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**ACCOUNTING**

**0452/13**

Paper 1

**October/November 2017**

MARK SCHEME

Maximum Mark: 120

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**Published**

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This document consists of **13** printed pages.

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

Question	Answer	Marks															
2(a)	The amount owed by the business to the owner. The funds put into the business/contributed by the owner (plus profits net of drawings). Any one for <b>(1)</b> mark	<b>1</b>															
2(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 40%;">Principle</td> </tr> <tr> <td>A trader withdraws goods for his own use and records this in the drawings account.</td> <td>Business entity <b>(1)</b></td> </tr> <tr> <td>A book-keeper writes off debts which will not be paid to the business.</td> <td>Prudence/accruals (matching) <b>(1)</b></td> </tr> <tr> <td>An accountant does not include staff morale as an asset in the statement of financial position.</td> <td>Money measurement <b>(1)</b></td> </tr> <tr> <td>A business uses the double entry system of book-keeping to record transactions.</td> <td>Duality <b>(1)</b></td> </tr> </table>		Principle	A trader withdraws goods for his own use and records this in the drawings account.	Business entity <b>(1)</b>	A book-keeper writes off debts which will not be paid to the business.	Prudence/accruals (matching) <b>(1)</b>	An accountant does not include staff morale as an asset in the statement of financial position.	Money measurement <b>(1)</b>	A business uses the double entry system of book-keeping to record transactions.	Duality <b>(1)</b>	<b>4</b>					
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2(c)	Nominal (general) ledger	<b>1</b>															
2(d)	(Limited) company	<b>1</b>															
2(e)	Items which a business owns or which are owed to the business are known as ASSETS.	<b>1</b>															
2(f)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">document</th> <th style="width: 40%;">reason for issue</th> <th style="width: 30%;">name of person issuing document</th> </tr> </thead> <tbody> <tr> <td>invoice</td> <td><i>to record goods sold on credit</i></td> <td><i>Jake</i></td> </tr> <tr> <td>debit note</td> <td>to ask for reduction in invoice <b>(1)</b></td> <td>Rashida <b>(1)</b></td> </tr> <tr> <td>credit note</td> <td>to accept request for reduction in invoice <b>(1)</b></td> <td>Jake <b>(1)</b></td> </tr> <tr> <td>statement of account</td> <td>to summarise transactions for the month <b>(1)</b></td> <td>Jake <b>(1)</b></td> </tr> </tbody> </table>	document	reason for issue	name of person issuing document	invoice	<i>to record goods sold on credit</i>	<i>Jake</i>	debit note	to ask for reduction in invoice <b>(1)</b>	Rashida <b>(1)</b>	credit note	to accept request for reduction in invoice <b>(1)</b>	Jake <b>(1)</b>	statement of account	to summarise transactions for the month <b>(1)</b>	Jake <b>(1)</b>	<b>6</b>
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<b>Question</b>	<b>Answer</b>		<b>Marks</b>
2(g)		True or False	<b>3</b>
	Work in progress may appear in Jake's manufacturing account.	True <b>(1)</b>	
	Prime cost appears in Jake's income statement.	False <b>(1)</b>	
	Jake's business is a service business.	False <b>(1)</b>	

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3(a)	A bank statement is a copy of the customer's account as it appears in the books of the bank.	1																																																												
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3(d)	A loan is of fixed amount but an overdraft is of varying amount. A loan is for a fixed term but an overdraft may be paid back at any time. A loan may require security but an overdraft may be unsecured. A loan may have a fixed rate of interest but an overdraft will have a variable rate. Any two for <b>(1)</b> each	<b>2</b>
3(e)	Non-current liabilities	<b>1</b>

Question	Answer	Marks
4(a)	$\frac{(17\,040 - 12\,780)}{42\,600} \times 100 = 10\%$ <b>(1)</b> <b>(1)</b> <b>OF</b>	<b>3</b>
4(b)	1 May 2015: Cash book <b>(1)</b>  1 August 2016: 1 Nominal (general) journal <b>(1)</b> 2 Cash book <b>(1)</b>	<b>3</b>

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4(f)	<p>Reducing (diminishing) balance method <b>(1)</b> Annual percentage rate <b>(1)</b> is applied to the net book value <b>(1)</b> of the asset. <b>OR</b> Revaluation method <b>(1)</b> The difference between the opening and closing valuations is taken <b>(1)</b> and adjusted for any purchases or disposals <b>(1)</b></p>			<b>3</b>																					

Question	Answer			Marks
4(g)		capital expenditure	revenue expenditure	<b>4</b>
	cost of vehicle	✓ (1)		
	number plates	✓ (1)		
	fuel		✓ (1)	
	insurance of vehicle		✓ (1)	
4(h)	Capital introduced Receipt of loan Proceeds of sale of non-current asset Any one for <b>(1)</b> mark			<b>1</b>



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5(c)	<p>Satish</p> <p>Statement of Financial Position at 30 June 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 15%;">\$ Cost</th> <th style="text-align: center; width: 15%;">\$ Accumulated depreciation</th> <th style="text-align: center; width: 10%;">\$ Net book value</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>12 000 (1)</u></td> <td style="text-align: right;"><u>4 500 (1)</u></td> <td style="text-align: right;"><u>7 500</u></td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory (4 620 – 550)</td> <td></td> <td></td> <td style="text-align: right;">4 070 (1)</td> </tr> <tr> <td>Trade receivables (3 100 + 400)</td> <td></td> <td></td> <td style="text-align: right;"><u>3 500 (1)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>7 570</u></td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;"><u>15 070</u></td> </tr> <tr> <td>Capital at 1 July 2016</td> <td></td> <td></td> <td style="text-align: right;">14 200 (1)</td> </tr> <tr> <td>Capital introduced</td> <td></td> <td></td> <td style="text-align: right;">2 000 (1)</td> </tr> <tr> <td>Profit</td> <td></td> <td></td> <td style="text-align: right;"><u>5 270 (1)OF</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">21 470</td> </tr> <tr> <td>Drawings</td> <td></td> <td></td> <td style="text-align: right;"><u>8 900 (1)</u></td> </tr> <tr> <td>Capital at 30 June 2017</td> <td></td> <td></td> <td style="text-align: right;"><u>12 570</u></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td></td> <td style="text-align: right;">1 900 (1)</td> </tr> <tr> <td>Bank</td> <td></td> <td></td> <td style="text-align: right;"><u>600 (1)</u></td> </tr> <tr> <td>Total liabilities</td> <td></td> <td></td> <td style="text-align: right;"><u>2 500</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>15 070</u></td> </tr> </tbody> </table> <p>Accept alternative presentation</p>		\$ Cost	\$ Accumulated depreciation	\$ Net book value	Non-current assets				Fixtures and fittings	<u>12 000 (1)</u>	<u>4 500 (1)</u>	<u>7 500</u>	Current assets				Inventory (4 620 – 550)			4 070 (1)	Trade receivables (3 100 + 400)			<u>3 500 (1)</u>				<u>7 570</u>	Total assets			<u>15 070</u>	Capital at 1 July 2016			14 200 (1)	Capital introduced			2 000 (1)	Profit			<u>5 270 (1)OF</u>				21 470	Drawings			<u>8 900 (1)</u>	Capital at 30 June 2017			<u>12 570</u>	Current liabilities				Trade payables			1 900 (1)	Bank			<u>600 (1)</u>	Total liabilities			<u>2 500</u>				<u>15 070</u>	10
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6(a)	A business in which two or more people work together as owners.	1																																				
6(b)	<p style="text-align: center;">Amina and Samara Appropriation Account for the year ended 30 June 2017</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">\$</td> <td style="text-align: center;">\$</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">17 500</td> <td></td> </tr> <tr> <td>Interest on capital – Amina</td> <td style="text-align: right;">5 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>– Samara</td> <td style="text-align: right; border-bottom: 1px solid black;">2 000</td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">7 500</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">10 000</td> <td></td> </tr> <tr> <td>Share of profit – Amina</td> <td style="text-align: right;">6 000</td> <td></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>– Samara</td> <td style="text-align: right; border-bottom: 1px solid black;">4 000</td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">10 000</td> <td></td> </tr> </table>		\$	\$		Profit for the year		17 500		Interest on capital – Amina	5 500		(1)	– Samara	2 000		(1)			7 500				10 000		Share of profit – Amina	6 000		(1)OF	– Samara	4 000		(1)OF			10 000		4
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Question	Answer								Marks
6(c)	Amina and Samara Capital accounts								<b>3</b>
	Date	Details	Amina \$	Samara \$	Date	Details	Amina \$	Samara \$	
	2017 Jun 30	Balance c/d	60 000	20 000	2016 Jul 1 2017 Jan 1	Balance b/d	50 000	20 000	<b>(1)</b> <b>(1)</b>
			60 000	20 000		Cash	10 000		
					2017 Jul 1	Balance b/d	60 000	20 000	<b>(1)</b> <b>OF</b>
6(c)	Current accounts								<b>5</b>
	Date	Details	Amina \$	Samara \$	Date	Details	Amina \$	Samara \$	
	2017 Jun 30	Drawings	8 000	12 000 <b>(1)</b>	2016 Jul 1	Balance b/d	4 000	3 000	<b>(1)</b>
		Balance c/d	7 500		2017 Jun 30	Interest on capital	5 500	2 000	<b>(1of)</b>
			15 500	12 000		Share of profit	6 000	4 000	<b>(1of)</b>
						Balance c/d	3 000		
	Jul 1	Balance b/d	15 500	12 000	Jul 1	Balance b/d	15 500	12 000	<b>(1of)</b>
				3 000			7 500		
	<b>Where appropriate mark is for both entries</b>								
6(d)	Profit for the year would be lower by the amount of the loan interest. <b>(1)</b> Interest on capital would be lower by the interest on the additional capital. <b>(1)</b> Shares of profit might be higher or lower depending on rate of loan interest. <b>(1)</b> <b>Max 2</b>								<b>2</b>

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
6(e)	Samara has a debit balance on her current account <b>(1)</b> which means that she owes funds to the business. <b>(1)</b> Samara's drawings are greater than her total allocation of profit, <b>(1)</b> which means she is reducing the capital of the business. <b>(1)</b> The partnership agreement could be amended <b>(1)</b> to introduce a partner's salary/interest on drawings/change in the profit sharing ratio. <b>(1)</b> Amina has had to introduce additional capital <b>(1)</b> in order to run the day to day business/cover what Samara has taken as drawings. <b>(1)</b> One mark for basic point, plus one for development to <b>max 4</b>	<b>4</b>