Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

* 7 7 7 0 1 7 2 6 4 7 *

ACCOUNTING **0452/22**

Paper 2 **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 a 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.

IB14 06_0452_22/7RP
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1 Paul Katanga is a trader. The balances on his books on 1 April 2014 included the following.

	$
Cash	75
Bank overdraft	2190
Moloi Stores (credit customer)	50
T Nekundi (credit supplier)	320

Paul Katanga's transactions during April 2014 included the following.

April 2 Sold goods on credit to Moloi Stores, $34

5 Paid $620 by cheque. This included payment for new office equipment, $580, and repairs to old office equipment, $40

8 Received a cheque from Moloi Stores in settlement of their account

13 Purchased goods on credit from T Nekundi, list price $260 subject to a trade discount of 20%

17 Returned goods (purchased on 13 April) to T Nekundi, list price $80

21 The bank dishonoured the cheque received from Moloi Stores on 8 April

24 Paid a cheque to T Nekundi for the balance due on 1 April, less 2½% cash discount

28 Cash sales, $2500

29 Cash withdrawn for personal use, $300

30 Wrote off the amount owing by Moloi Stores

Paid all cash into bank except $60

REQUIRED

(a) Prepare Paul Katanga's cash book on the page opposite. Balance the cash book and bring down the balances on 1 May 2014.

[12]

The cash book is printed on the next page

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Paul Katanga
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
		$	$	$			$	$	$
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
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(b) Prepare the accounts of Moloi Stores and T Nekundi for April 2014. Balance the accounts where necessary and bring down the balances on 1 May 2014.

Paul Katanga
Moloi Stores account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

Paul Katanga
T Nekundi account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

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(c) Paul Katanga records credit sales when goods are invoiced and sent to the customer rather than when the customer pays. Name the accounting principle he is applying.

.....

[1]

(d) Paul Katanga maintains his accounting records on the basis that the business is going to continue trading. Name the accounting principle he is applying.

.....

[1]

[Total: 22]

2 Maria Rahman maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

(a) Name the book of prime (original) entry which Maria Rahman would use to obtain the following information when preparing her sales ledger control account.

	Book of prime (original) entry
bad debts written off	.....
discount allowed	.....
returns by credit customers	.....
contra entries	.....

[4]

(b) On 1 March 2014 there was a balance on each side of Maria Rahman's purchases ledger control account.

State **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

1 .....

.....

2 .....

..... [2]

(c) Complete the table below. Use a tick (✓) to show where **each** of the following items would appear in Maria Rahman's purchases ledger control account. If the item does not appear place a tick in the 'no entry' column.
The first one has been completed as an example.

	debit	credit	no entry
credit purchases		✓	
cash purchases			
refund from credit supplier			
cheques paid to credit suppliers			
discount allowed			
discount received			
interest charged by credit supplier on overdue account			
contra entry			
carriage charged by credit supplier			
bad debts written off			

[9]

On 1 April 2014 Maria Rahman's purchases ledger control account had a credit balance of $5300.

For the year ended 31 March 2014 Maria Rahman's purchases were:

	$
cash purchases	12 500
credit purchases	80 700

REQUIRED

(d) Calculate the payment period for trade payables. Round your answer up to the next whole day.

.....

.....

.....

..... [2]

Maria Rahman has asked A1 Traders to supply her with goods on credit.

REQUIRED

(e) State **one** reason, other than checking the payment period for trade payables, why A1 Traders would want to see Maria's financial statements.

.....

.....

..... [2]

[Total: 19]

Question 3 is on the next page.

3 Ian and Flora McMillan are in partnership sharing profits and losses equally. Their financial year ends on 31 January.

The following information was extracted from the profit and loss appropriation account for the year ended 31 January 2014.

		$	$
Profit for the year after loan interest			10 050
Interest on drawings	Ian	200	
	Flora	300	500
Interest on capital	Ian	3 000	
	Flora	3 600	6 600
Partnership salary	Flora		5 000

REQUIRED

(a) Calculate Ian McMillan's share of the profit or loss for the year ended 31 January 2014.

.....

.....

.....

..... [2]

The following information is available.

	Ian	Flora
	$	$
On 1 February 2013		
Capital account balance	50 000	60 000
Current account balance	3 000 (Dr)	2 000 (Cr)
On 31 January 2014		
Transfer from capital account to current account	5 000	
Loan interest credited to current account	450	
For the year ended 31 January 2014		
Drawings	4 000	6 000

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REQUIRED

(b) Prepare the current account of Ian McMillan for the year ended 31 January 2014. Balance the account and bring down the balance on 1 February 2014.

Ian McMillan
Current account

.....

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.....

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.....

..... [7]

(c) Suggest **one** reason for the debit balance on Ian McMillan's current account on 1 February 2013.

.....

..... [2]

(d) State **one** advantage of maintaining both a capital account and a current account for each partner.

.....

.....

..... [2]

The partners are concerned about the change in the collection period for trade receivables. They provided the following information.

Period of credit allowed to credit customers		30 days
Collection period for trade receivables	31 January 2013	24 days
	31 January 2014	29 days

REQUIRED

(e) Comment on the above information.

.....

.....

.....

.....

..... [2]

(f) Suggest **two** ways in which the collection period for trade receivables could be improved.

1 .....

2 ..... [2]

[Total: 17]

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4 The Valley Football Club had the following assets and liabilities on 1 February 2013.

	$	$
Equipment at book value	12 400	
Insurance prepaid (1 month)	20	
Subscriptions outstanding	192	
Bank	3 492	16 104
Subscriptions paid in advance	384	
Rent and rates accrued	320	704
Accumulated fund		15 400

During the year ended 31 January 2014 the receipts and payments of the Club were:

Receipts	$	Payments	$
Subscriptions	9216	Competition expenses	394
Competition receipts	877	General expenses	4271
		Rent and rates	4160
		Insurance (15 months to 31 May 2014)	300
		Equipment	2000

Additional information

1 Equipment is being depreciated at 20% per annum on the book value of equipment held at the end of each financial year.

2 The club has 100 members. The annual subscription is $96.
On 31 January 2014:
5 members still owed their subscription for the current year
3 members had paid their subscription for the year ending 31 January 2015.

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 January 2014. Balance the account and bring down the balances on 1 February 2014.

Valley Football Club
Subscriptions account

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.....

..... [7]

(b) Prepare the income and expenditure account of the Valley Football Club for the year ended 31 January 2014.

Valley Football Club
Income and Expenditure Account for the year ended 31 January 2014

[11]

(c) State the amount of the accumulated fund on 31 January 2014.

[1]

(d) Explain to a member of the club why the accumulated fund cannot be distributed among the club members in the form of dividend.

[2]

[Total: 21]

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5 Nadia Sayed is a wholesaler. On 28 February 2014 she discovered that a quantity of goods was missing from her warehouse.

She was able to provide the following information.

	$
At 1 March 2013	
Inventory	4 200
For the year ended 28 February 2014	
Purchases	56 000
Purchases returns	1 100
Revenue	72 000
Carriage inwards	1 800
At 28 February 2014	
Inventory remaining	5 000

The gross profit margin is 25%.

REQUIRED

(a) Prepare an income statement (trading account section) to calculate the value of the missing inventory.

Nadia Sayed
Income Statement for the year ended 28 February 2014

.....

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.....

..... [10]

The balances in the books of Nadia Sayed on 28 February 2014 included the following.

	$
Bad debts written off	496
Trade receivables	18 650

Nadia Sayed decided to write off $150 owed by Sabar Stores and to create a provision for doubtful debts of 3% of the remaining trade receivables.

REQUIRED

(b) Calculate the amount of the provision for doubtful debts.

.....

.....

..... [1]

(c) Prepare the entries in the journal to record the following.

1. Writing off the bad debt
2. Creating the provision for doubtful debts

Narratives **are** required.

Nadia Sayed
Journal

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

[6]

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(d) Explain how Nadia Sayed is applying the principle of prudence by creating a provision for doubtful debts.

.....

.....

.....

..... [2]

(e) Explain how Nadia Sayed is applying the principle of accruals (matching) by creating a provision for doubtful debts.

.....

.....

.....

..... [2]

[Total: 21]

6 Bali Sudhaker is a trader. His trial balance totals did not agree, but he proceeded to prepare a draft income statement for the year ended 30 April 2014.

Some errors were then discovered.

REQUIRED

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

Error	Entries required to correct the error			
	Debit		Credit	
	Account	$	Account	$
1 $156 paid to Kumar debited to KM account	*Kumar*	*156*	*KM*	*156*
2 Credit note, $210, received from a supplier, Pete, entered as invoice	.....	.....	.....	.....
	.....	.....	.....	.....
3 Total of the discount received column in the cash book, $44, debited to discount allowed account	.....	.....	.....	.....
	.....	.....	.....	.....

[6]

(b) Complete the following table to show the effect, if any, **each** error had on the draft profit for the year.

Error	effect on draft profit for the year		
	overstated $	understated $	no effect
1			
2			
3			

[6]

After making the necessary adjustments, Bali Sudhaker prepared a corrected income statement for the year ended 30 April 2014.

He provided the following information.

	$
Revenue	39 500
Cost of sales	28 200
Total expenses	7 900

REQUIRED

(c) Complete the table below to show the ratios for the year ended 30 April 2014.

Calculations should be to **two** decimal places.

You may use the space below for your workings.

ratio	Year ended 30 April 2013	Year ended 30 April 2014
percentage of gross profit to revenue (sales)	25.75%	.....%
percentage of profit for the year to revenue (sales)	10.50%	.....%

[4]

Workings

Question 6(d) and (e) are on the next page.

(d) Suggest **one** possible reason for the change in the percentage of gross profit to revenue (sales).

.....

..... [2]

(e) State whether the efficiency of the business has increased or decreased.
Give a reason for your answer.

Increased or decreased .....

Reason .....

.....

..... [2]

[Total: 20]

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