Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

8714569199

ACCOUNTING **0452/12**

Paper 1 **February/March 2015**

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.
The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **16** printed pages.

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There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 **(a)** Amit has the following assets and liabilities.

	$
Non-current assets	29 500
Current assets	18 100
Current liabilities	11 300
Non-current liabilities	15 000

What is his capital?

A $7700 ☐

B $21 300 ☐

C $37 700 ☐

D $51 300 ☐ [1]

(b) A cash book shows a debit balance on the bank account of $1200. There are unpresented cheques totalling $420.

Which balance appears on the bank statement?

A $780 credit ☐

B $780 debit ☐

C $1620 credit ☐

D $1620 debit ☐ [1]

(c) Why is depreciation provided?

A to estimate the cost to the business of wear and tear ☐

B to set aside funds for future repairs to the asset ☐

C to show market values in the statement of financial position ☐

D to spread the cost of an asset over its useful life ☐ [1]

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(d) Izat paid $750 on 1 October 2014 for 15 months' insurance.

Which amount for insurance appeared in his statement of financial position on 31 January 2015?

A $200 ☐

B $250 ☐

C $500 ☐

D $550 ☐ [1]

(e) An item of inventory, cost $80, has been damaged. It can be repaired for $22. The item can then be sold for $78. Packing and shipping costs will amount to $6.

At which value will it be included in the statement of financial position?

A $50 ☐

B $56 ☐

C $78 ☐

D $80 ☐ [1]

(f) Where do interest on capital and interest on partners' loans appear?

	Interest on capital	Interest on partners' loans	
A	appropriation account	appropriation account	☐
B	appropriation account	income statement	☐
C	income statement	appropriation account	☐
D	income statement	income statement	☐ [1]

(g) What are retained earnings in a limited company?

A profits after dividends and after transfers to general reserve ☐

B profits after dividends but before transfers to general reserve ☐

C profits before dividends and before transfers to general reserve ☐

D profits before dividends but after transfers to general reserve ☐ [1]

(h) A successful club prepares a trading account and an income and expenditure account.

Which statement is true?

A The trading account shows an opening and closing balance and the income and expenditure account shows a profit. ☐

B The trading account shows a profit and the income and expenditure account shows an opening and closing balance. ☐

C The trading account shows a profit and the income and expenditure account shows a surplus. ☐

D The trading account shows a surplus and the income and expenditure account shows a profit. ☐ [1]

(i) Which action would improve working capital?

A offering cash discount to debtors ☐

B organising an overdraft facility at the bank ☐

C selling a surplus delivery vehicle ☐

D taking a longer credit period from suppliers ☐ [1]

(j) Tan is considering selling raw materials on credit to Arjun.

Why does Tan look at Arjun's financial statements?

A to calculate Arjun's trade payables payment period ☐

B to find out how much Arjun has spent on non-current assets ☐

C to know how much capital Arjun had invested in his business ☐

D to see if Arjun experiences a high level of bad debts ☐ [1]

[Total: 10]

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2 **(a)** State what is meant by an asset.

.....

..... [1]

(b) Explain the difference between a statement of financial position and an income statement.

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.....

.....

..... [4]

(c) Complete the following table. Indicate with a tick (✓) on which side of a trial balance each account would appear. The first has been completed as an example.

	Debit	Credit
Cash	✓	
Capital		
Bonnie – a credit customer		
Loan from the bank		
Other operating expenses		
Purchases returns		

[5]

John is a trader. On 1 February his bank account had a debit balance of $450. The following transactions then took place.

February 1 Bought goods, $600, on credit from Abdul.
2 Made cash sales of goods, $150, cost $90.
3 Paid cash, $100, into the bank.
4 Took drawings, $50, in cash.
5 Sold goods, cost $300, on credit to Sara for $510.
6 Paid Abdul in full by cheque.

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REQUIRED

(d) Complete the following table to show the double entry needed to record each transaction. The first one has been completed as an example.

February	Account to be debited	$	Account to be credited	$
1	*Purchases*	*600*	*Abdul*	*600*
2	……	……	……	……
3	……	……	……	……
4	……	……	……	……
5	……	……	……	……
6	……	……	……	……

[10]

(e) Prepare John's cash book (bank columns only) for the first week of February. Balance the cash book and bring down the balance on 8 February.

John
Cash book (bank columns)

Date	Details	$	Date	Details	$
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

[5]

(f) Identify the transaction which reduced John's capital.

..... [1]

[Total: 26]

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3 On 1 January 2014 Alex had a motor vehicle with an original cost of $17 000 on which depreciation of $6800 had been provided.

On 1 April 2014 he bought a new vehicle, costing $24 000. He sold the old one and received a cheque for $9400.

Alex provides depreciation on motor vehicles at the rate of 40% per annum on the reducing (diminishing) balance basis. He allows a full year's depreciation in the year of purchase and none in the year of disposal.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 31 December 2014. Balance the account(s) where necessary and bring down the balance(s) on 1 January 2015.

Alex
Provision for depreciation of motor vehicles account

Date	Details	$	Date	Details	$
……	……..…..……	…….	……	……...……	…….
……..	……...……	…….	……..	……..…….	…….
……..	……..…..……	……..	……..	……..…….	……..
……..	……..…..……	……..	……..	……..…….	……..
……..	……...……	…….	…….	……..…….	…….
……..	……..……	…….	…….	……..…….	…….

[5]

Motor vehicle disposal account

Date	Details	$	Date	Details	$
……	……..…..……	…….	……	……...……	…….
……..	……...……	…….	……..	……..…….	…….
……..	……..…..……	……..	……..	……..…….	……..
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……..	……...……	…….	…….	……..…….	…….
……..	……..……	…….	…….	……..…….	…….

[4]

(b) Prepare an extract from the statement of financial position at 31 December 2014 showing the entries for motor vehicles.

Alex
Statement of Financial Position (extract) at 31 December 2014

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.....

.....

.....

.....

..... [4]

(c) Calculate the depreciation which will be provided on the new vehicle in the year ending 31 December 2015.

.....

.....

..... [2]

(d) Name the **two** books of prime entry used in preparing the disposal account.

1 .....

2 ..... [2]

(e) State the meaning of the term revenue expenditure. Give **one** example.

.....

.....

.....

..... [2]

[Total: 19]

4 Kriti provided the following information.

		$	
At 1 January 2014	Trade receivables balances	13 400	debit
		120	credit
	Inventory	21 600	
For the year ended 31 December 2014	Cash sales	44 400	
	Credit sales	165 600	
	Bad debts written off	2 800	
	Receipts from credit customers	155 010	
	Discount allowed to credit customers	4 560	
	Contra with supplier's account	1 300	
	Cheque refund to a credit customer	90	
At 1 January 2015	Trade receivables balances	?	debit
		200	credit
	Inventory	28 800	

Mark up on goods sold 50%.

REQUIRED

(a) Calculate Kriti's purchases for the year.

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.....

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.....

..... [6]

(b) Prepare the sales ledger control account for the year ended 31 December 2014. Balance the account and bring down the balance on 1 January 2015.

Kriti
Sales ledger control account

Date	Details	$	Date	Details	$
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
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……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

[10]

(c) State **two** reasons why Kriti maintains a sales ledger control account.

1 .....

.....

2 .....

..... [2]

(d) State **one** reason why a credit balance on a sales ledger control account can arise.

.....

..... [1]

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(e) State why a sales ledger control account does **not** contain an entry for a provision for doubtful debts.

.....

..... [1]

[Total: 20]

5 Harrington provided the following information.

		$
At 1 January 2014	Inventory – raw materials	5 600
	– work in progress	1 900
	– finished goods	4 600
For the year ended 31 December 2014	Purchases of raw materials	71 100
	Raw materials returned	1 000
	Raw materials taken for own use	2 000
	Carriage on raw materials	2 100
	Carriage outwards	4 050
	Direct labour	52 550
	Depreciation of machinery	4 400
	Depreciation of office equipment	3 200
	Discount allowed	3 050
	Discount received	1 010
	Salesman's salary	19 840
	Administration costs	20 070
	Factory rent	20 000
	Office rent	10 000
At 31 December 2014	Inventory – raw materials	4 200
	– work in progress	1 800
	– finished goods	5 500

REQUIRED

(a) Complete the following table. Indicate with a tick (✓) which **costs** from this data appear in the overheads section of the manufacturing account and which appear in the income statement. One cost has been shown as an example.

Cost	Overheads section of the manufacturing account	Income statement
Office rent		✓

[7]

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(b) Prepare an extract from Harrington's manufacturing account for the year ended 31 December 2014 showing the prime cost.

Harrington
Manufacturing Account (extract) for the year ended 31 December 2014

[9]

(c) Suggest **one** reason why Harrington might want to know his cost of production.

[1]

(d) Calculate the value of inventory in Harrington's statement of financial position at 31 December 2014.

[3]

[Total: 20]

6 Arun's draft financial statements showed the following.

		$	
At 1 February 2014	Capital account balance	28 400	
For the year ended 31 January 2015	Draft profit for the year	26 200	
	Drawings	10 000	
At 31 January 2015	Fixtures and fittings (at book value)	20 800	
	Motor vehicles (at book value)	12 100	
	Inventory	15 900	
	Trade receivables	8 700	
	Bank	1 100	debit
	Trade payables	14 000	

Additional information

1 Prepaid insurance, $400, at the year end, had not been accounted for.
2 Bad debts, $600, were yet to be written off.
3 Goods taken for own use, $2000, had not been recorded.
4 Interest credited on the bank statement, $50, had not been entered in the books of account.

REQUIRED

(a) Calculate Arun's correct profit for the year ended 31 January 2015.

Arun
Statement of corrected profit for the year ended 31 January 2015

	Increase $	Decrease $	$
Draft profit			26 200
Adjustment 1			
Adjustment 2			
Adjustment 3			
Adjustment 4			
Corrected profit			

[5]

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(b) Prepare Arun's statement of financial position at 31 January 2015.

Arun
Statement of Financial Position at 31 January 2015

	$	$
……	……..	……..
……	……..	……..
……	……..	……..
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……	……..	……..
……	……..	……..
……	……..	……..

[10]

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[Turn over

(c) Explain the following accounting principles. Give **one** example of each principle.

1 accruals (matching)

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.....

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Example

.....

2 business entity

.....

.....

.....

Example

..... [6]

(d) Complete the table by placing a tick (✓) to indicate how the adjustment for goods for own use affects the following ratios.

	Increase	Decrease
Gross profit margin		
Rate of inventory turnover (in days)		
Net profit margin		
Return on capital employed		

[4]

[Total: 25]

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