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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2014 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.
1 (a) A

(b) C

(c) C

(d) C

(e) C

(f) A

(g) A

(h) A

(i) C

(j) C

(1) each [10]
2 (a) Asset – anything owned by or owed to the business (1)
   Liability – anything owed by the business (1)
   Owner’s capital – funds and resources provided by the owner
   OR amount owed by the business to the owner (1) [3]

(b) | Asset | Liability |
---|---|---|
Inventory | ✓ | |
Motor vehicle | ✓ (1) | |
Creditor | ✓ (1) | |
Debtor | ✓ (1) | |
Bank loan | ✓ (1) | |
Cash | ✓ (1) | |

[5]

(c) | Debit entry | Credit entry |
---|---|---|
1 | Bank account 10 000 | Capital account 10 000 |
2 | Plant and equipment 6 000 (1) | Bank ABC Finance 3 000 (1) |
3 | Drawings 500 (1) | Cash 500 (1) |
4 | Interest payable 210 (1) | Bank 210 (1) |
5 | ABC Finance 1 000 (1) | Bank 1 000 (1) |
6 | Income statement 600 (1) | Provision for depreciation 600 (1) |

[11]

(d) \[
\frac{210}{3000} \times 100 = 7\% (1)
\]

[2]

(e) A business has paid out more from the bank than it has paid in (2) [2]

(f) Unpresented cheque (1) [1]

[Total: 24]
3 (a) (i) Any non-current asset, any expense, any income, purchases, sales, returns, inventory, loan, capital, drawings, etc.
   Any 1 example (1) [1]

(ii) Sales ledger
    Purchases ledger
    Any 1 example (1) [1]

(iii) Work can be shared between several people
    Easier for reference
    Same type of accounts are kept together
    Any 1 point (2) [2]

(b) | Financial statement | Type of organisation |
---|---------------------|----------------------|
Ordinary share capital | Statement of financial position | Limited company |
Accumulated fund | Statement of financial position (1) | Club or society (1) |
Interest on capital | Appropriation account (1) | Partnership (1) |
Ordinary share dividends paid | Appropriation account (1) | Limited company (1) |
Debenture interest | Income statement (1) | Limited company (1) |

[8]

(c) | Debentures | Ordinary shares |
---|-------------|----------------|
Fixed rate of interest | Variable rate of dividend |
Holders receive interest | Holders receive dividend |
Holders are creditors | Holders are members of the company |
Are long term loans | Are equity |
Do not carry voting rights | Carry voting rights |
Rank before ordinary shares in a winding up | Rank after debentures in a winding up |

Any 2 comparative statements (2) marks each [4]

(d) For reinvestment in the business
   To plough back profits
   For allocating dividends in the future
   If there is not enough actual cash available to pay a dividend
   Any 1 reason (2) [2]

[Total: 18]
4  (a)  Suspense (1)  

(b)  
Matsumi  
Trial balance at 30 April 2014  
<table>
<thead>
<tr>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>2 320</td>
</tr>
<tr>
<td>Cash</td>
<td>100</td>
</tr>
<tr>
<td>Fixtures and fittings at cost</td>
<td>6 800</td>
</tr>
<tr>
<td>Provision for depreciation at 1 May 2013</td>
<td>1 360</td>
</tr>
<tr>
<td>Fees receivable</td>
<td>28 105</td>
</tr>
<tr>
<td>Interest payable</td>
<td>200</td>
</tr>
<tr>
<td>Rent payable</td>
<td>6 000</td>
</tr>
<tr>
<td>Advertising</td>
<td>430</td>
</tr>
<tr>
<td>Wages</td>
<td>8 005</td>
</tr>
<tr>
<td>Loan account</td>
<td>3 000</td>
</tr>
<tr>
<td>Capital at 1 May 2013</td>
<td>2 950</td>
</tr>
<tr>
<td>Drawings</td>
<td>16 200</td>
</tr>
</tbody>
</table>

Any 2 correct items (1)  

(c)  The trial balance was drawn up before the preparation of the income statement/before profit for the year has been calculated (2)  

(d)  A service business  
OR accept an example of a service business (1)  

(e)  \((6 800 – 1 360) \times 20\% = 1 088\) (2)  

(f)  
Provision for depreciation account  
<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apl 30</td>
<td>Balance c/d 2448(1)</td>
</tr>
<tr>
<td>2014</td>
<td>Apl 30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2448</th>
<th>2448</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Mar 1</td>
</tr>
</tbody>
</table>

[Total: 16]
5 (a) Raw materials (1)
   Direct labour (1)
   Finished goods (1)
   Work in progress (1)
   Inventory (1)
   Current assets (1)

(b) (i)
   **Randeep**
   Manufacturing Account for the year ended 31 March 2014
   
   $ \quad $  
   
   Cost of materials consumed  
   Opening inventory of raw materials 16000 \quad *(1)both \quad 16200  
   Purchases of raw materials 159000 \quad 163800  
   Carriage on raw materials 4800 \quad (1)  
   Closing inventory of raw materials 17500 \quad 162500 \quad (1)  
   Direct wages 72000 \quad (1)  
   Prime cost 234500 \quad (1)OF  
   Factory overheads  
   Supervisor’s salary 20000 \quad (1)  
   Factory rent 30000 \quad (1)  
   Depreciation – factory machinery 38000 \quad (1)  
   Cost of production 322500 \quad (1)OF  

(ii)
   **Randeep**
   Income Statement for the year ended 31 March 2014
   
   $ \quad $  
   
   Revenue 410000 \quad (1)  
   Cost of sales  
   Opening inventory finished goods 9100 \quad *(1)both  
   Cost of production 322500 \quad (1)OF  
   Closing inventory of finished goods 8200*  
   Gross profit 86600 \quad (1)OF  
   Administration and selling costs 64600 \quad (1)  
   Profit for the year 22000 \quad (1)OF  

(c) Salary of factory supervisor  
   Factory rent  
   Depreciation of factory machinery  
   Administration and selling costs  
   **Any 1 indirect cost (1)**
(d) Office rent/rates
   Office salaries
   Office general expenses
   Office insurance
   Salaries/commission of sales staff
   Advertising expenses

   Any example of office or sales expense
   Any 2 examples (1) each               [2]

[Total: 24]
6  (a)  

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Revenue expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of non-current asset</td>
<td>Day-to-day running expense</td>
</tr>
<tr>
<td>Provides benefit for over 1 year</td>
<td>Provides benefit for less than 1 year</td>
</tr>
<tr>
<td>Appears in statement of financial position</td>
<td>Appears in income statement</td>
</tr>
</tbody>
</table>

Any 1 comparative statement (2) [2]  

(b)  

<table>
<thead>
<tr>
<th></th>
<th>Capital expenditure</th>
<th>Revenue expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesman’s commission</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Carriage of raw materials</td>
<td></td>
<td>✓ (1)</td>
</tr>
<tr>
<td>Purchases of goods for resale</td>
<td></td>
<td>✓ (1)</td>
</tr>
<tr>
<td>Purchases of plant and equipment</td>
<td>✓ (1)</td>
<td></td>
</tr>
<tr>
<td>Payment of insurance</td>
<td></td>
<td>✓ (1)</td>
</tr>
<tr>
<td>Legal fees on purchase of property</td>
<td>✓ (1)</td>
<td></td>
</tr>
</tbody>
</table>

[5]  

(c)  

\[(41 \,000 + 28 \,000) : (44 \,000 + 2200)\]  
1.49 : 1 (1) \textbf{whole formula} [2]
Morwenna
Statement of Financial Position at 30 April 2014

<table>
<thead>
<tr>
<th>Non current assets</th>
<th>Cost</th>
<th>Depreciation to date</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixtures and fittings</td>
<td>(15,000 (1) + 1000 (1)) 16,000</td>
<td>4,500</td>
<td>11,500 (1)OF</td>
</tr>
<tr>
<td>Motor vehicles (18,000 (1) – 800 (1))</td>
<td>7,200</td>
<td>6,200</td>
<td>11,000 (1)OF</td>
</tr>
<tr>
<td></td>
<td>33,200</td>
<td>10,700</td>
<td>22,500</td>
</tr>
</tbody>
</table>

Current assets

| Inventory (41,000 (1) – 10,250 (1)) | 30,750 |
| Trade receivables                | 28,000 (1) |
|                                | 58,750 |

Current liabilities

| Trade payables | 44,000 (1) |
| Other payables | 3,000 (1) |
| Bank           | 2,200 (1) |
|                | 49,200 |
|                | 9,550 |
|                | 32,050 |

Financed by

| Capital          | 32,050 |

(2) OF for capital if no goodwill
(1) OF for capital if goodwill included

(e) 58,750 OF : 49,200 OF (1) whole formula
1.19 : 1 (1) OF

(f) Actual current ratio below that originally calculated
Shortage of liquid funds/there is an overdrawn bank balance
Trade payables higher than trade receivables
Rather a lot of money is tied up in inventory
Can only just meet current liabilities from current assets
Cannot take advantage of business opportunities which may arise
May have difficulty in paying trade payables
May depend on receipts from trade receivables to pay trade payables

Comments to be based on answer to (e)
Any three comments (1) each

[Total: 28]