

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

Cambridge International General Certificate of Secondary Education

## **MARK SCHEME for the March 2016 series**

### **0452 ACCOUNTING**

**0452/12**

Paper 12, maximum raw mark 120

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1 (a) B

(b) B

(c) D

(d) A

(e) B

(f) B

(g) C

(h) A

(i) A

(j) D

(1) mark each

[10]

2 (a) Assets **less (1)** liabilities equal capital

Current assets **less (1)** current liabilities equal working capital

Owner's capital **plus (1)** non-current liabilities equals capital employed

[3]

(b)

Account debited	Account credited
Drawings (1)	Bank (1)

[2]

(c) Business entity (1)

A distinction is made between the financial transactions of a business and those of its owner(s) (1)

[2]

(d) Prepaid amount (1)

[1]

- (e) Accruals (matching) (1)  
Income should be matched with costs (1) in an accounting period (1) [3]

(f)

Account	Ledger
Premises	<i>Nominal/general</i>
Sales	Nominal/general
Drawings	Nominal/general
Amit, a credit customer	Sales
Purchases returns	Nominal/general
Discount allowed	Nominal/general
Enoch, a credit supplier	Purchases

Any two correct for (1) mark [3]

- (g) So that accounts of the same type can be kept together  
To allow division of work  
To allow easier reference  
To allow checking procedures to be introduced  
Any one reason (1) [1]

- (h) The total sales are credited to the sales account (1)  
Each sale is debited to the individual debtor's account on a daily basis (1) [2]

- (i) Sales returns journal – return of goods sold on credit  
Purchases journal – purchase of good bought on credit  
Purchases returns journal – return of goods bought on credit  
Cash book – cash sales/receipt from credit customer/any sort of payment  
Petty cash book – any minor expense  
General journal – correction of error/purchase of non-current asset on credit

Any two books for (1) each and any two examples for (1) each  
Allow any reasonable example [4]

[Total: 21]

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- 3 (a) To check the arithmetical accuracy of the double entry (1)  
As a basis for the preparation of the financial statements (1) [2]

(b)

Deepa  
Trial Balance at 31 December 2015

	Debit \$	Credit \$	
Fixtures and fittings	17 000		}
Provision for depreciation of fixtures and fittings		7 500	}(1)
Sales		72 000	}
Sales returns	3 100		}(1)
Purchases	36 800		}
Purchases returns		2 260	}(1)
Drawings	5 200		}
Bank	2 700		}(1)
Inventory	12 450		}
Rent	2 400		}(1)
Wages	21 810		}
Discount allowed	1 000		}(1)
Sundry expenses	10 100		}
Ali (a credit customer)	600		}(1)
Kelvin (a credit customer)	970		}
Jules (a credit supplier)		4 210	}(1)
Capital		28 160	(1of)
	114 130	114 130	

[9]

(c) (i)

	\$	
Sales ( 72 000 – 3100 )	68 900	(1)
	× 0.6	(1)
Cost of sales	<u>41 340</u>	(1of)

OR

	\$	
Sales	68 900	(1)
Gross profit (at 0.4)	<u>27 560</u>	(1)
Cost of sales	<u>41 340</u>	(1of)

[3]

(ii)

	\$	\$	
Inventory at 1 January 2015		12 450	
Purchases	36 800		
Purchases returns	<u>(2 260)</u>	<u>34 540</u>	(1)
		46 990	
Inventory at 31 December 2015		<u>(5 650)</u>	(1of)
Cost of sales		<u>41 340</u>	(1of)

OR

	\$	\$	
Cost of sales		41 340	(1of)
Purchases	36 800		
Purchases returns	<u>(2 260)</u>	<u>(34 540)</u>	(1)
		6 800	
Inventory at 1 January 2015		<u>(12 450)</u>	
Inventory at 31 December 2015		<u>(5 650)</u>	(1of)

[3]

(d)

			Deepa Ali account				
2016		\$	2016		\$		
1 Jan	Balance b/d	600	(1)	8 Jan	Bank	582	(1)
6 Jan	Sales	800	(1)		Discount allowed	18	(1)
				10 Jan	Sales returns	120	(1)
				31 Jan	Balance c/d	<u>680</u>	
		<u>1 400</u>				<u>1 400</u>	
1 Feb	Balance b/d	680	(1of)				

+1 for dates

[7]

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- (e) Advantage  
 Money can be used elsewhere  
 Cash is not tied up  
 Reduces risk of theft/deterioration/obsolescence/damage  
 Reduces inventory holding cost e.g. insurances

**Any one advantage (1) mark**

- Disadvantage  
 If buying in smaller quantity risk of losing quantity discounts  
 Risk of inventory running out  
 Risk of not meeting customer demand

**Any one disadvantage (1) mark**

[2]

- (f) Current assets (1)

[1]

- (g) Long term loan/debt (1)

**OR** debentures (1)

**OR** mortgage (1)

[1]

[Total: 28]

- 4 (a) A provision for doubtful debts stops current assets from being overstated (1) and profit from being overstated (1) [2]

(b)

Nesbit Limited					
Provision for doubtful debts account					
		\$			\$
2014			2014		
Dec 31	Balance c/d	1 900	Dec 31	Income statement	1 900 (1)
		1 900			1 900
2015			2015		
Dec 31	Balance c/d	2 200 (1)	Jan 1	Balance b/d	1 900 (1)
		2 200	Dec 31	Income statement	300 (1)
					2 200
			2016		
			Jan 1	Balance b/d	2 200 (1of)

+1 for dates

[6]

(c)

Nesbit Limited		
Income Statement (extract) for the year ended 31 December 2015		
\$		
Expenses		
Bad debts	1 000	(1)
Increase in provision for doubtful debts	300	(1of)

[2]

(d)

Nesbit Limited  
Statement of Financial Position (extract) at 31 December 2015  
\$

Current assets		
Trade receivables	44 000	(1)
Provision for doubtful debts	2 200	(1of)
	41 800	(1of)

[3]

(e) Provision for depreciation (1)

[1]

(f)

cost	capital expenditure	revenue expenditure
cost of machinery	✓	
delivery charges	✓ (1)	
installation costs	✓ (1)	
supply of cleaning materials		✓ (1)
machine oil		✓ (1)

[4]

(g) Proceeds of sale of non-current asset  
Issue of shares/Capital introduced by owner  
Receipt of loan

Any one for (1) mark

[1]

[Total: 19]

5 (a)

	prime cost section of the manufacturing account	overheads section of the manufacturing account	income statement
office rent			✓ (1)
factory supervisor's salary		✓ (1)	
carriage on raw materials	✓ (1)		
purchase of finished goods			✓ (1)
salesman's commission			✓ (1)

[5]

**(b) Advantage**

- more capital introduced to business
- more expertise available
- responsibilities are shared e.g. holidays, sickness
- risk is shared
- losses are shared

Any one for **(1)** mark

Disadvantage

- profits must be shared
- decision making may be more difficult
- disagreements may occur

Any one for **(1)** mark

**[2]**

**(c) To avoid disagreements in the future (1)**

**[1]**

**(d) Interest on capital – to reward partners who invest more (1)**

Interest on drawings – to discourage drawings **(1)**

**[2]**

**(e)**

Sumit and Theo  
Appropriation account for the year ended 31 December 2015

		\$	\$	
Profit for the year			64 000	
Interest on drawings	– Sumit	1 800		} (1)
	– Theo	1 200	3 000	
			67 000	
Salary	– Sumit		(7 000)	<b>(1)</b>
Interest on capital	– Sumit	(10 000)		<b>(1)</b>
	– Theo	(15 000)	(25 000)	<b>(1)</b>
			35 000	
Profit shares	– Sumit	21 000		<b>(1of)</b>
	– Theo	14 000	35 000	<b>(1of)</b>

**[6]**

**(f)**

		\$	Theo Current account		\$		
2015			2015				
Jan 1	Balance b/d	6 900	<b>(1)</b>	Dec 31	Interest on capital	15 000	<b>(1of)</b>
Dec 31	Drawings	12 000	<b>(1)</b>		Share of profit	14 000	<b>(1of)</b>
	Interest on drawings	1 200	<b>(1)</b>				
	Balance c/d	8 900					
		29 000				29 000	
			2016				
			Jan 1	Balance b/d	8 900		<b>(1of)</b>

**[6]**

**[Total: 22]**



6 (a)

error	working capital	owner's capital
1	<i>Increase \$3000</i>	<i>Increase \$3000</i>
2	No effect (1)	No effect (1)
3	Decrease \$99 (1)	Decrease \$99 (1)
4	Decrease \$70 (1)	Decrease \$70 (1)
5	No effect (1)	Increase \$2500 (1)

[8]

(b)

Error 2	commission	(1)
Error 3	original entry	(1)
Error 4	reversal	(1)
Error 5	omission	(1)

[4]

(c)

Akira  
Journal

Error number	Details	Debit \$	Credit \$
2	D Bones J Jones	1500 (1)	1500 (1)
3	Bank charges Bank	99 (1)	99 (1)
4	Stationery Petty cash	70 (1)	70 (1)
5	Motor vehicles Capital	2500 (1)	2500 (1)

[8]

[Total: 20]