UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

ACCOUNTING **0452/23**

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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

This document consists of **20** printed pages.

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For Examiner's Use

1 Stewart Hanson is a sole trader who maintains a full set of accounting records including a three-column cash book.

REQUIRED

(a) Explain why the cash book is both a book of prime (original) entry and also part of the double entry system.

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..... [2]

On 1 January 2012 Stewart Hanson had the following debit balances in his cash book:

	$
Cash	100
Bank	1942

Stewart Hanson's transactions for the month of January 2012 included the following:

Jan 3 Paid Paul Yim $398 by cheque in full settlement of his account of $410

8 Purchased office equipment, $1795, and paid by cheque

13 Withdrew $250, by cheque, to pay personal motor expenses

20 A cheque received in December 2011 for $115 from Sue West was dishonoured and returned by the bank

28 Cash sales, $1970

30 Paid all the remaining cash into the bank except $50

REQUIRED

(b) Enter the above transactions in Stewart Hanson's cash book on the page opposite.

Balance the cash book at 31 January 2012 and bring down the balances on 1 February 2012.

[10]

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Stewart Hanson
Cash Book

Date	Details	Discount allowed $	Cash $	Bank $	Date	Details	Discount received $	Cash $	Bank $
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
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For Examiner's Use

For Examiner's Use

(c) Stewart Hanson's bank statement for January 2012 showed that his bank account was overdrawn for most of the month.

(i) Explain why this overdraft occurred.

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..... [2]

(ii) Explain how the overdraft could have been prevented.

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..... [2]

(d) Explain how the business entity principle has been applied in the treatment of the personal motor expenses.

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..... [2]

(e) On 20 March 2012 Stewart Hanson decided to write off $115 owed by Sue West as a bad debt.

Prepare the journal entry Stewart Hanson would make to record this. A narrative is required.

Journal

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

[3]

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(f) On 14 May 2012 Stewart Hanson received a cheque for $115 from Sue West.

Name the ledger accounts in which Stewart Hanson would record this transaction.

Account debited	Account credited
.....	.....

[2]

(g) Suggest **two** ways in which Stewart Hanson could reduce the risk of bad debts in the future.

(i) .....

.....

(ii) .....

..... [2]

[Total: 25]

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2 Fatima Ayub is a trader. She maintains a full set of accounting records and prepares control accounts for her sales ledger and purchases ledger at the end of every month.

REQUIRED

(a) State **two** reasons why Fatima Ayub prepares control accounts.

(i) .....

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(ii) .....

..... [2]

(b) Explain why the information for the preparation of a purchases ledger control account is obtained from the books of prime (original) entry and not from the purchases ledger accounts.

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..... [2]

Fatima Ayub provided the following information.

		$
April 1	Debit balances in purchases ledger	38
	Credit balances in purchases ledger	4260
April 30	Totals for the month	
	Cheques received from credit customers	5340
	Cheques paid to credit suppliers	3705
	Credit purchases	6680
	Cash purchases	355
	Returns by credit customers	235
	Returns to credit suppliers	243
	Discount allowed	127
	Discount received	95
	Interest charged by supplier on overdue account	11
	Contra entry	320
May 1	Debit balances in purchases ledger	22
	Credit balances in purchases ledger	?

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REQUIRED

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(c) Select the relevant figures and prepare Fatima Ayub's purchases ledger control account for the month ended 30 April 2012.

Where a traditional "T" account is used it should be balanced and the balances brought down on 1 May 2012.

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

Fatima Ayub
Purchases ledger control account

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..... [12]

(d) State **two** reasons why it is possible to have a debit balance brought down on a purchases ledger control account.

(i) .....

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(ii) .....

..... [2]

(e) Explain the meaning of a contra entry in connection with control accounts and explain why such an entry may be necessary.

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..... [2]

[Total: 20]

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Question 3 is on the next page

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3 Mark Mutanda is a business consultant. His financial year ends on 31 January. He provided the following information on 31 January 2012.

	$
Income from clients	82 100
Insurance	5 630
Wages and salaries	33 000
Rent received	2 600
Rates paid	5 200
Provision for doubtful debts 1 February 2011	154
Loan interest paid	900
Office expenses	17 177
Cash drawings	16 000
Capital 1 February 2011	200 000

Additional information

1 On 31 January 2012 insurance prepaid amounted to $2320 and wages of $3200 are to be accrued.

2 The rent received covers a period of 13 months to 28 February 2012.

3 The office expenses includes $214 for Mark Mutanda's home telephone bill.

4 A 10-year loan of $20 000 was received on 1 February 2011. Interest is charged at 6% per annum.

5 The provision for doubtful debts is maintained at 2% of the trade receivables. On 31 January 2012 the trade receivables totalled $6800.

6 Fixtures and fittings cost $5250. They are depreciated at 10% per annum on the straight line method.

7 Office equipment was valued at $1900 on 1 February 2011.
Additional office equipment costing $600 was purchased during the year.
There were no sales of office equipment during the year.
On 31 January 2012 the office equipment was valued at $2100.

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REQUIRED

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(a) Prepare the income statement of Mark Mutanda for the year ended 31 January 2012.

Mark Mutanda
Income Statement for the year ended 31 January 2012

[18]

For Examiner's Use

(b) Write up the capital account of Mark Mutanda for the year ended 31 January 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 May 2012.

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

Mark Mutanda
Capital account

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..... [6]

(c) Calculate the return on capital employed (ROCE) for Mark Mutanda.

Use the total capital employed on 1 February 2011.

Show your workings and give your answer to **two** decimal places.

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..... [3]

(d) Explain the importance of the return on capital employed (ROCE).

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..... [2]

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(e) The return on capital employed (ROCE) is lower than it was in the previous year. Suggest **one** reason for this.

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..... [2]

[Total: 31]

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[Turn over

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Question 4 is on the next page

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4 The Dhavari Sports Club was formed some years ago. After the preparation of the income and expenditure account for the year ended 31 March 2012 the following balances remained on the books.

	$
Accumulated fund at 1 April 2011	60 000
Premises at cost	70 000
Sports equipment at valuation at 1 April 2011	13 000
Bank overdraft	1 400
Inventory of club shop	8 500
Trade payables for shop supplies	4 300
Subscriptions owing by members	1 500
Loan repayable 1 January 2015	10 000
Surplus for the year	17 400

The following errors were then discovered:

1 Petty cash, $200, had been omitted from the list of balances.

2 The equipment should have been revalued on 31 March 2012. The estimated value at that date was $11 600.

3 The bank statement for January 2012 showed bank charges of $150. These had not been entered in the accounting records.

4 No adjustment had been made for insurance prepaid at 31 March 2012, amounting to $300.

5 The income and expenditure account included subscriptions, $600, which relate to the following financial year.

6 The total of the expenditure in the income and expenditure account had been overcast by $100.

REQUIRED

(a) Explain how the accumulated fund of the Dhavari Sports Club has arisen.

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..... [2]

For Examiner's Use

(b) Calculate the corrected surplus for the year ended 31 March 2012.

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..... [6]

(c) Suggest **two** reasons why the Dhavari Sports Club's bank balance is not equal to the surplus for the year.

(i) .....

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.....

(ii) .....

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..... [4]

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(d) Prepare the balance sheet of the Dhavari Sports Club at 31 March 2012.

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Dhavari Sports Club
Balance Sheet at 31 March 2012

[12]

[Total: 24]

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5 Tania Yousaf sells office equipment. She values her inventory at the lower of cost and net realisable value.

REQUIRED

(a) Explain the meaning of the term "cost".

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..... [2]

(b) Explain the meaning of the term "net realisable value".

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..... [2]

(c) Explain how valuing inventory at the lower of cost and net realisable value is an application of the principle of prudence.

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..... [2]

(d) After the preparation of her financial statements for the year ended 31 December 2011, Tania Yousaf discovered that the closing inventory had been overvalued by $400.

Complete the table below to show the effect of this.

The first one has been completed as an example.

		overstated	understated	no effect
(i)	gross profit for the year ended 31 December **2011**	✓		
(ii)	profit for the year ended 31 December **2012**			
(iii)	credit balance on capital account on 1 January **2013**			

[4]

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After correcting the financial statements, Tania Yousaf provided the following information:

	$
Revenue for the year ended 31 December 2011	87 000
Inventory at 1 January 2011	6 000
Inventory at 31 December 2011	7 400
Gross profit margin	20%

REQUIRED

(e) Calculate the rate of inventory turnover.

Show your workings and give your answer to **two** decimal places.

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..... [3]

(f) The rate of inventory turnover was better in 2011 than in 2010. Suggest **one** reason for this.

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..... [2]

(g) State **one** factor that Tania Yousaf should consider before comparing the results of her business with those of another business.

.....

..... [1]

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[Turn over

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(h) State **two** reasons why Tania Yousaf is interested in the financial statements of her credit customers.

(i) .....

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(ii) .....

..... [2]

(i) State **one** reason why **each** of the following business people are interested in Tania Yousaf's financial statements.

(i) Employee

.....

.....

(ii) Bank manager

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..... [2]

[Total: 20]

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