UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

ACCOUNTING **0452/22**

Paper 2 **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	
Total	

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1 Dalia Said is a trader. She maintains a full set of accounting records. She purchases and sells goods on credit.

The following transactions took place in March 2012.

March 2 Bought goods, $1950, on credit from Essam Wholesalers

8 Bought goods on credit from Ramy El Din, list price $680, subject to a trade discount of 20%

14 Returned goods, list price $120, to Ramy El Din

21 Paid the balance owing to Essam Wholesalers by cheque, less 2% cash discount

28 Paid a cheque for $300 on account to Ramy El Din

REQUIRED

(a) Write up the purchases journal and the purchases returns journal for March 2012.

Total each journal and indicate the ledger account to which the total would be transferred.

Dalia Said
Purchases journal

Date	Details	$	$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[3]

Purchases returns journal

Date	Details	$	$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[2]

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(b) Write up the accounts of Essam Wholesalers and Ramy El Din as they would appear in Dalia Said's ledger for the month of March 2012.

There was no balance on either of these accounts on 1 March 2012.

Where traditional "T" accounts are used they should be balanced and the balance brought down. If there is no balance the account should be totalled.

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

Dalia Said
Essam Wholesalers account

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..... [3]

Ramy El Din account

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..... [4]

(c) Name the ledger in which Dalia Said would maintain the accounts of Essam Wholesalers and Ramy El Din.

..... [1]

Dalia Said's total purchases for the year ended 31 March 2012 were $33 400. On 31 March 2012 her trade payables amounted to $2600. Dalia Said is allowed a period of 30 days in which to pay her accounts.

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REQUIRED

(d) Calculate the payment period for the trade payables.

Your answer should be rounded up to the next whole day.
Show your workings.

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.....

..... [2]

(e) State **one** advantage to Dalia Said of paying creditors **after** the due date.

.....

..... [1]

(f) State **one** disadvantage to Dalia Said of paying creditors **after** the due date.

.....

..... [1]

(g) Dalia Said is concerned that some of her credit customers are exceeding the period of credit allowed.

Suggest **three** ways in which Dalia Said could improve the collection period for trade receivables.

(i) .....

.....

(ii) .....

.....

(iii) .....

..... [3]

[Total: 20]

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2 Simon Nyemba sells farm machinery. His financial year ends on 31 January.

Mochudi Traders Ltd pay Simon Nyemba a commission on any goods purchased from them by Simon's customers. The commission is paid six-monthly in arrears.

On 1 February 2011 Simon Nyemba was owed $280 in commission.

Simon Nyemba received cheques for commission as follows:

	$
5 February 2011	280
3 August 2011	312

On 31 January 2012 Simon Nyemba was owed $296 commission.

REQUIRED

(a) Write up the commission received account as it would appear in Simon Nyemba's ledger for the year ended 31 January 2012.

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

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

Simon Nyemba
Commission received account

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..... [6]

Simon Nyemba owns premises and pays property tax to the authorities.

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On 1 February 2011 two months' property tax, $520, was prepaid.

On 24 April 2011 Simon Nyemba paid $1620 by cheque for property tax for six months to 30 September 2011.

On 4 October 2011 he paid a further cheque for $1620 for property tax for six months to 31 March 2012.

REQUIRED

(b) Write up the property tax account as it would appear in Simon Nyemba's ledger for the year ended 31 January 2012.

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

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

Simon Nyemba
Property tax account

.....

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..... [6]

(c) Name the accounting principle applied in the preparation of the commission received account and the property tax account.

..... [1]

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(d) Name the section of Simon Nyemba's balance sheet on 31 January 2012 in which **each** of the following balances would appear.

(i) Commission receivable account

..... [1]

(ii) Property tax account

..... [1]

(e) On 31 January 2012 Simon Nyemba's discount allowed account had a debit balance of $324.

Prepare the journal entry Simon Nyemba would make to transfer the discount allowed account to the income statement for the year ended 31 January 2012.
A narrative is required.

Simon Nyemba
Journal

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

[3]

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[Turn over

Simon Nyemba maintains a provision for doubtful debts. On 1 February 2011 there was a credit balance of $460 on the provision for doubtful debts account.

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At 31 January 2012 Simon Nyemba's trade receivables amounted to $14 300 and he decided to maintain the provision for doubtful debts at 3% of the trade receivables.

REQUIRED

(f) Write up the provision for doubtful debts account as it would appear in Simon Nyemba's ledger for the year ended 31 January 2012.

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

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

Simon Nyemba
Provision for doubtful debts account

.....

.....

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.....

..... [5]

(g) Name **one** accounting principle which Simon Nyemba is applying by maintaining a provision for doubtful debts.

..... [1]

[Total: 24]

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Question 3 is on the next page

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[Turn over

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3 Herman Wagner makes furniture.

He provided the following information for the year ended 30 April 2012

		$
Inventories 1 May 2011 –	Raw materials	14 300
	Finished goods	12 100
	Work in progress	6 520
Revenue		600 000
Purchases of raw materials		168 900
Purchases of finished goods		3 450
Carriage on purchases of raw materials		2 600
Wages –	Factory direct	193 700
	Factory indirect	43 600
	Administration	121 100
General expenses –	Factory	24 450
	Administration	9 640
Factory machinery at cost		98 000
Office equipment at cost		14 500
Provision for depreciation of factory machinery		35 280
Provision for depreciation of office equipment		4 350
Loose tools 1 May 2011 at valuation		950

Additional information

1 At 30 April 2012:

Inventories were valued at	$
Raw materials	16 400
Finished goods	11 300
Work in progress	6 970

2 The factory general expenses include rates and insurance, $6200, which should be apportioned – factory ¾ and office ¼.

3 The factory indirect wages include $10 000 taken by Herman Wagner for personal use.

4 The factory machinery is being depreciated at 20% per annum using the reducing balance method.
The office equipment is being depreciated by 10% per annum using the straight line method.

5 During the year additional loose tools, $45, were purchased.
At 30 April 2012 the loose tools were valued at $890.

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REQUIRED

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(a) Select the relevant information and prepare the manufacturing account of Herman Wagner for the year ended 30 April 2012.

Herman Wagner
Manufacturing Account for the year ended 30 April 2012

[16]

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(b) Define and give **one** example of **each** of the following types of inventory in Herman Wagner's business.

(i) Raw materials .....

.....

..... [2]

(ii) Work in progress .....

.....

..... [2]

(iii) Finished goods .....

.....

..... [2]

(c) Explain why Herman Wagner revalues the loose tools at the end of each financial year rather than using the straight line or reducing balance method of depreciation.

.....

.....

.....

..... [2]

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After the preparation of the manufacturing account for the year ended 30 April 2012, Herman Wagner prepared an income statement showing a gross profit of $170 200 and total expenses of $144 000.

On 1 May 2011 Herman Wagner's capital was $130 000. On that date he borrowed $20 000 (repayable on 30 April 2016) from Cashco Ltd.

REQUIRED

(d) Calculate the return on capital employed (ROCE) for Herman Wagner.

Use the total capital employed on 1 May 2011.

The calculation should be correct to **two** decimal places.

Show your workings.

.....

.....

.....

..... [3]

(e) The return on capital employed (ROCE) calculated on 30 April 2011 was 19.50%.

State and explain whether Herman Wagner will be satisfied with the ratio you calculated in **(d)**.

Will he be satisfied? .....

Explanation .....

.....

..... [3]

[Total: 30]

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4 The financial year of Creekside Ltd ends on 30 April.

The following information is available **after** the preparation of the income statement and appropriation account for the year ended 30 April 2012.

	$
Issued share capital 5% Preference shares of $1 each	80 000
Ordinary shares of $1 each	100 000
Retained profit at 1 May 2011	6 500
General reserve	10 000
Premises at cost	120 000
Plant and machinery at cost	90 000
Fixtures and fittings at cost	32 000
Inventory	24 660
Trade payables	26 960
Trade receivables	21 600
Provision for depreciation on machinery	15 500
Provision for depreciation on fixtures and fittings	6 400
Provision for doubtful debts	660
Cash	200
Bank overdraft	5 340
4% Debentures	30 000

Additional information

1 The profit retained for the year, after appropriations, was $7100.

2 The preference dividend for the year ended 30 April 2012 has been paid in full.

REQUIRED

(a) Prepare the balance sheet of Creekside Ltd at 30 April 2012.

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Creekside Ltd
Balance Sheet at 30 April 2012

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[15]

Creekside Ltd wishes to purchase additional premises costing $40 000. It is proposed to obtain this money by issuing either 4% debentures or 5% preference shares.

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REQUIRED

(b) (i) Calculate the amount of **additional** debenture interest which would have to be paid each year if debentures are issued.

.....

..... [1]

(ii) State the effect on the profit for the year if additional debentures are issued.

Give a reason for your answer.

Effect .....

Reason .....

..... [2]

(c) (i) Calculate the amount of **additional** preference dividend which would have to be paid each year if preference shares are issued.

..... [1]

(ii) State **one** way in which the existing ordinary shareholders may be affected if the company issues additional preference shares.

.....

.....

..... [2]

(d) State **one** way in which the existing ordinary shareholders may be affected if the company obtained the money by issuing additional ordinary shares.

.....

.....

..... [2]

[Total: 23]

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5 Bethany Searle is a trader. Her financial year ends on 31 March. The trial balance prepared on 31 March 2012 failed to agree. The difference was entered in a suspense account.

The following errors were later discovered.

1 The total of the discount received column in the cash book, $96, had not been posted to the ledger.

2 Cash received from a tenant, $340, had been entered in the cash book but had not been posted to the rent received account.

3 Stationery returned to the supplier, $24, had been correctly entered in the supplier's account but had been entered in the purchases returns journal.

4 The balance of the petty cash book, $100, had not been included in the trial balance.

5 The total of the sales journal had been overcast by $1000.

REQUIRED

(a) Prepare the entries in Bethany Searle's journal to correct the above errors.

Narratives are **not** required.

The first one has been completed as an example.

Bethany Searle
Journal

		Debit $	Credit $
1	*Suspense* *Discount received*	*96*	 *96*
2	....	....	....
3	....	....	....
4	....	....	....
5	....	....	....

[8]

Before the errors were discovered Bethany Searle calculated that she had made a profit for the year ended 31 March 2012 of $14 940.

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REQUIRED

(b) Prepare a statement to show the effect of correcting errors 1-5 on the original profit for the year.

If the error does not affect the profit for the year write "No effect".

The first correction has been completed as an example.

Bethany Searle
Statement of corrected profit for the year ended 31 March 2012

			$
Profit for the year before corrections			14 940
	Effect on profit		
	Increase	Decrease	
	$	$	
Error 1	*96*		
2			
3			
4			
5			
Corrected profit for the year			

[9]

Bethany Searle provided the following information at 31 March 2012.

	$
Trade payables	21 570
Trade receivables	19 540
Bank overdraft	2 880
Cash	100
Inventory	14 210

REQUIRED

(c) Calculate the quick ratio. The calculation should be correct to two decimal places.

Show your workings.

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..... [2]

(d) Explain the importance of the quick ratio to Bethany Searle.

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..... [2]

(e) Explain why the quick ratio is more reliable as an indicator of liquidity than the current ratio.

.....

.....

..... [2]

[Total: 23]

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