Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

ACCOUNTING

0452/21

Paper 2

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

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CAMBRIDGE International Examinations

1 Kuda Maposa maintains a petty cash book using the imprest system.

REQUIRED

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

.....

.....

..... [1]

On 1 March 2015 the balance of Kuda Maposa's petty cash book was $100 which was equal to the amount of the imprest.

Her transactions for the month of March 2015 were as follows.

			$
March	6	Paid for postage costs	13
	11	Bought tea and coffee	5
	14	Purchased stationery	27
	18	Paid T Masuka, a credit supplier	15
	21	Received refund for damaged stationery	10
	26	Paid window cleaner	12
	29	Paid P Zhonga, a credit supplier	16

REQUIRED

(b) Enter these transactions in Kuda Maposa's petty cash book on the page opposite.

Balance the petty cash book and bring down the balance on 1 April 2015. [11]

(c) **(i)** State the amount required to restore the imprest on 1 April 2015.

..... [1]

(ii) Name the account which would be credited with this amount.

..... [1]

(d) Name the ledger account in which the transaction of 21 March would be recorded.

..... [1]

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Kuda Maposa – Petty Cash Book

Total Received	Date	Details	Total Paid	Postage	Stationery	General Expenses	Ledger accounts
$			$	$	$	$	$
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
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Kuda Maposa had the following transactions on 31 March 2015.

1 Took goods costing $300 for personal use.

2 Purchased a motor vehicle, $12 000, for business use, using a cheque drawn on her personal bank account.

3 Received an invoice from Valley Machines for $990. This included $865 for a new machine. The balance was for repairs to existing machine.

REQUIRED

(e) Prepare journal entries to record the above transactions. Narratives **are** required.

Kuda Maposa
Journal

		Debit $	Credit $
1	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
2	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
3	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....

[9]

[Total: 24]

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2 **(a)** Insert the missing figures in the following document.

CREDIT NOTE
Jai Kapur
44 West Street
Hightown

Vijay Singh
11 North Road
Lowtown

25 April 2015

Quantity	Description	Unit price	Amount
		$	$
4	External doors	55	220
	Less **(i)**.....% trade discount		33
			(ii) .....
20 metres	Floorboards	1.50	....30...
			(iii).....

[3]

(b) Name the person who issued the credit note.

..... [1]

(c) Suggest **one** reason for the issue of the credit note.

..... [1]

(d) Name the document which would have been issued to request a credit note.

..... [1]

(e) Complete the following table to show where the credit note would be recorded.

Books of Jai Kapur		Books of Vijay Singh	
Account debited	Account credited	Account debited	Account credited
.....	.....	.....	.....
.....	.....	.....	.....

[4]

Vijay Singh maintains a full set of accounting records and prepares control accounts at the end of each month.

He provided the following information.

2015		$
April 1	Debit balance on sales ledger control account	475
30	Totals for the month	
	Sales journal	590
	Sales returns journal	46
	Cash sales	614
	Cheques received from credit customers	387
	Cheque received from credit customer (included in the above figure) later dishonoured	26
	Cheques paid to credit suppliers	469
	Discounts allowed	13
	Discounts received	34
	Bad debts written off	32
	Interest charged to credit customer	8
	Contra entry to purchases ledger	150
May 1	Debit balance on sales ledger control account	?
	Credit balance on sales ledger control account	21

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REQUIRED

(f) Select the relevant figures and prepare Vijay Singh's sales ledger control account for the month ended 30 April 2015.

Balance the account and bring down the balances on 1 May 2015.

Vijay Singh
Sales ledger control account

Date	Details	$	Date	Details	$
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

[12]

(g) Explain the contra entry to the purchases ledger.

……

……

……

…… [2]

(h) Suggest why Vijay Singh charged a credit customer interest.

……

…… [1]

(i) State **one** reason why Vijay Singh prepares a monthly sales ledger control account.

.....

..... [1]

(j) State **two** reasons why Vijay Singh does not use the information contained in the sales ledger to prepare the sales ledger control account.

1 .....

.....

2 .....

..... [2]

[Total: 28]

Question 3 is on the next page.

3 Malala Khan is a trader. Her financial year ends on 31 May. She does not maintain many accounting records, but was able to provide the following information at 31 May 2015.

	$
Bank overdraft	4 080
Trade payables	8 100
Trade receivables	7 800
Other receivables	101
Inventory	6 750
Machinery at book value on 1 June 2014 (cost $28 600)	22 880
Motor vehicles at book value on 1 June 2014 (cost $24 000)	13 500
Loan (repayable 31 July 2016)	10 000

The following adjustments are required on 31 May 2015.

1 A provision for doubtful debts of 2% of the trade receivables should be created.

2 The machinery should be depreciated by 20% per annum using the straight line method.

3 The motor vehicles should be depreciated by 25% per annum using the reducing (diminishing) balance method.

REQUIRED

(a) Prepare a statement of affairs on 31 May 2015.

The statement of affairs should show the **total** capital at that date.

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Malala Khan
Statement of Affairs at 31 May 2015

	$	$	$

[12]

On 1 June 2014 Malala Khan's capital was $20 000. On 1 January 2015 she transferred $5000 from her private bank account into the business bank account.

During the year ended 31 May 2015 Malala Khan made the following drawings:

	$
Cash	1990
Goods	420

REQUIRED

(b) Prepare Malala Khan's capital account for the year ended 31 May 2015, showing the profit or loss for the year.

Malala Khan
Capital account

Date	Details	$	Date	Details	$
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

[6]

Malala Khan is concerned that her working capital is very low. She is considering four courses of action which may increase her working capital.

REQUIRED

(c) Complete the following table by placing a tick (✓) in the correct column to show how **each** course of action would affect Malala Khan's working capital.

	Increase	Decrease	No effect
Reduce the credit period allowed to credit customers			
Sell a motor vehicle which is no longer used			
Arrange with the bank to have a loan for six months			
Allow cash discount to credit customers who pay promptly			

[4]

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(d) State **three** reasons why it is important for Malala Khan to have an adequate amount of working capital.

1 .....

.....

2 .....

.....

3 .....

..... [3]

[Total: 25]

4 The following trial balance was extracted from the books of Syed Zilani at the end of his first year of trading on 31 January 2015.

	$	$
Capital		90 000
Premises at cost	70 000	
Equipment at cost	9 300	
Revenue		77 100
Purchases	62 030	
Wages	10 140	
Insurance	2 800	
Advertising	1 120	
Bad debts	90	
Rates	2 160	
General expenses	151	
Discount received		43
Trade receivables	6 500	
Trade payables		5 950
Cash drawings	5 200	
Bank	3 602	
	173 093	173 093

Additional information

1 At 31 January 2015 inventory was valued at $4100.

2 The insurance was paid for 14 months to 31 March 2015.

3 One third of the rates relates to Syed Zilani's private flat.

4 During the year Syed Zilani took goods costing $580 for personal use. No entries have been made in the accounting records.

5 A provision for doubtful debts of 2% of trade receivables is to be created.

6 Equipment is to be depreciated at 20% per annum on cost.

REQUIRED

(a) Prepare the income statement for the year ended 31 January 2015.

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Syed Zilani
Income Statement for the year ended 31 January 2015

	$	$	$
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
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....	....	....	....
....	....	....	....

[14]

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(b) Explain how the prudence principle has been applied in the preparation of the income statement. Illustrate your answer by reference to one of the items in your answer to **(a)**.

.....

.....

.....

..... [2]

Syed Zilani understands that certain objectives must be considered when selecting accounting policies. He knows that one of these objectives is reliability.

REQUIRED

(c) Name **one** other accounting objective.

..... [1]

(d) Explain **two** factors Syed Zilani should consider when comparing his results with those of another business.

1 .....

.....

.....

2 .....

.....

..... [4]

[Total: 21]

5 Dylan Kelly is a trader. After the preparation of his draft income statement for the year ended 28 February 2015 some errors were discovered.

REQUIRED

(a) Complete the following table to show by how much correcting **each** of the errors would affect the profit for the year.

Error	Increase $	Decrease $
Sales returns, $420, had not been recorded		
Inventory on 1 March 2014 was overstated by $1500		
The income statement included rent and rates, $6150, for 15 months to 31 May 2015		
Discount allowed, $180, had been recorded as discount received		

[8]

After the correction of the errors on 28 February 2015, Dylan Kelly provided the following information.

	$	
Inventory	9900	
Trade receivables	7350	
Trade payables	6870	
Bank	1120	debit
Loan repayable 30 June 2015	5000	

REQUIRED

(b) Calculate the quick ratio. The calculation should be correct to **two** decimal places.

.....

.....

.....

..... [2]

(c) Comment on your answer to **(b)**.

.....

.....

.....

..... [2]

(d) State how the calculation of the quick ratio differs from the calculation of the current ratio.

.....

.....

[1]

Dylan Kelly allows his credit customers 30 days credit. The sales for the year ended 28 February 2015 were $90 000, of which $18 500 represented cash sales.

REQUIRED

(e) State the formula for the calculation of the collection period for trade receivables.

.....

.....

[1]

(f) Calculate the collection period for trade receivables. Round up your answer to the next whole day.

.....

.....

.....

.....

[2]

(g) Comment on your answer to **(f)**.

.....

.....

.....

.....

[2]

(h) Suggest **two** ways in which Dylan Kelly could improve the collection period for trade receivables.

1 .....

.....

2 .....

.....

[2]

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Dylan Kelly is allowed 40 days credit by his credit suppliers. For the year ended 28 February 2015 the payment period for trade payables was 36 days.

REQUIRED

(i) Comment on Dylan Kelly's payment period for trade payables.

.....

.....

.....

..... [2]

[Total: 22]

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