Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

6571451010

ACCOUNTING **0452/13**

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 **19** printed pages and **1** blank page.

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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 is carried out by a book-keeper?

A analysing information ☐

B assessing information ☐

C interpreting information ☐

D recording information ☐ [1]

(b) Joe is about to supply goods to some new customers. Why would Joe want to examine their financial statements?

A to check the amount of trade receivables ☐

B to check the cash position ☐

C to check the value of the inventory ☐

D to check how much profit was made ☐ [1]

(c) In March, Wahid had the following transactions with Yussuf, a new customer.

		$
4 March	Goods invoiced to Yussuf	2400
16 March	Credit note issued to Yussuf	300
23 March	Goods invoiced to Yussuf	3000
28 March	Cheque received from Yussuf	2100

How much did Yussuf owe Wahid on 31 March?

A $3000 ☐

B $3300 ☐

C $5100 ☐

D $5700 ☐ [1]

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(d) Which is a compensating error?

A credit sales debited to the sales account and credited to the customer's account ☐

B purchases of fixtures on credit debited to the repairs to fixtures account ☐

C sales account and sales returns account undercast by the same amount ☐

D Yeung's account credited with a cheque received from Yang, another customer ☐ [1]

(e) The following is a list of a builder's expenditure for the year.

	$
motor vehicle	10 000
purchases	25 000
wages	20 000
rent of offices	6 000
machinery	7 000
petrol	3 000

What is the amount of capital expenditure?

A $10 000 ☐

B $17 000 ☐

C $54 000 ☐

D $71 000 ☐ [1]

(f) A business uses the straight line method of depreciation.

The following information is provided.

motor vehicles at cost	$30 000
anticipated life	4 years
residual value	$2000

What is the annual depreciation charge for motor vehicles?

A $2000 ☐

B $5000 ☐

C $7000 ☐

D $7500 ☐ [1]

(g) How should inventory be valued in the statement of financial position?

A at an amount determined by professional valuation ☐

B at historic cost ☐

C at net book value ☐

D at the lower of cost and net realisable value ☐ [1]

(h) At 1 January 2013 a trader owed wages of $1000. During the year ended 31 December 2013 wages of $4000 were paid. At 31 December 2013 wages of $1200 were owed.

How much should have been entered in the income statement for wages for the year ended 31 December 2013?

A $3800 ☐

B $4000 ☐

C $4200 ☐

D $6200 ☐ [1]

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(i) The following information was extracted from the financial statements of Bob.

	$
bank overdraft	3 000
inventory	7 000
trade payables	12 000
trade receivables	18 000

How much extra capital would Bob have to invest to make the value of his working capital $24 000?

A $8000 ☐

B $11 000 ☐

C $14 000 ☐

D $20 000 ☐ [1]

(j) Which statement about financial statements is correct?

A They provide an accurate profit for the past year, if the double entry system is followed. ☐

B They provide financial information about a business's past performance, based on historic cost. ☐

C They provide information about a business's performance in the market. ☐

D They provide information about the future profits of the business. ☐ [1]

[Total: 10]

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2 **(a)** Yuri keeps a full set of accounting records. Name the ledger in which **each** of the following accounts is found.

Account	Ledger
Insurance	
Sales	
Purchases	
Lottie, a credit supplier	
Matthew, a credit customer	
Capital	

[6]

(b) Yuri maintains a sales journal, a sales returns journal, a purchases journal and a purchases returns journal. Name **one** other book of prime entry which he may maintain.

..... [1]

(c) State why it is useful for a business to maintain a sales journal.

.....

..... [2]

On 1 April Susan and Elinor owe Yuri $260 and $120 respectively. Yuri's sales journal and sales returns journal for the month showed the following.

Sales journal

		$
April 4	Susan	600
16	Elinor	320
		920

Sales returns journal

		$
April 12	Susan	105
17	Elinor	46
		151

REQUIRED

(d) Prepare the following ledger accounts for the month of April. Balance the accounts where necessary and bring down the balances on 1 May.

Elinor account

Sales account

Sales returns account

[8]

On 8 April Susan paid the amount she owed on 1 April, after taking 5% cash discount.

REQUIRED

(e) Calculate the amount which Yuri received from Susan.

[2]

Yuri employs a book-keeper to maintain the accounts of his credit customers.

REQUIRED

(f) Name the account which Yuri prepares to check for fraud or error in the book-keeper's work.

..... [1]

[Total: 20]

3 Highfield Manufacturing Limited provided the following information.

On 1 March 2013 the balance on the provision for doubtful debts account was $2966.

On 28 February 2014 trade receivables totalled $76 200.

This total includes an amount of $1100 due from a debtor who has gone bankrupt and which will not be recovered.

During the year $200 was received as part settlement of a debt of $400 which had been written off 18 months earlier.

The provision for doubtful debts is maintained at 5%.

REQUIRED

(a) Prepare the following ledger accounts for the year ended 28 February 2014. Show the transfers to the income statement. Bring down any balances remaining on 1 March 2014.

Highfield Manufacturing Limited
Bad debts account

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Bad debts recovered account

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.....

.....

Provision for doubtful debts account

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..... [9]

(b) Explain how accounting for bad debts and providing for doubtful debts applies the following accounting principles.

(i) accruals (matching)

.....

.....

.....

..... [2]

(ii) prudence

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..... [2]

(c) Explain the term 'prime cost' which appears in the financial statements of Highfield Manufacturing Limited.

.....

..... [2]

(d) All the goods sold by Highfield Manufacturing Limited are produced in its factory. Name the term which replaces 'ordinary goods purchased' in its trading section of the income statement.

..... [1]

(e) The company's statement of financial position contains entries for ordinary share capital, preference share capital, debentures and a bank loan.

Explain **one** difference

(i) between ordinary shares and preference shares

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.....

..... [2]

(ii) between ordinary shares and debentures.

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..... [2]

(f) The 6% bank loan of $50 000 was taken out on 1 July 2013. Calculate the interest charged in the income statement for the year ended 28 February 2014.

.....

..... [2]

(g) Name **two** interested parties who would use the financial statements of Highfield Manufacturing Limited.

1 .....

2 ..... [2]

[Total: 24]

4 **(a)** State what is meant by the term 'subscription' in a club's accounts.

.....

..... [1]

(b) Speedy Runner Sports Club maintains a subscriptions account. Explain why this account can have two opening balances.

.....

.....

..... [2]

(c) The first column in the table below gives a term used in the financial statements of a sole trader. Complete the table by entering in the second column the equivalent term in the financial statements of a club or society.

Sole trader	Club or society
Capital	
Profit for the year	
Loss for the year	

[3]

(d) Complete the table below. Put **two** ticks (✓) in **each** row to indicate whether the item would appear on the debit side or credit side of the receipts and payments account or the income and expenditure account. The first one has been completed as an example.

	Debit	Credit	Receipts and payments account	Income and expenditure account
Depreciation charge	✓			✓
Proceeds of sale of equipment				
Loss on disposal of equipment				
Unpaid subscriptions written off				
Purchase of new equipment				
Profit on sale of refreshments				

[10]

Speedy Runners Sports Club provided the following information.

	$
Payments made to suppliers of refreshments for the year ended 31 December 2013	2480
Amounts owing to suppliers for refreshments	
- at 31 December 2012	200
- at 31 December 2013	220

REQUIRED

(e) Complete the income statement (trading account) below.

Speedy Runners Sports Club
Income Statement (Trading Account) for the year ended 31 December 2013

	$	$
Revenue		6150
Inventory – 1 January	380	
Purchases		
Inventory – 31 December		
Cost of sales		
Gross profit		3610

[5]

(f) Explain why there are no drawings in a club or society.

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.....

..... [2]

(g) Explain what is meant by the accounting policy of comparability.

.....

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..... [2]

[Total: 25]

5 Miguel reconciles the balance on his cash book with the balance on his bank statement.

(a) Complete this sentence.

Items in the cash book which do not appear on the bank statement are usually caused by

..... differences. [1]

Miguel's cash book (bank columns only) showed the following entries.

2014			$	2014			$
May	2	Cash sales	4216	May	1	Balance b/d	1168
	3	Alice	420		2	David	3112
	3	Bertram	280		3	Vehicle repairs	180
	4	Cash sales	2132		4	Edward	1181
	5	Charles	111		5	Wages	1112
	7	Balance c/d	2720		6	Francis	3126
			9879				9879
				May	8	Balance b/d	2720

His bank statement for the same period showed the following.

			Dr	Cr	Balance
			$	$	$
May	1	Balance			1168 Dr
	2	Insurance	120		1288 Dr
	5	Cash		4216	2928 Cr
	5	Alice		420	3348 Cr
	5	Bertram		280	3628 Cr
	5	Wages	1112		2516 Cr
	6	Interest	65		2451 Cr
	6	David	3112		661 Dr
	7	Edward	1181		1842 Dr
	7	Gordon		920	922 Dr

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REQUIRED

(b) Update the cash book and bring down the new balance.

Miguel
Cash book (bank columns only)

Date	Details	$	Date	Details	$
.....	.....	.....	May 8	Balance b/d	2720
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[5]

(c) Prepare the bank reconciliation statement at 8 May 2014.

Miguel
Bank reconciliation statement at 8 May 2014

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..... [8]

Miguel also maintains a petty cash book with an imprest amount of $100 which is restored at the start of each month. On 31 March the total of vouchers in the petty cash book was $66.

REQUIRED

(d) Calculate the amount the chief cashier gave to the petty cashier on 1 April.

..... [1]

[Total: 15]

6 Anton and Belle have been in partnership for some years. From the start of trading their fixed capital has been $100 000 and $80 000 respectively.

Their partnership agreement allows for interest on capital of 10% a year, a salary to Anton of $12 000 a year and a profit sharing ratio of 2:1 respectively.

Other information is as follows.

	$	
At 1 January 2013		
Current account – Anton	10 400	Dr
Current account – Belle	1 500	Cr
For the year ended 31 December 2013		
Drawings - Anton	32 000	
Drawings - Belle	14 000	
Interest on drawings - Anton	1 600	
Interest on drawings - Belle	500	
Profit for the year	72 900	

REQUIRED

(a) Prepare the partnership appropriation account for the year ended 31 December 2013.

Anton and Belle
Appropriation Account for the year ended 31 December 2013

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..... [8]

(b) Prepare Anton's current account for the year ended 31 December 2013. Bring down the balance on 1 January 2014.

[8]

Additional information

	$
At 31 December 2013	
Non-current assets	146 000
Inventory	51 000
Other net current assets	13 000
Long-term loan (taken out in 2009 and to be repaid in 2019)	12 000

REQUIRED

(c) Calculate the capital employed at 31 December 2013.

[3]

(d) Using your answer from **(c)**, calculate to **two** decimal places the return on capital employed for the year ended 31 December 2013.

[3]

Question 6(e) is on the next page.

Anton and Belle had a return on capital employed of 20% in the year ended 31 December 2012 and are surprised by the change.

Investigation showed that the inventory at 31 December 2013 should have been recorded at a value of $15 000, not $51 000.

REQUIRED

(e) Calculate the correct profit for the year ended 31 December 2013.

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..... [4]

[Total: 26]

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