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*9183729632*

**ACCOUNTING** **0452/13**

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<br>stationery | $25<br>$25 | suspense | $50 | ☐ |
| **C** | stationery | $25 | A4 Supplies | $25 | ☐ |
| **D** | suspense | $50 | A4 Supplies<br>stationery | $25<br>$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<br>$ | Y Limited<br>$ |
|---|---|---|
| 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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