Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

0356364028

ACCOUNTING **0452/12**

Paper 1 **May/June 2014**

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 an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, 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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There are 10 parts to Question 1.

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)** Which task would an accountant perform?

A analysing financial information ☐

B drawing up a trial balance ☐

C preparing sales and purchases ledger accounts ☐

D writing up the books of prime entry ☐ [1]

(b) Which statement is **not** correct?

A Accounting can help to control costs. ☐

B Accounting can help to identify profit trends. ☐

C Accounting can help to measure the motivation of workers. ☐

D Accounting can help to monitor liquidity. ☐ [1]

(c) A flower shop receives an invoice for 200 plants at $5 each, less 20% trade discount, from A. Field. The plants were bought on credit and for resale.

Which entry records the transaction in the flower shop's books?

	account to be debited		account to be credited		
		$		$	
A	purchases	1000	A. Field	1000	☐
B	A. Field	1000	purchases	1000	☐
C	purchases	800	A. Field	800	☐
D	A. Field	800	purchases	800	☐ [1]

(d) A bank reconciliation statement is drawn up starting with the debit balance shown in the cash book.

The difference between the balance in the cash book and that shown on the bank statement is caused by a bank error overstating bank charges and a cheque not yet presented.

How are these items shown in the bank reconciliation statement?

	bank error overstating bank charges	cheque not yet presented	
A	added	added	☐
B	added	deducted	☐
C	deducted	added	☐
D	deducted	deducted	☐

[1]

(e) A trader provided the following information.

		$
1 April	sales ledger control account balance	9 600 debit
30 April	totals for the month:	
	credit sales	11 300
	sales returns	800
	cheques received from debtors	8 700

What was the balance on the sales ledger control account on 30 April?

A $6200 ☐

B $7800 ☐

C $11 400 ☐

D $13 000 ☐ [1]

(f) The following information is extracted from the rent account of a business.

	$
owing at 1 January 2013	400
rent paid in year ended 31 December 2013	1700
rent paid in advance at 31 December 2013	250

How much rent was payable for the year ended 31 December 2013?

A $1050 ☐

B $1550 ☐

C $1850 ☐

D $2350 ☐ [1]

(g) A business maintains a provision for doubtful debts.

Which two accounting principles are being applied?

A accruals (matching) and prudence ☐

B business entity and duality ☐

C consistency and realisation ☐

D money measurement and going concern ☐ [1]

(h) Emily is a trader. She provided the following information on 30 April 2014.

	$
non-current assets	25 000
current assets	15 000
current liabilities	12 000

Her capital on 1 May 2013 was $20 000. She did not make any drawings during the year.

What was Emily's profit for the year ended 30 April 2014?

A $8000 ☐

B $23 000 ☐

C $32 000 ☐

D $48 000 ☐ [1]

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(i) The table shows information relating to two businesses trading in the same type of goods.

business	rate of inventory turnover	quick ratio
Y	3 times a year	1.5 : 1
Z	9 times a year	0.7 : 1

Which statement is correct?

A Business Y has a good rate of inventory turnover but has poor liquidity. ☐

B Business Y has a poor rate of inventory turnover and has poor liquidity. ☐

C Business Z has a good rate of inventory turnover but has poor liquidity. ☐

D Business Z has a poor rate of inventory turnover and has poor liquidity. ☐ [1]

(j) What will **not** be found in the financial statements of a business?

A the amount the business owes to suppliers ☐

B the income and running costs of the business ☐

C the skill and experience of the employees ☐

D the value of the assets owned by the business ☐ [1]

[Total: 10]

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2 **(a)** Explain the meaning of the following terms.

1 asset .....

.....

2 liability .....

.....

3 owner's capital .....

..... [3]

(b) Complete the table below using a tick (✓) to indicate if each item is an asset or a liability. The first has been completed as an example.

	Asset	Liability
Inventory	✓	
Motor vehicle		
Creditor		
Debtor		
Bank loan		
Cash		

[5]

Archie is a trader with a year end of 31 December. During the year he made the following transactions.

1 On 1 January paid $10 000 of his own money into the business bank account.

2 On 1 January bought plant and equipment, $6000, paying half by cheque and paying half with a loan from ABC Finance.

3 On 30 June took $500 in cash as drawings.

4 On 31 December paid by bank transfer $210 interest on the loan from ABC Finance.

5 On 31 December paid $1000 by cheque as the first repayment of the loan.

6 On 31 December provided $600 depreciation on the plant and equipment.

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REQUIRED

(c) Complete the table below, showing the double entry recording each of these transactions. The first has been completed as an example.

	Debit entry		Credit entry	
		$		$
1	*Bank account*	*10 000*	*Capital account*	*10 000*
2				
3				
4				
5				
6				

[11]

(d) Calculate the annual rate of interest Archie was paying on the loan.

.....

.....

..... [2]

(e) Explain how a bank overdraft can arise.

.....

.....

..... [2]

(f) The cheque issued by Archie on 31 December did not appear on the bank statement until 6 January. State the term given to this cheque in Archie's bank reconciliation statement on 31 December.

..... [1]

[Total: 24]

3 (a) (i) Name **one** ledger account which might be found in the nominal (general) ledger.

..... [1]

(ii) Name **one** other type of ledger which a business might maintain.

..... [1]

(iii) Explain why dividing the ledger into sections makes it easier to use.

.....

.....

..... [2]

(b) Complete the table below to indicate in which financial statement each item would appear. State to which type of business each item relates.

The first has been completed as an example.

	Financial statement	Type of organisation
Ordinary share capital	*Statement of financial position*	*Limited company*
Accumulated fund		
Interest on capital		
Ordinary share dividends paid		
Debenture interest		

[8]

(c) State **two** differences between debentures and ordinary shares.

1 .....

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.....

.....

2 .....

.....

.....

..... [4]

(d) Explain why a limited company might decide **not** to distribute all of its profit for the year in the form of a dividend.

.....

.....

.....

..... [2]

[Total: 18]

4 **(a)** Matsumi was inexperienced in book-keeping and drew up a trial balance which failed to balance. Name the account she could have opened to enable the trial balance to balance.

.....[1]

The trial balance which she drew up, and which contained errors, was as follows.

Matsumi
Trial Balance at 30 April 2014

	Dr	Cr
	$	$
Bank overdraft		2 320
Cash		100
Fixtures and fittings at cost		6 800
Provision for depreciation at 1 May 2013	1 360	
Fees receivable	28 105	
Interest payable	200	
Rent payable	6 000	
Advertising	430	
Wages		8 005
Loan account	3 000	
Capital at 1 May 2013		2 950
Drawings		16 200
	39 095	36 375

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REQUIRED

(b) Prepare a corrected trial balance at 30 April 2014.

Matsumi
Trial Balance at 30 April 2014

	Dr	Cr
	$	$
Bank overdraft	.....	.....
Cash	.....	.....
Fixtures and fittings at cost	.....	.....
Provision for depreciation at 1 May 2013	.....	.....
Fees receivable	.....	.....
Interest payable	.....	.....
Rent payable	.....	.....
Advertising	.....	.....
Wages	.....	.....
Loan account	.....	.....
Capital at 1 May 2013	.....	.....
Drawings	____	____
	____	____

[6]

(c) Explain why the capital account balance in the trial balance is that of 1 May 2013.

.....

.....

..... [2]

(d) Suggest the line of business in which Matsumi may be working.

.....

..... [1]

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(e) Matsumi depreciates her fixtures and fittings at the rate of 20% per annum using the reducing (diminishing) balance method. Calculate the depreciation charge for the year ended 30 April 2014.

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.....

.....

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..... [2]

(f) Prepare the provision for depreciation account for the year ended 30 April 2014. Balance the account and bring down the balance on 1 May 2014.

Provision for depreciation account

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..... [4]

[Total: 16]

5 (a) Complete the sentences below, using the terms

current assets	direct labour	finished goods
inventory	raw materials	work in progress

A manufacturing business is one which purchases ..... and by using ..... converts them into ..... If some units of production are only partially complete they are known as ..... These appear as ..... under the ..... heading in the statement of financial position.

[6]

Randeep provided the following information.

	$
At 1 April 2013	
Inventory of raw materials	16 200
Inventory of finished goods	9 100
For the year ended 31 March 2014	
Purchases of raw materials	159 000
Carriage on raw materials	4 800
Wages of factory workers	72 000
Salary of factory supervisor	20 000
Factory rent	30 000
Depreciation of factory machinery	38 000
Total administration and selling costs	64 600
Revenue	410 000
At 31 March 2014	
Inventory of raw materials	17 500
Inventory of finished goods	8 200

REQUIRED

(b) (i) Prepare the manufacturing account for the year ended 31 March 2014

Randeep
Manufacturing Account for the year ended 31 March 2014

[9]

(ii) Prepare the income statement for the year ended 31 March 2014.

Randeep
Income Statement for the year ended 31 March 2014

[6]

(c) Name **one** indirect cost from the information on **page 13**.

..... [1]

(d) Suggest **two** items which might be included in the total of administration and selling costs.

1 .....

2 ..... [2]

[Total: 24]

6 **(a)** Explain the difference between capital expenditure and revenue expenditure.

.....

.....

.....

..... [2]

(b) Complete the table below, indicating with a tick (✓) how each item would be classified. The first has been completed as an example.

	Capital expenditure	Revenue expenditure
Salesman's commission		✓
Carriage of raw materials		
Purchases of goods for resale		
Purchases of plant and equipment		
Payment of insurance		
Legal fees on purchase of property		

[5]

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Morwenna provided the following information about her assets and liabilities at 30 April 2014.

	$	
Motor vehicles at cost	18 000	
Provision for depreciation of motor vehicles	6 200	
Fixtures and fittings at cost	15 000	
Provision for depreciation of fixtures and fittings	4 500	
Goodwill	10 000	
Inventory	41 000	
Trade receivables	28 000	
Bank	2 200	Cr
Trade payables	44 000	

REQUIRED

(c) Calculate to two decimal places Morwenna's current ratio at 30 April 2014.

.....

.....

.....

..... [2]

When Morwenna's accountant checked her figures he discovered the following.

1 The goodwill figure represented Morwenna's estimate of the value of the good reputation of her business.
2 Inventory had been calculated at selling price, after applying a mark up of $10 250.
3 During the year motor vehicle repairs, $800, had been debited to the motor vehicle account. This did not affect the depreciation for the year.
4 During the year new fixtures and fittings, $1000, had been debited to the stationery account. No depreciation was charged on non-current assets purchased during the year.
5 On 30 April 2014, Morwenna was two months in arrears in paying her rent of $1500 a month.

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REQUIRED

(d) Prepare Morwenna's statement of financial position at 30 April 2014 showing her capital at that date.

Morwenna
Statement of Financial Position at 30 April 2014

[14]

(e) Calculate to two decimal places Morwenna's current ratio at 30 April 2014 based on her statement of financial position figures.

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..... [2]

(f) Comment on the liquidity of Morwenna's business.

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..... [3]

[Total: 28]

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