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Cambridge International General Certificate of Secondary Education

ACCOUNTING

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Paper 1

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MARK SCHEME

Maximum Mark: 120

Published

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Cambridge Assessment
International Education

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[Turn over

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><tr><td></td><td>True or False</td></tr><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></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		
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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><tr><td>term</td><td>organisation</td></tr><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></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
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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"> <tr> <td>Date</td><td>Source document</td><td>Issued by</td></tr> <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> </table>	Date	Source document	Issued by	May 2	invoice (1)	Asnee (1)	May 4	credit note (1)	Asnee (1)	4
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May 4	credit note (1)	Asnee (1)									

Question	Answer	Marks																																																																
3(d)	Jason Purchases account <table><tr><td>2017</td><td></td><td>\$</td><td></td><td>2017</td><td></td><td>\$</td><td></td></tr><tr><td>May 1</td><td>Balance b/d</td><td>19 620</td><td>(1)</td><td>May 31</td><td>Income statement</td><td>21 725</td><td>(1)OF</td></tr><tr><td>31</td><td>Total for month</td><td><u>2 105</u></td><td>(1)</td><td></td><td></td><td><u>21 725</u></td><td></td></tr><tr><td></td><td></td><td>21 725</td><td></td><td></td><td></td><td></td><td></td></tr></table> Purchases returns account <table><tr><td>2017</td><td></td><td>\$</td><td></td><td>2017</td><td></td><td>\$</td><td></td></tr><tr><td>May 31</td><td>Income statement</td><td>1010</td><td>(1)OF</td><td>May 1</td><td>Balance b/d</td><td>850</td><td>(1)</td></tr><tr><td></td><td></td><td><u>1010</u></td><td></td><td>31</td><td>Total for month</td><td><u>160</u></td><td>(1)</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>1 010</td><td></td></tr></table>	2017		\$		2017		\$		May 1	Balance b/d	19 620	(1)	May 31	Income statement	21 725	(1)OF	31	Total for month	<u>2 105</u>	(1)			<u>21 725</u>				21 725						2017		\$		2017		\$		May 31	Income statement	1010	(1)OF	May 1	Balance b/d	850	(1)			<u>1010</u>		31	Total for month	<u>160</u>	(1)							1 010		6
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3(f)	A list of account balances (1) at a specific date. (1)	2																																																																
3(g)	Any two of: 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)	FTA Industries Provision for doubtful debts account <table><tr><td>2015</td><td></td><td>\$</td><td></td><td>2015</td><td></td><td>\$</td><td></td></tr><tr><td>Dec 31</td><td>Income statement</td><td>787</td><td>(1)OF</td><td>Jan 1</td><td>Balance b/d</td><td>2 163</td><td>(1)</td></tr><tr><td></td><td>Balance c/d</td><td>1 376</td><td>(1)</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>2 163</u></td><td></td><td></td><td></td><td><u>2 163</u></td><td></td></tr><tr><td>2016</td><td></td><td></td><td></td><td>2016</td><td></td><td></td><td></td></tr><tr><td>Jan 1</td><td>Balance b/d</td><td>1 376</td><td>(1)OF</td><td>Jan 1</td><td>Balance b/d</td><td>1 376</td><td>(1)OF</td></tr><tr><td>Dec 31</td><td>Balance c/d</td><td>1 638</td><td>(1)</td><td>Dec 31</td><td>Income statement</td><td>262</td><td>(1)OF</td></tr><tr><td></td><td></td><td><u>1 638</u></td><td></td><td></td><td></td><td><u>1 638</u></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>2017</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d</td><td>1 638</td><td>(1)OF</td></tr></table> +1 for dates	2015		\$		2015		\$		Dec 31	Income statement	787	(1)OF	Jan 1	Balance b/d	2 163	(1)		Balance c/d	1 376	(1)							<u>2 163</u>				<u>2 163</u>		2016				2016				Jan 1	Balance b/d	1 376	(1)OF	Jan 1	Balance b/d	1 376	(1)OF	Dec 31	Balance c/d	1 638	(1)	Dec 31	Income statement	262	(1)OF			<u>1 638</u>				<u>1 638</u>						2017								Jan 1	Balance b/d	1 638	(1)OF	8
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4(d)	General journal (1)	1																																																																																
4(e)	FTA Industries Income Statement (extract) for the year ended 31 December 2016 <table><tr><td></td><td>\$</td></tr><tr><td>Expenses (1)</td><td></td></tr><tr><td>Bad debts</td><td>1 400 (1)</td></tr><tr><td>Increase in provision for doubtful debts</td><td>262 (1)OF</td></tr></table>		\$	Expenses (1)		Bad debts	1 400 (1)	Increase in provision for doubtful debts	262 (1)OF	3																																																																								
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4(f)	Accruals/matching (1) Prudence (1)	2																																																																																

Question	Answer				Marks
5(a)		\$	\$		6
	Receipts				
	Share issue (opening balance)		500 000	(1)	
	Trade receivables		290 000	(1)	
			<u>790 000</u>		
	Payments				
	Non-current assets (400+20+35)	455 000		(1)	
	Trade payables	193 000		(1)	
	Wages and other expenses	<u>80 000</u>	728 000	(1)	
			<u>62 000</u>	(1)OF	

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

Question	Answer	Marks
5(e)	Percentage of gross profit to revenue: 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 Percentage of profit to revenue: Better control of expenses (1)	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)	Quick ratio/acid test/liquid ratio Trade receivables collection period Trade payables payment period (Rate of) inventory turnover Any one for (1) mark	1																				
6(d)	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. Each basic statement (1) plus development (1) to max 4	4																				
6(e)	<table><tr><td></td><td></td><td>working capital</td><td>owner's capital</td></tr><tr><td>1</td><td>introduced \$2000 capital in the form of cash</td><td><i>increase \$2000</i></td><td><i>increase \$2000</i></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></table>			working capital	owner's capital	1	introduced \$2000 capital in the form of cash	<i>increase \$2000</i>	<i>increase \$2000</i>	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																			
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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)	To know the return earned on total funds used in the business. (1) Or to compare with other businesses. (1)	1																				