UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

1211836760

ACCOUNTING **0452/11**

Paper 1 **May/June 2010**

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 a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, 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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1	
2	
3	
4	
5	
6	
Total	

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There are 10 parts to Question 1.

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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)** Why does the owner of a business need to know how much profit he has made?

A to calculate interest payable on a bank loan ☐

B to calculate cost of sales ☐

C to calculate the return on capital ☐

D to calculate total expenses ☐ [1]

(b) Which business document shows all the transactions that have taken place with a customer during a month?

A credit note ☐

B debit note ☐

C invoice ☐

D statement ☐ [1]

(c) A shop makes all its sales for cash.

Where does the sales account appear?

A cash book ☐

B nominal (general) ledger ☐

C sales journal ☐

D sales ledger ☐ [1]

(d) Which account could appear in either the debit column or the credit column of a trial balance?

A bad debts ☐

B bank ☐

C drawings ☐

D sales ☐ [1]

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(e) The cash book showed a balance in the bank of $1000 Dr. On the same date, the bank statement showed a balance in the bank of $900 Dr.

Which could be the reason for this difference?

A bank interest received ☐

B payments made directly into the trader's bank account ☐

C standing order for property tax paid directly by the bank ☐

D unpresented cheque ☐ [1]

(f) What is an income statement (profit and loss account)?

A A list of all the assets and liabilities of a business at a particular date. ☐

B A list of all the balances in the ledger accounts of a business at a particular date. ☐

C A statement of receipts and payments of a business during a particular period. ☐

D A summary of income and expenditure of a business during a particular period. ☐ [1]

(g) Which entry is made to reduce a provision for doubtful debts?

	account to be debited	account to be credited	
A	income statement (profit and loss account)	provision for doubtful debts	☐
B	provision for doubtful debts	income statement (profit and loss account)	☐
C	provision for doubtful debts	trade receivables (debtors)	☐
D	trade receivables (debtors)	provision for doubtful debts	☐ [1]

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[Turn over

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(h) The total of the sales returns journal is posted to the sales returns account.

Where will the double entry appear?

A bank account ☐

B creditors' accounts ☐

C debtors' accounts ☐

D sales account ☐ [1]

(i) How is working capital calculated?

A current assets – current liabilities ☐

B current assets + current liabilities ☐

C non-current (fixed) assets + current assets – current liabilities ☐

D non-current (fixed) assets + current assets + current liabilities ☐ [1]

(j) A sole trader compares his results with those of a similar business.

Which shows how well expenses are being controlled?

A bank balance ☐

B cost of sales ☐

C gross profit ☐

D net profit ☐ [1]

[Total: 10]

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2 **(a)** Give **two** examples of non-current (fixed) assets.

.....

..... [2]

(b) In the table below, place a tick (✓) under the correct heading to show how the monthly total in the sales returns journal should be posted in the nominal (general) ledger.

	Debit entry	Credit entry
Sales returns account		

[1]

(c) Which accounting principle states that the same accounting treatment should be applied to similar items at all times?

..... [1]

(d) In the balance sheet, non-current (fixed) assets are shown at their net book value. Explain how net book value is different from cost.

.....

..... [2]

(e) In which final account will carriage inwards be shown?

..... [1]

(f) State which accounting principle is being followed when an accrued expense is included in the income statement (profit and loss account).

..... [1]

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(g) Tamari's business had sales for the year ended 31 March of $75 000, and her cost of goods sold was $52 500. She had expenses of $7500.

Calculate the following. Show your workings. Give your answer to **two** decimal places.

(i) Tamari's percentage of gross profit to sales.

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.....

.....

..... [4]

(ii) Tamari's percentage of net profit to sales.

.....

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..... [4]

(h) Hooper Limited has an issued share capital of $5000 divided into shares of $0.50 each. The company declares a dividend of $0.15 per share.

What will be the total amount of the dividend paid to the shareholders?

.....

.....

.....

..... [4]

[Total: 20]

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3 In the month of April Sumaru had the following transactions with his customers.

April		$
3	Cheque received from Ahar	1500
9	Cash sales	4000
12	Cheque received from Bannu	2000
18	Credit note issued to Chango	400
22	Credit transfer from Dooly	1650
28	Cheque received from Eduardo	900

REQUIRED

(a) Make the necessary entries in the bank and cash columns on the debit side of Sumaru's cash book for the month of April.

Sumaru
Cash book April 2010

Date	Detail	Cash Dr $	Bank Dr $

[10]

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(b) In the table below, show how the transaction on 9 April should be posted to the ledger.

Name of account	Dr $	Cr $

[2]

Sumaru prepared his trial balance at 30 April 2010 and transferred the difference on the trial balance to a suspense account.

The balance shown in the bank column in Sumaru's cash book at 1 April 2010 was $620 Dr.

He found that this balance was incorrect and should have been $260 Dr.

REQUIRED

(c) Show (**with** narrative) the journal entry required to correct this error.

Date		Dr $	Cr $

[5]

(d) Sumaru is concerned that some of his customers to whom he has sold on credit may not be able to pay him.

Suggest **two** ways in which Sumaru might be able to encourage his customers to pay their invoices.

1 .....

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.....

2 .....

.....

..... [4]

[Total: 21]

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4 Timpani Ltd makes machine parts and their financial year ends on 31 March. After preparing the income statement (trading and profit and loss account) for the year ended 31 March 2010 the trial balance showed the following items.

	$
Bank	500 Dr
Bank loan (repayable 2011)	2 800
Trade payables (creditors)	700
Trade receivables (debtors)	1 000
Plant and equipment	20 000
Provision for depreciation	12 000
Inventory (stock) at cost	3 000
Share capital	5 000
Profit for the year	4 000

Timpani Ltd found that the inventory (stock) could be sold for only $2700.

REQUIRED

(a) (i) State the basis on which inventory (stock) should be valued at the end of a financial year.

.....

..... [3]

(ii) State the value that Timpani Ltd should use for inventory (stock) in the balance sheet at 31 March 2010.

..... [1]

(iii) State the effect on the company's profit for the year of adjusting the value of inventory (stock).

..... [2]

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[Turn over

REQUIRED

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(b) Prepare Timpani Ltd's balance sheet at 31 March 2010.

Timpani Ltd
Balance Sheet at 31 March 2010

[11]

Timpani Ltd must repay its bank loan by 31 March 2011. The company is not sure if it will be able to repay the loan.

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Timpani Ltd decides to take some action to enable it to repay the bank loan when it becomes due.

REQUIRED

(c) For **each** proposed action place a tick (✓) under the correct heading to show if it might be successful.

	Successful	Not successful
Reduce dividend paid		
Reduce depreciation		
Reduce trade payables (creditors)		

[6]

(d) (i) Name the accounting principle which states that a business is assumed to continue to operate indefinitely.

..... [1]

(ii) If a business is not expected to continue, state the value at which its assets should be valued in the balance sheet.

.....

..... [2]

[Total: 26]

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5 Griffin has a car hire business. He hires cars to customers for a fixed period of time. He buys cars new and keeps them for three years. At the end of the three years a motor dealer buys the used car in part exchange for a new car.

REQUIRED

(a) In the table below, place a tick (✓) under the correct heading to show whether Griffin's receipts are capital or revenue.

	Capital	Revenue
Hire charges		
Cash discount received from motor dealer for prompt payment for new car		
Part exchange value of used car		

[6]

(b) (i) On 1 April 2009 Griffin bought a new car at a cost of $12 000. He charges depreciation on cars using the reducing balance basis at 30% per annum.

Calculate the depreciation charged in Griffin's income statement (profit and loss account) for the year ended 31 March 2010.

.....

.....

..... [3]

(ii) State the net book value of the car to be shown in Griffin's balance sheet at 31 March 2010.

..... [1]

(c) On 1 April 2010 the car was involved in an accident and was damaged so badly that it could not be repaired and had to be scrapped. The insurance company paid Griffin $5000 for the scrapped car.

Prepare the disposal of motor vehicles account in Griffin's nominal (general) ledger for April 2010, showing any profit or loss on the disposal.

(The disposal of motor vehicles account is on the **next page**.)

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Disposal of motor vehicles account

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..... [5]

(d) Griffin is finding that the part exchange value being paid by the motor dealer is less than the net book value after three years.

(i) Comment on the annual rate of depreciation charged by Griffin.

.....

.....

.....

..... [2]

(ii) Suggest a different method for charging depreciation on Griffin's hire cars. Give **one** reason for your answer.

Method .....

Reason .....

.....

..... [2]

[Total: 19]

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6 Wilma has a shop selling clothing. She sells for cash and on credit to her customers. A summary of her cash book for the year ended 31 March 2010 showed the following:

	$
Opening balance at 1 April 2009	730 Dr
Deposits for the year (cash sales and receipts from credit customers)	15 270
Payments for the year (to suppliers, expenses and drawings)	14 750
Closing balance at 31 March 2010	1 250

Additional information:

	$
Trade receivables (debtors)	
at 1 April 2009	3140
at 31 March 2010	4080
Cash sales deposited at the bank	2680
Purchases from suppliers	9560
Carriage inwards	280
Inventory (stock)	
at 1 April 2009	1780
at 31 March 2010	1920

REQUIRED

(a) Calculate Wilma's total credit sales for the year. Show **all** your workings.

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..... [5]

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(b) Prepare Wilma's trading account for the year ended 31 March 2010.

Wilma
Trading Account for the year ended 31 March 2010

[8]

(c) Wilma wishes to know how her business is performing. Calculate the following. Show **all** your workings.

(i) Rate of inventory (stock) turnover to **two** decimal places.

[4]

(ii) Collection period for trade receivables (debtors) in days, to the nearest **whole** day.

[4]

(d) Cash received from sales, $3400, had not been banked. This had been used to pay for additional purchases. No entries had been made in the books.

In the table below, place a tick (✓) under the correct heading to show the effect of this error.

	Increase	Decrease	No change
Gross profit			
Percentage of gross profit to sales			
Rate of inventory (stock) turnover			

[3]

[Total: 24]

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