UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

6100309263

ACCOUNTING **0452/12**

Paper 1 **May/June 2012**

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)** Beth sold goods on credit to Peter. It was later discovered that Peter had been overcharged.
Which document will Beth send to Peter to correct the error?

A credit note ☐

B debit note ☐

C invoice ☐

D statement ☐ [1]

(b) Where are the balances of carriage inwards and carriage outwards shown in the trial balance?

	debit column	credit column	
A	carriage inwards	carriage outwards	☐
B	carriage outwards	carriage inwards	☐
C	carriage inwards carriage outwards	–	☐
D	–	carriage inwards carriage outwards	☐

[1]

(c) A trader purchased stationery for office use. This was entered in the ledger as purchase of goods for resale.
Which entry will correct this error?

	account debited	account credited	
A	purchases	stationery	☐
B	stationery	purchases	☐
C	stationery	sales	☐
D	sales	purchases	☐

[1]

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(d) A trader maintains a sales ledger control account.

From which books of prime (original) entry would he obtain the totals for cash discounts and goods returned?

	discounts	goods returned	
A	cash book – discount allowed column	purchases returns journal	☐
B	cash book – discount allowed column	sales returns journal	☐
C	cash book – discount received column	purchases returns journal	☐
D	cash book – discount received column	sales returns journal	☐

[1]

(e) David owes $1000 to Parvinder. He pays 90% of the debt. Parvinder writes off the remaining debt.
What entry will Parvinder make to write off the bad debt?

	account to be debited	$	account to be credited	$	
A	bad debts	100	David	100	☐
B	David	100	bad debts	100	☐
C	bad debts	900	David	900	☐
D	David	900	bad debts	900	☐

[1]

(f) Which is a current asset?

A accrued wages ☐

B bank loan ☐

C motor vehicles at cost ☐

D prepaid insurance ☐ [1]

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[Turn over

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(g) Susan receives a cheque from a tenant on 10 December 2011. This is rent due to the business for the period 1 January to 31 March 2012.
How is this treated in Susan's financial statements for the year ended 31 December 2011?

A accrued expense ☐

B accrued income ☐

C prepaid expense ☐

D prepaid income ☐ [1]

(h) In partnership accounts, which item appears in both the profit and loss appropriation account and in the partners' current accounts?

A current account balances ☐

B drawings ☐

C interest on drawings ☐

D interest on loans ☐ [1]

(i) A business has not kept full accounting records.
Which of the following are used to calculate the profit for the year?

A bank reconciliation statements ☐

B control accounts ☐

C statement of affairs ☐

D suspense account ☐ [1]

(j) What is meant by the money measurement principle?

A accounts are kept on the double entry basis ☐

B accounts contain only items which have a monetary value ☐

C non-current assets are shown at cost less depreciation ☐

D profits are calculated by deducting cash paid from cash received ☐ [1]

[Total: 10]

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2 **(a)** In which ledger would a supplier's account be found?

..... [1]

(b) Inventory is valued at the lower of ..... and

..... [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
Bad debt recovered		
Carriage inwards		
Discount received		

[3]

(d) **(i)** Explain what is meant by an error of principle. Give an example of this type of error.

.....

.....

.....

.....

..... [4]

(ii) Explain what is meant by a compensating error. Give an example of this type of error.

.....

.....

.....

.....

..... [4]

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(e) Hassiq decided to create a provision of doubtful debts of 4% of his trade receivables. His trade receivables are $28 000. Calculate the amount of the provision.

.....

.....

..... [1]

(f) Simone keeps her petty cash on the imprest system with an imprest of $120. On 30 April she had vouchers in the petty cash box for expenses of $87.60.

(i) What was the amount of petty cash remaining at 30 April?

.....

..... [1]

(ii) How much cash was required to restore the imprest at 1 May?

.....

..... [1]

(g) On 1 January 2012 Themba's business had an unpaid electricity bill for $240 for electricity used in December 2011. In the period ended 31 March 2012 he paid $715 to the electricity company and had received bills as follows:

	$
4 February	285
5 March	190

On 7 April he received a bill for $320 for electricity used in March.

Calculate the amount Themba charged in his income statement for electricity for the three months ended 31 March 2012.

.....

.....

.....

.....

..... [3]

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(h) Shazeem owns 6000 3% preference shares with a nominal value of $1.50 each in Linga Limited. The company pays the dividend on the preference shares in two equal instalments on 30 April and 30 November.

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How much preference dividend did Shazeem receive on 30 April 2012?

.....

..... [2]

[Total: 21]

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3 Amanda's cash book for the month of April 2012 is shown below.

Amanda
Cash Book

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
April		$	$	$	April		$	$	$
1	Balances b/d		60	100	6	Mitchell		120	
9	Julian	6		194	21	Sylvia (Dis. chq)			180
14	Sylvia			180	26	Equipment			2000
28	Sales		1300		29	Bank		1100	
29	Cash			1100	30	Balance c/d		140	
30	Balance c/d			606					
		6	1360	2180				1360	2180
May					May				
1	Balance b/d		140		1	Balance b/d			606

REQUIRED

(a) Explain the following entries in the above cash book.

April 6 Mitchell

.....

..... [1]

April 9 Julian

.....

.....

..... [2]

April 14 Sylvia

.....

..... [1]

April 21 Sylvia

.....

..... [1]

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April 26 Equipment

.....

..... [1]

April 28 Sales

.....

..... [1]

(b) Explain the transaction which took place on 29 April.

.....

.....

..... [2]

(c) **(i)** Explain the significance of the cash balance and the bank balance on 1 May.

.....

.....

.....

..... [2]

(ii) State the section of Amanda's balance sheet on 30 April in which the balances shown in the cash book would appear.

Cash balance .....

Bank balance ..... [2]

(iii) State why the cash column of a cash book can never have a balance brought down on the credit side.

.....

..... [2]

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(d) Using the information in the extract from Amanda's cash book above, write up the following accounts in her ledger for April.

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Amanda
Mitchell account

.....

.....

Julian account

.....

.....

Sylvia account

.....

.....

Equipment account

.....

.....

Sales account

.....

.....

Discount allowed account

.....

..... [9]

[Total: 24]

Question 4 is on the next page.

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4 Bamber is a manufacturer. He knows that it is important to distinguish between capital expenditure and revenue expenditure.

REQUIRED

(a) (i) Explain the effect on Bamber's income statement of recording capital expenditure as revenue expenditure.

.....

.....

.....

..... [2]

(ii) Explain the effect on Bamber's balance sheet of recording capital expenditure as revenue expenditure.

.....

.....

.....

..... [2]

On 1 April 2011 Bamber bought a new computer for his business costing $4800. He also bought a new laser printer costing $750.

On 1 January 2012 Bamber replaced the hard disk in the computer as the existing one had failed. The cost was $450.

REQUIRED

(b) In the table below, place a tick (✓) under the most appropriate heading to show whether the item is capital or revenue.

	Capital expenditure	Revenue expenditure
Purchase of new computer		
Purchase of new laser printer		
Replacement of hard disk in computer		

[3]

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Bamber decided to depreciate the capital items using the straight line method. He considered the useful life of the items would be three years and that they would have a total scrap value of $600 at the end of this time.

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REQUIRED

(c) (i) Calculate the depreciation for the year ended 31 March 2012.
Show your workings.

.....

.....

.....

.....

..... [4]

(ii) Calculate the net book value of the assets at 31 March 2012.
Show your workings.

.....

.....

.....

..... [2]

When preparing his balance sheet, Bamber wishes to show his assets in the correct category.

REQUIRED

(d) In the following table, place a tick (✓) under the heading to show the correct category of each asset.

	Non-current tangible asset	Non-current intangible asset	Current asset
Office building			
Motor vehicle			
Goodwill			
Work in progress			

[4]

[Total: 17]

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5 The following is the trial balance of Rachel Smith at 31 March 2012.

	$	$
Bank	5280	
Cash	160	
Purchases	42 500	
Revenue		63 100
Inventory at 1 April 2011	3 100	
Carriage inwards	1 050	
Carriage outwards	540	
Purchase returns		1 900
Premises	38 600	
Equipment	9 600	
Provision for depreciation of equipment		3 840
Trade receivables	5 000	
Trade payables		3 900
Bad debts	190	
General expenses	1 620	
Property tax	6 000	
Wages	7 100	
Capital		48 000
	120 740	120 740

The following additional information is available at 31 March 2012.

1 Inventory was valued at $3750.

2 A bonus of $180 is to be accrued in the wages account.

3 Property tax includes $1200 paid in advance.

4 Depreciation of $1920 is to be provided for the year.

5 A provision for doubtful debts of 3% of the trade receivables is to be created.

REQUIRED

(a) Prepare the income statement for the year ended 31 March 2012.

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Rachel Smith
Income Statement for the year ended 31 March 2012

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[16]

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(b) (i) From your answer to **(a)**, calculate the percentage of gross profit to revenue. Show your workings and give your answer to **two** decimal places.

.....

.....

.....

..... [2]

(ii) Suggest **one** way in which Rachel Smith could improve this percentage.

.....

.....

..... [2]

(c) (i) From your answer to **(a)**, calculate the percentage of profit for the year to revenue. Show your workings and give your answer to **two** decimal places.

.....

.....

.....

..... [2]

(ii) Suggest **one** way in which Rachel Smith could improve this percentage.

.....

.....

..... [2]

[Total: 24]

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Question 6 is on the next page.

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6 Hart is a trader. His balance sheet at 30 April 2012 was as follows.

Balance Sheet at 30 April 2012

	$	$	$
Tangible non-current assets			
(at book value)			9 500
Current assets			
Inventory		3 900	
Trade receivables		6 600	
Other receivables		780	
Cash		120	
		11 400	
Current liabilities			
Trade payables	9 700		
Bank overdraft	4 100	13 800	
Net current assets			(2 400)
			7 100
Financed by			
Capital			
Opening balance			10 000
Profit for the year			400
			10 400
Less drawings			3 300
			7 100

REQUIRED

(a) State what is meant by a business being a going concern.

.....

..... [2]

(b) (i) State the formula for the calculation of the current ratio.

.....

..... [1]

(ii) Calculate Hart's current ratio at 30 April 2012.
Show your workings and give your answer to **two** decimal places.

.....

.....

.....

..... [2]

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(iii) State and explain whether Hart will be satisfied with his current ratio.

Will he be satisfied? .....

Reason .....

.....

..... [3]

Hart believes that he could make more profit if he increased his sales. He decided to ask the bank for a long-term loan of $10 000 to help him buy additional inventory.

If the bank agreed to the loan, interest at 5% per annum would be charged.

Hart intended to use the loan to repay the bank overdraft and to purchase additional inventory.

REQUIRED

(c) In the table below, place a tick (✓) under the correct heading to show the effect taking the loan will have on the following items.

	Increase	Decrease	No effect
Capital			
Current assets			
Current liabilities			
Non-current liabilities			

[4]

(d) State **two** reasons why the bank would want to see Hart's financial statements before agreeing to the loan.

(i) .....

.....

(ii) .....

..... [4]

(e) The bank decided to refuse Hart's application for a loan.
Suggest **two** reasons for the bank's decision.

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(i) .....

.....

(ii) .....

..... [4]

(f) Suggest **two** other possible sources of finance for Hart's business.

(i) .....

.....

(ii) .....

..... [4]

[Total: 24]

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