UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

2045970841

ACCOUNTING **0452/12**

Paper 1 **May/June 2011**

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	

This document consists of **15** printed pages and **1** blank page.

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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)** Which business documents are used to write up the sales returns journal?

A credit notes issued to customers ☐

B credit notes received from suppliers ☐

C invoices issued to customers ☐

D invoices received from suppliers ☐ [1]

(b) What is cash discount?

A an allowance given to a customer for paying in cash ☐

B an allowance given to a customer for prompt payment ☐

C a deduction from the list price of goods bought by a customer ☐

D a deduction from the list price of goods for bulk buying by a customer ☐ [1]

(c) Which type of error is corrected using a suspense account?

A complete reversal ☐

B omission ☐

C principle ☐

D single entry ☐ [1]

(d) A business receives a bank statement and updates its cash book.
Which item will increase the bank balance in the cash book?

A bank charges ☐

B credit transfers received ☐

C interest charges ☐

D standing orders paid ☐ [1]

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(e) Adam's debt is to be written off as bad.
What entries are required?

	account to be debited	account to be credited	
A	Adam	bad debts	☐
B	Adam	income statement	☐
C	bad debts	Adam	☐
D	bad debts	income statement	☐

[1]

(f) Which is an intangible asset?

A goodwill ☐

B inventory ☐

C other receivables ☐

D trade receivables ☐ [1]

(g) A trader took goods costing $100 for his own use.
How is this recorded in the ledger?

A debit drawings, credit inventory ☐

B debit drawings, credit purchases ☐

C debit inventory, credit drawings ☐

D debit purchases, credit drawings ☐ [1]

(h) Which is a factory overhead?

A carriage on finished goods ☐

B carriage on raw materials ☐

C wages of factory supervisors ☐

D wages of machine operators ☐ [1]

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(i) How is the collection period for debtors calculated?

A credit sales / debtors x 100 ☐

B credit sales / debtors x 365 ☐

C debtors / credit sales x 100 ☐

D debtors / credit sales x 365 ☐ [1]

(j) At which point is revenue considered to be earned by a business?

A when an invoice is sent to the customer ☐

B when ownership of the goods passes to the customer ☐

C when the customer orders the goods ☐

D when the customer pays for the goods ☐ [1]

[Total: 10]

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2 **(a)** Name **two** books of prime (original) entry.

(i) .....

(ii) ..... [2]

(b) State the purpose of preparing an income statement.

.....

..... [1]

(c) In the table below, place a tick (✓) under the correct heading to show whether the item is income or an expense.

	Income	Expense
Carriage outwards		
Bad debt recovered		
Discount received		

[3]

(d) Explain what is meant by the imprest system of petty cash.

.....

.....

..... [2]

(e) **(i)** Name the accounting principle which requires that the same accounting treatment should be applied to similar items at all times.

..... [1]

(ii) Name the accounting policy which states that accounting information should represent actual events and be free from error and bias.

..... [1]

(f) Complete the following statement: working capital is defined as

..... less ..... [2]

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(g) Bailee's trial balance at 31 March 2011 included the following items:

	$
Trade payables	1800
Trade receivables	1300
Bank (Dr)	3500
Drawings	4700
Inventory	2900
Provision for depreciation	3300

(i) Calculate Bailee's working capital. Show your workings.

.....

.....

..... [3]

(ii) Calculate Bailee's quick ratio. Show your workings and give your answer to **two** decimal places.

.....

.....

.....

..... [3]

(h) Name **two** types of shares which may be issued by a limited company.

(i) .....

(ii) ..... [2]

[Total: 20]

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3 Alcazar has a clothing business and sells for cash and on credit.
A summary of his cash book for the year ended 31 March 2011 shows the following:

	$
Deposits for the year (cash and credit amounts from customers)	15 270
Payments for the year (to suppliers, expenses and drawings)	13 950

You are given the following additional information:

Cash sales for the year deposited at the bank	$2680

	1 April 2010 $	31 March 2011 $
Trade receivables	3 140	4 080
Inventory	1 780	1 920

An analysis of Alcazar's payments shows:

	$
Purchases from suppliers	9 560
Carriage inwards	280
Rent	600
Electricity	360
Insurance	580
Wages paid to staff	1 370
Drawings	1 200
	13 950

REQUIRED

(a) Calculate Alcazar's credit sales for the year. Show your workings.

.....

.....

.....

.....

.....

..... [4]

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(b) Prepare Alcazar's income statement (showing the trading account) for the year ended 31 March 2011.

Alcazar
Income Statement for the year ended 31 March 2011

[12]

(c) (i) Calculate Alcazar's percentage of gross profit to sales for the year.
Show your workings and give your answer to **two** decimal places.

[3]

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(ii) Calculate Alcazar's percentage of net profit to sales for the year. Show your workings and give your answer to **two** decimal places.

.....

.....

.....

..... [3]

(d) Alcazar did not bank additional cash sales of $2500 which were, therefore, not included in his income statement.

(i) Recalculate the new percentage of gross profit to sales. Show your workings and give the calculation to **two** decimal places.

.....

.....

.....

..... [3]

(ii) State whether including these cash sales has **increased** or **decreased** the percentage of gross profit to sales.

..... [1]

[Total: 26]

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4 **(a)** Explain what is meant by the term 'other payable' (accrued expense).

.....

.....

..... [2]

Khalim has a furniture business and pays the fuel expenses of running a motor van.

At 1 May 2010 he had accrued fuel expenses of $30. For the year ended 30 April 2011 he paid fuel expenses of $340 by cheque and at 30 April 2011 he had an unpaid bill for fuel of $50.

REQUIRED

(b) Write up Khalim's fuel expenses account for the year ended 30 April 2011. Show the transfer to the income statement for the year and any balance carried down at 1 May.

Khalim
Fuel expenses account

.....

.....

.....

.....

.....

..... [6]

(c) In the following table, place a tick (✓) under the heading to show the correct category of each asset shown on Khalim's balance sheet.

	Non-current tangible asset	Non-current intangible asset	Current asset
Warehouse			
Goodwill			
Motor van			
Trade receivables			

[4]

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Khalim sells three types of chair and provides the following information about his inventory at 30 April 2011.

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Chair type	Units in stock	Cost per unit $	Selling price per unit $
Armchair	15	55	65
Dining chair	36	25	20
Folding chair	60	15	18

REQUIRED

(d) State the **basis** on which Khalim will value his inventory on 30 April 2011.

.....

..... [3]

(e) Calculate the **value** of Khalim's inventory at 30 April 2011. Show all your workings.

.....

.....

.....

.....

.....

.....

.....

..... [8]

[Total: 23]

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5 Piranha Limited is planning to buy a computer system costing $4500 for use in its business.

It estimates the computer system will have a useful life of three years and will have a scrap value of $750 after that time.

The company decides it will depreciate the computer system on the reducing balance method at the rate of 40% per annum.

REQUIRED

(a) State **two** other methods of calculating depreciation.

(i) .....

(ii) ..... [2]

(b) Calculate the depreciation to be charged on the computer system for **each** of the three years of its useful life. Show your workings for **each** year.

(i) Year 1 .....

.....

.....

(ii) Year 2 .....

.....

.....

(iii) Year 3 .....

.....

..... [9]

(c) Complete the following extract from the company's balance sheet at the end of the **third** year.

Piranha Limited
Balance Sheet at end of third year (extract)

	Cost	Provision for depreciation	Net book value
	$	$	$
Non-current assets			
Computer system	.....	.....	.....

[3]

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(d) Piranha Limited compared the calculated net book value of the computer system after three years with its expected scrap value after three years, $750.

State whether you consider the percentage rate the company should be using to calculate the depreciation should be **higher** or **lower**. Give a reason for your answer.

.....

.....

..... [2]

(e) Piranha Limited is proposing to take a three year bank loan.

In the table below, place a tick (✓) under the correct heading to show the effect of taking the bank loan on the item.

	Increase	Decrease	No effect
Net profit			
Working capital			
Return on capital employed			

[6]

[Total: 22]

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6 Monica has a shop. She writes up the books of account herself but is not an experienced bookkeeper. Her financial year ends on 28 February.

The trial balance she prepared on 28 February 2011 showed a shortage on the debit side of $720. Monica entered this in a suspense account and then prepared a draft income statement showing a profit for the year of $3600.

The following errors were later discovered.

1 A cheque payment of $460 to repay a loan from Carlo has been correctly entered in the cash book but $640 has been debited to his loan account.

2 Cash sales of $850 have been completely omitted from the books.

3 A cheque payment for $900 for goods has been entered in the cash book but no other entry has been made.

4 The purchase of new display shelves for $1200 has been debited to the repairs account.

REQUIRED

(a) Show the journal entries required to correct the above errors. The date and narrative are **not** required.

Error 1	Dr $	Cr $

Error 2

Error 3

Error 4

[8]

(b) Write up the suspense account in Monica's ledger from the above journal entries. Dates are **not** required.

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Monica
Suspense account

[6]

(c) Prepare a statement to show Monica's profit for the year **after** correcting the errors 1 - 4.

Monica
Statement of corrected profit for the year ended 28 February 2011

[5]

[Total: 19]

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