UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

ACCOUNTING **0452/13**

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	

This document consists of **19** 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)** In which book of prime (original) entry are invoices issued by a trader recorded?

A purchases journal ☐

B purchases returns journal ☐

C sales journal ☐

D sales returns journal ☐ [1]

(b) Where are the personal accounts of customers who buy goods on credit found?

A purchases journal ☐

B purchases ledger ☐

C sales journal ☐

D sales ledger ☐ [1]

(c) A trader has received a bank statement and brought his cash book up to date. Which item will be included in the trader's bank reconciliation statement?

A bank charges ☐

B bank interest ☐

C direct debits ☐

D unpresented cheques ☐ [1]

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(d) K Lain owns a bakery shop.
Which of the following are capital expenditure?

1 motor vehicle
2 petrol for motor vehicle
3 shop fixtures
4 wages of bakers

A 1 and 3 ☐

B 1, 2 and 3 ☐

C 2 and 4 ☐

D 2, 3 and 4 ☐ [1]

(e) What is the effect of providing for depreciation?

A It increases profit. ☐

B It reduces profit. ☐

C It extends the life of non-current assets. ☐

D It increases the cash balance. ☐ [1]

(f) On which basis should inventory be valued?

A the higher of cost and net realisable value ☐

B the lower of cost and net realisable value ☐

C the higher of selling price and net realisable value ☐

D the lower of selling price and net realisable value ☐ [1]

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(g) In December 2010 Imran wrote off Ahmed's debt of $50. On 30 April 2012 Ahmed sent a cheque for $50.
Which journal entry would Imran make on 30 April 2012?

		debit $	credit $	
A	Ahmed bank	50	 50	☐
B	bad debts recovered Ahmed	50	 50	☐
C	bad debts recovered bank	50	 50	☐
D	bank bad debts recovered	50	 50	☐

[1]

(h) Which would appear in an income statement?

A bank overdraft ☐

B capital introduced ☐

C motor vehicle expenses ☐

D trade receivables ☐ [1]

(i) Which is a current liability for a business?

A accrued interest charges on loan from bank ☐

B provision for depreciation of non-current assets ☐

C five-year loan from bank ☐

D insurance premium prepaid ☐ [1]

(j) Paul is preparing his financial statements.
What should he do to observe the principle of prudence?

A include all foreseeable losses ☐

B include all foreseeable revenue ☐

C show expenses as low as possible ☐

D show prepayments as expenses ☐ [1]

[Total: 10]

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2 **(a)** Name the document issued by a supplier of goods on credit to the customer.

.....

[1]

(b) State the purpose of preparing a balance sheet.

.....

.....

[1]

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

	Asset	Liability
Inventory		
Rent receivable prepaid		
Trade payables		

[3]

(d) Explain why it is necessary for a manufacturing business to prepare a manufacturing account at the end of the financial year.

.....

.....

.....

[2]

(e) **(i)** Name the accounting principle which states that transactions must be expressed in terms of money.

.....

[1]

(ii) Which accounting policy requires that financial information should be included only if it affects business decisions?

.....

[1]

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[Turn over

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(f) Smart ordered 300 computer components from Raj. The price of each component was $10.30. Raj allowed a trade discount of 4%.

Calculate the total of the invoice Smart received. Show your workings.

.....

.....

..... [2]

(g) Give **two** examples of a non-current asset.

(i) .....

(ii) ..... [2]

(h) Explain the business entity principle.

.....

.....

.....

..... [2]

(i) Tapac Limited has issued 200 debentures of $100 each. Interest at the rate of 3% per annum is payable in two equal instalments on 30 June and 31 December each year.

Calculate the amount of interest to be paid on the debentures on 30 June 2012.
Show your workings.

.....

.....

..... [2]

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(j) On 1 April 2011 Parmi had an unpaid electricity bill of $350. In the year ended 31 March 2012 he paid a total of $2100 for electricity. On 31 March 2012 he received an electricity bill for $470 which he paid in April.

Calculate the amount Parmi charged for electricity in his income statement for the year ended 31 March 2012. Show your workings.

.....

.....

.....

.....

..... [3]

[Total: 20]

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3 The following balances were taken from the books of Hans Lee, a sole trader, at 30 April 2012.

	$
Revenue	110 000
Purchases	65 000
Inventory 1 May 2011	11 500
Trade receivables	1 300
Trade payables	1 900
Machinery	7 400
Expenses	31 600
Bank (overdraft)	3 100
Capital	11 500
Drawings	7 600

Hans Lee's inventory at 30 April 2012 was $12 100.

REQUIRED

(a) State **one** reason for preparing a trial balance.

.....

..... [1]

(b) Complete the following trial balance for Hans Lee at 30 April 2012. Show any difference you find as a balance in an appropriate account.

Hans Lee
Trial Balance at 30 April 2012

	Dr $	Cr $
Revenue		
Purchases		
Inventory		
Trade receivables		
Trade payables		
Machinery		
Expenses		
Bank (overdraft)		
Capital		
Drawings		

[7]

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After the trial balance had been prepared, the following errors were discovered.

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1 The purchases journal had been undercast by $1600.
2 $150 received from John Tan, a credit customer, had been debited to his account.
3 No entry had been made in the drawings account for $200 cash taken by Hans Lee.

REQUIRED

(c) Prepare the entries in Hans Lee's journal to correct the above errors.
Narratives are **not** required.

Hans Lee
Journal

		Debit $	Credit $
1	.....	.....	.....
	.....	.....	.....
2	.....	.....	.....
	.....	.....	.....
3	.....	.....	.....
	.....	.....	.....

[6]

(d) In the following table place a tick (✓) under the correct heading to show how **correcting** each of the above errors would change the profit for the year.

	Increase	Decrease	No effect
Error 1			
Error 2			
Error 3			

[3]

(e) Using your answer to **(b)**, state whether you consider that all the errors on Hans Lee's books have been discovered. Give a reason for your answer.

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.....

.....

..... [2]

[Total: 19]

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Question 4 is on the next page.

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4 Theba maintains a petty cash book using the imprest system.

REQUIRED

(a) State **one** reason why Theba maintains a petty cash book in addition to her main cash book.

.....

..... [2]

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

.....

.....

.....

..... [2]

Theba's imprest amount is $200.

On 1 April 2012 she had $97 in the petty cash box. On the same day she made a transfer from the business bank account to restore the petty cash to the imprest amount.

On 30 April 2012 Theba had the following petty cash vouchers.

		$
April 4	Postage stamps	24
12	Stationery	36
17	Fuel for motor vehicle	38
21	Refund from stationery supplier	4
24	Catering supplies	12
29	Cleaning	70

REQUIRED

(c) Prepare Theba's petty cash book for the month of April 2012.

Balance the book on 30 April 2012 and carry down the balance.

Make the entry on 1 May 2012 to restore the petty cash to the imprest amount.

[12]

Theba – Petty Cash Book

Total Received	Date	Details	Total Paid	Postages & Stationery	Motor expenses	Catering supplies	Cleaning
$			$	$	$	$	$
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
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(d) From the entries in the petty cash book, record the transactions for the month in Theba's ledger.

Postage and Stationery account

.....

.....

Motor expenses account

.....

.....

Catering supplies account

.....

.....

Cleaning account

.....

..... [5]

(e) State the amount of petty cash which would be included in Theba's balance sheet prepared on 30 April 2012.

..... [1]

[Total: 22]

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5 Raoul and Hassan agreed to form a partnership from 1 April 2011 to sell mobile telephones.

(a) State **two** advantages of trading in partnership.

(i) .....

.....

(ii) .....

..... [2]

(b) State **two** disadvantages of trading in partnership.

(i) .....

.....

(ii) .....

..... [2]

On 1 April 2011, Raoul introduced capital of $6000 which was paid into the partnership bank account. Hassan introduced inventory valued at $4000.

On the same day, the partnership paid rent on a shop of $600 and bought shop fittings for $750. Both payments were made by cheque.

REQUIRED

(c) Prepare journal entries to record the setting up of the partnership.
Narratives are **not** required.

Raoul and Hassan
Journal

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

[8]

Raoul and Hassan agreed that they would allow interest on capital at 3% per annum and that Raoul would have a partnership salary of $3000 per annum. It was agreed that they would share profits and losses in the ratio Raoul 2/5 and Hassan 3/5.

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In the year ended 31 March 2012 the partnership made a profit of $8800.

REQUIRED

(d) Prepare the profit and loss appropriation account of the partnership for the year ended 31 March 2012.

Raoul and Hassan
Profit and Loss Appropriation Account for the year ended 31 March 2012

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.....

.....

.....

.....

.....

.....

..... [8]

(e) Prepare Raoul's current account for the year ended 31 March 2012.

Raoul
Current account

.....

.....

.....

.....

.....

.....

..... [4]

(f) State **one** way in which the partnership agreement could be changed to recognise the fact that Raoul makes more sales than Hassan.

.....

..... [2]

[Total: 26]

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Question 6 is on the next page.

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6 Cole Limited and Fanza Limited are both electrical wholesalers. They provided the following information at 31 March 2012.

	Cole Limited	Fanza Limited
	$	$
Inventory	18 000	36 000
Trade receivables	36 000	60 000
Trade payables	21 000	63 000
Cash at bank	4 800	
Bank overdraft		17 000

REQUIRED

(a) Complete the following table to show the figures for Fanza Limited.
In each case, state the formula and show your workings.

		Cole Limited	Fanza Limited
(i)	Working capital	$37 800	Formula Calculation
(ii)	Current ratio	2.8:1	Formula Calculation
(iii)	Quick (acid test) ratio	1.9:1	Formula Calculation

[9]

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(b) (i) State which company has the better current ratio. Give a reason for your answer.

.....

.....

.....

..... [3]

(ii) State which company has the better quick (acid test) ratio. Give a reason for your answer.

.....

.....

.....

..... [3]

Fanza Limited wishes to expand its business and needs to raise extra finance. It is considering issuing either preference shares or debentures.

REQUIRED

(c) State **two** features of preference shares.

(i) .....

.....

.....

(ii) .....

.....

..... [4]

(d) State **two** features of debentures.

(i) .....

.....

.....

(ii) .....

.....

..... [4]

[Total: 23]

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