Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0736616253

ACCOUNTING **0452/12**

Paper 1 **February/March 2016**

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.

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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)** A trader prepares his financial statements.

Which explanations correctly describe his reasons?

1 to be able to calculate his closing inventory

2 to know if he is receiving a return on his investment

3 to make sure that all financial transactions are recorded

4 to measure the progress of his business from year to year

A 1 and 2 ☐

B 2 and 4 ☐

C 3 and 4 ☐

D 4 only ☐ [1]

(b) When does a trader send a credit note?

A when he purchases goods on credit ☐

B when he receives a return of goods sold on credit ☐

C when he returns goods he purchased on credit ☐

D when he sells goods on credit ☐ [1]

(c) A trader compared his bank statement with his cash book. He found that the bank statement had included the bank charges twice in error and that one deposit had not yet been credited.

How are these items treated in a bank reconciliation statement which starts with the cash book balance?

	bank charges in error	uncredited deposit	
A	added	added	☐
B	added	subtracted	☐
C	subtracted	added	☐
D	subtracted	subtracted	☐

[1]

(d) Which statement is true about a sales ledger control account?

A Discount allowed appears on the credit side. ☐

B Discount allowed appears on the debit side. ☐

C Discount received appears on the credit side. ☐

D Discount received appears on the debit side. ☐ [1]

(e) Agatha depreciates her fixtures and fittings at the rate of 10% per annum.

On 1 January 2015 she bought new fixtures and fittings costing $800. In error she debited the repairs account with the purchase.

What was the effect of this error on the profit for the year ended 31 December 2015?

A $720 overstated ☐

B $720 understated ☐

C $880 overstated ☐

D $880 understated ☐ [1]

(f) A company prepares a statement of changes in equity.

Which statement is true?

A It explains the changes in the non-current liabilities. ☐

B It indicates if there has been a transfer to the general reserve. ☐

C It is similar to the receipts and payments account in a club. ☐

D It reconciles opening and closing balances on non-current assets. ☐ [1]

(g) A club has the following assets and liabilities.

	$
equipment	1200
cash at bank	800
subscriptions in advance	300
subscriptions in arrears	410
accrued wages	85

What is the accumulated fund?

A $1805 ☐

B $1975 ☐

C $2025 ☐

D $2195 ☐ [1]

(h) Which items may appear in the income statement (trading account section) of a manufacturing business?

A cost of production and inventories of finished goods only ☐

B cost of production and inventories of work in progress and finished goods ☐

C purchases of raw materials and inventories of finished goods only ☐

D purchases of raw materials and inventories of raw materials only ☐ [1]

(i) An income statement shows the following.

	$	$
Revenue		6000
Inventory at start of year	300	
Purchases	3100	
	3400	
Inventory at end of year	700	2700
Gross profit		3300

What is the rate of inventory turnover?

A 5.4 times ☐

B 6.2 times ☐

C 13.5 times ☐

D 15.5 times ☐ [1]

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(j) Users of a financial report are able to grasp the meaning of the data provided.

Which accounting policy has been applied?

A comparability ☐

B relevance ☐

C reliability ☐

D understandability ☐ [1]

[Total: 10]

2 **(a)** Complete the following sentences using **either** the word 'plus' **or** the word 'less'.

Assets ..... liabilities equals capital.

Current assets ..... current liabilities equals working capital.

Owner's capital ..... non-current liabilities equals capital employed.

[3]

Sara is a trader. She paid her home telephone invoice from her business bank account.

REQUIRED

(b) State how this payment was recorded in Sara's books of account.

account debited	account credited

[2]

(c) Name and explain the accounting principle Sara has applied in recording this payment.

Name .....

Explanation .....

.....[2]

Alice maintains a ledger account for insurance which has a debit balance brought down at the start of the year.

REQUIRED

(d) State what the balance on the insurance account represents.

.....[1]

(e) Name and explain the accounting principle Alice has applied in the preparation of the insurance account.

Name .....

Explanation .....

.....[3]

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(f) Complete the following table. Name the ledger in which **each** account is found. The first has been completed as an example.

Account	Ledger
Premises	*Nominal/general*
Sales	
Drawings	
Amit, a credit customer	
Purchases returns	
Discount allowed	
Enoch, a credit supplier	

[3]

Harry is a trader who maintains a full set of accounting records.

REQUIRED

(g) State **one** reason why Harry maintains accounts in different ledgers.

.....

.....[1]

(h) State how Harry's credit sales are posted at the end of the month.

.....

.....[2]

(i) Name **two** other books of prime entry which Harry may maintain. In **each** case give an example of a transaction which might be recorded in it.

1 Name .....

Example .....

.....

2 Name .....

Example .....

.....[4]

[Total: 21]

3 **(a)** State **two** reasons why a trader may prepare a trial balance.

1 .....

.....

2 .....

.....[2]

Deepa is a trader. She extracted the following balances from her books of account on 31 December 2015.

	$	
Fixtures and fittings	17 000	
Provision for depreciation of fixtures and fittings	7 500	
Sales	72 000	
Sales returns	3 100	
Purchases	36 800	
Purchases returns	2 260	
Drawings	5 200	
Bank	2 700	debit
Inventory	12 450	
Rent paid	2 400	
Wages	21 810	
Discount allowed	1 000	
Other operating expenses	10 100	
Ali (a credit customer)	600	
Kelvin (a credit customer)	970	
Jules (a credit supplier)	4 210	
Capital	?	

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REQUIRED

(b) Prepare Deepa's trial balance at 31 December 2015.

Deepa
Trial Balance at 31 December 2015

	Debit $	Credit $
Fixtures and fittings		
Provision for depreciation of fixtures and fittings		
Sales		
Sales returns		
Purchases		
Purchases returns		
Drawings		
Bank		
Inventory		
Rent paid		
Wages		
Discount allowed		
Other operating expenses		
Ali (a credit customer)		
Kelvin (a credit customer)		
Jules (a credit supplier)		
Capital		

[9]

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[Turn over

Deepa's percentage of gross profit to revenue (gross profit margin) is 40%.

REQUIRED

(c) Calculate, using figures from her trial balance,

(i) Deepa's cost of sales for the year ended 31 December 2015.

.....

.....

.....

.....[3]

(ii) The value of Deepa's inventory at 31 December 2015.

.....

.....

.....

.....

.....

.....

.....

.....[3]

In January 2016 the following transactions took place between Ali and Deepa.

January 6 Ali bought goods, list price $1000, after taking a trade discount of 20%.
8 Ali paid by cheque the amount owing on 31 December after deducting 3% cash discount.
10 Ali returned goods, list price $150, bought on 6 January.

REQUIRED

(d) Prepare Ali's account in Deepa's ledger for the month of January 2016. Balance the account and bring down the balance on 1 February 2016.

Deepa
Ali account

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

[7]

(e) State **one** advantage and **one** disadvantage to a business of reducing its level of inventory.

Advantage .....

.....

Disadvantage .....

.....[2]

(f) Name the section of the statement of financial position where inventory is shown.

.....[1]

(g) Name **one** item which might appear in the non-current liabilities section of a statement of financial position.

.....[1]

[Total: 28]

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[Turn over

4 **(a)** State how maintaining a provision for doubtful debts account is an application of the accounting principle of prudence.

.....

.....

.....[2]

Nesbit Limited has an accounting year end of 31 December. It was decided to create a provision for doubtful debts on 31 December 2014 at the rate of 5% and to maintain it at that rate in the future.

Its trade receivables were as follows:

	$
At 31 December 2014	38 000
2015	45 000

The trade receivables on 31 December 2015 included a balance of $1000 owed by a customer who was not expected to pay. This balance was to be written off.

REQUIRED

(b) Prepare Nesbit Limited's provision for doubtful debts account for **each** of the two years ended 31 December 2014 and 31 December 2015. Balance the account at the end of **each** year and bring down the balances.

Nesbit Limited
Provision for doubtful debts account

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

[6]

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(c) Prepare an extract from Nesbit Limited's income statement for the year ended 31 December 2015 showing the entries for bad debts and doubtful debts.

Nesbit Limited
Income Statement (extract) for the year ended 31 December 2015

.....

.....

.....

.....[2]

(d) Prepare an extract from Nesbit Limited's statement of financial position at 31 December 2015 showing the entries for trade receivables.

Nesbit Limited
Statement of Financial Position (extract) at 31 December 2015

.....

.....

.....

.....

.....[3]

(e) Name another provision which Nesbit Limited maintains and which allocates the cost of a non-current asset over its useful life.

.....[1]

Question 4(f) is on the next page.

Nesbit Limited bought some new machinery. The invoice total included a number of different costs.

REQUIRED

(f) Complete the following table indicating with a tick (✓) which costs are capital expenditure and which are revenue expenditure. The first has been completed as an example.

cost	capital expenditure	revenue expenditure
cost of machinery	✓	
delivery charges		
installation costs		
supply of cleaning materials		
machine oil		

[4]

(g) Give **one** example of a capital receipt.

.....[1]

[Total: 19]

5 Sumit and Theo have been in partnership for some years running a manufacturing business.

REQUIRED

(a) Complete the following table indicating with a tick (✓) where **each** item would appear in their financial statements.

	prime cost section of the manufacturing account	overheads section of the manufacturing account	income statement
office rent			
factory supervisor's salary			
carriage on raw materials			
purchase of finished goods			
salesman's commission			

[5]

(b) State **one** advantage and **one** disadvantage of Sumit and Theo being in a partnership.

Advantage .....

.....

Disadvantage .....

.....[2]

(c) State **one** reason why it is helpful for a partnership agreement to be prepared.

.....

.....[1]

(d) State **one** reason why each of the following might be included in a partnership agreement.

Interest on capital .....

.....

Interest on drawings .....

.....[2]

Sumit receives a salary of $7000 a year from the partnership. Interest on capital is paid at the rate of 10% and profits are split in the ratio 3:2. The partnership agreement also provided for interest on drawings.

On 1 January 2015 their balances were as follows.

	Sumit	Theo
	$	$
Capital accounts	100 000	150 000
Current accounts	2 100 credit	6 900 debit

The following further information was available for the year ended 31 December 2015.

Profit for the year	$64 000

	Sumit	Theo
	$	$
Drawings	19 000	12 000
Interest on drawings	1 800	1 200

REQUIRED

(e) Prepare the partnership's appropriation account for the year ended 31 December 2015.

Sumit and Theo
Appropriation Account for the year ended 31 December 2015

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[6]

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(f) Prepare Theo's current account for the year ended 31 December 2015. Balance the account and bring down the balance on 1 January 2016.

Theo
Current account

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

[6]

[Total: 22]

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[Turn over

6 Akira, a trader in engine components, prepared his draft financial statements. He then found the following errors.

1 A sale on credit, $3000, to Leonardo, was completely omitted from the books of account.

2 A receipt, $1500, from J Jones, a credit customer, was posted to the account of D Bones, another credit customer.

3 Bank charges, $110, were entered in the cash book as $11.

4 A purchase of stationery, $35, was debited in the petty cash book and credited in the stationery account.

5 The transfer of Akira's private vehicle, value $2500, to the business had not been recorded.

REQUIRED

(a) Complete the following table showing how the correction of **each** error affected the working capital and the owner's capital. Where a correction has no effect, write No Effect. The first has been completed as an example.

error	working capital	owner's capital
1	*Increase $3000*	*Increase $3000*
2		
3		
4		
5		

[8]

(b) Name the type of error in **each** of the errors 2 to 5.

Error 2 .....

Error 3 .....

Error 4 .....

Error 5 .....

[4]

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(c) Prepare journal entries to correct **each** of the errors 2 to 5. Narratives are **not** required.

Akira
Journal

Error number	Details	Debit $	Credit $
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[8]

[Total: 20]

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