UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

0945197922

ACCOUNTING **0452/23**

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.

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

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For Examiner's Use

1 Annie Rongsen maintains both a three column cash book and a petty cash book. She maintains the petty cash book on the imprest system with an imprest amount of $90.

She supplied the following information for the month ending 31 March 2013.

		$
March 1	Petty cash balance	23
	Petty cash restored to imprest amount	?
4	Paid postage	19
8	Paid taxi fares	16
13	An employee returned a loan paid out of petty cash in February	20
19	Paid parcel post	4
23	Paid R Singh, a credit supplier	24
29	Paid window cleaner	12

(a) State **two** reasons for maintaining a petty cash book in addition to a main cash book.

1 .....

.....

2 .....

..... [2]

(b) State **one** advantage of using the imprest system of petty cash.

.....

..... [1]

(c) Enter the above transactions in Annie Rongsen's petty cash book on the page opposite.

Balance the book on 31 March 2013 and carry down the balance.

Make the entry on 1 April 2013 to restore the petty cash to the imprest amount.

[12]

(d) Explain how the double entry will be completed for the items shown in the postage column of the petty cash book.

.....

.....

..... [2]

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Annie Rongsen – Petty Cash Book

Total received	Date	Details	Total paid	Postage	Travel	Sundries	Ledger accounts
$			$	$	$	$	$
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
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For Examiner's Use

At the end of each month Annie Rongsen reconciles the bank columns in her main cash book with the statement received from the bank.

For Examiner's Use

(e) Suggest **two** items which may appear in the cash book but not on the bank statement.

1 .....

2 ..... [2]

(f) Suggest **two** items which may appear on the bank statement but not in the cash book.

1 .....

2 ..... [2]

[Total: 21]

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Question 2 is on the next page.

For Examiner's Use

2 Ashraf Zayed started a manufacturing business on 1 March 2012.

The following information is available after the preparation of the manufacturing account for the year ended 28 February 2013.

		$
Cost of production		267 100
Revenue from sales of finished goods		323 000
Purchases of finished goods		4 300
Inventory at 28 February 2013 – raw materials		11 300
	work in progress	2 100
	finished goods	19 600

(a) Prepare the trading account section of the income statement to show the gross profit for the year ended 28 February 2013.

Ashraf Zayed
Income Statement for the year ended 28 February 2013

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..... [5]

(b) Suggest **two** reasons why it was necessary for Ashraf Zayed to purchase finished goods.

1 .....

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2 .....

..... [2]

For Examiner's Use

(c) Prepare journal entries to record the following transfers to the profit and loss section of the income statement on 28 February 2013. Narratives **are** required.

Carriage outwards on finished goods, $1130

Creation of a provision for doubtful debts of $600

Ashraf Zayed
Journal

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

[6]

On 1 June 2012 Ashraf Zayed purchased a motor vehicle for delivering finished goods to customers. On that date he paid one year's motor insurance, $720, by cheque. Half of this represented insurance on his private motor car.

(d) Write up the motor insurance account as it would appear in Ashraf Zayed's ledger for the year ended 28 February 2013. Balance the account and bring down the balance on 1 March 2013.

Ashraf Zayed
Motor insurance account

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.....

..... [5]

For Examiner's Use

(e) Explain how the accruals (matching) principle has been applied in the preparation of the motor insurance account.

.....

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..... [2]

(f) Ashraf Zayed forgot to enter the motor insurance in the profit and loss section of his income statement for the year ended 28 February 2013.

Complete the following table to indicate how this error would affect the profit for the year.

	Overstated $	Understated $
Profit for the year ended 28 February 2013	.....	.....

[2]

(g) Explain why it is important for Ashraf Zayed to keep his personal expenses separate to those of the business.

.....

.....

.....

..... [2]

[Total: 24]

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Question 3 is on the next page.

For Examiner's Use

3 Sanath Jaffer is a trader. His financial year ends on 31 January. He provided the following information on 31 January 2013.

	$
Capital	53 000
Drawings	6 100
Revenue	66 000
Purchases	43 350
Purchases returns	1 150
Inventory 1 February 2012	3 700
Inventory 31 January 2013	4 100
Bank overdraft	3 050
Trade receivables	5 320
Trade payables	3 450
General expenses	17 850
Non-current assets	50 400

(a) Complete the following trial balance for Sanath Jaffer at 31 January 2013. Show any difference you find as a balance on an appropriate account.

Sanath Jaffer
Trial Balance at 31 January 2013

	Debit $	Credit $
Capital	.....	.....
Drawings	.....	.....
Revenue	.....	.....
Purchases	.....	.....
Purchases returns	.....	.....
Inventory	.....	.....
Bank overdraft	.....	.....
Trade receivables	.....	.....
Trade payables	.....	.....
General expenses	.....	.....
Non-current assets	.....	.....
.....	.....	.....
	.....	.....

[7]

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(b) After the preparation of the trial balance some errors were discovered.

Complete the following table to show the entries required to correct **each** error. The first one has been completed as an example.

	Error	Entry required to correct the error			
		Debit		Credit	
		Account	$	Account	$
(i)	Cheque, $100, paid to a credit supplier not recorded	*trade payable*	*100*	*bank*	*100*
(ii)	Motor expenses, $400, treated as capital expenditure	.....	.....	.....	.....
(iii)	Petty cash balance, $80, omitted from the trial balance	.....	.....	.....	.....
(iv)	Purchases returns journal undercast by $100	.....	.....	.....	.....
(v)	Refund of water rates, $25, debited to both cash book and general expenses	.....	.....	.....	.....

[8]

(c) Select **one** of the above errors and explain why it did not affect the balancing of the trial balance.

Error number .....

Reason .....

.....

..... [2]

(d) Sanath Jaffer did not reduce the value of his business when his highly experienced manager retired. Name the accounting principle he applied.

..... [1]

(e) Sanath Jaffer records credit sales when the goods are invoiced to customers rather than when the customers order goods. Name the accounting principle he is applying.

..... [1]

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[Turn over

For Examiner's Use

(f) Sanath Jaffer divides his ledger into three sections – general ledger, sales ledger and purchases ledger.

(i) State **one** advantage of dividing the ledger into these three sections.

.....

..... [1]

(ii) Give **one** example of an account which may appear in **each** section of the ledger.

General ledger .....

Sales ledger .....

Puchases ledger ..... [3]

[Total: 23]

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Question 4 is on the next page.

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

The following balances appeared on the books after the preparation of the income statement for the year ended 30 April 2013.

	$
Non-current assets at cost	206 000
Provision for depreciation of non-current assets	12 500
Ordinary share capital 280 000 shares of $0.50 each	140 000
4% Debentures	40 000
Trade payables	14 156
Trade receivables	15 400
Inventory	16 300
Petty cash	200
Bank overdraft	7 982
Provision for doubtful debts	462
General reserve 1 May 2012	10 000
Retained profits 1 May 2012	2 000

Additional information

1 The profit for the year ended 30 April 2013 before debenture interest was $24 800.

2 During the year ended 30 April 2013 an interim ordinary share dividend of $0.05 per share was paid.

3 At 30 April 2013:
A whole year's interest on debentures was accrued
No final ordinary share dividend was proposed
It was proposed to transfer $5000 to general reserve

(a) Calculate the retained profit for the year ended 30 April 2013.

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..... [4]

(b) Prepare the balance sheet of Sildean Ltd at 30 April 2013.

Sildean Ltd
Balance Sheet at 30 April 2013

For Examiner's Use

[10]

For Examiner's Use

(c) (i) Calculate the current ratio at 30 April 2013. The calculation should be correct to two decimal places.

.....

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.....

..... [2]

(ii) Calculate the quick ratio at 30 April 2013. The calculation should be correct to two decimal places.

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..... [2]

(iii) Explain the importance of the quick ratio to Sildean Ltd.

.....

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..... [2]

(iv) Suggest **two** ways in which Sildean Ltd could increase the quick ratio.

1 .....

.....

2 .....

..... [2]

(d) Explain **two** features of ordinary shares.

1 .....

.....

2 .....

..... [2]

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(e) Explain **two** features of debentures.

For Examiner's Use

1 .....

.....

2 .....

..... [2]

[Total: 26]

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5 Tom and Gill Kayumba are in partnership. Their financial year ends on 31 March.

The income statement for the year ended 31 March 2013 showed a profit for the year of $22 500.

The following errors were then discovered.

1 No entry had been made for stationery, $260, purchased on credit.
2 The income statement includes $1800 for an advertising campaign covering 18 months to 30 September 2013.
3 No entry had been made for goods, $1000, taken by Gill Kayumba for her own use.
4 No adjustment had been made for motor vehicle expenses, $320, accrued on 1 April 2012.

(a) Prepare a statement of corrected profit for the year ended 31 March 2013.

Tom and Gill Kayumba
Statement of corrected profit for the year ended 31 March 2013

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..... [9]

Tom and Gill Kayumba supplied the following information.

1 Capitals at 1 April 2012 –
Tom Kayumba $60 000 Gill Kayumba $40 000
On 1 October 2012 Tom Kayumba invested a further $20 000.
Interest on capital is allowed at the rate of 5% per annum.

2 Gill Kayumba was entitled to an annual partnership salary of $10 000. This was increased to $14 000 per annum on 1 October 2012.

3 For the year ended 31 March 2013 interest on drawings was charged –
Tom Kayumba $1040 Gill Kayumba $1300

4 Tom Kayumba is entitled to the first $2000 of the profit after interest and partnership salary and the remainder of the profit is shared equally.

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(b) Using the corrected profit for the year calculated in **(a)**, prepare the profit and loss appropriation account of Tom and Gill Kayumba for the year ended 31 March 2013.

Tom and Gill Kayumba
Profit and Loss Appropriation Account for the year ended 31 March 2013

[10]

For Examiner's Use

(c) (i) State **one** reason why the partners receive interest on capital.

.....

..... [1]

(ii) State **one** reason why the partners are charged interest on drawings.

.....

..... [1]

Tom and Gill Kayumba calculated the following ratios.

	For the year ended 31 March	
	2012	2013
Gross profit margin	20.20%	23.45%
Net profit margin	8.30%	9.15%

(d) Suggest **two** reasons for the change in the gross profit margin.

1 .....

.....

2 .....

..... [2]

(e) State the year in which the partners had better control of the expenses.
Give a reason for your answer.

Year ended 31 March .....

Reason .....

.....

..... [3]

[Total: 26]

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