

**MARK SCHEME for the May/June 2012 question paper  
for the guidance of teachers**

**0452 ACCOUNTING**

**0452/12**

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.

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1 Key

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

[Total: 10]

- 2 (a) Purchases (ledger)/Trade Payables / Creditors [1]
- (b) Cost and net realisable value [1]

(c)

|                    | Income | Expense |
|--------------------|--------|---------|
| Bad debt recovered | ✓(1)   |         |
| Carriage inwards   |        | ✓(1)    |
| Discount received  | ✓(1)   |         |

[3]

- (d) (i) When a transaction is entered using the correct amount and on the correct side (1), but in the wrong class of account. (1)  
 Example – Motor Vehicles debited to the account of Motor Expenses  
**Any suitable example of an error of principle (2)**
- (ii) Compensating errors occur when two or more errors cancel each other out (2)  
 Example – sales account undercast and wages account undercast  
**Any suitable example of a compensating error (2)** [8]

|               |                                       |                 |              |
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(e)  $4\% \times \$28\,000 = \$1120$  [1]

(f) (i)  $\$120 - \$87.60 = \$32.40$  (1)

(ii)  $\$87.60$  (1) [2]

(g) Payments  $\$715$   
Less opening accrual  $\underline{240}$  (1)  
475  
Plus closing accrual  $\underline{320}$  (1)  
Charge for the year  $\underline{795}$  (1)

[3]

(h)  $(6000 \times \$1.50)$  or  $\$9000$  (1)  $\times 3\% \times \frac{1}{2} = \$135$  (1)

[2]

**[Total: 21]**

**3 (a) Mitchell April 8**

Amanda paid \$120 in cash to Mitchell (1)

**Julian April 9**

Amanda received a cheque, \$194, from Julian (1)

Julian was allowed \$6 cash discount for prompt payment (1)

**Sylvia April 14**

Amanda received a cheque, \$180 from Sylvia (1)

**Sylvia April 21**

The cheque, \$180, previously received from Sylvia was dishonoured by the bank (1)

**Equipment April 26**

Amanda purchased equipment, \$2000, by cheque (1)

**Sales April 28**

Amanda sold good for cash \$1300 (1)

[7]

(b) This is a contra entry. (1)

Office cash was paid into the bank (1)

[2]

(c) (i) The cash balance represents the cash in hand (1)

The bank balance represents a bank overdraft (1)

[2]

(ii) Cash balance – current asset (1)

Bank balance – current liability (1)

[2]

(iii) It is not possible to take out more cash than is available

[2]

|               |                                       |                 |              |
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(d)

|          |                 |                          |          |    |
|----------|-----------------|--------------------------|----------|----|
|          |                 | Amanda Mitchell account  |          |    |
|          |                 | \$                       |          | \$ |
| 2012     |                 |                          |          |    |
| April 6  | Cash            | 120                      | (1)      |    |
|          |                 | Julian account           |          |    |
|          |                 | \$                       |          | \$ |
|          |                 |                          | 2012     |    |
|          |                 |                          | April 9  |    |
|          | Bank            | 194                      | (1)      |    |
|          | Discount        | 6                        | (1)      |    |
|          |                 | Sylvia account           |          |    |
|          |                 | \$                       |          | \$ |
| 2012     |                 |                          | 2012     |    |
| April 21 | Bank (dis.chq)  | 180                      | (1)      |    |
|          |                 |                          | April 14 |    |
|          | Bank            | 180                      | (1)      |    |
|          |                 | Equipment account        |          |    |
|          |                 | \$                       |          | \$ |
| 2012     |                 |                          |          |    |
| April 26 | Bank            | 2000                     | (1)      |    |
|          |                 | Sales account            |          |    |
|          |                 | \$                       |          | \$ |
|          |                 |                          | 2012     |    |
|          |                 |                          | April 28 |    |
|          | Cash            | 1300                     | (1)      |    |
|          |                 | Discount allowed account |          |    |
|          |                 | \$                       |          | \$ |
| 2012     |                 |                          |          |    |
| April 30 | Total for month | 6                        | (1)      |    |

**+ (1) for dates**

[9]

**[Total: 24]**

- 4 (a) (i) Expenses are overstated (1)  
Profit for the year is understated (1) [2]
- (ii) Non-current assets are understated (1)  
Owner's capital (Profit) is understated (1) [2]

(b)

|                                      | Capital expenditure | Revenue expenditure |
|--------------------------------------|---------------------|---------------------|
| Purchase of computer                 | ✓(1)                |                     |
| Purchase of laser printer            | ✓(1)                |                     |
| Replacement of hard disc in computer |                     | ✓(1)                |

[3]

(c) (i)  $(\$4800 + \$750) (1) \text{ O/F based on answer to (b) } - \$600 (1) = \$4950$

$$\frac{\$4950}{3 \text{ years } (1)} = \$1650 (1) \text{ O/F}$$

[4]

(ii)  $(\$4800 + \$750) \text{ O/F based on answer to (b) } - \$1650 (1) \text{ O/F}$   
 $= \$3900 (1) \text{ O/F}$

[2]

(d)

|                  | Non-current tangible asset | Non-current intangible asset | Current asset |
|------------------|----------------------------|------------------------------|---------------|
| Office building  | ✓(1)                       |                              |               |
| Motor vehicle    | ✓(1)                       |                              |               |
| Goodwill         |                            | ✓(1)                         |               |
| Work in progress |                            |                              | ✓(1)          |

[4]

**[Total: 17]**

5 (a)

Rachel Smith  
Income Statement for the year ended 31 March 2012

|                              | \$               | \$               | \$                   |
|------------------------------|------------------|------------------|----------------------|
| Revenue                      |                  |                  | 63 100 (1)           |
| Less Cost of sales           |                  |                  |                      |
| Opening inventory            |                  | 3 100 (1)        |                      |
| Purchases                    | 42 500 (1)       |                  |                      |
| Less Purchases returns       | <u>1 900 (1)</u> |                  |                      |
|                              | 40 600           |                  |                      |
| Carriage inwards             | <u>1 050 (1)</u> | <u>41 650</u>    |                      |
|                              |                  | 44 750           |                      |
| Less Closing inventory       |                  | <u>3 750 (1)</u> | <u>41 000 (1) OF</u> |
| Gross profit                 |                  |                  | 22 100 (1) OF        |
| Less Carriage outwards       |                  | 540              |                      |
| Bad debts                    |                  | 190 (1)          |                      |
| Provision for doubtful debts |                  | 150 (1)          |                      |
| Property tax (6000 – 1200)   |                  | 4 800 (2)        |                      |
| Wages (7100 + 180)           |                  | 7 280 (2)        |                      |
| General expenses             |                  | 1 620            |                      |
| Depreciation – Equipment     |                  | <u>1 920 (1)</u> | <u>16 500</u>        |
| Profit for the year          |                  |                  | <u>5 600 (1) OF</u>  |

[16]

(b) (i)  $\frac{22\,100 \text{ O/F}}{63\,100} \times 100 = 35.02\% (1) \text{ O/F}$  [2]

- (ii) Increase selling prices  
Reduce cost of purchases

**Any 1 comment (2)** [2]

(c) (i)  $\frac{5\,600 \text{ O/F}}{63\,100} \times 100 = 8.87\% (1) \text{ O/F}$  [2]

- (ii) Reduce expenses  
Increase gross profit  
Increase other income

**Any 1 comment (2)** [2]

**[Total: 24]**

6 (a) The business will continue to operate for an indefinite period of time (1) and there is no intention to close down or significantly reduce the size of the business. (1) [2]

(b) (i) Current assets : Current liabilities [1]

(ii) 11 400 : 13 800 (1) = 0.83 : 1 (1) [2]

|               |                                       |                 |              |
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- (iii) Unsatisfied (1)  
The business cannot meet the immediate liabilities from the immediate assets (2) [3]

(c)

|                         | Increase | Decrease | No effect |
|-------------------------|----------|----------|-----------|
| Capital                 |          |          | ✓(1)      |
| Current assets          | ✓(1)     |          |           |
| Current liabilities     |          | ✓(1)     |           |
| Non-current liabilities | ✓(1)     |          |           |

[4]

- (d) To assess whether the interest can be paid when due  
To assess whether the loan can be repaid when due  
To assess whether there is security for the loan  
**Any 2 reasons (2) each** [4]

- (e) There are not enough non-current assets for security of the loan  
There is not enough profit to cover the loan interest  
The business would not be able to re-pay the loan on time  
Drawings for the year exceed the profit for the year  
**Any 2 reasons (2) each** [4]

- (f) Introduce additional capital  
Admit a partner/form a limited company  
Mortgage  
Loans from other sources  
Sell surplus non-current assets  
**Any 2 (2) each** [4]

**[Total: 24]**