UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

8866960860

ACCOUNTING **0452/13**

Paper 1 **May/June 2013**

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.

This document consists of **18** printed pages and **2** blank pages.

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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)** It was discovered that a credit customer had been charged $76 for a purchase instead of $67.

Which document will be issued by the seller to correct the error?

A credit note ☐

B debit note ☐

C invoice ☐

D statement ☐ [1]

(b) A trial balance completed on 31 March 2013 agreed. Later it was found that two errors had been made in the accounts.

The cost of repairs to a machine had been incorrectly debited to the machinery account.

Cash taken by the owner for his own use had not been recorded in the accounts.

What type of errors are these examples of?

	repairs debited to machinery account	cash drawings not recorded	
A	compensating error	error of original entry	☐
B	error of commission	compensating error	☐
C	error of omission	error of original entry	☐
D	error of principle	error of omission	☐ [1]

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(c) The cash book balance is $4500 debit but the bank statement shows a different balance.

It is found that there is an unpresented cheque for $500.

The bank statement shows bank charges of $50, but no entry has been made in the cash book.

What is the credit balance shown in the bank statement?

A $3950 ☐

B $4050 ☐

C $4950 ☐

D $5050 ☐ [1]

(d) After the preparation of the income statement for the year ended 31 December 2012 there was a debit balance brought down on the insurance account.

What does this represent?

A insurance accrued on 31 December 2012 ☐

B insurance paid during the year ended 31 December 2012 ☐

C insurance prepaid on 31 December 2012 ☐

D insurance relating to the year ended 31 December 2012 ☐ [1]

(e) A trader's profit for the year was $15 600. Revenue was $40 000 and overhead expenses were $10 000.

What was the cost of sales?

A $14 400 ☐

B $24 400 ☐

C $25 600 ☐

D $30 000 ☐ [1]

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(f) Which group contains an intangible asset?

A bank, trade payables, fixtures ☐

B bank loan, trade receivables, motor vehicles ☐

C bank overdraft, cash, goodwill ☐

D mortgage, premises, inventory ☐ [1]

(g) Mary and Jane are in partnership sharing profits and losses in the ratio 2:1 respectively. They have agreed that Mary will receive an annual salary of $9000. The profit for the year was $24 000.

What was Jane's share of the profit for the year?

A $5000 ☐

B $8000 ☐

C $10 000 ☐

D $16 000 ☐ [1]

(h) Which may be included in the appropriation account of a limited company?

A gross profit ☐

B ordinary share dividends ☐

C overhead expenses ☐

D provision for depreciation ☐ [1]

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(i) Why would Joe, a supplier, be interested in Tim's accounting statements?

A to assess whether Tim could repay a loan that Joe had made to Tim ☐

B to assess whether Tim had sufficient inventory to supply Joe ☐

C to assess whether Tim might give Joe a higher credit limit ☐

D to assess whether Tim will be able to pay for goods bought from Joe ☐ [1]

(j) On 1 January Omar had capital of $23 000.

During the year ended 31 December Omar introduced $2500 as extra capital and $1500 was paid by the business for building work to Omar's house.

What was Omar's capital on 31 December?

A $23 000 ☐

B $24 000 ☐

C $25 500 ☐

D $27 000 ☐ [1]

[Total: 10]

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2 **(a)** Ravi is a retailer of garden furniture. Complete the table below, using a tick (✓) to indicate how each item would be classified. The first one has been completed as an example.

	Capital receipt	Revenue receipt	Capital expenditure	Revenue expenditure
Rent received		✓		
Proceeds of sale of vehicle				
Purchase of goods for resale				
Discount allowed				
Discount received				
Legal fees on purchase of property				

[5]

(b) Ravi provided the following information about inventory held at the end of his financial year.

Product	Units held	Cost per unit $	Selling and distribution costs per unit $	Selling price per unit $
A	600	15	2.00	21
B	100	12	1.50	13
C	50	18	2.00	17

Calculate the total value of **each** type of product.

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..... [6]

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(c) Hassan owns a manufacturing business. Name **three** types of inventory which may appear in Hassan's accounts.

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..... [3]

(d) During 2012 Hassan has paid rent of $6000. On 31 December 2012 $2000 was outstanding. The rent is apportioned 60% to the factory and 40% to the office. Calculate the amounts that would appear in each of the following.

Manufacturing account for the year ended 31 December 2012.

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Income statement for the year ended 31 December 2012.

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Balance sheet at 31 December 2012.

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..... [5]

(e) Name the section of Hassan's income statement in which cost of production appears.

..... [2]

[Total: 21]

Question 3 is on the next page

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3 **(a)** Imran is a trader. He issues three business documents to his customers. State in which book of prime entry, if any, each document is recorded.

Document	Book of prime entry
Sales invoice	
Credit note	
Statement of account	

[4]

(b) The following information is available about Hannah, a credit customer:

March 1 owed Imran $200.
March 6 purchased goods, list price $320, less 20% trade discount.
March 12 returned goods with a list price of $80.
March 28 paid the balance due on 1 March after deducting a cash discount of 2%.

Prepare Hannah's account for March in the books of Imran. Balance the account on 31 March and bring down the balance on 1 April.

Hannah account

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(c) Explain why Imran offered the following discounts to Hannah:

Trade discount

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Cash discount

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..... [4]

[Total: 15]

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4 **(a)** The following items appear in a sales ledger control account. Place a tick (✓) in the correct box to indicate where the item would appear in the sales ledger control account.

	Debit	Credit
Opening balance trade receivables		
Credit sales		
Sales returns		
Receipts from credit customers		
Discount allowed		
Bad debts		
Dishonoured cheques		
Interest on overdue accounts		

[8]

(b) **(i)** Tellwright Ltd maintains a sales ledger control account and a provision for doubtful debts account. On 1 April 2012 the balances were:

Sales ledger control account $46 200
Provision for doubtful debts account $924

Calculate the percentage rate used for the provision for doubtful debts.

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..... [2]

(ii) On 31 March 2013 the balance on the provision for doubtful debts had increased to $1560. Suggest **one** reason for the increase.

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..... [2]

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(iii) Prepare the journal entry to record the change in the provision for doubtful debts. A narrative is required.

Tellwright Ltd
Journal

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

[3]

(c) Name **one** accounting principle used when a provision for doubtful debts is maintained. Explain how it is being applied.

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..... [3]

[Total: 18]

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5 **(a)** Non-current assets depreciate for a variety of reasons including wear and tear. State **three** other reasons why assets depreciate.

1 .....

2 .....

3 ..... [3]

On 1 January 2011 Youssef bought three machines costing $9000 each paying by cheque. They were expected to have a useful life of 4 years and a resale value of $1000 each.

Youssef charges depreciation on the straight line basis according to the time the asset is in use in the business.

On 1 July 2012 Youssef sold one machine receiving a cheque for $5800.

(b) Prepare the following ledger accounts for each of the years ended 31 December 2011 and 31 December 2012. Bring down the balances on 1 January 2013.

Machinery account

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..... [4]

Provision for depreciation of machinery account

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(c) Prepare the disposal account.

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Disposal account

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..... [4]

[Total: 18]

6 Sukesh does not keep proper accounting records. He provided the following information about his assets and liabilities at 31 December 2011.

	$
Vehicle at cost	16 000
Fixtures and fittings at cost	4 000
Inventory	9 200
Trade receivables	6 500
Other receivables (prepaid insurance)	200
Trade payables	9 100
Bank overdraft	420
Bank loan	10 000

The bank loan was to be repaid in 10 equal instalments on 30 June of each year starting on 30 June 2012.

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(a) Prepare Sukesh's statement of affairs at 31 December 2011.

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Sukesh
Statement of Affairs at 31 December 2011

[6]

Sukesh's receipts and payments for the year ended 31 December 2012 were as follows:

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Receipts	$
Cash from credit customers	54 300
Cash sales	6 200
Payments	
Cash purchases	900
Cash paid to credit suppliers	35 400
Loan repayment	1 000
Interest paid	450
Rent	6 000
Drawings	12 000
Insurance	800
Other running costs	2 500

Total credit sales for the year were $52 200.
Sales invoices unpaid at 31 December 2012 were $4100.
Sukesh knew some bad debts had to be written off.

(b) Calculate the bad debts written off for the year ended 31 December 2012.

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..... [3]

Purchase invoices for the year amounted to $36 000.
Sukesh knew that in some cases he had taken a cash discount. Invoices from suppliers which were unpaid at 31 December 2012 were $9300.

(c) Calculate discount received for the year ended 31 December 2012.

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..... [3]

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Additional information

1 Inventory at 31 December 2012 was valued at $8800.

2 Sukesh decided that his non-current assets had maintained their value during the year.

3 Prepaid insurance at 31 December 2012 was $250.

(d) Prepare Sukesh's income statement for the year ended 31 December 2012.

Sukesh
Income Statement for the year ended 31 December 2012

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..... [14]

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For Examiner's Use

(e) Explain why Sukesh should be providing for depreciation on his non-current assets.

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..... [2]

(f) Name **four** interested parties, who might want to see Sukesh's financial statements.

1 .....

2 .....

3 .....

4 ..... [4]

(g) Calculate, to two decimal places, Sukesh's rate of inventory turnover for the year ended 31 December 2012.
Show your workings.

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..... [3]

(h) Duarte runs a similar business which has a rate of inventory turnover of 7.83 times.

(i) State which business has the better rate of inventory turnover.

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(ii) Suggest **one** reason for the difference.

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..... [3]

[Total: 38]

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