UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

3819137169

ACCOUNTING **0452/21**

Paper 2 **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.

For Examiner's Use	
1	
2	
3	
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6	
Total	

This document consists of **20** printed pages and **4** blank pages.

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For Examiner's Use

1 Ian McDonald buys goods from Fiona Fraser. The following document was issued at the end of April 2011.

STATEMENT OF ACCOUNT

Fiona Fraser
Unit 12 Newton Industrial Estate
Bradleyford

Ian McDonald
High Street
Seatown

30 April 2011

Date	Reference	Debit $	Credit $	Balance $
2011				
April 1	Balance	100.00		100.00
4	Interest charged	2.00		102.00
19	Cheque		102.00	0
22	Invoice 496	250.00		250.00
27	Credit note 202		20.00	230.00

The last amount shown in the balance column is the amount now due.

Terms: 2% cash discount if amount paid within 14 days of date of statement.

REQUIRED

(a) State the purpose of a statement of account.

.....

.....

..... [1]

(b) Name the person who issued the above statement of account.

..... [1]

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(c) Prepare the journal entry **Ian McDonald** would make to record the transaction on 4 April. A narrative **is** required.

For Examiner's Use

Journal

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

[3]

(d) Name the ledger accounts in which **Ian McDonald** would record **each** of the following transactions.

Transaction		Account debited	Account credited
(i)	22 April Invoice 496	.....	.....
(ii)	27 April Credit note 202	.....	.....

[4]

(e) Name the books of prime (original) entry in which **Fiona Fraser** would record **each** of the following transactions.

Transaction		Book of prime (original) entry
(i)	19 April Cheque	.....
(ii)	22 April Invoice 496	.....
(iii)	27 April Credit note 202	.....

[3]

(f) State **one** possible reason for the issue of the credit note on 27 April.

For Examiner's Use

.....

..... [1]

(g) The amount outstanding was paid by cheque on 12 May. State how much would be paid and give a reason for your answer.

Amount .....

Reason .....

.....

..... [2]

[Total: 15]

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Question 2 is on the next page.

2 Paul Muyambo is a trader. His financial year ends on 31 January.

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Paul Muyambo does not maintain a full set of accounting records, but was able to provide the following information at 31 January 2011.

Assets and liabilities at 31 January 2011:

	$
Machinery at book value	32 500
Inventory	12 648
Trade payables	9 485
Other payables	315
Trade receivables	11 320
Other receivables	261
Motor vehicle at valuation	10 300
Bank overdraft	11 146

The following adjustments are required on 31 January 2011:

1 The machinery should be depreciated by 25% on book value.

2 The motor vehicle should be revalued at $9100.

3 A provision for doubtful debts of 2½% of the trade receivables should be created.

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REQUIRED

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(a) Draw up a statement of affairs for Paul Muyambo at 31 January 2011 showing the **total** capital at that date.

Paul Muyambo
Statement of Affairs at 31 January 2011

[13]

On 1 February 2010 Paul Muyambo's capital was $42 500.

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During the year ended 31 January 2011 Paul Muyambo made the following transactions:

1 Introduced an additional $3000 as capital.

2 Withdrew cash from bank, $5575, for personal use.

3 Took goods costing $1700 for personal use.

REQUIRED

(b) Using the capital you calculated in **(a)** and the information above, calculate Paul Muyambo's profit or loss for the year ended 31 January 2011.

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

[7]

[Total: 20]

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Question 3 is on the next page.

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3 Omar and Fatima Aziz are in partnership, trading as Aziz Stores. Their financial year ends on 31 March.

On 1 April 2010 the balances on the partners' capital and current accounts were:

	Capital account	Current account
	$	$
Omar Aziz	60 000	215 debit
Fatima Aziz	40 000	1945 credit

Aziz Stores made a profit for each of the years ended 31 March 2009 and 31 March 2010.

REQUIRED

(a) On 1 April 2009 there was a credit balance on the current account of Omar Aziz.

Explain what may have caused this balance to change to a debit balance on 1 April 2010.

.....

..... [2]

During the year ended 31 March 2011 the partners made the following drawings.

	$
Omar Aziz	2900
Fatima Aziz	9600

Omar and Fatima Aziz prepared the following profit and loss appropriation account for the year ended 31 March 2011.

		$	$
Profit for the year			13 575
Interest charged on drawings	Omar Aziz	87	
	Fatima Aziz	288	375
			13 950
Interest allowed on capital	Omar Aziz	2 400	
	Fatima Aziz	1 600	
		4 000	
Partner's salary	Fatima Aziz	12 000	16 000
			(2 050)
Share of profit/loss	Omar Aziz	(1 230)	
	Fatima Aziz	(820)	(2 050)

REQUIRED

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(b) Prepare the partners' current accounts as they would appear in the ledger for the year ended 31 March 2011.

Where traditional "T" accounts are used they should be balanced and the balances brought down on 1 April 2011.

Where three column running balance accounts are used the balance column should be up-dated after each entry.

[11]

For Examiner's Use

(c) Prepare an extract from the balance sheet of Aziz Stores at 31 March 2011 to show the capital and current account balances of each partner and the total funds provided by the partners. It is **not** necessary to show full details of the current accounts.

Aziz Stores

Extract from Balance Sheet at 31 March 2011

	Omar Aziz	Fatima Aziz	Total
	$	$	$
.....			
.....			
.....			
.....			

[5]

(d) State **one** advantage of maintaining both a capital account and a current account for each partner.

.....

.....

..... [2]

(e) Instead of operating Aziz Stores as a partnership, Omar Aziz has suggested that they should form a limited company.

Explain **one** reason why this may be of personal benefit to Omar and Fatima Aziz.

.....

.....

..... [2]

[Total: 22]

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4 The accounts maintained by clubs and societies often use different terms to those used by businesses.

REQUIRED

(a) Complete the following table to name the equivalent term used by a club or society which does not operate any trading activities.

	Business	Club or society
(i)	Income statement	.....
(ii)	Profit for the year	.....
(iii)	Capital	.....

[3]

The Muara Swimming Club was formed some years ago. It has 60 members who each pay an annual subscription of $90.

On 1 March 2010 the Muara Swimming Club had a balance at bank of $3450.

The treasurer provided the following information relating to the year ended 28 February 2011.

All receipts were paid into the bank and all payments were made by cheque.

	$	$
Subscriptions received from members		
for the year ended 28 February 2010	270	
for the year ended 28 February 2011	5400	
for the year ending 29 February 2012	180	5850
Proceeds of sale of old equipment		890
Purchase of new equipment		1200
Receipts from swimming competition		780
Expenses of swimming competition		645
Rent of premises		1690
General expenses		732
Insurance		496
Loan from Swim-for-all		1000

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[Turn over

REQUIRED

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(b) Prepare the receipts and payments account of the Muara Swimming Club for the year ended 28 February 2011.

Balance the account and bring down the balance on 1 March 2011.

Muara Swimming Club
Receipts and Payments Account for the year ended 28 February 2011

[12]

For Examiner's Use

(c) Prepare the subscriptions account as it would appear in the ledger of the Muara Swimming Club for the year ended 28 February 2011.

Show the amount transferred to the income and expenditure account.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 March 2011.

Where a three column running balance account is used the balance column should be up-dated after each entry.

Muara Swimming Club
Subscriptions account

.....

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.....

..... [8]

[Total: 23]

For Examiner's Use

5 Leo Yang runs a gym and fitness centre. His financial year ends on 31 October. He employs a book-keeper to maintain his accounting records.

Leo Yang rents part of his premises to another business. The following account appeared in Leo Yang's ledger.

Rent receivable account

		$			$
2009			2009		
Nov 1	Balance b/d	100	Nov 2	Bank	1350
2010			2010		
Oct 31	Income statement	2500	April 1	Bank	1300
	Balance c/d	50			
		2650			2650
			2010		
			Nov 1	Balance b/d	50

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

Rent receivable account

		Debit	Credit	Balance
2009		$	$	$
Nov 1	Balance	100		100 Dr
2	Bank		1350	1250 Dr
2010				
April 1	Bank		1300	2550 Cr
Oct 31	Income statement	2500		50 Cr

REQUIRED

(a) Explain the following entries in the above account.

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

(i) Balance 1 November 2009

Explanation .....

.....

.....

Double Entry ..... [3]

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(ii) Bank 2 November 2009

Explanation .....

.....

.....

Double Entry ..... [3]

(iii) Income statement 31 October 2010

Explanation .....

.....

.....

Double Entry ..... [3]

(b) Explain the significance of the $50 shown at the end of the account.

.....

.....

.....

..... [2]

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After the book-keeper had prepared a trial balance on 30 April 2011 Leo Yang decided to draft a set of financial statements for the six months ended 30 April 2011.

The draft financial statements, containing **errors**, are shown below.

Income Statement

	$	$
Fees for the period		14 000
Sale of all old equipment at book value		9 200
Loan from Sports-aid		10 000
		33 200
Less Purchase of new equipment	16 800	
General expenses	8 500	25 300
Profit for six months		7 900

Balance Sheet

	$
Premises at cost	45 000
Trade receivables	1 380
Rent received	1 200
Balance at bank	5 210
Purchase of stationery	110
	52 900
Loan interest paid	200
Capital (balancing figure)	52 700
	52 900

REQUIRED

(c) (i) State the difference between capital expenditure and revenue expenditure.

.....

.....

.....

.....

..... [2]

(ii) State the difference between capital receipts and revenue receipts.

.....

.....

.....

.....

..... [2]

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(d) Calculate the corrected profit of Leo Yang for the six months ended 30 April 2011.

For Examiner's Use

Leo Yang
Statement of corrected profit for the six months ended 30 April 2011

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..... [7]

[Total: 22]

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6 Anna D'Souza is a trader. She buys and sells on both cash and credit terms.

Anna D'Souza allows her credit customers 21 days credit and her credit suppliers allow her 30 days credit.

The following information is available.

For the year ended 31 March 2011

	Purchases	Sales
	$	$
Cash	8 700	11 400
Credit	42 500	52 800

At 31 March 2011

	$
Trade receivables	4100
Trade payables	5300
Inventory	3800
Bank overdraft	2900

REQUIRED

(a) Calculate the payment period for trade payables. Your answer should be rounded up to the next whole day.
Show your workings.

.....

.....

.....

..... [2]

(b) State and explain whether Anna D'Souza's credit suppliers will regard the payment period as satisfactory.

Will they be satisfied? .....

Explanation .....

.....

..... [3]

For Examiner's Use

(c) Calculate the collection period for trade receivables. Your answer should be rounded up to the next whole day.
Show your workings.

.....

.....

.....

..... [2]

(d) The collection period for trade receivables for the year ended 31 March 2010 was 24 days.

State and explain whether the change in the collection period is an advantage or a disadvantage to Anna D'Souza.

Advantage or disadvantage? .....

Explanation .....

.....

..... [3]

(e) Explain **two** ways in which Anna D'Souza could improve the collection period for trade receivables.

(i) .....

.....

(ii) .....

..... [2]

(f) Calculate the current ratio. The calculation should be correct to **two** decimal places. Show your workings.

.....

.....

.....

..... [2]

(g) State and explain whether Anna D'Souza will be satisfied with the ratio you calculated in **(f).**

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Will she be satisfied? .....

Explanation .....

.....

..... [2]

(h) Explain **two** ways in which Anna D'Souza could increase her current ratio.

(i) .....

.....

(ii) .....

..... [2]

[Total: 18]

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