UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

4745172189

ACCOUNTING **0452/23**

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	
4	
5	
6	
Total	

This document consists of **17** printed pages and **3** blank pages.

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1 Sally Matsa is a trader who maintains a full set of accounting records. She divides her ledger into three - sales ledger, purchases ledger and nominal (general) ledger.

On 1 April 2011 Sally Matsa's trade receivables included Paul Ahmadi, who owed $240, and Irene Moyo who owed $110.

Sally Matsa's transactions for April 2011 included the following:

April 2 Notified Irene Moyo that she would be charged $4 interest as her account was overdue

7 Received a cheque from Paul Ahmadi in settlement of his debt less 2½% cash discount

11 Sold goods on credit to Paul Ahmadi, list price $460, less 20% trade discount

18 Paul Ahmadi returned goods. These were purchased on 11 April, list price $170

24 Received a cheque, $80, from Irene Moyo

30 Wrote off the balance of Irene Moyo's account as a bad debt

REQUIRED

(a) Write up the accounts of Paul Ahmadi and Irene Moyo as they should appear in Sally Matsa's ledger for the month of April 2011.

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 1 May 2011.

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

Paul Ahmadi account

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..... [6]

Irene Moyo account

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..... [3]

(b) Explain the difference between a debit note and a credit note.

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..... [2]

(c) Name the book of prime (original) entry in which Sally Matsa would record **each** of the following documents.

(i) invoice received .....

(ii) credit note issued ..... [2]

(d) Explain why no entry is made in the accounting records when a statement of account is issued.

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..... [2]

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(e) Sally Matsa is considering using a control account for her sales ledger.

Complete the following table to indicate the source of information and the entry in the sales ledger control account for **each** of the following items.

The first one has been completed as an example.

Item		Source of information	Entry in sales ledger control account
(i)	credit sales	*sales journal*	*debit*
(ii)	bad debts written off	.....	.....
(iii)	cash discount allowed	.....	.....
(iv)	contra item transferred to purchases ledger	.....	.....

[6]

[Total: 21]

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Question 2 is on the next page.

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2 The following trial balance was extracted from the books of Sabena Khan at 31 January 2011.

	$	$
Capital 1 February 2010		55 686
Drawings	4 800	
Premises at cost	30 000	
Equipment at valuation	4 500	
Fixtures and fittings at cost	5 400	
Provision for depreciation of fixtures and fittings		1 080
Inventory 1 February 2010	7 500	
Trade receivables	4 900	
Bad debts	50	
Bad debts recovered		150
Provision for doubtful debts		116
Carriage outwards	700	
Revenue		58 200
Purchases	51 400	
Purchases returns		2 300
Trade payables		5 100
Bank	5 240	
Administration expenses	7 960	
Discount allowed	182	
	122 632	122 632

Additional information:

1 Sabena Khan did not value her inventory on 31 January 2011 due to an oversight. Her gross profit margin is 20%.

2 The provision for doubtful debts is to be maintained at 2% of trade receivables.

3 Equipment was valued at $3800 on 31 January 2011. No equipment was bought or sold during the year ended 31 January 2011.

4 Fixtures and fittings are to be depreciated by 10% per annum on cost.

REQUIRED

Prepare the income statement of Sabena Khan for the year ended 31 January 2011.

The income statement should clearly show the gross and net profits for the year and the value of the inventory on 31 January 2011.

You may use the space below for your workings.

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Sabena Khan
Income Statement for the year ended 31 January 2011

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[18]

[Total: 18]

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3 Wayne and Tracey Lister are in partnership. The partnership agreement states that Wayne and Tracey share profits and losses in the ratio 3:1. Their financial year ends on 28 February.

A capital account and a current account is maintained for each partner.

On 27 February 2011 the following transactions took place:

1 Wayne took goods costing $420 for his own use.

2 Tracey purchased office stationery, $32, and paid from personal funds.

3 Wayne introduced a motor vehicle, valued at $15 200, into the business.

4 Tracey transferred $5000 from the credit balance on her current account to her capital account.

REQUIRED

(a) Name the accounting principle which states that a distinction must be made between the financial transactions of a business and those of its owners.

.....

[1]

(b) Prepare journal entries on the following page to record **each** of the above transactions. Narratives **are** required. [12]

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Journal

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

Financial statements were prepared for Wayne and Tracey Lister for the year ended 28 February 2011 showing a profit for the year of $18 500.

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It was later discovered that the closing inventory had been over-valued by $560.

REQUIRED

(c) State the basis on which inventory should be valued.

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..... [1]

(d) Explain why inventory should be valued on this basis.

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..... [2]

(e) Calculate the effect on Wayne's profit share of **correcting** the above error.
Show your workings.

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..... [4]

[Total: 20]

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4 Youssef El Rahman is a business consultant. His financial year ends on 31 March.

Youssef El Rahman depreciates his office equipment by 20% per annum on cost. Depreciation on new office equipment is calculated from the date of purchase. No depreciation is charged in the year of disposal.

REQUIRED

(a) Name the accounting principle Youssef El Rahman applies when he writes off the same percentage of depreciation each year.

..... [1]

(b) Explain how depreciation of non-current assets is an application of the accounting principle of prudence.

.....

.....

..... [2]

(c) Name **one** other accounting principle which is applied when non-current assets are depreciated.

..... [1]

On 1 April 2010 the balances on Youssef El Rahman's books included the following:

	$
Office equipment at cost	7500
Provision for depreciation of office equipment	4500

On 1 October 2010 Youssef El Rahman purchased new office equipment, $3500, by cheque.

On 31 December 2010 Youssef El Rahman sold equipment on credit to AH Company for $2000. The equipment had been purchased on 1 April 2008 for $4000.

REQUIRED

(d) Write up the office equipment account, provision for depreciation of office equipment account and office equipment disposal account on the following pages for the year ended 31 March 2011.

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

Where three column running balance accounts are used the balance column should be updated after each entry.

Youssef El Rahman
Office equipment account

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[5]

Provision for depreciation of office equipment account

[7]

Office equipment disposal account

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..... [4]

[Total: 20]

5 Osama Mousa is an advertising consultant. He does not maintain a full set of accounting records. His financial year ends on 31 March.

The following items appeared in a statement of affairs prepared on 31 March 2010.

	$
Equipment at cost	16 000
Motor vehicle at cost	10 000
Trade payables	1 250
Trade receivables	5 200
Bank overdraft	3 800
Loan from Hi-Finance (repayable by 2015)	5 000
Other payables	150
Other receivables	1 000
Capital	22 000

During the year ended 31 March 2011 Osama Mousa inherited $5000. He used this to repay $3750 of the loan and to purchase additional equipment costing $1000. The balance of the money was paid into the business bank account.

Osama Mousa's drawings during the year ended 31 March 2011 amounted to $8000.

On 31 March 2011 Osama Mousa compared his assets and liabilities with those at 1 March 2010 and found that:

trade receivables had increased by	$500
trade payables had increased to	$1750
bank overdraft had reduced by	$2400
other payables had increased by	$400
petty cash amounted to	$100

At 31 March 2011 the equipment and the motor vehicle should be depreciated by 25% of the cost of assets held on that date.

REQUIRED

(a) On the following page, prepare a statement of affairs for Osama Mousa at 31 March 2011 showing the **total** capital at that date.

Osama Mousa
Statement of Affairs at 31 March 2011

[14]

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(b) Using the capital you calculated in **(a)** and the information provided, calculate Osama Mousa's profit or loss for the year ended 31 March 2011.

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

[6]

[Total: 20]

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Question 6 is on the next page.

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6 Salma Ali is a trader. Her income statement for the year ended 31 January 2011 included the following:

	$
Revenue (sales)	585 000
Purchases	390 000
Inventory 1 February 2010	31 600
Inventory 31 January 2011	32 100
Office expenses	51 300
Selling expenses	45 200

Salma Ali was disappointed with her results as they were worse than those of the previous financial year.

She decided to compare her results with those of other similar businesses for the same period, and obtained some average ratios from her trade association.

REQUIRED

(a) Complete the table below to show the ratios for Salma Ali's business for the year ended 31 January 2011

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

You may use the space below for your workings.

ratio	average for the trade	Salma Ali's business
percentage of gross profit to sales	36.50%	..... %
percentage of net profit to sales	15.25%	..... %
rate of inventory turnover	13.60 times	..... times

[9]

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(b) For **each** ratio suggest **one** possible reason for the difference between Salma Ali's ratio and the average ratio for the trade.

(i) Percentage of gross profit to sales

.....

.....

(ii) Percentage of net profit to sales

.....

.....

(iii) Rate of inventory turnover

.....

..... [6]

(c) Suggest **three** factors which Salma Ali should consider when comparing her business to other businesses.

(i) .....

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(ii) .....

.....

(iii) .....

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[6]

[Total: 21]

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