Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

ACCOUNTING **0452/11**

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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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).

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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.

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

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>
<table>
<tr><td></td><td>book of prime (original) entry</td><td></td></tr>
<tr><td>returns to credit suppliers</td><td>purchases returns journal</td><td>(1)</td></tr>
<tr><td>cheques received from credit customers</td><td>cash book</td><td>(1)</td></tr>
<tr><td>contra entry</td><td>general journal</td><td>(1)</td></tr>
<tr><td>bad debts written off</td><td>general journal</td><td>(1)</td></tr>
</table>
</td><td>4</td></tr>
<tr><td>2(b)</td><td>
<table>
<tr><td></td><td>debit</td><td>credit</td><td>no entry</td><td></td></tr>
<tr><td>credit sales</td><td>✓</td><td></td><td></td><td>(1)</td></tr>
<tr><td>cash sales</td><td></td><td></td><td>✓</td><td>(1)</td></tr>
<tr><td>cash refund to credit customer</td><td>✓</td><td></td><td></td><td>(1)</td></tr>
<tr><td>cash discount allowed by credit suppliers</td><td></td><td></td><td>✓</td><td>(1)</td></tr>
<tr><td>contra entry</td><td></td><td>✓</td><td></td><td>(1)</td></tr>
<tr><td>trade discount allowed to credit customers</td><td></td><td></td><td>✓</td><td>(1)</td></tr>
<tr><td>interest charged on credit customer’s overdue account</td><td>✓</td><td></td><td></td><td>(1)</td></tr>
</table>
</td><td>7</td></tr>
<tr><td>2(c)(i)</td><td>A bad debt is an amount owing to a business which will not be paid by the credit customer</td><td>1</td></tr>
<tr><td>2(c)(ii)</td><td>A bad debt recovered is when a credit customer pays some or all of the amount owed after the amount was written off as a bad debt.</td><td>1</td></tr>
<tr><td>2(c)(iii)</td><td>A provision for doubtful debts is an estimate of the amount which a business will lose in a financial year because of bad debts.</td><td>1</td></tr>
</table>

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Question	Answer	Marks
2(d)	Olivia Ben account Date 2019 Jan 2 — Details: Sales — $: 360 Date 2019 Apr 30 — Details: Cash — $: 200 **(1)** Bad debts — $: 160 **(1)** $360 = $360 Bad debts account Date 2019 Apr 30 — Details: *Total to date* — $: 384 Ben **(1) OF** — $: 160 Date 2019 Apr 30 — Details: Income statement **(1) OF** — $: 544 $544 = $544	**4**
2(e)	Olivia Provision for doubtful debts account Date 2019 Apr 30 — Details: Income statement* **(1) OF** — $: 21 Balance c/d **(1)** — $: 384 $405 Date 2018 May 1 — Details: Balance b/d **(1)** — $: 405 $405 Date 2019 May 1 — Details: Balance b/d **(1) OF** — $: 384	**4**

Question	Answer	Marks
3(a)	To check the arithmetical accuracy of / check for errors in the double entry (book-keeping) **(1)** To assist with the preparation of financial statements **(1)**	**2**
3(b)	Commission Example: debiting Khan instead of Kean with cash paid to Kean Complete reversal Example: debiting sales and crediting cash with cash sales Compensating Example: sales and purchases accounts overcast by same amount Principle Example: debiting motor vehicles account with motor expenses Omission Example: drawings completely omitted from accounting records Original entry Example: amount of sales invoice entered incorrectly in sales journal **Any three – (1) each for naming error** **(1) for a suitable example**	**6**

Question	Answer	Marks
3(c)	Kadar Trial Balance at 31 March 2019	**9**

	Debit $	Credit $	
Revenue		146 000	**(1)**
Purchases	137 300		
Sales Returns	1 400		**(1)**
Carriage outwards	2 970		**(1)**
Fixtures and fittings (at cost)	45 000		
Provision for depreciation of fixtures and fittings		18 000	
Motor vehicle (at cost)	16 850		
Discount allowed	190		**(1)**
Discount received		230	
Trade payables		14 600	
Trade receivables	12 900		
Operating expenses	17 190		
Rent payable	5 200		**(1)**
Commission receivable		2 000	**(1)**
Bank overdraft		5 170	
Capital		65 000	**(1)**
Inventory 1 April 2018	12 000		**(1)**
	251 000	251 000	
	(1) Matching totals		

Question	Answer	Marks
3(d)	1 year's insurance Revenue (expenditure) **(1)** This is a day-to-day cost of running the business **(1)** Delivery charge Capital (expenditure) **(1)** This is a cost incurred in the purchase of the non-current asset **(1)** Fuel Revenue (expenditure) **(1)** This is a day-to-day cost of running the business **(1)**	**6**

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Question	Answer	Marks
4(a)	YK Club Shop Income Statement for the year ended 31 January 2019	**5**

	$	$	
Revenue		5 170	**(1) OF**
Cost of sales			
Opening inventory	896		
Purchases			
(4150 – 420 **(1)** + 470 **(1)**)	4 200		
	5 096		
Closing inventory	960 **(1)***	4 136	
Profit on shop		1 034	**(1) OF**

***For both inventories**

Question	Answer	Marks
4(b)		**11**

	$	Receipts and payments account $	Income and expenditure account $	Statement of financial position $
Balance at bank on 1 February 2018	460	*given*		
Insurance paid on 1 February 2018 for 18 months to 31 July 2019	1 080	1 080 **(1)**	720 **(1)**	360 **(1)**
Purchase of new sports equipment by cheque in 31 December 2018	3 500	3 500 **(1)**		
Subscriptions received in January 2019 for the year ending 31 January 2020	350	350 **(1)**		350 **(1)**
Accumulated depreciation of sports equipment at 31 January 2019	850			850 **(1)**
Cost of sports equipment at 31 January 2019	8 500			8 500 **(1)**
Profit from club shop for the year ended 31 January 2019 **(calculated in (a))**	?		1 034 **(1)OF**	
Bank overdraft on 31 January 2019	1 250	1 250 **(1)**		1 250 **(1)**

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Question	Answer	Marks
4(c)	Increase subscriptions / membership Reduce expenses / obtain discounts Seek donations Obtain loans Seek other forms of income e.g. renting out sports ground Increase prices in club shop **Or other suitable methods (excluding fund-raising activities)** **Any two (1) each**	**2**

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Question	Answer	Marks
5(a)	Krishna Income Statement for the year ended 30 April 2019	**13**

	$		$	
Fees (from clients) (35 270 **(1)** + 2150 **(1)**)			37 420	
Commission receivable (1820 **(1)** + 60 **(1)**)			1 880	
			39 300	
Wages	24 300	**(1)**		
Operating expenses	4 260			
Rent and rates (7750 **(1)** + 1200 **(1)** – 550 **(1)** = 8400 × ¾ **(1)**	6 300			
Motor expenses	720	**(1)**		
Depreciation of office fixtures and equipment (18 900 – 17 320)	1 580	**(1)**		
Provision for depreciation of motor vehicles (20% × 17 500 – 6300)	2 240	**(1)**	39 400	
Loss for the year			100	**(1) OF**

Question	Answer	Marks
5(b)	Krishna Drawings account Date 2019 Apr 30 | Details: *Total cash drawings* 9 150; Rent and rates **(1) OF** 2 100 | $: 11 250 | Date 2019 Apr 30 | Details: Capital **(1) OF** | $: 11 250 Capital account Date 2019 Apr 30 | Details: Drawings **(1) OF** 11 250; ***** Income statement **(1) OF** 100; Balance c/d 26 650 | $: 38 000 | Date 2018 May 1 | Details: Balance b/d | $: 38 000; Date 2019 May 1 | Details: Balance b/d **(1) OF** | $: 26 650	**5**
5(c)	Will have to pay interest on loan **(1)** of $2400 per annum **(1)** No rent will be payable **(1)** so expenses decrease **(1)** Other expenses may increase **(1)** as expenses such as repairs, maintenance and insurance will be payable **(1)** The bank loan will have to be repaid in 5 years **(1)** Will the necessary funds be available? **(1)** Alternative uses of the capital of 40k **(1)** could she gain more through investing elsewhere? **(1)** **Or other valid points e.g. does she have adequate security?** **Any three factors (1) + basic statement (1) for development**	**6**

Question	Answer	Marks
6(a)		**5**

	True	False	
The reward given to ordinary shareholders for investing in the company is known as a dividend.	✓		
The amount of issued shares for which payment has been received by the company from shareholders is known as paid-up share capital.	✓		**(1)**
Ordinary shareholders receive a fixed percentage of the profit each year.		✓	**(1)**
In the event of the company being wound up the ordinary shares are the last to be repaid.	✓		**(1)**
Ordinary shareholders are personally liable for the debts of the company.		✓	**(1)**
Any ordinary share dividend paid during the financial year is entered in the statement of changes of equity irrespective of the year to which it relates.	✓		**(1)**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>6(b)</td><td>ML Limited
Statement of Changes in Equity for the year ended 31 December 2018

<table>
<tr><td></td><td></td><td>Ordinary share capital
$</td><td>Retained earnings
$</td><td>General reserve
$</td><td>Total
$</td></tr>
<tr><td>On 1 January 2018</td><td>(1)</td><td>200 000</td><td>16 500</td><td>8 000</td><td>224 500</td></tr>
<tr><td>Profit for the year</td><td>(1)</td><td></td><td>28 000</td><td></td><td>28 000</td></tr>
<tr><td>Dividend paid – final</td><td>(1)</td><td></td><td>(8 000)</td><td></td><td>(8 000)</td></tr>
<tr><td>interim</td><td>(1)</td><td></td><td>(6 000)</td><td></td><td>(6 000)</td></tr>
<tr><td>Transfer to general reserve</td><td>(1)</td><td></td><td>(3 000)</td><td>3 000</td><td></td></tr>
<tr><td>On 31 Dec 2018</td><td>(1)OF</td><td>200 000</td><td>27 500</td><td>11 000</td><td>238 500</td></tr>
</table></td><td>6</td></tr>
<tr><td>6(c)</td><td>$\frac{6000 \times 100}{200\,000}$ (1) whole formula = 3% (1)</td><td>2</td></tr>
<tr><td>6(d)</td><td>Carry a fixed rate (of dividend)
Dividend may not be paid if there is not enough profit
Dividend is paid before ordinary share dividend
Do not usually carry voting rights
Capital is repaid before ordinary share capital in a winding-up
Are not secured on the assets of the company

Or other valid answers
Any three (1) each</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>6(e)</td><td>Are long-term loans
Debenture holders are not members of the company
Do not carry voting rights
Carry a fixed rate (of interest)
Interest is not dependent on the company’s profit
Are often secured on the assets of the company
Debenture holders are repaid before shareholders in a winding-up

Other valid answers
Any three (1) each</td><td>3</td></tr>
<tr><td>6(f)</td><td>
<table>
<tr><td></td><td>Increase
$</td><td>Decrease
$</td><td>No Effect</td></tr>
<tr><td>Effect on balance at bank</td><td>100 000</td><td></td><td></td></tr>
<tr><td>effect on non-current liabilities</td><td>100 000 (1)</td><td></td><td></td></tr>
<tr><td>effect on working capital</td><td>100 000 (1)</td><td></td><td></td></tr>
<tr><td>effect on equity at 1 January 2019</td><td></td><td></td><td>✓(1)</td></tr>
<tr><td>effect on annual profits</td><td></td><td>5 000 (1)</td><td></td></tr>
</table>
</td><td>4</td></tr>
</table>

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