



ACCOUNTING

0452/12

Paper 1

October/November 2017

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.

Cambridge International is publishing the mark schemes for the October/November 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

© IGCSE is a registered trademark.

This document consists of **7** printed pages.



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

Question	Answer	Marks														
2(a)	duality (1)	1														
2(b)	<table border="1"> <thead> <tr> <th></th> <th>True or False</th> </tr> </thead> <tbody> <tr> <td>Carriage inwards appears on the debit side of a trial balance.</td> <td>True (1)</td> </tr> <tr> <td>Inventory is included in current assets.</td> <td>True (1)</td> </tr> <tr> <td>A suspense account represents the difference between the cash book balance and the balance on the bank statement.</td> <td>False (1)</td> </tr> <tr> <td>A sole trader enjoys limited liability.</td> <td>False (1)</td> </tr> <tr> <td>The sales account appears in the nominal/general ledger.</td> <td>True (1)</td> </tr> </tbody> </table>		True or False	Carriage inwards appears on the debit side of a trial balance.	True (1)	Inventory is included in current assets.	True (1)	A suspense account represents the difference between the cash book balance and the balance on the bank statement.	False (1)	A sole trader enjoys limited liability.	False (1)	The sales account appears in the nominal/general ledger.	True (1)	5		
	True or False															
Carriage inwards appears on the debit side of a trial balance.	True (1)															
Inventory is included in current assets.	True (1)															
A suspense account represents the difference between the cash book balance and the balance on the bank statement.	False (1)															
A sole trader enjoys limited liability.	False (1)															
The sales account appears in the nominal/general ledger.	True (1)															
2(c)	An adjustment for a prepayment reduces expenses and increases profit. (1)	1														
2(d)	To monitor progress To prepare financial statements For decision making Any one reason for (1) mark	1														
2(e)	<table border="1"> <thead> <tr> <th>term</th> <th>organisation</th> </tr> </thead> <tbody> <tr> <td>prime cost</td> <td><i>manufacturing business</i></td> </tr> <tr> <td>accumulated fund</td> <td>club/society (1)</td> </tr> <tr> <td>dividend</td> <td>limited company (1)</td> </tr> <tr> <td>interest on capital</td> <td>partnership (1)</td> </tr> <tr> <td>work in progress</td> <td>manufacturing business (1)</td> </tr> <tr> <td>drawings</td> <td>sole trader (1) OR partnership (1)</td> </tr> </tbody> </table>	term	organisation	prime cost	<i>manufacturing business</i>	accumulated fund	club/society (1)	dividend	limited company (1)	interest on capital	partnership (1)	work in progress	manufacturing business (1)	drawings	sole trader (1) OR partnership (1)	5
term	organisation															
prime cost	<i>manufacturing business</i>															
accumulated fund	club/society (1)															
dividend	limited company (1)															
interest on capital	partnership (1)															
work in progress	manufacturing business (1)															
drawings	sole trader (1) OR partnership (1)															

Question	Answer	Marks
2(f)	In the income statement (1) as an addition to gross profit / as an item of income/credit (1)	2
2(g)	An income statement deals with revenues and costs, (1) whilst a statement of financial position deals with assets and liabilities. (1) OR An income statement covers a period of time, (1) whilst a statement of financial position is for a specified date. (1)	2
2(h)	Trade payable Club member Committee member Bank Accept other valid answers Any one for (1) mark	1
2(i)	Historic cost Difficulties of definition Non-financial aspects Any one for (1) mark	1

Question	Answer	Marks									
3(a)	To reduce the number of entries in the ledger To allow book-keeping duties to be shared As an aid for posting to the ledger To summarise accounting information To help in the preparation of control accounts To group together similar types of transactions To make it easier to check for errors Accept other valid answers. Any one for (1) mark	1									
3(b)	Cash book (1)	1									
3(c)	<table border="1"> <thead> <tr> <th>Date</th> <th>Source document</th> <th>Issued by</th> </tr> </thead> <tbody> <tr> <td>May 2</td> <td>invoice (1)</td> <td>Asnee (1)</td> </tr> <tr> <td>May 4</td> <td>credit note (1)</td> <td>Asnee (1)</td> </tr> </tbody> </table>	Date	Source document	Issued by	May 2	invoice (1)	Asnee (1)	May 4	credit note (1)	Asnee (1)	4
Date	Source document	Issued by									
May 2	invoice (1)	Asnee (1)									
May 4	credit note (1)	Asnee (1)									

Question	Answer	Marks																																																																						
3(d)	<p style="text-align: center;">Jason Purchases account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">2017</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 15%;"></td> <td style="width: 15%;">2017</td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 15%;"></td> </tr> <tr> <td>May 1</td> <td>Balance b/d</td> <td style="text-align: right;">19 620</td> <td style="text-align: right;">(1)</td> <td>May</td> <td>Income statement</td> <td style="text-align: right;">21 725 (1)OF</td> </tr> <tr> <td></td> <td>31</td> <td>Total for month</td> <td style="text-align: right;"><u>2 105</u></td> <td></td> <td>31</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>21 725</u></td> <td></td> <td></td> <td style="text-align: right;"><u>21 725</u></td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="7" style="text-align: center;">Purchases returns account</td> </tr> <tr> <td>2017</td> <td></td> <td style="text-align: center;">\$</td> <td></td> <td>2017</td> <td style="text-align: center;">\$</td> <td></td> </tr> <tr> <td>May 31</td> <td>Income statement</td> <td style="text-align: right;">1010</td> <td style="text-align: right;">(1)OF</td> <td>May</td> <td>Balance b/d</td> <td style="text-align: right;">850 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>1</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>31</td> <td>Total for month</td> <td style="text-align: right;"><u>160</u> (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>1010</u></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1 010</u></td> </tr> </table>	2017		\$		2017	\$		May 1	Balance b/d	19 620	(1)	May	Income statement	21 725 (1)OF		31	Total for month	<u>2 105</u>		31					<u>21 725</u>			<u>21 725</u>	Purchases returns account							2017		\$		2017	\$		May 31	Income statement	1010	(1)OF	May	Balance b/d	850 (1)					1							31	Total for month	<u>160</u> (1)			<u>1010</u>				<u>1 010</u>	6
2017		\$		2017	\$																																																																			
May 1	Balance b/d	19 620	(1)	May	Income statement	21 725 (1)OF																																																																		
	31	Total for month	<u>2 105</u>		31																																																																			
			<u>21 725</u>			<u>21 725</u>																																																																		
Purchases returns account																																																																								
2017		\$		2017	\$																																																																			
May 31	Income statement	1010	(1)OF	May	Balance b/d	850 (1)																																																																		
				1																																																																				
				31	Total for month	<u>160</u> (1)																																																																		
		<u>1010</u>				<u>1 010</u>																																																																		
3(e)	<p style="text-align: center;">Asnee account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">2017</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 15%;"></td> <td style="width: 15%;">2017</td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 15%;"></td> </tr> <tr> <td>May 4</td> <td>Purchases returns</td> <td style="text-align: right;">105</td> <td style="text-align: right;">(1)</td> <td>May 1</td> <td>Balance b/d</td> <td style="text-align: right;">480 (1)</td> </tr> <tr> <td>6</td> <td>Bank</td> <td style="text-align: right;">468</td> <td style="text-align: right;">(1)</td> <td>2</td> <td>Purchases</td> <td style="text-align: right;">400 }</td> </tr> <tr> <td>6</td> <td>Discount received</td> <td style="text-align: right;">12</td> <td style="text-align: right;">(1)</td> <td>19</td> <td>Purchases</td> <td style="text-align: right;">190 {(1)</td> </tr> <tr> <td>31</td> <td>Balance c/d</td> <td style="text-align: right;"><u>485</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>1 070</u></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1 070</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Jun 1</td> <td>Balance b/d</td> <td style="text-align: right;">485 (1)OF</td> </tr> </table> <p>+1 for dates</p>	2017		\$		2017	\$		May 4	Purchases returns	105	(1)	May 1	Balance b/d	480 (1)	6	Bank	468	(1)	2	Purchases	400 }	6	Discount received	12	(1)	19	Purchases	190 {(1)	31	Balance c/d	<u>485</u>							<u>1 070</u>				<u>1 070</u>					Jun 1	Balance b/d	485 (1)OF	7																					
2017		\$		2017	\$																																																																			
May 4	Purchases returns	105	(1)	May 1	Balance b/d	480 (1)																																																																		
6	Bank	468	(1)	2	Purchases	400 }																																																																		
6	Discount received	12	(1)	19	Purchases	190 {(1)																																																																		
31	Balance c/d	<u>485</u>																																																																						
		<u>1 070</u>				<u>1 070</u>																																																																		
				Jun 1	Balance b/d	485 (1)OF																																																																		
3(f)	A list of account balances (1) at a specific date. (1)	2																																																																						
3(g)	<p>Any two of:</p> <ul style="list-style-type: none"> Omission (1) transaction totally omitted from the books. (1) Commission (1) transaction posted to wrong account of right class. (1) Principle (1) transaction posted to account of wrong class. (1) Original entry (1) transaction incorrectly recorded in book of prime entry. (1) Reversal (1) debit entry posted on credit side and vice versa. (1) Compensating (1) errors cancel one another out. (1) 	4																																																																						
3(h)	By comparing control account totals to the totals of balances of the sales and purchases ledgers, (1) Jason might be able to locate the error. (1)	2																																																																						

Question	Answer	Marks																																																																								
4(a)	<p style="text-align: center;">FTA Industries Provision for doubtful debts account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%; text-align: center;">2015</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 15%; text-align: center;">2015</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: center;">\$</td> <td style="width: 15%;"></td> </tr> <tr> <td></td> <td>Dec 31</td> <td>Income statement</td> <td style="text-align: right;">787</td> <td>Jan 1</td> <td>Balance b/d</td> <td style="text-align: right;">2 163</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>1 376</u></td> <td></td> <td></td> <td style="text-align: right;"><u>2 163</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">2 163</td> <td></td> <td></td> <td style="text-align: right;">2 163</td> <td></td> </tr> <tr> <td></td> <td>2016</td> <td></td> <td></td> <td>2016</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Dec 31</td> <td>Balance c/d</td> <td style="text-align: right;">1 638</td> <td>Jan 1</td> <td>Balance b/d</td> <td style="text-align: right;">1 376</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1 638</u></td> <td>Dec 31</td> <td>Income statement</td> <td style="text-align: right;">262</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">1 638</td> <td></td> <td></td> <td style="text-align: right;"><u>1 638</u></td> <td></td> </tr> <tr> <td></td> <td>+1 for dates</td> <td></td> <td></td> <td>2017</td> <td>Jan 1</td> <td>Balance b/d</td> <td style="text-align: right;">1 638 (1)OF</td> </tr> </table>		2015		\$	2015		\$			Dec 31	Income statement	787	Jan 1	Balance b/d	2 163	(1)			Balance c/d	<u>1 376</u>			<u>2 163</u>					2 163			2 163			2016			2016					Dec 31	Balance c/d	1 638	Jan 1	Balance b/d	1 376	(1)OF				<u>1 638</u>	Dec 31	Income statement	262	(1)OF				1 638			<u>1 638</u>			+1 for dates			2017	Jan 1	Balance b/d	1 638 (1)OF	8
	2015		\$	2015		\$																																																																				
	Dec 31	Income statement	787	Jan 1	Balance b/d	2 163	(1)																																																																			
		Balance c/d	<u>1 376</u>			<u>2 163</u>																																																																				
			2 163			2 163																																																																				
	2016			2016																																																																						
	Dec 31	Balance c/d	1 638	Jan 1	Balance b/d	1 376	(1)OF																																																																			
			<u>1 638</u>	Dec 31	Income statement	262	(1)OF																																																																			
			1 638			<u>1 638</u>																																																																				
	+1 for dates			2017	Jan 1	Balance b/d	1 638 (1)OF																																																																			
4(b)	Increase (1) OF of \$787 (1)OF	2																																																																								
4(c)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="width: 50%;">Account debited</th> <th style="width: 50%;">Account credited</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">Bad debts (1)</td> <td style="text-align: left;">Eddie (1)</td> </tr> </tbody> </table>	Account debited	Account credited	Bad debts (1)	Eddie (1)	2																																																																				
Account debited	Account credited																																																																									
Bad debts (1)	Eddie (1)																																																																									
4(d)	General journal (1)	1																																																																								
4(e)	<p style="text-align: center;">FTA Industries Income Statement (extract) for the year ended 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: center;">\$</td> </tr> <tr> <td>Expenses (1)</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">1 400 (1)</td> </tr> <tr> <td>Increase in provision for doubtful debts</td> <td style="text-align: right;">262 (1)OF</td> </tr> </table>		\$	Expenses (1)		Bad debts	1 400 (1)	Increase in provision for doubtful debts	262 (1)OF	3																																																																
	\$																																																																									
Expenses (1)																																																																										
Bad debts	1 400 (1)																																																																									
Increase in provision for doubtful debts	262 (1)OF																																																																									
4(f)	Accruals/matching (1) Prudence (1)	2																																																																								

Question	Answer	Marks																																								
5(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Receipts</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Share issue (opening balance)</td> <td></td> <td style="text-align: right;">500 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade receivables</td> <td></td> <td style="text-align: right;"><u>290 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">790 000</td> <td></td> </tr> <tr> <td>Payments</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Non-current assets (400+20+35)</td> <td style="text-align: right;">455 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">193 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Wages and other expenses</td> <td style="text-align: right;"><u>80 000</u></td> <td style="text-align: right;"><u>728 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">62 000</td> <td style="text-align: right;">(1)OF</td> </tr> </table>		\$	\$		Receipts				Share issue (opening balance)		500 000	(1)	Trade receivables		<u>290 000</u>	(1)			790 000		Payments				Non-current assets (400+20+35)	455 000		(1)	Trade payables	193 000		(1)	Wages and other expenses	<u>80 000</u>	<u>728 000</u>	(1)			62 000	(1)OF	6
	\$	\$																																								
Receipts																																										
Share issue (opening balance)		500 000	(1)																																							
Trade receivables		<u>290 000</u>	(1)																																							
		790 000																																								
Payments																																										
Non-current assets (400+20+35)	455 000		(1)																																							
Trade payables	193 000		(1)																																							
Wages and other expenses	<u>80 000</u>	<u>728 000</u>	(1)																																							
		62 000	(1)OF																																							

Question	Answer	Marks																																																																																																									
5(b)	<p style="text-align: center;">HS Limited Income Statement for the year ended 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">290 (1) + 20 (1)</td> <td style="text-align: right;">310 000</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">193 (1) + 25 (1)</td> <td style="text-align: right;">218 000</td> <td></td> </tr> <tr> <td>Inventory at 31 December 2016</td> <td style="text-align: right;"><u>21 000</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>197 000</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">113 000</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Wages and other expenses</td> <td style="text-align: right;">80(1)–10(1) 70 000</td> <td></td> <td></td> </tr> <tr> <td>Depreciation – buildings</td> <td style="text-align: right;">2 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>– vehicles</td> <td style="text-align: right;">5 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>– fixtures and fittings</td> <td style="text-align: right;"><u>3 500</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>80 500</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>32 500</u></td> <td style="text-align: right;">(1)OF</td> </tr> </tbody> </table>		\$	\$		Revenue	290 (1) + 20 (1)	310 000		Purchases	193 (1) + 25 (1)	218 000		Inventory at 31 December 2016	<u>21 000</u>		(1)	Cost of sales		<u>197 000</u>		Gross profit		113 000	(1)OF	Wages and other expenses	80(1)–10(1) 70 000			Depreciation – buildings	2 000		(1)	– vehicles	5 000		(1)	– fixtures and fittings	<u>3 500</u>		(1)			<u>80 500</u>		Profit for the year		<u>32 500</u>	(1)OF	12																																																									
	\$	\$																																																																																																									
Revenue	290 (1) + 20 (1)	310 000																																																																																																									
Purchases	193 (1) + 25 (1)	218 000																																																																																																									
Inventory at 31 December 2016	<u>21 000</u>		(1)																																																																																																								
Cost of sales		<u>197 000</u>																																																																																																									
Gross profit		113 000	(1)OF																																																																																																								
Wages and other expenses	80(1)–10(1) 70 000																																																																																																										
Depreciation – buildings	2 000		(1)																																																																																																								
– vehicles	5 000		(1)																																																																																																								
– fixtures and fittings	<u>3 500</u>		(1)																																																																																																								
		<u>80 500</u>																																																																																																									
Profit for the year		<u>32 500</u>	(1)OF																																																																																																								
5(c)	<p style="text-align: center;">HS Limited Statement of Financial Position at 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: right;">Cost \$</th> <th style="width: 15%; text-align: right;">Acc dep \$</th> <th style="width: 15%; text-align: right;">NBV \$</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td colspan="5">Non-current assets</td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">400 000</td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">398 000</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Vehicle</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>35 000</u></td> <td style="text-align: right;"><u>3 500</u></td> <td style="text-align: right;">31 500</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>455 000</u></td> <td style="text-align: right;"><u>10 500</u></td> <td style="text-align: right;"><u>444 500</u></td> <td></td> </tr> <tr> <td colspan="5">Current assets</td> </tr> <tr> <td>Inventory</td> <td></td> <td></td> <td style="text-align: right;">21 000</td> <td style="text-align: right;">}(1)</td> </tr> <tr> <td>Trade receivables</td> <td></td> <td></td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">}</td> </tr> <tr> <td>Other receivables</td> <td></td> <td></td> <td style="text-align: right;">10 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank</td> <td></td> <td></td> <td style="text-align: right;"><u>62 000</u></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>113 000</u></td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;">557 500</td> <td></td> </tr> <tr> <td colspan="5">Equity</td> </tr> <tr> <td>1 000 000 ordinary shares of \$0.50</td> <td></td> <td></td> <td style="text-align: right;">500 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Retained earnings</td> <td></td> <td></td> <td style="text-align: right;"><u>32 500</u></td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>532 500</u></td> <td></td> </tr> <tr> <td colspan="5">Current liabilities</td> </tr> <tr> <td>Trade payables</td> <td></td> <td></td> <td style="text-align: right;"><u>25 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Total liabilities</td> <td></td> <td></td> <td style="text-align: right;"><u>557 500</u></td> <td></td> </tr> <tr> <td colspan="5">Accept alternative format</td> </tr> </tbody> </table>		Cost \$	Acc dep \$	NBV \$		Non-current assets					Premises	400 000	2 000	398 000	(1)OF	Vehicle	20 000	5 000	15 000	(1)OF	Fixtures and fittings	<u>35 000</u>	<u>3 500</u>	31 500	(1)OF		<u>455 000</u>	<u>10 500</u>	<u>444 500</u>		Current assets					Inventory			21 000	}(1)	Trade receivables			20 000	}	Other receivables			10 000	(1)	Bank			<u>62 000</u>	(1)OF				<u>113 000</u>		Total assets			557 500		Equity					1 000 000 ordinary shares of \$0.50			500 000	(1)	Retained earnings			<u>32 500</u>	(1)OF				<u>532 500</u>		Current liabilities					Trade payables			<u>25 000</u>	(1)	Total liabilities			<u>557 500</u>		Accept alternative format					9
	Cost \$	Acc dep \$	NBV \$																																																																																																								
Non-current assets																																																																																																											
Premises	400 000	2 000	398 000	(1)OF																																																																																																							
Vehicle	20 000	5 000	15 000	(1)OF																																																																																																							
Fixtures and fittings	<u>35 000</u>	<u>3 500</u>	31 500	(1)OF																																																																																																							
	<u>455 000</u>	<u>10 500</u>	<u>444 500</u>																																																																																																								
Current assets																																																																																																											
Inventory			21 000	}(1)																																																																																																							
Trade receivables			20 000	}																																																																																																							
Other receivables			10 000	(1)																																																																																																							
Bank			<u>62 000</u>	(1)OF																																																																																																							
			<u>113 000</u>																																																																																																								
Total assets			557 500																																																																																																								
Equity																																																																																																											
1 000 000 ordinary shares of \$0.50			500 000	(1)																																																																																																							
Retained earnings			<u>32 500</u>	(1)OF																																																																																																							
			<u>532 500</u>																																																																																																								
Current liabilities																																																																																																											
Trade payables			<u>25 000</u>	(1)																																																																																																							
Total liabilities			<u>557 500</u>																																																																																																								
Accept alternative format																																																																																																											
5(d)	In statement of changes in equity (1)	1																																																																																																									

Question	Answer	Marks
5(e)	<p>Percentage of gross profit to revenue:</p> <p>Lower selling prices Undercutting competitors Use of promotional pricing/trade discount to enter market Higher purchase prices Lack of trade discount on purchases Any one for (1) mark</p> <p>Percentage of profit to revenue:</p> <p>Better control of expenses (1)</p>	2

Question	Answer	Marks																				
6(a)	Current assets minus current liabilities (1)	1																				
6(b)	5600 : 4400 (1) = 1.27 : 1 (1) OF	2																				
6(c)	<p>Quick ratio/acid test/liquid ratio Trade receivables collection period Trade payables payment period (Rate of) inventory turnover Any one for (1) mark</p>	1																				
6(d)	<p>He may not be able to meet liabilities as they fall due. He may not be able to pay day to day running expenses. He may not be able to take advantage of discounts. He has a lot of cash tied up in inventory. Inventory makes up more than half of his current assets. His trade payables are greater than his trade receivables. He has a bank overdraft.</p> <p>Each basic statement (1) plus development (1) to max 4</p>	4																				
6(e)	<table border="1"> <thead> <tr> <th></th> <th></th> <th>working capital</th> <th>owner's capital</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>introduced \$2000 capital in the form of cash</td> <td>increase \$2000</td> <td>increase \$2000</td> </tr> <tr> <td>2</td> <td>received a long term loan, \$500</td> <td>increase \$500 (1)</td> <td>no effect (1)</td> </tr> <tr> <td>3</td> <td>bought inventory, \$400, on credit</td> <td>no effect (1)</td> <td>no effect (1)</td> </tr> <tr> <td>4</td> <td>sold goods costing \$100 for \$180 cash</td> <td>increase \$80 (1)</td> <td>increase \$80 (1)</td> </tr> </tbody> </table>			working capital	owner's capital	1	introduced \$2000 capital in the form of cash	increase \$2000	increase \$2000	2	received a long term loan, \$500	increase \$500 (1)	no effect (1)	3	bought inventory, \$400, on credit	no effect (1)	no effect (1)	4	sold goods costing \$100 for \$180 cash	increase \$80 (1)	increase \$80 (1)	6
		working capital	owner's capital																			
1	introduced \$2000 capital in the form of cash	increase \$2000	increase \$2000																			
2	received a long term loan, \$500	increase \$500 (1)	no effect (1)																			
3	bought inventory, \$400, on credit	no effect (1)	no effect (1)																			
4	sold goods costing \$100 for \$180 cash	increase \$80 (1)	increase \$80 (1)																			
6(f)	1 – capital intro (1) , or 2 – loan (1)	1																				
6(g)	<p>To know the return earned on total funds used in the business. (1) Or to compare with other businesses. (1)</p>	1																				