Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

1892474362

ACCOUNTING **0452/21**

Paper 2 **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 **17** printed pages and **3** blank pages.

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1 Katie is a trader. She maintains a full set of accounting records. Her financial year ends on 30 April.

Katie's transactions for the year ended 30 April 2016 included the following.

2015			$
May	12	Paid cash for stationery	95
June	16	Received commission by cheque	1680
July	9	Paid A1 Stationers, by cheque, the balance due on 1 May	
Sept	10	Received commission by cheque	1710
Nov	30	Purchased stationery on credit from A1 Stationers	217
Dec	6	Returned damaged stationery to A1 Stationers	53
On 30 April 2016			
		Inventory of stationery	196
		Commission receivable outstanding	1590

REQUIRED

(a) Enter the transactions in the following accounts in the ledger of Katie for the year ended 30 April 2016.

Make the transfers to the income statement. Balance the accounts and bring down the balances on 1 May 2016.

Katie
Stationery account

Date	Details	$	Date	Details	$
2015					
May 1	*Balance b/d*	*182*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

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A1 Stationers account

Date	Details	$	Date	Details	$
.....	.....	.....	*2015 May 1*	*Balance b/d*	*114*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

Commission receivable account

Date	Details	$	Date	Details	$
2015 May 1	*Balance b/d*	*1680*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[14]

(b) Name the ledger in which the commission receivable account would appear.

.....[1]

(c) Name the section of the statement of financial position on 30 April 2016 in which the balance on the commission receivable account would appear. Give a reason for your answer.

Section of statement of financial position .....

Reason .....

.....

.....[2]

[Total: 17]

2 Sue is a trader. Her financial year ends on 31 December.

She provided the following information about her inventory for the financial year ended 31 December 2014.

	Cost	Net realisable value
	$	$
Inventory 1 January	6800	7100
Inventory 31 December	8200	7800

REQUIRED

(a) Define the following terms.

(i) cost .....

.....

.....

(ii) net realisable value .....

.....

.....[2]

(b) Explain why the inventory at 31 December 2014 was included in the financial statements at net realisable value rather than cost.

.....

.....

.....[2]

After the preparation of the income statement for the year ended 31 December 2014 it was discovered that the inventory on 1 January had been included at net realisable value.

REQUIRED

(c) Complete the following table to indicate the effect of this error on the cost of sales and the profit for the year ended 31 December 2014.

Place a tick (✓) under the correct heading to indicate whether each item would be overstated or understated.

	overstated	understated
cost of sales		
profit for the year		

[2]

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Sue provided the following information for the year ended 31 December 2015.

	$
Cost of sales	49 900
Average inventory	7 500

REQUIRED

(d) (i) State the formula for the calculation of the rate of inventory turnover.

.....

.....[1]

(ii) Calculate the rate of inventory turnover for the year ended 31 December 2015.
The calculation should be correct to **two** decimal places.
Show your workings.

.....

.....

.....

.....[2]

Sue's rate of inventory turnover for the previous year was 8.15 times.

REQUIRED

(e) State whether you consider that Sue would be satisfied with the change in the rate of inventory turnover. Give a reason for your answer.

Satisfied? .....

Reason .....

.....[2]

(f) Suggest **one** way in which the rate of inventory turnover could be improved.

.....

.....[1]

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Sue's cash book for the month of April 2016 was as follows.

Sue
Cash Book

Date 2016	Details	Dis.* $	Cash $	Bank $	Date 2016	Details	Dis.* $	Cash $	Bank $
April 1	Balance b/d		120		April 1	Balance b/d			3842
9	Bank loan			3000	9	J Foy (cheque			
19	A Meyer	8		392		dishonoured)			116
28	Sales		1940		14	K Mzolo	15		585
29	Cash			2000	21	Repairs		58	
					24	Bank charges			211
					29	Bank		2000	

**Dis. stands for Discount*

REQUIRED

(g) (i) State the significance of **each** of the balances on 1 April 2016.

Balance in cash column .....

.....

Balance in bank column .....

.....[2]

(ii) Suggest **two** possible reasons why the cheque from J Foy was dishonoured on 9 April.

1 .....

2 .....[2]

(iii) State whether Sue allowed or received the discount on 14 April.

.....[1]

(iv) Calculate the percentage the discount on 14 April represents correct to **two** decimal places.

.....

.....[1]

(v) Explain the entries on 29 April.

.....

.....

.....

.....[2]

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(vi) State whether the total of the discount column on the debit side of the cash book is debited or credited to the discount account on 30 April.

.....[1]

(vii) Calculate the balances which would appear in the cash book on 1 May 2016. State whether they would be debit or credit balances.

Balance in cash column on 1 May $.....

Type of balance ..... (debit or credit)

Balance in bank column on 1 May $.....

Type of balance ..... (debit or credit)

[2]

[Total: 23]

3 The financial year of the Hillcrest Athletics Club ends on 30 April.

In addition to providing training facilities for members, the club also runs a café for members and visitors.

The treasurer provided the following information.

	At 1 May 2015	At 30 April 2016
	$	$
Subscriptions prepaid	1045	-
Subscriptions accrued	760	285
Rent, rates and insurance prepaid	155	180
Café inventory	790	850
Café suppliers	1292	1137

During the year ended 30 April 2016:

Amounts received	$	Amounts paid	$
Subscriptions	16910	Café suppliers	7998
Café sales	10430	Rent, rates and insurance	4860
Proceeds of sale of old equipment	1059	New equipment	16300
		General expenses	14794

During the year, all the equipment was sold and was replaced by new equipment. At the date of sale, the net book value of equipment was $956.

Equipment is depreciated by 15% per annum on the cost of equipment held at the end of each year. No deprecation is charged in the year of disposal.

REQUIRED

(a) Prepare the income statement for the café for the year ended 30 April 2016.

Hillcrest Athletics Club
Café Income Statement for the year ended 30 April 2016

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

[7]

(b) Calculate the subscriptions for the year ended 30 April 2016.

.....

.....

.....

.....

.....

.....

.....[5]

(c) Prepare the income and expenditure account for the year ended 30 April 2016.

Hillcrest Athletics Club
Income and Expenditure Account for the year ended 30 April 2016

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

[9]

[Total: 21]

4 At the end of the financial year on 29 February 2016 Nyeko Limited provided the following information.

On 28 February 2015:

	$
4% Debentures	80 000
Equity and reserves	
Ordinary shares of $1 each	200 000
General reserve	34 000
Retained earnings	8 000
	242 000

During the year ended 29 February 2016:

2015		$
March 1	Issue of ordinary shares of $1 each	50 000
May 1	Payment of final dividend on ordinary shares for the financial year ended 28 February 2015	8 000
November 1	Payment of interim dividend on ordinary shares for the financial year ended 29 February 2016	6 250
2016		
February 29	Transfer to general reserve	6 000
	Proposed final ordinary share dividend for the financial year ended 29 February 2016	5 000

For the year ended 29 February 2016:

	$
Revenue	180 200
Profit for the year before debenture interest	19 360

REQUIRED

(a) Calculate the profit for the year ended 29 February 2016 after debenture interest.

.....

.....[2]

(b) **(i)** Calculate the percentage (%) **final** ordinary share dividend for the year ended 28 February 2015. Show your workings.

.....

.....[1]

(ii) Calculate the percentage (%) **total** ordinary share dividend for the year ended 29 February 2016. Show your workings.

.....

.....

.....

.....[3]

(c) Prepare the statement of changes in equity for the year ended 29 February 2016.

Nyeko Limited
Statement of Changes in Equity for the year ended 29 February 2016

	Ordinary share capital $	General reserve $	Retained earnings $	Total $
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

[7]

(d) (i) Calculate the profit for the year after debenture interest as a percentage of revenue.

The calculation should be to **two** decimal places. Show your workings.

.....

.....

.....[2]

(ii) Suggest **two** ways in which the profit for the year as a percentage of revenue could be improved.

1 .....

.....

2 .....

.....[2]

(e) (i) Calculate the profit for the year ended 29 February 2016 after debenture interest as a percentage of equity and reserves on 28 February 2015.
The calculation should be to **two** decimal places. Show your workings.

.....

.....

.....[2]

(ii) Suggest **two** ways in which the profit for the year as a percentage of equity and reserves could be improved.

1 .....

.....

2 .....

.....[2]

The directors of Nyeko Limited wish to raise additional funds to finance a programme of expansion. They are considering raising $60 000 by an issue of 5% preference shares of $1 each.

REQUIRED

(f) State **two** ways in which the ordinary shareholders may be affected if Nyeko Limited raised the additional funds by the issue of preference shares.

1 .....

.....

2 .....

.....[2]

[Total: 23]

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Question 5 is on the next page.

5 Samar is a trader. His financial year ends on 30 April. He maintains a provision for doubtful debts of 2½% of the trade receivables at the end of each year.

On 1 May 2015 Samar's provision for doubtful debts amounted to $474. On 30 April 2016 his credit customers owed $17 440.

REQUIRED

(a) Prepare the provision for doubtful debts account for the year ended 30 April 2016. Balance the account and bring down the balance on 1 May 2016.

Samar
Provision for doubtful debts account

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

[4]

(b) Prepare an extract from the statement of financial position on 30 April 2016 to show the trade receivables.

Samar
Extract from Statement of Financial Position at 30 April 2016

Current assets

.....

.....

.....[2]

(c) State the difference between a bad debt and a provision for doubtful debts.

.....

.....

.....

.....[2]

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(d) Explain how Samar is applying the accounting principle of prudence by maintaining a provision for doubtful debts.

.....

.....

.....

.....[2]

(e) State **one** other accounting principle which Samar is applying by maintaining a provision for doubtful debts.

.....[1]

(f) Suggest **two** ways in which Samar could reduce the risk of bad debts.

1 .....

.....

2 .....

.....[2]

On 10 May 2016 Samar received a cheque, $49, from M Khan, whose account had been written off in 2014.

REQUIRED

(g) Prepare a journal entry to record the recovery of the bad debt.
A narrative **is** required.

Samar
Journal

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

[3]

[Total: 16]

6 Wasim is a trader. His financial year ends on 31 March.

The totals of his trial balance on 31 March 2016 did not agree. The difference was a shortage on the debit side of $495. This was entered in a suspense account.

The following errors were later discovered.

1 The total of a page of the purchases account, $3842, had been carried forward as $3824.

2 A cheque received from DEC Limited, $150, had been credited to the account of DDE Limited.

3 The balance of the petty cash book, $100, had been omitted from the trial balance.

4 Repairs to motor vehicle, $283, had been debited to the motor vehicles account.

5 Purchase of fixtures, $2200, on credit from Office Supplies Company, had been debited to Office Supplies Company and credited to fixtures account.

6 The total of the discount allowed column in the cash book, $250, had been credited to the discount received account in the ledger.

7 The total of the analysis column for stationery in the petty cash book, $67, had not been transferred to the stationery account in the ledger.

REQUIRED

(a) Prepare the suspense account. Start with the balance arising from the difference on the trial balance. The account should be balanced or totalled as necessary.

Wasim
Suspense account

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

[7]

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(b) Prepare journal entries to correct **two** of the errors which do **not** require correcting by means of the suspense account. Narratives **are** required.

Wasim
Journal

Error number		Debit $	Credit $
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[6]

(c) Name the type of error made in **Error 2**.

.....[1]

Wasim prepared draft financial statements for the year.

REQUIRED

(d) Complete the following table by placing a tick (✓) in the correct column to indicate whether the profit for the year would be affected by **each** of the errors.

The first one has been completed as an example.

error number	affects profit for the year	does not affect the profit for the year
1	✓	
2		
3		
4		
5		
6		
7		

[6]

[Total: 20]

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