Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9261210365

ACCOUNTING **0452/12**

Paper 1 **May/June 2016**

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 **18** printed pages and **2** blank pages.

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CAMBRIDGE International Examinations

[Turn over

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)** How is profit for the year calculated?

A closing capital + drawings – opening capital ☐

B closing capital – drawings – opening capital ☐

C opening capital + drawings – closing capital ☐

D opening capital – drawings – closing capital ☐ [1]

(b) Vikram received $100 from Sasha, a credit customer. He credited bank and debited the account of Sally.

Which entries correct this error?

	account debited	$	account credited	$
A	bank	100	Sally	100
B	bank	200	Sally Sasha	100 100
C	Sasha	100	Sally	100
D	suspense	200	Sally Sasha	100 100

☐ ☐ ☐ ☐ [1]

(c) A bank statement balance and a cash book balance do not agree.

Which items arise from timing differences?

1 bank charges
2 bank errors
3 uncredited deposits
4 unpresented cheques

A 1 and 2 only ☐

B 1, 2, 3 and 4 ☐

C 2, 3 and 4 only ☐

D 3 and 4 only ☐ [1]

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(d) Which item appears on the debit side of a sales ledger control account?

A discount received ☐

B dishonoured cheque from customer ☐

C provision for doubtful debts ☐

D sales returns ☐ [1]

(e) The purchase of a motor vehicle for business use has been treated as revenue expenditure.

Which item in the statement of financial position was understated?

A capital ☐

B current assets ☐

C current liabilities ☐

D non-current liabilities ☐ [1]

(f) Omar's financial year ended on 30 September 2015.

He had paid $2000 on 31 March 2015 for ten identical advertisements to run monthly from April 2015 to January 2016.

How did this appear in his financial statements?

	income statement	statement of financial position
A	$800 expense	$1200 current asset
B	$800 expense	$1200 current liability
C	$1200 expense	$800 current asset
D	$1200 expense	$800 current liability

☐ [1]

(g) A trader provided the following information.

	at 31 March 2015	at 31 March 2016
trade receivables	$40 000	$46 000
rate of provision for doubtful debts	5%	4%

Which entry for provision of doubtful debts appeared in his income statement for the year ended 31 March 2016?

A $160 as an expense ☐

B $160 as an income ☐

C $240 as an expense ☐

D $240 as an income ☐ [1]

(h) Edison expects to sell the goods he holds in inventory at a mark up of 40%.

How should he value inventory in his statement of financial position?

A at cost ☐

B at cost less selling expenses ☐

C at selling price ☐

D at selling price less selling expenses ☐ [1]

(i) Benjamin and Cody's partnership agreement states that Benjamin is to receive an annual salary of $10 000 and that profits and losses are to be shared in the ratio 3:2. The partnership's profit for the year is $45 000.

What is Benjamin's total allocation of profit?

A $14 000 ☐

B $23 000 ☐

C $27 000 ☐

D $31 000 ☐ [1]

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(j) Ajith manufactures all the goods he sells. He provided the following information for the year.

	$
Opening inventory of raw materials	4 000
Closing inventory of raw materials	6 200
Opening inventory of work-in-progress	8 100
Closing inventory of work-in-progress	10 050
Purchases	121 700
Carriage inwards	3 500
Carriage outwards	4 900

What was the cost of raw materials consumed?

A $119 500 ☐

B $121 050 ☐

C $123 000 ☐

D $124 400 ☐ [1]

[Total: 10]

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

.....[1]

Saeed is a trader. He took cash from the business for his own use.

REQUIRED

(b) State how the taking of the cash was recorded in Saeed's books of account.

account debited	account credited

[2]

(c) State whether this transaction increased or decreased Saeed's capital.

.....[1]

(d) Name **one** form (other than in cash or from the bank) in which a business owner might take drawings.

.....[1]

(e) State how capital employed is calculated.

.....[1]

(f) State what is meant by the term book-keeping.

.....

.....[1]

(g) State **one** advantage of maintaining books of prime (original) entry.

.....

.....[1]

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(h) Complete the following table naming **one** source document for **each** book of prime (original) entry. The first has been completed as an example.

book of prime (original) entry	source document
cash book	*cheque counterfoil*
sales journal	
sales returns journal	
purchases journal	
petty cash book	

[4]

(i) State **one** transaction recorded in the general journal.

.....[1]

(j) Name the accounting principle applied when the double entry system of book-keeping is used.

.....[1]

[Total: 14]

3 **(a)** Define an income statement.

.....

.....[2]

(b) State **one** reason why a business owner prepares an income statement.

.....[1]

(c) Name **one** user of the financial statements (other than the owner) who would be interested in them. State **one** reason why that user would be interested.

User .....

Reason .....

.....[2]

(d) State **one** reason why a book-keeper would prepare a trial balance.

.....

.....[1]

(e) Complete the following table, indicating with a tick (✓) whether **each** account would appear on the debit side or the credit side of a trial balance.

	debit side	credit side
machinery		
bank overdraft		
inventory		
capital		
purchases		
discount received		
carriage outwards		
trade receivables		

[4]

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(f) State which accounts from the table in **(e)** are

(i) assets .....

.....

(ii) liabilities.....

.....[3]

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

.....[1]

(h) Name and explain **two** errors which would **not** affect the balancing of the trial balance.

Error 1

Name .....

Explanation .....

.....

.....

Error 2

Name .....

Explanation .....

.....

.....[4]

[Total: 18]

4 Virginia depreciates motor vehicles at the rate of 25% per annum using the reducing (diminishing) balance method. She provides a full year's depreciation in the year of purchase and none in the year of disposal. Her accounting year end is 31 December.

She purchased a motor vehicle, cost $10 000, on 1 April 2013, and sold it on 28 May 2015 for $7210 cash. On the same date she bought a new motor vehicle for $17 000, paying by cheque.

REQUIRED

(a) Calculate the depreciation which had been provided on the old motor vehicle at the date of disposal.

.....

.....

.....

.....[3]

(b) Prepare the following ledger accounts for the year ended 31 December 2015.

Virginia
Motor vehicles account

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

Provision for depreciation of motor vehicles account

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

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Motor vehicle disposal account

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

[14]

(c) Name the financial statement in which the provision for depreciation appears. State in which section it appears.

Name of financial statement .....

Section .....[2]

(d) State how providing depreciation is an application of the accounting principle of accruals (matching).

.....

.....

.....[2]

(e) Name **one** other accounting principle which is applied when depreciation is provided.

.....[1]

(f) State the type of asset for which the revaluation method of depreciation is suitable.

.....[1]

[Total: 23]

5 **(a)** State **three** reasons why a sole trader might wish to turn his business into a limited company.

1 .....

2 .....

3 .....[3]

(b) State the term used to describe **each** of the following.

definition	term
the value of shares which a company has requested from its shareholders	.....
the value of shares for which the company has received cash	.....

[2]

AC Industries Limited provided the following information.

		$
At 31 March 2015		
	Ordinary shares of $1 each	100 000
	General reserve	20 000
	Retained earnings	36 800
During the year ended 31 March 2016		
	Profit for the year	19 300
	Transfer to general reserve	5 000
	Interim dividend paid	7 000
	New shares issued	10 000
	Long-term bank loan received	15 000
At 31 March 2016		
	Inventory	17 800
	Trade receivables	8 000
	Bank overdraft	2 500
	Trade payables	?
	Current ratio	1.2 : 1

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REQUIRED

(c) Complete the following statement of changes in equity for the year ended 31 March 2016.

AC Industries Limited
Statement of Changes in Equity for the year ended 31 March 2016

Details	Share capital $	General reserve $	Retained earnings $	Total $
On 1 April 2015	.....	.....	.....	.....
Share issue	.....	.....	.....	.....
Profit for the year	.....	.....	.....	.....
Dividend paid	.....	.....	.....	.....
Transfer to general reserve	.....	.....	.....	.....
On 31 March 2016	.....	.....	.....	.....

[6]

(d) Prepare the statement of financial position at 31 March 2016 in as much detail as possible. (Non-current assets will be the balancing figure.)

AC Industries Limited
Statement of Financial Position at 31 March 2016

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

[10]

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(e) Suggest **one** reason why the directors might have taken out the loan.

.....

.....[1]

(f) Name and calculate **one** ratio (other than the current ratio given) which would help the directors assess the liquidity position of the company. Your calculation should be to **two** decimal places.

Name of ratio .....

Calculation .....

.....

.....

.....[4]

(g) Comment on the liquidity position of the company on 31 March 2016.

.....

.....

.....

.....

.....

.....[4]

[Total: 30]

6 The Cambridge Club is a football club which also runs a shop for members. It provided the following information.

	$	
At 31 March 2015		
Bank balance	6 100	debit
Subscriptions in arrears	200	
Amount due to suppliers for shop goods	350	
Inventory of shop	710	
Sports equipment at valuation	3 600	
During the year ended 31 March 2016		
Subscriptions received	10 100	
Receipts from shop sales	3 550	
Payments to suppliers for shop goods	2 800	
Payment for purchases of new sports equipment	3 920	
Rent paid for sports ground	2 400	
Wages of football coach paid	2 750	
Other operating expenses paid	1 880	
At 31 March 2016		
Bank balance	?	
Subscriptions in arrears	100	
Amount due to suppliers for shop goods	510	
Inventory of shop	560	
Sports equipment at valuation	5 920	

REQUIRED

(a) Calculate the closing balance on the receipts and payments account for the year ended 31 March 2016.

.....

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.....

.....

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.....

.....

.....[4]

(b) Prepare the subscriptions account for the year ended 31 March 2016. Bring down the balance on 1 April 2016.

Cambridge Club
Subscriptions account

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

[5]

(c) Calculate the shop profit for the year ended 31 March 2016.

.....

.....

.....

.....

.....

.....

.....[6]

(d) Prepare the income and expenditure account for the year ended 31 March 2016.

Cambridge Club
Income and Expenditure Account for the year ended 31 March 2016

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

[8]

The committee of the Cambridge Club were disappointed with the profit earned by the shop.

REQUIRED

(e) Suggest **two** ways in which the shop profit could be increased.

.....

.....

.....

.....[2]

[Total: 25]

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