UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

2769945546

ACCOUNTING **0452/23**

Paper 2 **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 the 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.

For Examiner's Use	
1	
2	
3	
4	
5	
6	
Total	

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

DC (SM) 27812
© UCLES 2010

For Examiner's Use

1 On 1 May 2010 Beth Wilson's cash book (bank column) had a credit balance brought down of $1668. On the same day her bank statement showed an overdrawn balance of $1600.

REQUIRED

(a) Explain why items are recorded on the opposite side of the cash book to that on which they appear on the bank statement.

.....

.....

.....

.....

.....

.....[4]

Beth Wilson checked her cash book against the bank statement and the following differences were found.

1 Items not recorded in the cash book:

	$
bank charges	38
dividend received	262

2 The debit column of the cash book had been undercast by $100.

3 Items not recorded on the bank statement:

	$
cheque paid to Peter Smith	344
receipts from cash sales	650

4 The bank had credited the account with $50 which should have been credited to the account of Ben Wilson, another customer of the bank.

© UCLES 2010

REQUIRED

(b) Update Beth Wilson's cash book. Bring down the updated cash book balance on 1 May 2010.

Cash Book (bank columns only)

.....

.....

.....

.....

.....

.....

.....

.....[7]

(c) Prepare a bank reconciliation statement for Beth Wilson at 1 May 2010.

Bank Reconciliation Statement at 1 May 2010

.....

.....

.....

.....

.....

.....

.....

.....

.....[8]

(d) State the bank balance that should be shown in the balance sheet of Beth Wilson at 1 May 2010. State whether it is an asset or a liability.

Amount .....

Asset or liability .....[2]

[Total: 21]

© UCLES 2010

[Turn over

2 DEC Ltd was formed some years ago. It raised funds from the issue of ordinary shares, preference shares and debentures.

REQUIRED

(a) Explain the meaning of the term 'limited liability'.

.....

.....

.....[2]

(b) State **two** differences between preference shares and debentures.

(i) .....

.....

(ii) .....

.....[4]

(c) Explain the meaning of **each** of the following terms.

(i) Authorised capital

.....

.....

.....[2]

(ii) Called-up capital

.....

.....

.....[2]

(iii) Paid-up capital

.....

.....

.....[2]

The following information was taken from the books of DEC Ltd on 31 March 2010.

	$
Profit for the year (net profit)	22 000
Profit and loss account balance 1 April 2009	4 300
6% Preference shares of $1 each	70 000
Ordinary shares of $1 each	150 000

During the year ended 31 March 2010 the company paid an interim dividend of 2% on the preference shares.

On 31 March 2010 the directors proposed:

1 A transfer of $3000 to a general reserve.
2 To pay the remainder of the preference share dividend.
3 To pay a dividend of 8% on the ordinary shares.

REQUIRED

(d) Prepare the profit and loss appropriation account of DEC Ltd for the year ended 31 March 2010.

DEC Ltd
Profit and Loss Appropriation Account for the year ended 31 March 2010

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[11]

[Total: 23]

For Examiner's Use

3 Anwar El Wakiel is a trader. He maintains a full set of accounting records including a journal.

REQUIRED

(a) State why a narrative should be shown as part of a journal entry.

.....

.....

.....[2]

Anwar El Wakiel prepared draft financial statements (final accounts) for the year ended 30 April 2010.

The following errors were later discovered.

1 A cheque, $170, received from Zubin Khan had been credited to the account of Zaffar Khan, another debtor.

2 Purchase of equipment, $1000, had been debited to the office expenses account.

3 Stationery, $19, had been debited to the purchases account.

4 No entry had been made for sales returns, $25, from Mariam Sitar.

© UCLES 2010

For Examiner's Use

REQUIRED

(b) Prepare the entries in Anwar El Wakiel's journal to correct the above errors.

Narratives **are** required.

Journal

	Debit $	Credit $
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[12]

© UCLES 2010

[Turn over

(c) Indicate the effect of correcting **each** of the above errors 1–4 on the profit for the year (net profit). Circle the answer which you think is correct.

Give reasons for your answers.

The first one has been completed as an example.

Effect on profit for the year (net profit)

Error 1 Increase Decrease (No effect)

Reason *Correcting this error only affected the accounts of Zubin Khan and Zaffar Khan. These accounts do not affect the profit.*

Effect on profit for the year (net profit)

Error 2 Increase Decrease No effect

Reason .....

.....

.....

.....[3]

Effect on profit for the year (net profit)

Error 3 Increase Decrease No effect

Reason .....

.....

.....

.....[3]

Effect on profit for the year (net profit)

Error 4 Increase Decrease No effect

Reason .....

.....

.....

.....[3]

[Total: 23]

© UCLES 2010

4 Asif Malik is a trader. His financial year ends on 31 March. He employs a bookkeeper to maintain his financial records.

The following account appeared in Asif Malik's ledger.

Rates (property tax) account

2009		$	2010		$
April 1	Balance b/d	320	March 31	Income statement (profit & loss)	2120
2010					
July 1	Bank	1620			
March 31	Balance c/d	180			
		2120			2120
			2010		
			April 1	Balance b/d	180

For candidates who are not familiar with the layout of the account shown above, an alternative presentation is provided.

Rates (property tax) account

		Debit	Credit	Balance
2009		$	$	$
April 1	Balance	320		320 Dr
2010				
July 1	Bank	1620		1940 Dr
March 31	Income statement (profit & loss)		2120	180 Cr

REQUIRED

(a) Explain **each** entry in the above account.

State where the double entry for **each** transaction would have been made.

Balance 1 April 2009

Explanation .....

.....

.....

Double entry .....[3]

Bank 1 July 2010

Explanation .....

.....

.....

Double entry .....[3]

Income statement (profit and loss) 31 March 2010

Explanation .....

.....

.....

Double entry .....[3]

(b) Explain the significance of the $180 shown at the end of the account.

.....

.....

.....[2]

(c) **(i)** Explain the accruals (matching) principle.

.....

.....

.....[2]

(ii) Explain how the bookkeeper applied this principle when he prepared the rates (property tax) account.

.....

.....

.....[2]

© UCLES 2010

Asif Malik paid $1000 for insurance. This was for $750 insurance premium on his business premises and $250 insurance premium on his house.

The bookkeeper credited the bank with $1000, debited the insurance account with $750 and debited the drawings account with $250.

REQUIRED

(d) Name the accounting principle the bookkeeper has applied.

.....[1]

(e) The bookkeeper did not make any entries in the accounting records for orders received for goods to be supplied in the following financial year.

Name the accounting principle the bookkeeper has applied.

.....[1]

[Total: 17]

© UCLES 2010

[Turn over

5 Businesses may be divided into trading businesses and service businesses.

REQUIRED

(a) In the table below place a tick (✓) under the correct heading to show whether **each** of the following businesses is a trading business or a service business.

	Business	Trading business	Service business
(i)	Accountant		
(ii)	Baker		
(iii)	Travel agent		

[3]

Martha Musa provides secretarial services for small businesses. Her financial year ends on 30 April.

She does not maintain a full set of accounting records, but was able to provide the following information:

	$
At 1 May 2009	
Amounts owing by clients	1 770
During the year ended 30 April 2010	
Cheques received from clients	21 250
At 30 April 2010	
Amounts owing by clients	1 820

REQUIRED

(b) Calculate the fees for the year ended 30 April 2010.

Your answer may be in the form of a ledger account or a calculation.

.....

.....

.....

.....

.....

.....

.....[4]

Martha Musa was also able to provide the following information for the year ended 30 April 2010.

	$
Rent received from tenant	2750
Rates (property tax) and insurance paid	1660
General expenses paid	7710

Additional information:

1 On 30 April 2010:
rent received in advance amounted to $150
general expenses owing amounted to $230

2 During the year ended 30 April 2010 Martha Musa sold all her old office equipment for $1800.

The equipment had cost $6000 and had been depreciated by $4000 at the date of sale.

3 On 1 November 2009 Martha Musa purchased new office equipment for $8000.

She depreciates her equipment at the rate of 25% per annum. Depreciation is calculated from the date of purchase.

© UCLES 2010

[Turn over

REQUIRED

(c) Using the above information and your answer to **(b)**, prepare the income statement (profit and loss account) of Martha Musa for the year ended 30 April 2010.

Martha Musa

Income Statement (Profit and Loss Account) for the year ended 30 April 2010

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[11]

[Total: 18]

6 Ajit Singh is a trader. His financial year ends on 31 March.

He provided the following information for the year ended 31 March 2010.

	$
Sales	54 000
Cost of sales	38 000
Expenses	9 000

Ajit Singh decided to compare his results with those for the previous financial year.

REQUIRED

(a) Complete the table to show the ratios for Ajit Singh's business for the year ended 31 March 2010. You may use the space below for your workings.

Calculations should be to **two** decimal places.

	Ratio	Year ended 31 March 2009	Year ended 31 March 2010
(i)	Percentage of gross profit to sales	35.50%	.....
(ii)	Percentage of net profit to sales	10.45%	.....

[6]

Workings

(b) For **each** of the ratios in **(a)** comment on the change and suggest **one** reason for this.

(i) Percentage of gross profit to sales

Comment .....

.....

.....

Reason for change .....

.....[4]

(ii) Percentage of net profit to sales

Comment .....

.....

.....

Reason for change .....

.....[4]

(c) Ajit Singh is concerned that his working capital has reduced during the year ended 31 March 2010.

Explain **two** disadvantages to Ajit Singh of having insufficient working capital

(i) .....

.....

(ii) .....

.....[4]

[Total: 18]

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.

University of 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.