Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

6369252611

ACCOUNTING **0452/12**

Paper 1 **February/March 2018**

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.

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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)** Harpreet is a credit customer of Suzanna. Harpreet's account in Suzanna's books shows a credit balance.

How could the credit balance have arisen?

A A cheque from Harpreet was dishonoured. ☐

B Harpreet has overpaid his account. ☐

C Interest was charged by Suzanna. ☐

D Suzanna offered a trade discount. ☐ [1]

(b) The following is the subscriptions account of a club.

Subscriptions account

2017		$	2017		$
Jan 1	Balance b/d	150	Jan 1	Balance b/d	80
Dec 31	Income and expenditure	3000	Dec 31	Bank	3060
	Balance c/d	50		Balance c/d	60
		3200			3200
2018			2018		
Jan 1	Balance b/d	60	Jan 1	Balance b/d	50

Which statement is correct?

A Subscriptions in advance at 1 January 2018 were $50. ☐

B Subscriptions in arrears at 1 January 2017 were $80. ☐

C Subscription income for the year was $3060. ☐

D Subscriptions received during the year were $3000. ☐ [1]

(c) Why is it necessary for a manufacturing business to make an adjustment for work in progress in its manufacturing account?

1 to calculate what is needed to complete production
2 to record all factory costs
3 to show only the cost of goods completed

A 1 and 2 ☐

B 1 only ☐

C 2 and 3 ☐

D 3 only ☐ [1]

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(d) Narinder made a short-term loan to Seema. Narinder's draft statement of financial position showed this loan as a current liability.

What was the effect of this error?

A current assets understated ☐

B current liabilities understated ☐

C non-current liabilities overstated ☐

D owner's capital overstated ☐ [1]

(e) On 1 February 2017 Katya's fixtures and fittings had a net book value of $12 950. She purchased fixtures, $2250, during the year. Depreciation for the year ended 31 January 2018 was $4900.

What was the net book value of fixtures and fittings on 31 January 2018?

A $5800 ☐

B $7150 ☐

C $10 300 ☐

D $15 600 ☐ [1]

(f) The accounts of a business are prepared on the basis that the business will continue to operate for the foreseeable future.

Which accounting principle is being applied?

A accruals (matching) ☐

B consistency ☐

C going concern ☐

D realisation ☐ [1]

(g) Which term in club or society accounts means the same as capital?

A accumulated fund ☐

B appropriation account ☐

C balance at bank ☐

D surplus for the year ☐ [1]

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(h) A business provided the following information.

	$
revenue	290 000
gross profit	90 000
profit for the year	70 000

What was the mark-up?

A 24.14% ☐

B 31.03% ☐

C 35.00% ☐

D 45.00% ☐ [1]

(i) Financial statements must provide information in time for financial decisions to be made.

Which accounting objective is being described?

A comparability ☐

B relevance ☐

C reliability ☐

D understandability ☐ [1]

(j) Which item would be recorded as a credit entry in a purchases ledger control account?

A amounts paid to credit suppliers ☐

B contra with the sales ledger control account ☐

C discount received from credit suppliers ☐

D interest charged on late payment ☐ [1]

[Total: 10]

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2 Kumar supplies goods to Simran on credit. Some documents were exchanged between them during August 2017.

REQUIRED

(a) Complete the table to name the person who issued **each** document. The first item has been completed as an example.

document	name of person issuing the document
invoice	*Kumar*
debit note	
credit note	
statement of account	
cheque	

[4]

(b) State the purpose of a debit note.

.....

.....[1]

(c) State the book of prime (original) entry in which Kumar would record the credit note.

.....[1]

(d) Name the ledger in which Kumar maintains Simran's account.

.....[1]

Simran is a regular customer. Kumar allows Simran a discount for buying in bulk.

REQUIRED

(e) Name the type of discount offered by Kumar.

.....[1]

(f) State where Kumar would record this discount.

.....[1]

The following are details of the credit notes issued by Kumar in December 2017.

Date	Customer	Credit note number	$
2017 Dec 3	Sam	C1015	295
12	Saira	C1016	103
31	Total for December		398

REQUIRED

(g) State where Kumar will post

(i) the total of the credit notes for December

.....[1]

(ii) the individual credit notes

.....[1]

Kumar has received positive feedback about his customer service. No entry has been made in the accounting records to reflect this success.

REQUIRED

(h) Name and explain the accounting principle Kumar has applied.

Name .....

Explanation .....

.....

.....[2]

(i) Complete the following to show the accounting equation.

	equals	assets	minus	

[2]

(j) Complete the table by placing a tick (✓) to indicate how **each** item affects the owner's capital. The first one has been completed as an example.

item	increase	decrease
capital introduced	✓	
drawings		
profit for the year		

[2]

[Total: 17]

3 Nikita has a business with a financial year end of 31 January. On 1 February 2017 there was a credit balance of $140 on the electricity expense account.

During the year ended 31 January 2018 the following payments were made relating to electricity.

		$
2017		
Mar 10	direct debit	210
Jun 7	direct debit	130
Sep 5	direct debit	185
Dec 6	direct debit	205

The cost of electricity for the three months ended 28 February 2018 was estimated to be $330.

REQUIRED

(a) Prepare the electricity expense account for the year ended 31 January 2018. Balance the account and bring down the balance on 1 February 2018.

Nikita
Electricity expense account

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

[6]

(b) State what the balance brought down on 1 February 2018 on the electricity expense account represents.

.....

.....[1]

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(c) Name the section of the statement of financial position on 31 January 2018 in which the balance on the electricity expense account was included.

.....[1]

Nikita also rents out some premises.

On 1 February 2017 the tenant owed $1250.

The following amounts for rent were received during the year.

		$
2017		
May 10	cash	2700
Oct 14	cheque	2800

On 31 January 2018 the tenant owed $1700.

REQUIRED

(d) Prepare the rent receivable account for the year ended 31 January 2018. Balance the account and bring down the balance on 1 February 2018.

Nikita
Rent receivable account

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

[6]

(e) Name the section of the statement of financial position on 31 January 2018 in which the balance on the rent receivable account was included.

.....[1]

(f) Insert the missing words and figures into the following extract from Nikita's income statement for the year ended 31 January 2018.

Nikita
Income Statement for the year ended 31 January 2018

	$	$	$
Revenue			
Less: returns			4 000
			123 000
Cost of sales			
Inventory at		8 000	
Purchases	76 000		
Goods for own use	2 000		
Carriage inwards		1 200	
Less: Inventory at		11 000	

[8]

Nikita's brother, Sunil, provided the following information about his business at 31 January 2018.

	$	
Non-current assets	89 350	
Inventory	6 800	
Trade receivables	12 500	
Bank	1 010	debit
Trade payables	15 200	
Long-term loan	8 000	

REQUIRED

(g) State what is measured by the current ratio.

.....

.....[1]

(h) Calculate the current ratio for Sunil's business at 31 January 2018. The calculation should be correct to **two** decimal places.

.....

.....

.....[2]

(i) Suggest **two** reasons why Nikita cannot compare her current ratio with that of Sunil.

1 .....

.....

2 .....

.....[2]

(j) Suggest **two** ways in which Nikita might improve her working capital position.

1 .....

.....

2 .....

.....[2]

[Total: 30]

4 Meena is a trader. On 31 December 2017 Meena's cash book (bank columns) showed an overdrawn balance of $2450. The balance on the bank statement at the same date was $2623 debit. Meena checked the cash book against the bank statement and discovered the following differences.

1 Cash sales, $362, paid into the bank on 31 December, did not appear on the bank statement.

2 Interest charged by the bank, $20, had not been recorded in the cash book.

3 A cheque for $94 from a customer, Anjana, had been paid into the bank but had been returned as dishonoured.

4 The bank had received $140 by credit transfer from Rohan, a customer, which had been omitted from the cash book.

5 Cheques totalling $198, issued by Meena, had not been presented for payment.

6 The bank had paid a standing order, $35, to a supplier on 30 December by mistake.

REQUIRED

(a) Update Meena's cash book (bank columns) at 31 December 2017. Bring down the updated balance on 1 January 2018.

Meena
Cash book (bank columns)

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

[5]

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(b) Prepare a bank reconciliation statement at 31 December 2017.

Meena
Bank Reconciliation Statement at 31 December 2017

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

[6]

(c) State the amount which will be shown as the bank balance in the statement of financial position at 31 December 2017 and the section in which it will be shown.

Amount $ .....

Section of statement of financial position .....[2]

(d) State what is meant by a 'dishonoured cheque'. Suggest **two** possible reasons why a cheque might be dishonoured.

Meaning .....

.....

Reasons .....

1 .....

.....

2 .....

.....[3]

Meena maintains a petty cash book using the imprest system. The amount of the imprest is $200. During the month of December Meena paid the following expenses from petty cash.

	$
Stationery	18
Taxi fares	5
Office tea and biscuits	4

REQUIRED

(e) Explain the meaning of the 'imprest system'.

.....

.....

.....

.....[2]

(f) State the double entry to record the reimbursement to the petty cash imprest on 1 January 2018.

debit entry	$	credit entry	$

[3]

[Total: 21]

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5 Eli and Sumit are in partnership.

Balances on the partners' capital and current accounts on 1 November 2016 were:

	capital account	current account
	$	$
Eli	50 000	4 500
Sumit	40 000	1 800 debit

REQUIRED

(a) Explain why each partner has **both** a current and a capital account.

.....

.....

.....

.....

.....[2]

(b) State what the debit balance on Sumit's current account on 1 November 2016 represents.

.....

.....[1]

The partnership agreement includes the following terms.

Annual salary to Eli	$7500
Interest on capital	8% per annum
Interest on drawings	4%
Share of profits/losses	Eli 3: Sumit 2

Additional information

1 Profit for the year ended 31 October 2017 was $12 500.

2 Additional capital, $5000, was introduced by Sumit on 1 May 2017.

3 Drawings for the year were Eli, $5000, Sumit, $6500.

REQUIRED

(c) Suggest **one** reason why Eli and Sumit are charged interest on drawings.

.....

.....[1]

(d) Prepare the partnership appropriation account for the year ended 31 October 2017.

Eli and Sumit
Appropriation Account for the year ended 31 October 2017

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

[7]

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(e) Prepare an extract from the statement of financial position of Eli and Sumit at 31 October 2017 showing the partners' capital accounts and full details of the partners' current accounts.

Eli and Sumit
Extract from Statement of Financial Position at 31 October 2017

	$ Eli	$ Sumit	$ Total
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[10]

[Total: 21]

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[Turn over

6 Sanjay, a trader, prepared his trial balance on 31 January 2018. The totals of the trial balance did not agree. Sanjay entered the difference, a credit balance of $1110, in a suspense account. The following errors were later discovered.

1 The wages account had been undercast by $270.

2 Rent received, $1000, had been correctly entered in the bank account but no other entry had been made.

3 Goods purchased on credit from Simon, $680, had been correctly entered in the purchases account but had been posted to the account of Simone.

4 No entry had been made for stationery, $35, paid in cash.

5 Motor vehicle repairs, $700, had been debited to the motor vehicles account.

6 Purchases returns, $190, had been correctly entered in the supplier's account but had been debited to the sales returns account.

REQUIRED

(a) State **two** purposes of a trial balance.

1 .....

.....

2 .....

.....[2]

(b) Name the type of error made in 3, 4 and 5.

Error 3 .....

Error 4 .....

Error 5 .....[3]

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(c) Prepare the suspense account making the necessary entries to correct errors. Balance or total the account as required.

Sanjay
Suspense account

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

[6]

(d) State whether **all** errors in Sanjay's accounts have been discovered. Give your reason.

.....

.....

.....

.....[2]

Question 6 (e) is on the next page.

Sanjay's draft profit for the year ended 31 January 2018 was $24 250 **before** any errors were corrected.

REQUIRED

(e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the 'No Effect' column.

Statement of corrected profit for the year ended 31 January 2018

	No Effect	Increase $	Decrease $	$
Draft profit				24 250
Error 1				
Error 2				
Error 3				
Error 4				
Error 5				
Error 6				
Corrected profit				

[8]

[Total: 21]

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