Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

2426152972

ACCOUNTING **0452/22**

Paper 2 **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.

This document consists of **20** printed pages.

© UCLES 2016

CAMBRIDGE International Examinations

1 Abhinav maintains a petty cash book using the imprest system. The imprest amount of $120 is restored on the first day of each month.

The petty cashier entered the transactions in the petty cash book for the first week of February 2016 in the total column of the petty cash book as shown on the opposite page. He was then taken ill and was away from the office for the rest of the month.

The following transactions took place.

			$
February	10	Received refund from stationery supplier for overcharge on 7 February	4.00
	13	Paid train fare	9.50
	15	Paid Office Supply Limited, a credit supplier	29.00
	21	Paid taxi fare	9.90
	26	Paid window cleaner	17.00

REQUIRED

(a) Complete the entries for the transactions on 4 February and 7 February in Abhinav's petty cash book on the page opposite.

Enter the transactions for 10 February to 26 February in the petty cash book.

Balance the petty cash book on 29 February and bring down the balance on 1 March 2016.
[10]

The petty cash book is printed on the next page.

© UCLES 2016

© UCLES 2016

Abhinav – Petty Cash Book

Total received	Date	Details	Total paid	Postage and stationery	Travel	Cleaning expenses	Ledger accounts
$	2016		$	$	$	$	$
24.00	*Feb 1*	*Balance b/d*	……	……	……	……	……
96.00		*Bank*	……	……	……	……	……
……	*4*	*Stamps*	*14.00*	.....	……	……	……
……	*7*	*Copy paper and cartridges*	*33.00*	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……..….	……	……	……	……
……	……..…...	……	……	……	……	……	……

(b) **(i)** State the amount which would have been received on 1 March 2016 when the petty cash was restored to the imprest amount.

.....[1]

(ii) State the double entry for restoring to the imprest amount.

debit	credit
.....	.....

[2]

(c) Show the entries which would be made in the postage and stationery account in February 2016.
It is **not** necessary to close the account.

Abhinav
Postage and stationery account

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

[2]

(d) Name the accounting principles which Abhinav ignored in **each** of the following.

(i) Abhinav decided that the profit would increase if he changed the method of depreciation on fixtures from the straight line method to the reducing (diminishing) balance method.

.....[1]

(ii) Abhinav decided that the retirement of the manager would adversely affect the business, so he reduced the profit for the year by $5000.

.....[1]

(iii) Abhinav recorded a sale of goods to Wahid who had seen goods on display in the shop window and promised to return the following week with the cash.

.....[1]

(iv) Abhinav intends to trade for several years but decided to record his motor vehicle at the possible sale value rather than the book value.

.....[1]

[Total: 19]

© UCLES 2016

2 The cash book of Aireville Limited was balanced on 31 December 2015 and showed an overdraft of $3420. On the same date, the bank statement showed an overdraft of $1800.

A comparison of the cash book and the bank statement revealed the following.

		$
1	Items appearing only on the bank statement	
	Bank charges	190
	Dishonoured cheque, PB Limited	330
2	Items appearing only in the cash book	
	Cash sales paid into bank 28 December 2015	1560
	Cheque paid to M Raja, a credit supplier	2700
3	Debit side of the cash book being undercast	1000

REQUIRED

(a) Update the cash book of Aireville Limited.
Bring down the updated bank balance on 1 January 2016.

Aireville Limited
Cash book (bank columns only)

Date	Details	$	Date	Details	$
			2016		
.....	.....	.....	*Jan 1*	*Balance b/d*	*3420*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

(b) Prepare a bank reconciliation statement for Aireville Limited at 31 December 2015.

Aireville Limited
Bank Reconciliation Statement at 31 December 2015

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

[6]

The financial year of Aireville Limited ends on 31 December.

The following information is available.

At 1 January 2015	$
Ordinary share capital – 600 000 shares of $0.50 each	300 000
General reserve	24 000
Retained earnings	45 000
During the year ended 31 December 2015	
Issue of ordinary shares – 100 000 shares of $0.50 each	50 000
Payment of final dividend relating to the financial year ended 31 December 2014	25 000
Payment of interim dividend relating to the financial year ended 31 December 2015	15 000
At 31 December 2015	
Profit for the year	49 000
Transfer to general reserve	10 000

© UCLES 2016

REQUIRED

(c) Prepare the statement of changes in equity for the year ended 31 December 2015.

Aireville Limited
Statement of Changes in Equity for the year ended 31 December 2015

	Ordinary share capital $	General reserve $	Retained earnings $	Total $
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

[7]

The profits of Aireville Limited have decreased over the last few years and the directors have decided on a policy of modernisation. The directors considered raising the extra funds required from the issue of debentures but decided to issue additional ordinary shares instead.

REQUIRED

(d) Suggest **two** disadvantages to the ordinary shareholders of issuing debentures instead of ordinary shares.

1 .....

.....

2 .....

.....[2]

[Total: 19]

3 Daksha is a trader. Her financial year ends on 31 January. She does not maintain a full set of accounting records but was able to provide the following information at 1 February 2015.

	$	
Premises at cost	90 000	
Fixtures and fittings at cost	22 000	
Trade receivables	2 750	
Trade payables	2 160	
Other payables	330	
Inventory	3 000	
Bank	1 940	debit
Long-term loan	20 000	
Capital	97 200	

During the year ended 31 January 2016:

Capital introduced amounted to $12 000
Drawings amounted to $4200
Fixtures and fittings costing $5200 were purchased
A motor vehicle costing $8000 was purchased
A further long-term loan of $10 000 was obtained

In addition to providing this information, Daksha compared her assets and liabilities on 31 January 2016 with those on 1 February 2015 and found:

	$
Trade receivables had increased by	1150
Trade payables had decreased by	210
Other payables amounted to	160
Other receivables amounted to	327
Bank balance had reduced by	2300
Petty cash amounted to	100

Inventory had increased by 10%.

On 31 January 2016 it was decided to:

1 Create a provision for doubtful debts of 3% of trade receivables.
2 Provide for depreciation of fixtures and fittings and the motor vehicle at 20% per annum (based on cost of assets held at the end of the financial year).

REQUIRED

(a) Prepare a statement of affairs at 31 January 2016 showing the **total** capital at that date.

© UCLES 2016

Daksha
Statement of Affairs at 31 January 2016

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

[15]

(b) Prepare the capital account of Daksha for the year ended 31 January 2016 to show the profit or loss for the year.

Daksha
Capital account

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

[5]

[Total: 20]

© UCLES 2016

Question 4 is on the next page.

4 The Lodi Sports Club was formed some years ago.

The club has 150 members. The annual subscription is $100.
The club rents a sports centre at a monthly rent of $300.
A few years ago the club took out a bank loan of $5000 at 4% per annum interest.

The amounts received and paid during the year ended 31 January 2016 were as follows.

		$
Subscriptions:	for the year ended 31 January 2015 (2 members)	200
	for the year ended 31 January 2016 (140 members)	14 000
	for the year ending 31 January 2017 (5 members)	500
Rent for the year ended 31 January 2016		3 600
Rent for the year ending 31 January 2017		300
General expenses		1 454
Insurance		1 550
Purchase of new sports equipment		7 200
Proceeds of sale of old sports equipment (book value $400)		275
Bank interest and repayment of one quarter of the loan		1 400

REQUIRED

(a) Prepare the receipts and payments account for the year ended 31 January 2016. Balance the account and bring down the balance on 1 February 2016.

Lodi Sports Club
Receipts and Payments Account for the year ended 31 January 2016

Date	Details	$	Date	Details	$
			2015		
.....	.....	.....	*Feb 1*	*Balance b/d*	*210*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[9]

© UCLES 2016

(b) Calculate the total subscriptions which will appear in the income and expenditure account for the year ended 31 January 2016.

.....

.....[2]

(c) Complete the following table to show the entries in the statement of financial position on 31 January 2016.

	Statement of financial position	
	section	amount ($)
Bank loan		
Interest on bank loan		
Rent		

[6]

[Total: 17]

5 Mohan is a trader. His financial year ends on 31 December.

Mohan depreciates his motor vehicles at 20% per annum on cost, calculated from the date of purchase.

The following information was available on 1 January 2014.

	Cost	Accumulated depreciation
	$	$
Motor vehicle A	12 000	7 200
Motor vehicle B	13 000	3 900

On 1 July 2014 Motor vehicle C was purchased for $15 000, by cheque.

REQUIRED

(a) Prepare the following accounts for **each** of the two years ended 31 December 2014 and 31 December 2015.

Balance the accounts and bring down the balances on 1 January 2015 and 1 January 2016.

Mohan
Motor vehicles account

Date	Details	$	Date	Details	$
2014					
Jan 1	*Balance b/d*		.....	.....	.....
	A – 12 000				
	B – 13 000	*25 000*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

© UCLES 2016

Provision for depreciation of motor vehicles account

Date	Details	$	Date	Details	$
			2014		
.....	.....	.....	*Jan 1*	*Balance b/d*	
				A – 7200	
.....	.....	.....		*B – 3900*	*11 100*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[11]

© UCLES 2016

[Turn over

(b) Prepare an extract from the statement of financial position on 31 December 2015 to show the entries for motor vehicles.

Mohan
Extract from Statement of Financial Position at 31 December 2015

Non-current assets

.....

.....

.....[2]

On 1 January 2016 Motor vehicle B was sold for $2900, cash.

REQUIRED

(c) Calculate the depreciation on Motor vehicle B up to the date of disposal.

.....

.....

.....[2]

(d) Complete the following table to name the ledger accounts to be debited and credited to record the disposal of the motor vehicle.

	account debited	account credited
transferring the original cost of the motor vehicle from the asset account		
transferring the accumulated depreciation on the motor vehicle from the provision account		
recording the proceeds of sale of the motor vehicle		

[6]

[Total: 21]

© UCLES 2016

Question 6 is on the next page.

6 Annie is a wholesaler of ladies' clothing, selling to retail stores on credit terms. She provided the following information at the end of her second year of trading on 31 December 2015.

	$
Revenue	40 000
Cost of sales	30 500
Profit for the year	3 800
Inventory 1 January 2015	3 600
Inventory 31 December 2015	4 800
Capital employed 1 January 2015	92 000
Trade receivables at 31 December 2015	4 350

Annie decided to compare her results with those of her two brothers, Mark and Tony, who formed a partnership six years ago to operate a wholesale food business.

REQUIRED

(a) Complete the table on the opposite page to show the ratios for Annie's business for the year ended 31 December 2015.

You may use the space below for your workings.

Workings

Ratio	Annie	Mark and Tony
Percentage of gross profit to revenue	23.75%	16.50%
Percentage of profit for the year to revenue	9.50%	11.35%
Rate of inventory turnover (to **two** decimal places)	..... times	20.15 times
Percentage of profit for the year to opening capital employed (ROCE) (to **two** decimal places)	..... %	10.35%
Trade receivables collection period (rounded up to the next whole day)	..... days	34 days

[6]

(b) Explain **one** reason for the difference between the percentages of gross profit to revenue of Annie and her brothers.

.....

.....

.....[2]

(c) Comment on the possible effects of Annie increasing the selling price of her goods.

.....

.....

.....[2]

(d) State whose business had better control over its expenses. Give a reason for your answer.

Business .....

Reason .....

.....[2]

(e) Explain **one** reason for the difference in the rate of inventory turnover.

.....

.....

.....[2]

(f) Suggest **one** way in which Annie could increase her rate of inventory turnover.

.....

.....[1]

(g) Suggest **one** way in which Annie could improve her return on capital employed (ROCE).

.....

.....[1]

(h) State whose business had the better collection period for trade receivables. Give a reason for your answer.

Business .....

Reason .....

.....[2]

(i) Suggest **two** factors, **excluding those provided in the question**, which should be considered when comparing Annie's results with those of her brothers.

1 .....

2 .....[2]

Annie has a bank overdraft but believes that her current ratio could be improved. She is considering four courses of action.

REQUIRED

(j) Complete the following table by placing a tick (✓) in the correct column to show how **each** of the courses of action would affect Annie's current ratio.

	Increase	Decrease	No effect
Create a provision for doubtful debts			
Delay payments to credit suppliers			
Obtain a long-term loan			
Obtain permission from the bank to increase the overdraft			

[4]

[Total: 24]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.