Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

3926768416

ACCOUNTING **0452/12**

Paper 1 **May/June 2015**

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)** 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)** What is the purpose of book-keeping?

A to identify trends over a number of years ☐

B to prepare the financial statements of the business ☐

C to present interested parties with relevant information ☐

D to record the financial transactions of the business ☐ [1]

(b) Carriage outwards, $600, was posted as $400 to the debit side of the carriage inwards account.

Which effect did the correction of this error have on the draft profit for the year?

A decrease $200 ☐

B decrease $1000 ☐

C increase $200 ☐

D increase $1000 ☐ [1]

(c) A bank statement showed a credit balance of $300 on 31 March. On that date unpresented cheques amounted to $120.

What was the cash book balance on 31 March?

A $180 credit ☐

B $180 debit ☐

C $420 credit ☐

D $420 debit ☐ [1]

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(d) Samuel buys a new computer and pays the following amounts.

	$
Computer system	8000
Ink cartridges	350
5 year maintenance contract	1200
Delivery cost	70

How much is capital expenditure?

A $8070 ☐

B $8240 ☐

C $8420 ☐

D $9620 ☐ [1]

(e) Peter bought a non-current asset for $5000 and depreciated it at 10% per annum on the straight line basis. At the end of year 2 he sold it for $4100.

What was the profit or loss on disposal?

A $50 loss ☐

B $50 profit ☐

C $100 loss ☐

D $100 profit ☐ [1]

(f) An item of inventory had been bought for $11.75 but could now be bought for $11.05. It has a selling price of $18.50 although selling and delivery costs will amount to $1.25.

At which value should it be included in the financial statement?

A $11.05 ☐

B $11.75 ☐

C $17.25 ☐

D $18.50 ☐ [1]

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(g) David and Edward are in partnership.
Where are Edward's interest on drawings and interest on capital recorded in his current account?

	Interest on drawings	Interest on capital	
A	credit side	credit side	☐
B	credit side	debit side	☐
C	debit side	credit side	☐
D	debit side	debit side	☐

[1]

(h) A limited company decides to create a provision for doubtful debts.

How does this affect its statement of financial position?

A decreases the ordinary share capital ☐

B increases the ordinary share capital ☐

C decreases the retained earnings ☐

D increases the retained earnings ☐ [1]

(i) A sports club has 120 members who each pay an annual subscription of $50. It provided the following information.

Subscriptions in advance at start of year	$100
Subscriptions in arrears at end of year	$500

How much was received by the club for subscriptions during the year?

A $5400 ☐

B $5600 ☐

C $6400 ☐

D $6600 ☐ [1]

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(j) Which item limits the usefulness of financial statements?

A Debts which can no longer be collected are written off. ☐

B Depreciation is provided on all non-current assets except land. ☐

C Long term loans are disclosed separately from short term loans. ☐

D Older assets may be recorded at values which are no longer up to date. ☐ [1]

[Total: 10]

Question 2 is on the next page.

2 **(a)** State the accounting equation.

.....

[1]

(b) State what is meant by an asset.

.....

.....

[1]

(c) Name the financial statement in which an asset is recorded.

.....

[1]

(d) Complete the following table. State in which ledger **each** account would appear and on which side of the trial balance the account would be shown. The first account has been completed as an example.

Account	Ledger	Trial balance
Insurance	*Nominal/general*	*Debit*
Drawings		
Sales		
Grant (a credit customer)		
Aziz (a credit supplier)		
Provision for depreciation of van		

[10]

(e) State **one** reason why accounts are maintained in different ledgers.

.....

.....

[1]

(f) Explain what is meant by the term trial balance.

.....

.....

[2]

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(g) State **one** reason why a trial balance is prepared.

.....

..... [1]

(h) Name the account which is opened when a trial balance fails to agree.

..... [1]

(i) Name and explain **two** errors which do **not** affect the balancing of a trial balance.

Error 1

Name .....

Explanation .....

.....

Error 2

Name .....

Explanation .....

..... [4]

[Total: 22]

3 Farhad and Ali are traders. On 1 January 2015 Farhad owed Ali $300. The following transactions took place.

5 January	Ali sold goods, $250, to Farhad.
8 January	Farhad returned half of the goods bought on 5 January.
19 January	Farhad paid the amount owed on 1 January, by cheque, having deducted 3% cash discount.

REQUIRED

(a) Prepare Farhad's account in the books of Ali. Balance the account and bring down the balance on 1 February 2015.

Ali
Farhad account

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

[6]

(b) Complete the following table. Name the document sent by Ali to Farhad on 5 January and on 8 January and state his reason for sending **each** document.

	Document	Reason
5 January		
8 January		

[4]

(c) Complete the following table. Name the book of prime (original) entry in which Ali would record the transactions listed.

	Book of prime (original) entry
Ali sold goods, $250, to Farhad.	
Farhad returned half of the goods bought on 5 January.	
Farhad paid the amount owed on 1 January having deducted 3% cash discount.	

[3]

Ali rents his premises. In the period up to 31 May 2014 the rent was $200 a month. From 1 June 2014 the rent was $240 a month.

	2014	
1	January	Ali's rent was two months in arrears.
15	May	Ali paid rent, $1800, by cheque.
21	October	Paid rent, by cheque, $?
31	December	Ali's rent was paid three months in advance.

REQUIRED

(d) Prepare Ali's rent account for the year ended 31 December 2014. Bring down the balance on 1 January 2015.

Ali
Rent account

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

[6]

(e) State how the balance on 31 December 2014 was shown in the statement of financial position.

.....

..... [2]

(f) Name **two** interested parties who might want to look at Ali's financial statements.

1 .....

2 ..... [2]

[Total: 23]

4 Rani is a sole trader. On 31 December 2013 her statement of financial position was as follows.

Rani
Statement of Financial Position at 31 December 2013

	$	$
Non-current assets		
Fixtures and fittings (at book value)		12 000
Current assets		
Inventory		6 380
Trade receivables	1 200	
Provision for doubtful debts	(36)	
		1 164
Bank		110
		7 654
Total assets		19 654
Capital		18 454
Current liabilities		
Trade payables		910
Other payables		290
		1 200
Total liabilities		19 654

At the end of December 2014 the book-keeper ran away and it was found that no detailed records had been kept. The following information, however, was available for the year ended 31 December 2014.

1 Fixtures and fittings are depreciated at 20% per annum on the net book value. No fixtures or fittings had been bought during the year.

2 A delivery van costing $15 000 had been bought during the year. It was to be depreciated at the rate of 40% a year on the reducing (diminishing) balance basis. A full year's depreciation is to be provided in the year of purchase.

3 The provision for doubtful debts is to stay at the same percentage.

4 Other assets and liabilities at 31 December 2014 were as follows.

	$	
Inventory	8340	
Trade receivables (before provision)	1600	
Bank	90	debit
Trade payables	1100	
Accrued electricity	190	
Accrued wages	230	

5 Drawings amounted to $11 600.

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REQUIRED

(a) Calculate the net assets of the business at 31 December 2014.

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..... [12]

(b) (i) Calculate the change in net assets between 31 December 2013 and 31 December 2014.

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..... [3]

(ii) State why the change in net assets was **not** equal to the profit for the year.

.....

..... [1]

Rani wants to know more about the performance of her business.

REQUIRED

(c) State **two** ratios Rani could calculate from a detailed income statement to help her achieve this.

1 .....

2 ..... [2]

Rani is concerned about the increase in the level of inventory and is considering a different basis of valuation.

REQUIRED

(d) Explain how the following accounting principles are applied to the valuation of inventory.

1 Prudence .....

.....

.....

.....

2 Realisation .....

.....

.....

..... [4]

[Total: 22]

5 Amangul had the following assets and liabilities at 31 January 2015.

	$	
Equipment	16 000	
Motor vehicle	4 800	
Inventory	3 100	
Trade payables	900	
Trade receivables	750	
Prepaid insurance	100	
Accrued wages	190	
Bank	470	credit

REQUIRED

(a) Calculate Amangul's working capital at 31 January 2015.

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..... [3]

(b) Calculate to **two** decimal places the following ratios at 31 January 2015.

1 Current ratio .....

.....

.....

.....

2 Quick (acid test) ratio .....

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.....

..... [4]

On 31 January 2014 the ratios were as follows.

Current ratio	1.61 : 1
Quick (acid test) ratio	0.98 : 1

REQUIRED

(c) Comment on the liquidity of Amangul's business.

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..... [4]

During February 2015 the following transactions took place.

1 Took out long term bank loan, $10 000.
2 Bought delivery van, $8000, paying by cheque.
3 Bought inventory, $300, from John on credit.
4 Sold goods for cash, $80 (cost $50).

REQUIRED

(d) Complete the following table to show the double entry needed to record each transaction.

Transaction	Account debited	$	Account credited	$
1	.....	.....	.....	.....
2	.....	.....	.....	.....
3	.....	.....	.....	.....
4	.....	.....	.....	.....

[8]

[Total: 19]

6 Quik Flo Limited is a manufacturing business. It provided the following information.

	$
At 1 May 2014	
Inventory – raw materials	5 000
– work in progress	2 000
– finished goods	8 500
Factory equipment – cost	18 000
– accumulated depreciation	7 000
Office equipment – cost	3 000
– accumulated depreciation	1 000
For the year ended 30 April 2015	
Revenue	140 000
Purchases of raw materials	48 000
Factory wages	20 500
Factory supervisor's salary	10 800
Office salaries	15 150
Rent	18 000
Selling and distribution costs	9 100
Loan interest	800
At 30 April 2015	
Inventory – raw materials	4 400
– work in progress	1 200
– finished goods	9 000

Additional information

1 Depreciation is provided as follows:

factory equipment at the rate of 10% per annum on the straight line basis
office equipment at the rate of 25% per annum on the reducing (diminishing) balance basis.

A full year's depreciation is provided in the year of acquisition but none is provided in the year of disposal.

2 On 30 April 2015 new factory equipment costing $5000 was paid for by cheque. Old factory equipment with an original cost of $2000 was sold on the same date at a profit of $600.

3 The rent is to be apportioned 80% to the factory and 20% to the office.

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REQUIRED

(a) Prepare the ledger account for factory equipment (at cost). Balance the account and bring down the balance on 1 May 2015.

Quik Flo Limited
Factory equipment account

Date	Details	$	Date	Details	$
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[4]

Question 6(b) is on the next page.

(b) Prepare the manufacturing account for the year ended 30 April 2015.

Quik Flo Limited
Manufacturing Account for the year ended 30 April 2015

	$	$
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[9]

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(c) Prepare the income statement for the year ended 30 April 2015.

Quik Flo Limited
Income Statement for the year ended 30 April 2015

	$	$
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[8]

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[Turn over

(d) State what is meant by the term work in progress.

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..... [1]

(e) State **two** possible reasons why total direct costs in the year ended 30 April 2015 were higher than in the previous year.

1 .....

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2 .....

..... [2]

[Total: 24]

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