

**MARK SCHEME for the October/November 2011 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.

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**1** Key

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

**[Total 10]**

**2 (a)** Income statement, trading account, profit and loss account, balance sheet [income and expenditure account, manufacturing account, appropriation account]. Statement of Affairs (Any two, 1 mark each). [2]

- (b) (i) A service business provides services, not goods. (1)
- (ii) Any acceptable example, e.g. travel agent, professionals, insurance. (1) [2]

**(c)**

	Asset	Liability
Trade payables		✓(1)
Goodwill	✓(1)	
Bank overdraft		✓(1)

[3]

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(d) To apply the matching principle (to spread the cost of the non-current asset over the years of use); to apply the prudence principle (to avoid overstating non-current assets; to avoid overstating the profit, more realistic value).  
(Any two, 1 mark each) [2]

(e) Owner, manager, customer, supplier, bank, investor, government, employee, accountant. [1]

(f) Business will continue indefinitely (for the foreseeable future). [1]

(g) Cost (1) and net realisable value (1) *Not NRV* [2]

(h) Mark-up of 25% = gross margin of 20%  
Gross profit = 20% × \$36 000 = \$7 200 (2)  
Cost of sales = \$36 000 (1) – \$7 200 = \$28 800 (1) OF (*allow \$27 000 OF*)

*Alternative presentation:*

Cost of sales = \$36 000 (1) × 100/125 (2) = \$28 800 (1) OF [4]

(i) Quarterly interest: \$120 000 @ 5% = \$6 000 (1) / 4 (1) = \$1 500 (1) [3]

**[Total: 20]**

3 (a) Purchases journal ((day) book) [1]

(b) (i) \$0.45 (1)

(ii) 75 (1)

(iii) \$1 622.50 (1)

(iv) 4 (1)

(v) Trade (1)

(vi) \$64.90 (1)

(vii) Cash (1) [7]

(c) Payment period = trade payables / credit purchases  
= 8 000 (1) / (73 400 – 800) (1) × 365 (1) days  
= 41 days (1) OF *whole figure only* [4]

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(d) Rate of inventory turnover = cost of sales / average inventory  
= (7 600 + 72 600 – 9 000) (2) / 8 300 (1)  
= 8.58 times (1) OF

*Alternative presentation:*  
= (8 300 (1) / 71 200 (2)) × 365  
= 42 or 43 days (1) OF

[4]

(e) (i) Reduce the level of trade accounts payable.

	Increase	Decrease	No effect
Payment period for creditors		✓(2)	
Rate of inventory turnover			✓(2)

[4]

(ii) Reduce the average amount of inventory.

	Increase	Decrease	No effect
Payment period for creditors			✓(2)
Rate of inventory turnover	✓(2)		

[4]

**[Total: 24]**

4 (a) To show how the profit for the year is shared between the partners

[2]

(b) Adrian and Christopher  
Appropriation Account for the year ended 31 August 2011

			\$	\$	
Profit for the year				93 000	(1)
Interest on drawings	Adrian			1 200	(2)
	Christopher			<u>Nil</u>	
				94 200	
Interest on capital	Adrian	1 600	(2)		
	Christopher	2 000	(2)		
Salary	Christopher	<u>18 000</u>	(1)		
				<u>21 600</u>	
				72 600	(2) OF
Profit share	Adrian	5/8	45 375	(2) OF	
	Christopher	3/8	<u>27 225</u>	(2) OF	
				72 600	

[14]

(c) (i)

Adrian  
Current account

Interest on drawings	1 200 (1) OF	Balance b/down
Drawings	32 000 (1)	Interest on capital
Balance c/down	<u>17 175</u> OF	Share of profits
	<u>50 375</u>	Balance b/down
		17 175 (1) OF

[6]

(ii)

Christopher  
Current account

Drawings	12 000 (1)	Balance b/down
Balance c/down	<u>44 225</u>	Interest on capital
	<u>56 225</u>	Salary
		Share of profits
		<u>27 225</u> (1) OF
		<u>56 225</u>
		Balance b/down
		44 225 (1) OF

[6]

**[Total: 28]**

5 (a) Disposal (of non-current assets account) (disposal of office furniture account). [2]

(b) (Error of) principle. [2]

(c)

	Dr \$	Cr \$
Sales	850 (2)	
Disposal of office furniture		850 (2)

Narrative and Amount needed for marks [4]

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(d) Office furniture account

2008			2011		
October 1	Bank	<u>1 800</u>	April 1	Disposal	<u>1 800</u> (1)

Provision for depreciation of office furniture account

2011			2010		
April 1	Disposal	<u>1 152</u> (1)	October 1	Balance b/d	<u>1 152</u> (1)

Disposal of office furniture account

2011			2011		
April 1	Office furniture	1 800 (1)	April 1	Provision for depreciation	1 152 (1)
Sept 30	Income statement	<u>202</u> (1)	April 1	Norse Ltd	<u>850</u> (1)
		<u>2 002</u>			<u>2 002</u>

Plus 1 Date ( check change in years 2008/2011) [8]

- (e) (i) The profit on sale of the office furniture, or the difference between the NBV and the sale proceeds. *(either correct)* [2]
- (ii) Select a different rate of depreciation on the reducing balance method, or select a different method of providing for depreciation. *(either correct)* [2]

**[Total: 20]**

6 (a)

Lo Shung Limited  
Balance Sheet at 30 September 2011

	\$	\$
<b>Non-current assets</b>		
Equipment at cost	18 500 (1)	
Provision for depreciation	<u>9 800 (1)</u>	
Net book value		8 700
<b>Current assets</b>		
Inventory	4 500 (1)	
Trade receivables	8 700 (1)	
Bank and cash	<u>1 000 (1)</u>	
	<u>14 200</u>	
<b>Current Liabilities</b>		
Trade payables	5 800 (1)	
Other payables	<u>900 (1)</u>	
	<u>6 700</u>	
Net current assets		<u>7 500</u>
		16 200
<b>Long term liabilities</b>		
3% debentures repayable 2020		<u>6 000 (1)</u>
Total assets		<u>10 200</u>
<b>Share capital</b>		
Share capital		5 000 (1)
Retained profits (4 000 (1) +1 200 (1))		<u>5 200</u>
		<u>10 200</u>

[11]

(b)

	Profitability	Liquidity
Percentage of profit for the year (net profit) to sales	✓(1)	
Current ratio		✓(1)
Return on capital employed	✓(1)	

[3]

(c) Return on opening capital employed =  $4\,000 (1) / (6\,200 (1) + 6\,000 (1)) \times 100$   
= 32.79 % (1) OF must be %

*Must be two decimal places*

[4]

**[Total: 18]**