



ACCOUNTING

0452/12

Paper 1

May/June 2019

MARK SCHEME

Maximum Mark: 120

Published

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.

Cambridge International will not enter into discussions about these mark schemes.

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PUBLISHED**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer						Marks																																			
2(a)	Payment of annual insurance premium Purchases of goods for re-sale Proceeds of sale of old shop fittings at book value Cost of new shop fittings Delivery charge on new shop fittings Cash sales Loan from bank	<i>revenue expenditure</i> revenue expenditure (1) capital receipt (1) capital expenditure (1) capital expenditure (1) revenue receipt (1) capital receipt (1)						6																																		
2(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="349 718 949 820" style="text-align: center;">transaction</th> <th colspan="3" data-bbox="956 718 1402 820" style="text-align: center;">account(s) debited \$</th> <th colspan="3" data-bbox="1408 718 1966 820" style="text-align: center;">account(s) credited \$</th> </tr> </thead> <tbody> <tr> <td data-bbox="349 825 949 919">Nabil transferred his private motor vehicle, \$18 000 to the business.</td> <td data-bbox="956 825 1196 919">motor vehicles</td> <td data-bbox="1202 825 1330 919" style="text-align: center;">18 000</td> <td data-bbox="1337 825 1402 919" style="text-align: center;">(1)</td> <td data-bbox="1408 825 1626 919">capital</td> <td data-bbox="1632 825 1760 919" style="text-align: center;">18 000</td> <td data-bbox="1767 825 1832 919" style="text-align: center;">(1)</td> </tr> <tr> <td data-bbox="349 924 949 1018">Purchased stationery, \$44, on credit from Tahir.</td> <td data-bbox="956 924 1196 1018">stationery</td> <td data-bbox="1202 924 1330 1018" style="text-align: center;">44</td> <td data-bbox="1337 924 1402 1018" style="text-align: center;">(1)</td> <td data-bbox="1408 924 1626 1018">Tahir</td> <td data-bbox="1632 924 1760 1018" style="text-align: center;">44</td> <td data-bbox="1767 924 1832 1018" style="text-align: center;">(1)</td> </tr> <tr> <td data-bbox="349 1023 949 1117">Paid office cash, \$490, into the business bank account.</td> <td data-bbox="956 1023 1196 1117">bank</td> <td data-bbox="1202 1023 1330 1117" style="text-align: center;">490</td> <td data-bbox="1337 1023 1402 1117" style="text-align: center;">(1)</td> <td data-bbox="1408 1023 1626 1117">cash</td> <td data-bbox="1632 1023 1760 1117" style="text-align: center;">490</td> <td data-bbox="1767 1023 1832 1117" style="text-align: center;">(1)</td> </tr> <tr> <td data-bbox="349 1121 949 1256">Settled Vijay's account of \$200 by bank transfer after deducting 2% cash discount.</td> <td data-bbox="956 1121 1196 1256">Vijay</td> <td data-bbox="1202 1121 1330 1256" style="text-align: center;">200</td> <td data-bbox="1337 1121 1402 1256" style="text-align: center;">(1)</td> <td data-bbox="1408 1121 1626 1256">bank discount received</td> <td data-bbox="1632 1121 1760 1256" style="text-align: center;">196 4</td> <td data-bbox="1767 1121 1832 1256" style="text-align: center;">(1) (1)</td> </tr> </tbody> </table>						transaction	account(s) debited \$			account(s) credited \$			Nabil transferred his private motor vehicle, \$18 000 to the business.	motor vehicles	18 000	(1)	capital	18 000	(1)	Purchased stationery, \$44, on credit from Tahir.	stationery	44	(1)	Tahir	44	(1)	Paid office cash, \$490, into the business bank account.	bank	490	(1)	cash	490	(1)	Settled Vijay's account of \$200 by bank transfer after deducting 2% cash discount.	Vijay	200	(1)	bank discount received	196 4	(1) (1)	9
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Question	Answer			Marks	
2(c)		debit column	credit column	Any 2 correct items (1)	6
	rent and rates	<i>given</i>			
	capital		✓		
	motor vehicle at cost	✓			
	motor expenses	✓			
	purchases returns		✓		
	discount received		✓		
	Tarek, a credit supplier		✓		
	insurance	✓			
	bank overdraft		✓		
	operating expenses	✓			
	5 year bank loan		✓		
	drawings	✓			
	carriage outwards	✓			

Question	Answer						Marks
3(a)	Hamila Safiya account						6
	Date 2019	Details	\$	Date 2019	Details	\$	
	Feb 1	Balance b/d	(1) 320	Feb 12	Bank	(1) 320	
	16	Sales	(1) 200	24	Cash	(1) 400	
	18	Bank	(1) <u>320</u>	27	Bad debts	(10F) <u>120</u>	
			<u>840</u>			<u>840</u>	
3(b)	Hamila Bad debts account						2
	Date 2019	Details	\$	Date 2019	Details	\$	
	Feb 27	Total to date Safiya	674 (10F) <u>120</u> <u>794</u>	Feb 28	Income statement *	794 (10F) <u>794</u>	

Question	Answer	Marks
3(c)(i)	<p>1 March 2018 Balance b/d This is the amount of the provision for doubtful debts at the start or brought down or initial provision (of the financial year). (1)</p> <p>Double entry: provision for doubtful debts } debit }(1)</p> <p>28 February 2019 Balance c/d This is the total of the provision for doubtful debts at the end of the year or to be brought down or new provision Or This is the amount of provision for doubtful debts required for the following financial year (1)</p> <p>Double entry: provision for doubtful debts } credit }(1)</p>	4
3(c)(ii)	<p>This is the difference between the opening and closing provision for doubtful debts. (1) This is the surplus provision which is transferred to the income statement. (1) There is a decrease or reduction in provision (1) and this is added to gross profit or additional income (1)</p>	2
3(d)	<p>Hamila's profit for the year is shown at a more realistic figure (1) Hamila's trade receivables (current assets) are not overstated (1)</p>	2
3(e)	<p>The sales for which Hamila is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1) providing for potential losses (1) recognise that some accounts may not be paid (1)</p>	2
3(f)	<p>Reduce credit sales/sell on cash basis only Obtain references from new credit customers Fix or reduce credit limit for each customer Improve credit control/ reduce credit period Issue invoices and monthly statements promptly Refuse further supplies until outstanding balance is paid Allow cash discount (for prompt payment) Charge interest on overdue accounts Any 2 points (1) each</p>	2

Question	Answer	Marks																		
4(a)	<p>2 years' depreciation = Year 1 $4000 \times 20\% = 800$ 2 $(4000 - 800) \times 20\% = 640$</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Profit/loss on disposal</td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td>Cost</td> <td style="text-align: right;">4000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Less Depreciation to date (800 (1) + 640 (1))</td> <td style="text-align: right;"><u>1440</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">2560</td> <td></td> </tr> <tr> <td>Less Proceeds of sale</td> <td style="text-align: right;"><u>1900</u></td> <td></td> </tr> <tr> <td>Loss (on sale) (1)</td> <td style="text-align: right;"><u>660</u></td> <td style="text-align: right;">(1) OF</td> </tr> </table>	Profit/loss on disposal	\$		Cost	4000	(1)	Less Depreciation to date (800 (1) + 640 (1))	<u>1440</u>			2560		Less Proceeds of sale	<u>1900</u>		Loss (on sale) (1)	<u>660</u>	(1) OF	5
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4(b)	<p>Sam General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 40%;">Details</th> <th style="width: 10%;">Debit \$</th> <th style="width: 10%;">Credit \$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2018 Jan 1</td> <td>Office equipment C Limited Purchase of office equipment on credit</td> <td style="text-align: center;">8000</td> <td style="text-align: center;">8000</td> <td style="text-align: center;">(1) (1) (1)</td> </tr> </tbody> </table>	Date	Details	Debit \$	Credit \$		2018 Jan 1	Office equipment C Limited Purchase of office equipment on credit	8000	8000	(1) (1) (1)	3								
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4(c)(i)	$\frac{(8000 - 2000) (1)}{5 \text{ years}} = 1200 (1)$	2																		
4(c)(ii)	$20\% \times 8000 = 1600 (1)$	1																		

Question	Answer					Marks
4(d)	Sam General Journal					3
		Date	Details	Debit \$	Credit \$	
		2018 Dec 31	Income statement Provision for depreciation of office equipment Depreciation on (office) equipment (transferred to income statement)	1600	1600	(1)OF (1)OF (1)

Question	Answer							Marks
4(e)	Sam – Petty Cash Book							10
	Total received \$	Date 2019	Details	Total paid \$	Office expenses \$	Travel \$	Cleaning \$	Ledger accounts \$
	150	April 1	Cash					
		3	Taxi fare	12				
		6	Parcel post			} 12		
	5	11	Cleaner (refund) (1)	3	3	}(1)*		
		18	Kelly (1)	35		}		35
		21	Printer paper (1)	23	23			
		30	Cleaner (1)	56			56	
				129	26	12	56	35
			Balance c/d	26				
	155			155				
	26	May 1	Balance b/d (1)OF					
	124		Cash/bank (1)OF					
	<p>* for entering both items in the appropriate analysis columns (1) Dates (1) Totalling analysis columns (1) Totalling total columns</p>							

Question	Answer	Marks
5(a)	To reward the partner investing the highest capital To encourage partners to invest in the business Any 1 reason (1)	1

Question	Answer	Marks																																																									
5(b)	To discourage partners from making excessive drawings To 'penalise' the partner who makes high drawings Any 1 reason (1)	1																																																									
5(c)	To compensate for extra workload/responsibilities, running the business, more experience, working or active partner	1																																																									
5(d)	<p style="text-align: center;">Mostafa and Salma Profit and Loss Appropriation Account for the year ended 30 April 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">14 820</td> </tr> <tr> <td>Interest on drawings</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Mostafa</td> <td style="text-align: right;">600 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Salma</td> <td style="text-align: right;"><u>480 (1)</u></td> <td style="text-align: right;"><u>1 080</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">15 900</td> </tr> <tr> <td>Interest on capital</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Mostafa</td> <td style="text-align: right;">2 250 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Salma</td> <td style="text-align: right;"><u>1 250 (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">3 500</td> <td></td> </tr> <tr> <td>Partner's salary</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">*Mostafa</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">9 mths x 12 000</td> <td style="text-align: right;">9000 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">3 mths x 15 000</td> <td style="text-align: right;">3750 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12 750</u></td> <td style="text-align: right;"><u>(16 250)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(350)</td> </tr> <tr> <td>Share of loss</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Mostafa</td> <td style="text-align: right;">210 (1)OF</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Salma</td> <td style="text-align: right;"><u>140 (1)OF</u></td> <td style="text-align: right;"><u>(350)</u></td> </tr> </tbody> </table>		\$	\$	Profit for the year		14 820	Interest on drawings			Mostafa	600 (1)		Salma	<u>480 (1)</u>	<u>1 080</u>			15 900	Interest on capital			Mostafa	2 250 (1)		Salma	<u>1 250 (1)</u>			3 500		Partner's salary			*Mostafa			9 mths x 12 000	9000 (1)		3 mths x 15 000	3750 (1)			<u>12 750</u>	<u>(16 250)</u>			(350)	Share of loss			Mostafa	210 (1)OF		Salma	<u>140 (1)OF</u>	<u>(350)</u>	8
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5(e)	<p>Mostafa and Salma Mostafa Current account</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Date 2019</th> <th style="text-align: left;">Details</th> <th style="text-align: right;">\$</th> <th style="text-align: left;">Date 2018</th> <th style="text-align: left;">Details</th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Apl 30</td> <td style="vertical-align: top;">Drawings }(1) Int on draw OF }</td> <td style="vertical-align: top; text-align: right;">10 000 600</td> <td style="vertical-align: top;">May 1</td> <td style="vertical-align: top;"><i>Balance b/d</i></td> <td style="vertical-align: top; text-align: right;">3 250</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Loss share (1)OF</td> <td style="vertical-align: top; text-align: right;">210</td> <td style="vertical-align: top;">2019 Apl 30</td> <td style="vertical-align: top;">Int on Cap OF }(1) Salary OF }</td> <td style="vertical-align: top; text-align: right;">2 250 12 750</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Balance c/d</td> <td style="vertical-align: top; text-align: right; border-top: 1px solid black;">7 440</td> <td></td> <td></td> <td style="vertical-align: top; text-align: right; border-top: 1px solid black;">18 250</td> </tr> <tr> <td></td> <td></td> <td style="vertical-align: top; text-align: right; border-top: 1px solid black;">18 250</td> <td style="vertical-align: top;">2019 May 1</td> <td style="vertical-align: top;">Balance b/d(1)OF</td> <td style="vertical-align: top; text-align: right;">7 440</td> </tr> </tbody> </table>	Date 2019	Details	\$	Date 2018	Details	\$	Apl 30	Drawings } (1) Int on draw OF }	10 000 600	May 1	<i>Balance b/d</i>	3 250		Loss share (1)OF	210	2019 Apl 30	Int on Cap OF } (1) Salary OF }	2 250 12 750		Balance c/d	7 440			18 250			18 250	2019 May 1	Balance b/d (1)OF	7 440	5
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	(1) Dates																															

Question	Answer			Marks	
6(a)		financial statement		8	
	Wages accrued at 30 April 2019	<i>Income statement</i> <i>Statement of financial position</i>			
	Ordinary share capital	Statement of changes in equity Statement of financial position			
	Creation of general reserve	Statement of changes in equity Statement of financial position			
	Payment of interim ordinary share dividend on 31 October 2018	Statement of changes in equity			
	Proposed ordinary share dividend at 30 April 2019	No entry			
	Debenture interest accrued on 30 April 2019	Income statement Statement of financial position			
6(b)			true	false	5
	debenture holders receive interest		✓		
	debentures holders receive a variable rate of interest			✓(1)	
	debentures are usually included in the non-current liabilities section of the statement of financial position		✓(1)		
	debentures have a prior claim in the event of the company being wound up.		✓(1)		
	debenture holders are entitled to vote at the annual general meeting			✓(1)	
	debentures are often secured on the non-current assets of the company		✓(1)		

Question	Answer	Marks																												
6(c)	Reduction in profit available for the ordinary shareholders or receive less dividends or receive dividends later Debenture holders or debentures have prior claim on the assets of the company in the event of a winding-up Or other relevant points Any 2 points (1) each	2																												
6(d)	$(27\,400 + 25\,200) : (28\,700 + 10\,800) = 52\,600 : 39\,500$ (1 whole formula) = 1.33 : 1 (1)	2																												
6(e)	$25\,200 : (28\,700 + 10\,800) = 25\,200 : 39\,500$ (1 whole formula) = 0.64 : 1 (1)	2																												
6(f)	Quick ratio does not include inventory (1) Either Inventory is the least liquid current asset – a buyer has to be found and then the money collected (1) Or The quick ratio shows whether the business would have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets (1)	2																												
6(g)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%;">increase</th> <th style="width: 15%;">decrease</th> <th style="width: 10%;">no effect</th> </tr> </thead> <tbody> <tr> <td>issue additional debentures</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td>pay operating expenses by cheque</td> <td></td> <td style="text-align: center;">✓(1)</td> <td></td> </tr> <tr> <td>sell goods for cash instead of on credit</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>delay paying credit suppliers</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> <tr> <td>sell unused non-current assets</td> <td style="text-align: center;">✓(1)</td> <td></td> <td></td> </tr> <tr> <td>reduce credit period for credit customers</td> <td></td> <td></td> <td style="text-align: center;">✓(1)</td> </tr> </tbody> </table>		increase	decrease	no effect	issue additional debentures	✓(1)			pay operating expenses by cheque		✓(1)		sell goods for cash instead of on credit			✓(1)	delay paying credit suppliers			✓(1)	sell unused non-current assets	✓(1)			reduce credit period for credit customers			✓(1)	6
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reduce credit period for credit customers			✓(1)																											

Question	Answer	Marks
6(h)	Unable to pay debts (day to day expenses) when they fall due or current liabilities Unable to take advantage of cash discounts Unable to take advantage of business opportunities when they arise or expand May have difficulty in obtaining further supplies May not be able to pay dividends Poor relationship with supplier or may be charged interest for late payment Difficult to obtain bank loan Or other suitable points Any 2 points (1) each	2