UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

3221188518

ACCOUNTING **0452/22**

Paper 2 **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.

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1 Nathan Kershaw runs an advertising agency. His financial year ends on 31 March. He provided the following information on 31 March 2013.

	$
Motor vehicle at cost	12 480
Provision for depreciation of motor vehicle	5 460
Office equipment at cost	9 800
Provision for depreciation of office equipment	4 410
Income from clients	94 060
Wages	42 000
Office expenses	6 250
Commission received	1 050
Rates and insurance	10 000

Additional information

1 On 31 March 2013 commission receivable outstanding amounted to $190 and office expenses due amounted to $540.

2 During the year Nathan Kershaw has withdrawn $7800 in cash. This has been debited to the wages account.

3 The rates and insurance includes $3000 for insurance of the premises. This represents cover for 15 months to 30 June 2013.

4 The motor vehicle is being depreciated at 25% per annum on the reducing (diminishing) balance method.

5 The office equipment is being depreciated at 15% per annum on the straight line method.

(a) Prepare the income statement of Nathan Kershaw for the year ended 31 March 2013.

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Nathan Kershaw
Income Statement for the year ended 31 March 2013

For Examiner's Use

[14]

For Examiner's Use

After the preparation of the income statement the following errors and omissions were discovered:

1 A bank statement received on 31 March 2013 showed bank charges of $140. This had not been entered in the accounting records.

2 The office expenses includes stationery. The inventory of stationery was valued at $210 on 31 March 2013. No adjustment had been made in the accounting records.

3 The trade receivables amounted to $8400 on 1 April 2012 and $8900 on 31 March 2013. A provision for doubtful debts is maintained at 2% of trade receivables. No entries had been made on 31 March 2013 to adjust the provision.

4 On 1 January 2013 the business received a $10 000 loan from Finance4all. No entries had been made for interest which is charged at 6% per annum.

(b) Complete the table below to show what effect **each** of the above errors would have on the profit for the year ended 31 March 2013

The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated $	Understated $	No effect
1	*140*		
2			
3			
4			

[6]

[Total: 20]

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Question 2 is on the next page.

For Examiner's Use

2 Ahmed was appointed treasurer of the Valley Music Club on 1 March 2012. At the end of the financial year on 28 February 2013 it was discovered that Ahmed had not written up the club's cash book.

He was able to provide the following information.

	$
Subscriptions received for the year ended 28 February 2013	5000
Subscriptions received for the year ending 28 February 2014	550
Rent paid for 11 months to 31 January 2013	2200
Payments to refreshment suppliers	950
Sales of concert tickets	1960
Expenses of concert	2140
Sale of old musical instruments (book value $250)	190
General expenses	3460
Revenue from sale of refreshments	?

The Club's bank statements showed a balance at bank on 1 March 2012 of $3090 and a balance at bank on 28 February 2013 of $4790.

(a) Prepare the receipts and payments account of the Valley Music Club for the year ended 28 February 2013, showing the revenue received from the sale of refreshments.

Valley Music Club
Receipts and Payments Account for the year ended 28 February 2013

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For Examiner's Use

The Valley Music Club has a café which serves refreshments to members and their guests.

The café inventory was valued at $190 on 1 March 2012 and at $260 on 28 February 2013.

The café suppliers were owed $170 on 28 February 2013. There was no balance outstanding on 1 March 2012.

One quarter of the general expenses relate to the café.

On 1 March 2012 the café fixtures and fittings were valued at $2600.

On 28 February 2013 they were valued at $2150. No café fixtures and fittings were bought or sold during the year.

(b) Prepare the café income statement of the Valley Music Club for the year ended 28 February 2013.

Valley Music Club
Café Income Statement for the year ended 28 February 2013

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[Total: 21]

3 **(a)** Explain the difference between a dishonoured cheque and an unpresented cheque.

For Examiner's Use

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(b) Explain the difference between a standing order and a direct debit.

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Safiya Shendi is a trader. Her financial year ends on 30 April.

The bank columns of her cash book for the month of April 2013 were as follows:

Cash Book (bank columns only)

		$			Cheque number	$
2013			2013			
April 1	Balance b/d	1194	April 2	Waheed	000134	316
4	Cash sales	1250	8	El Nil Stores	000135	465
15	Aziz & Co	110	10	Expenses	000136	212
24	Capital	3000	18	Equipment	000137	2500
29	Khalid	530	30	Assistant's salary	000138	450
			30	Balance c/d		2141
		6084				6084
2013						
May 1	Balance b/d	2141				

Safiya Shendi's business bank statement for April 2013 was as follows:

For Examiner's Use

Bank Statement for the month of April 2013

2013		Debit $	Credit $	Balance $
April 1	Balance			86 Dr
2	Credit		280	194 Cr
4	Credit		1260	1454 Cr
7	000134	316		1138 Cr
14	000135	465		673 Cr
18	000136	212		461 Cr
21	Credit		110	571 Cr
26	000137	2500		1929 Dr
29	Credit		3000	1071 Cr
30	Credit transfer (rent)	280		791 Cr
30	Dishonoured cheque (Aziz & Co)	110		681 Cr

The following errors were discovered.

1 Safiya Shendi had brought down the cash book balance on 1 April 2013 incorrectly. It should have been $194 and not $1194.

2 The bank had made an error recording the cash paid into the bank on 4 April. It should have been $1250 and not $1260.

(c) Starting with the debit balance of $2141 update Safiya Shendi's cash book. Bring down the updated bank balance on 1 May 2013.

Cash Book (bank columns only)

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For Examiner's Use

(d) Prepare a bank reconciliation statement for Safiya Shendi at 30 April 2013.

Bank Reconciliation Statement at 30 April 2013

[8]

The following account appeared in Safiya Shendi's ledger.

Safiya Shendi Capital account

		$			$
2013			2012		
April 30	Purchases	390	May 1	Balance b/d	10 000
	Loss	1 340	2013		
	Balance c/d	11 270	April 24	Bank	3 000
		13 000			13 000
			2013		
			May 1	Balance b/d	11 270

(e) Explain the following entries in the above account.

April 24 Bank

[2]

April 30 Purchases

[2]

April 30 Loss

[2]

[Total: 25]

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Question 4 is on the next page.

For Examiner's Use

4 William Masanga started a business on 1 May 2012. He did not maintain a full set of accounting records.

All goods were bought and sold on credit terms. All monies received were paid into the bank and all payments were made by cheque.

On 30 April 2013 he provided the following information.

	$
On 1 May 2012	
Capital introduced	80 000
Non-current assets purchased	55 000
During the year to 30 April 2013	
Payments to credit suppliers	34 420
Discounts received from credit suppliers	880
Returns to credit suppliers	1 250
Credit sales	55 490
Bad debts	210
Credit purchases	?
Receipts from credit customers	?
Expenses paid	?
On 30 April 2013	
Balance at bank	27 940
Amount owed to credit suppliers	2 950
Amount owed by credit customers	4 600
Inventory at cost	3 480
Inventory at net realisable value	3 250

(a) Calculate the credit purchases for the year ended 30 April 2013.

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For Examiner's Use

(b) Calculate the amount received from credit customers during the year ended 30 April 2013.

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(c) Calculate the expenses paid during the year ended 30 April 2013.

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(d) Explain **two** reasons why William Masanga should value his inventory on 30 April 2013 at $3250.

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2 .....

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(e) Assume that the inventory on 30 April 2013 was incorrectly valued at $3480.
Complete the following table by placing a tick (✓) in the correct column to show the effect of this error.

For Examiner's Use

	Overstated	Understated	No effect
Profit for the year ended 30 April **2013**			
Profit for the year ended 30 April **2014**			

[4]

(f) William Masanga has asked A1 Wholesalers Ltd to supply him with goods on credit. He has not previously traded with this supplier.
State **one** reason why A1 Wholesalers Ltd would be interested in William Masanga's financial statements.

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[Total: 28]

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Question 5 is on the next page.

For Examiner's Use

5 Tazeen Shah is a wholesaler. Her financial year ends on 31 January.

She purchases all her goods on credit terms and is allowed 30 days credit by her suppliers. All her sales are made on credit terms and she allows her customers 21 days credit.

She provided the following information.

	31 January 2012	31 January 2013
Collection period for trade receivables	30 days	36 days
Payment period for trade payables	44 days	40 days
Current ratio	2 : 1	1.75 : 1
Return on capital employed (ROCE)	15%	18%

(a) State the purpose of calculating the collection period for trade receivables.

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(b) State whether Tazeen Shah will be satisfied with the change in the collection period for trade receivables. Give a reason for your answer.

Satisifed? .....

Reason .....

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(c) State whether the credit suppliers will be satisfied with the payment period for the year ended 31 January 2013. Give a reason for your answer.

Satisifed? .....

Reason .....

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..... [3]

(d) Explain why it is important for Tazeen Shah to have an adequate amount of working capital.

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(e) Tazeen Shah made the following transactions on 1 February 2013.

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State, giving a reason, how **each** transaction would affect Tazeen Shah's working capital.

The first one has been completed as an example.

Transaction	Effect on working capital	Reason
Paid $10 000 to A1 Finance as part repayment of loan	*Decrease $10 000*	*Current assets decrease* *No change in current liabilities*
Goods, $135, were purchased on credit from Abu & Co		
Paid $280 to Farouk, a credit supplier, in full settlement of $300 owing		
Withdrew $150 from the bank to restore the petty cash imprest		

[6]

(f) State whether Tazeen Shah will be satisfied with the change in the return on capital employed (ROCE).

Satisfied? .....

Reason .....

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(g) The following transactions took place on 31 January 2013, but were not entered in the accounting records.

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State, giving a reason, how each transaction would affect Tazeen Shah's return on capital employed (ROCE).

Transaction	Effect on return on capital employed (ROCE)	Reason
Goods, $1230, were purchased for cash	*No change*	*No change in profit for the year* *No change in total current assets so no change in capital employed*
Additional capital, $10 000, was placed in the business bank account		
Fixtures, $500, were purchased by cheque		

[6]

(h) Tazeen Shah's financial statements do not provide a complete picture of the performance and position of her business.

State how non-financial aspects may be regarded as a limitation of financial statements.

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[Total: 26]

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