Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

4718451722

ACCOUNTING **0452/12**

Paper 1 **May/June 2017**

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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CAMBRIDGE International Examinations

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)** Min made a payment to Alain, a credit supplier. In error he debited the account of Alun.

Which type of error did Min make?

A commission ☐

B compensating ☐

C original entry ☐

D principle ☐ [1]

(b) John is a retailer of garden furniture. He bought stationery, $25, on credit from A4 Supplies. He did not record this in his books of account.

Which entries are needed to correct the error?

	debit account		credit account		
A	A4 Supplies	$25	stationery	$25	☐
B	A4 Supplies stationery	$25 $25	suspense	$50	☐
C	stationery	$25	A4 Supplies	$25	☐
D	suspense	$50	A4 Supplies stationery	$25 $25	☐

[1]

(c) Which statements describe capital expenditure?

1 It is for an item which will last more than a year.
2 It is recorded in the income statement.
3 It is recorded in the statement of financial position.

A 1 and 2 ☐

B 1 and 3 ☐

C 2 only ☐

D 3 only ☐ [1]

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(d) A trader provided the following information about a non-current asset.

	$
cost	12 000
accumulated depreciation at start of year	1 800
method of depreciation	reducing (diminishing) balance at 15% per annum

What was the accumulated depreciation at the end of the year?

A $1530 ☐

B $3330 ☐

C $3600 ☐

D $8670 ☐ [1]

(e) The non-current assets of a sole trader increased.

What might have caused this to happen?

A a decrease in the bank overdraft ☐

B an increase in trade receivables ☐

C the charging of depreciation ☐

D the introduction of capital by the owner ☐ [1]

(f) The directors of a company provided the following information.

	$
total equity at start of year	426 000
profit for the year	90 000
dividend paid	40 000
transfer made to general reserve	25 000

What was the total equity at the end of the year?

A $451 000 ☐

B $476 000 ☐

C $501 000 ☐

D $516 000 ☐ [1]

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(g) A sports club charges its members an annual fee of $100. Its subscriptions account for the year was as follows.

Subscriptions account

	$		$
Balance b/d	400	Balance b/d	600
Income and expenditure account	12000	Bank	11300
Balance c/d	300	Balance c/d	800
	12700		12700
Balance b/d	800	Balance b/d	300

Which statement is true?

A Four members had paid in advance at the start of the year. ☐

B 120 members paid their fee during the year. ☐

C Subscriptions in arrears decreased during the year. ☐

D The club had 120 members during the year. ☐ [1]

(h) A business provided the following information.

	$
Inventory at start of year	4000
Purchases	76000
Inventory at end of year	8000
Mark-up	60%

What were the sales for the year?

A $115200 ☐

B $128000 ☐

C $180000 ☐

D $200000 ☐ [1]

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(i) Two companies, X Limited and Y Limited, provided the following information.

	X Limited $	Y Limited $
Profit for the year	10 000	10 000
Revenue for the year	200 000	100 000
Capital employed	180 000	300 000

Which company had the higher profit to revenue percentage (net profit margin) and which had the higher return on capital employed (ROCE)?

	profit to revenue percentage	return on capital employed
A	X Limited	X Limited
B	X Limited	Y Limited
C	Y Limited	X Limited
D	Y Limited	Y Limited

[1]

(j) A business provided the following information for the year.

	$
credit sales	14 000
cash sales	3 600
returns from credit customers	2 000
gross profit margin	20%

What was the gross profit for the year?

A $2400

B $3120

C $3520

D $3900

[1]

[Total: 10]

2 **(a)** Complete the following sentences, using these phrases:

assets and liabilities
at a particular date
for a period of time
incomes and expenses

An income statement shows ..... and is

prepared .....

A statement of financial position shows ..... and is

prepared .....

[4]

(b) Complete the following table indicating with a tick (✓) whether each item is an asset, liability, income or expense.

	asset	liability	income	expense
bank loan				
insurance				
equipment				
depreciation charge				

[4]

On 1 March 2017, Arundhati paid rent, $6000, for the four-month period ending 30 June 2017. She prepared her financial statements on 31 March 2017.

REQUIRED

(c) State the amounts for rent which were included in the financial statements.

Income statement $.....

Statement of financial position $..... [2]

Arundhati maintains a sales ledger, a purchases ledger and a nominal (general) ledger.

REQUIRED

(d) State **one** reason why Arundhati maintains these three divisions of her ledger.

.....

.....[1]

(e) **(i)** State which type of accounts are maintained in the sales ledger and purchases ledger.

Sales ledger .....

Purchases ledger .....[2]

(ii) Give **one** example of an account which might be found in the nominal (general) ledger.

.....[1]

(f) Name **two** books of prime (original) entry which Arundhati may keep.

1.....

2.....[2]

(g) State whether the following sentence is true or false.

	true or false
The recording of financial transactions is called accounting.	.....

[1]

[Total: 17]

3 Pich sold goods, $5000, on credit to Roger.

REQUIRED

(a) State the double entry needed to record this transaction

(i) in the books of Pich

debit account	$	credit account	$
.....	.....	.....	.....

[2]

(ii) in the books of Roger.

debit account	$	credit account	$
.....	.....	.....	.....

[2]

(b) Name the document issued when this transaction took place and the person who issued it.

Document .....

Issued by .....[2]

Roger paid by credit transfer, taking 2½% cash discount, on 1 April 2017.

REQUIRED

(c) State the double entry needed to record the transaction on 1 April 2017 in Pich's books of account.

debit account(s)	$	credit account(s)	$

[3]

(d) **(i)** Name the account in which this discount was recorded in Roger's books.

.....[1]

(ii) Name the financial statement in which Roger would record this discount.

.....[1]

(e) Complete the following sentences.

A ..... is issued by the supplier when goods are returned.

A ..... may be issued by the customer when goods are returned. [2]

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Pich provided the following information.

1 At 1 March 2016

	$
trade receivables	56 000
provision for doubtful debts	2 240

2 On 1 December 2016 a debt of $860, owed by Amit, was written off.

3 On 28 February 2017 sales ledger balances totalled $64 800. Included in these was a balance of $1100 owed by Ruth who had been declared bankrupt.

4 The rate of provision for doubtful debts was to remain unchanged.

REQUIRED

(f) Prepare the following ledger accounts in the books of Pich. Close the accounts by balancing or by making a transfer to an appropriate account

Pich
Bad debts account

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

Provision for doubtful debts account

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

Ruth account

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

[12]

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[Turn over

(g) Prepare an extract from the statement of financial position of Pich at 28 February 2017 showing the entries for trade receivables.

Pich
Statement of Financial Position (extract) at 28 February 2017

.....

.....

.....

.....

.....[3]

[Total: 28]

4 Yeo is a trader. On 30 April 2017 his cash book showed cash in the bank, $2890. When he compared this with the bank statement balance at the same date he found the following.

1 A credit transfer for $340, paid by Yeo, had been recorded in his cash book as $430.

2 Bank charges, $50, were shown on the bank statement but had not been recorded in the cash book.

3 A cheque to a supplier, $400, had not been presented.

4 A cheque paid into the bank, $180, had not yet been credited.

5 A cheque, $200, received from a customer, had been dishonoured.

These items accounted for the difference between the cash book balance and the bank statement balance.

REQUIRED

(a) State what is meant by a bank statement.

.....

.....[1]

(b) State which **two** items 1 to 5 resulted from timing differences.

.....[1]

(c) Calculate the bank balance in the cash book after it had been updated.

.....

.....

.....

.....

.....

.....[4]

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[Turn over

(d) Prepare Yeo's bank reconciliation statement at 30 April 2017.

Yeo
Bank Reconciliation Statement at 30 April 2017

.....

.....

.....

.....

.....

.....

.....[6]

(e) State the amount for bank which would appear in Yeo's statement of financial position at 30 April 2017. Name the section of the statement of financial position in which it would be shown.

Amount $.....

Section.....[2]

(f) State **one** reason why a cheque may be dishonoured.

.....

.....[1]

(g) Name **one** method, other than preparing a bank reconciliation statement, which Yeo could use to check for errors in his books of account.

.....[1]

[Total: 16]

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5 Ann and Bindu have been in partnership for some years. Previously they had both been sole traders.

REQUIRED

(a) State **two** advantages to Ann and Bindu of being in partnership.

1.....

.....

2.....

.....[2]

On 1 March 2016 the balances on their current accounts were as follows.

	$	
Ann	5000	debit
Bindu	3000	credit

REQUIRED

(b) (i) State **one** reason why a current account is maintained for each partner.

.....

.....[1]

(ii) State what the current account balance of each partner represents.

Ann.....

.....

Bindu.....

.....[2]

The partnership agreement provides for:

interest on capital of 10% per annum
a partnership salary for Ann of $4000 per annum
profits and losses to be shared between Ann and Bindu in a ratio of 3 : 2

The following additional information is available.

	$
Capital accounts at 1 March 2016 – Ann	30 000
– Bindu	25 000
For the year ended 28 February 2017	
Profit for the year	24 500
Drawings – Ann	12 500
– Bindu	10 000

REQUIRED

(c) Prepare the partnership appropriation account for the year ended 28 February 2017.

Ann and Bindu
Appropriation Account for the year ended 28 February 2017

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

[5]

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(d) Prepare the partners' current accounts for the year ended 28 February 2017. Balance the accounts and bring down the balances on 1 March 2017.

Ann and Bindu
Current accounts

Details	$ Ann	$ Bindu	Details	$ Ann	$ Bindu
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[6]

It was later discovered that some items in inventory at the year end had been damaged during the year. This would have reduced the actual value of inventory at the year end by $750 if it had been recorded.

REQUIRED

(e) Complete the table to show the **effect** of this error on **each** of the following.

	effect (understated or overstated)	$
gross profit		
profit for the year		
share of profit – Ann		
– Bindu		

[4]

(f) State how reducing the value of inventory would be an application of the accounting principle of prudence.

.....

.....[1]

(g) State how reducing the value of inventory would be an application of the accounting principle of accruals (matching).

.....

.....[1]

[Total: 22]

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6 G Limited is a manufacturing business.

REQUIRED

(a) Complete the following table, indicating with a tick (✓) in which section of G Limited's financial statements **each** item is included. The first has been completed as an example.

	factory overheads	distribution costs	administrative expenses
factory rent	✓		
carriage outwards			
depreciation of office equipment			
factory supervisor's salary			
repairs of delivery vehicles			

[4]

Question 6(b) is on the next page.

The manufacturing account of G Limited for the year ended 31 December 2016 showed the following:

	$
Inventory of raw materials – 1 January 2016	5000
– 31 December 2016	7500
Purchases of raw materials	112500
Production labour	82000
Factory overheads excluding depreciation of machinery	41800
Depreciation of machinery	6000

REQUIRED

(b) Calculate the following for the year ended 31 December 2016.

(i) Cost of raw materials consumed

.....

.....

.....

.....[3]

(ii) Prime cost

.....

.....

.....[1]

(iii) Cost of production

.....

.....

.....

.....[2]

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G Limited provided the following additional information for the year ended 31 December 2016.

	$
Revenue	550 000
Inventory of finished goods – 1 January 2016	51 000
– 31 December 2016	47 300
Purchases of finished goods	95 200
Distribution costs	61 800
Administrative expenses	95 100
Finance charges	16 100

REQUIRED

(c) Prepare the income statement for the year ended 31 December 2016.

G Limited
Income Statement for the year ended 31 December 2016

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

[9]

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[Turn over

(d) State **one** reason why G Limited purchases finished goods.

.....

.....[1]

The directors of the company know that the factory machinery is very old and they are considering replacing it at a cost of $100 000. They provide the following information.

1 The old machinery was being depreciated at $6000 per annum. This machinery would be sold at net book value.

2 The new machinery would be depreciated in equal instalments over ten years.

3 The purchase of the new machinery would be financed by a loan on which annual interest of 8% would be paid.

4 The cost of raw material used would decrease by 4% if the new machinery was purchased.

5 Machinery repairs would be reduced by $9000 a year if the new machinery was purchased.

REQUIRED

(e) Complete the following table to calculate the change in profit for the year if the new machinery was purchased.

Savings	$
.....	.....
.....	.....
.....	.....
Less additional costs	
.....	.....
.....	.....
.....	.....
Increase/(decrease) in profit	

[7]

[Total: 27]

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