2]

    (iii) $300 **(1)** – $20 **(1)** = $280   [2]

                                              [Total: 24]

6 (a)   Norman – Journal

	$		$	
Office Furniture	1 500	**(1)**		
Inventory (stock)	12 000	**(1)**		
Bank	2 300	**(1)**		
Cash	200	**(1)**		
Capital – Norman		**(1)**	16 000	**(2)**
	3 000	**(1)**		
Bank				
Loan – Peter			3 000	**(1)**

[8]

(b) (i) Straight line (fixed instalment) method **(1)**

(ii) Reducing (diminishing) balance method **(1)**

Other methods e.g. revaluation method may be accepted.

(c) Straight line method would be preferred **(1)** as furniture has an expected useful life and no scrap value **(1)** and cost would be fully written off consistently / evenly over the useful life **(1)**. [3]

[Total: 13]