Cambridge IGCSE

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Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

0951529230

ACCOUNTING **0452/11**

Paper 1 **May/June 2019**

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 **22** printed pages and **2** blank pages.

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[Turn over

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** 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)** The employees of a business are highly skilled but this is not recorded in the financial statements of the business.

Which accounting principle is being applied?

A going concern ☐

B money measurement ☐

C prudence ☐

D realisation ☐

[1]

(b) Khalid started a business on 1 April 2018 with a capital of $90 000.

He provided the following information on 31 March 2019.

	$
non-current assets	75 000
current assets	32 000
current liabilities	24 000
drawings during the year	19 000

What was the profit or loss for the year ended 31 March 2019?

A $12 000 loss ☐

B $12 000 profit ☐

C $26 000 loss ☐

D $26 000 profit ☐

[1]

(c) How is cost of production calculated?

A direct materials + direct labour + direct expenses ☐

B direct materials + direct labour + direct expenses + factory overheads ☐

C direct materials + direct labour + direct expenses + factory overheads + decrease in work in progress ☐

D direct materials + direct labour + direct expenses + factory overheads – decrease in work in progress ☐

[1]

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(d) Lisa returned goods previously purchased from Tara.

How did Tara record this?

	account debited	account credited
A	Lisa	purchases returns
B	Lisa	sales returns
C	purchases returns	Lisa
D	sales returns	Lisa

[1]

(e) When preparing his financial statements for the year ended 30 April 2019 Tebogo recorded his opening inventory of $6400 as $4600 in error.

What was the effect of this error?

	effect on gross profit for the year		effect on profit for the year		effect on capital at 30 April 2019	
	overstated	understated	overstated	understated	overstated	understated
A	✓		✓		✓	
B		✓		✓		✓
C	✓			✓		✓
D		✓	✓		✓	

[1]

(f) Amrik started a business on 1 January 2017 and purchased a machine costing $18 000. He decided to depreciate the machine at 20% per annum using the reducing (diminishing) balance method. No depreciation was to be charged in the year of disposal.

The machine was sold for $13 300 on 1 July 2018.

What was the profit or loss on the sale of the machine?

A loss $1100

B loss $4700

C profit $1780

D profit $2500

[1]

(g) 'Financial information must be free from errors and bias.'

To which accounting objective does this refer?

A comparability ☐

B relevance ☐

C reliability ☐

D understandability ☐

[1]

(h) Amelia rented premises to a tenant. At the end of Amelia's financial year the tenant had paid 2 months' rent in advance.

Which entries would Amelia make in her ledger?

A credit the rent payable account and carry down as a debit balance ☐

B debit the rent payable account and carry down as a credit balance ☐

C credit the rent receivable account and carry down as a debit balance ☐

D debit the rent receivable account and carry down as a credit balance ☐

[1]

(i) John paid Tahir, a credit supplier, $200 by cheque. This was credited to the account of Tarek, another credit supplier.

Which journal entry corrects this error?

		debit $	credit $	

A	suspense
	  Tahir
	  Tarek
		400	
			200
			200
				☐

B	Tahir Tarek	200	 200	☐
C	Tahir Tarek suspense	200 200	 400	☐
D	Tarek Tahir	200	 200	☐

[1]

(j) A business provided the following information.

	$
opening inventory	36 000
closing inventory	24 000
purchases	360 000
revenue	480 000

What was the rate of inventory turnover?

A 12.0 times ☐

B 12.4 times ☐

C 15.5 times ☐

D 16.0 times ☐

[1]

[Total: 10]

2 Olivia is a trader. Sales and purchases are made on both cash and credit terms. Olivia maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

(a) Name the book of prime (original) entry which Olivia would use to obtain the following information when preparing her control accounts.

	book of prime (original) entry
returns to credit suppliers	
cheques received from credit customers	
contra entry	
bad debts written off	

[4]

(b) Complete the table by placing a tick (✓) in the correct column to indicate where each item would appear in Olivia's sales ledger control account.
If the item does not appear place a tick (✓) in the 'no entry' column.

	debit	credit	no entry
credit sales			
cash sales			
cash refund to credit customer			
cash discount allowed by credit suppliers			
contra entry			
trade discount allowed to credit customers			
interest charged on credit customer's overdue account			

[7]

(c) State the meaning of the following terms.

(i) Bad debt

.....

..... [1]

(ii) Bad debt recovered

.....

..... [1]

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(iii) Provision for doubtful debts

.....

..... [1]

Olivia's financial year ends on 30 April.

On 30 April 2019 Olivia received $200 in cash from Ben, a credit customer, in final settlement of the amount he owed. The balance of Ben's account was written off as irrecoverable.

REQUIRED

(d) Complete the following accounts in Olivia's ledger for the year ended 30 April 2019. Show any necessary year-end transfer.

Olivia
Ben account

Date 2019	Details	$	Date 2019	Details	$
Jan 2	*Sales*	*360*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

Bad debts account

Date 2019	Details	$	Date 2019	Details	$
April 30	*Total to date*	*384*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

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Olivia maintains a provision for doubtful debts of 3% of the trade receivables at the end of each financial year.

On 30 April 2018 the trade receivables amounted to $13 500.

On 30 April 2019 the trade receivables amounted to $12 800 after writing off Ben's account.

REQUIRED

(e) Prepare the provision for doubtful debts account for the year ended 30 April 2019. Balance the account and bring down the balance on 1 May 2019.

Olivia
Provision for doubtful debts account

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

[4]

[Total: 22]

3 Kadar is a food wholesaler. He maintains a full set of accounting records and prepares a trial balance at the end of each financial year.

REQUIRED

(a) State **two** reasons why a trial balance is prepared.

1 .....

.....

2 .....

.....

[2]

(b) Name **three** types of error which are **not** revealed by a trial balance.
Give an example of each.

1 Type of error .....

Example .....

.....

.....

2 Type of error .....

Example .....

.....

.....

3 Type of error .....

Example .....

.....

.....

[6]

Kadar provided the following information at the end of his financial year on 31 March 2019.

	$
Revenue	146 000
Purchases	137 300
Sales returns	1 400
Carriage outwards	2 970
Fixtures and fittings (at cost)	45 000
Provision for depreciation of fixtures and fittings	18 000
Motor vehicle (at cost)	16 850
Discount allowed	190
Discount received	230
Trade payables	14 600
Trade receivables	12 900
Operating expenses	17 190
Rent payable	5 200
Commission receivable	2 000
Bank overdraft	5 170
Capital	65 000
Inventory 1 April 2018	12 000
Inventory 31 March 2019	10 950

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(c) Prepare the trial balance of Kadar at 31 March 2019.

Kadar
Trial Balance at 31 March 2019

	Debit $	Credit $
Revenue	.....	.....
Purchases	.....	.....
Sales returns	.....	.....
Carriage outwards	.....	.....
Fixtures and fittings (at cost)	.....	.....
Provision for depreciation of fixtures and fittings	.....	.....
Motor vehicle (at cost)	.....	.....
Discount allowed	.....	.....
Discount received	.....	.....
Trade payables	.....	.....
Trade receivables	.....	.....
Operating expenses	.....	.....
Rent payable	.....	.....
Commission receivable	.....	.....
Bank overdraft	.....	.....
Capital	.....	.....
Inventory	.....	.....
……	.....	.....
	.....	.....

[9]

Kadar purchased the motor vehicle on 30 March 2019. He entered the total amount paid in the motor vehicle account. The total paid consisted of the following.

	$
cost of motor vehicle	16 000
1 year's insurance	420
delivery charge	350
fuel	80
	16 850

REQUIRED

(d) State whether **each** cost is capital expenditure or revenue expenditure.
Give a reason for your answers.

The first item has been completed as an example.

cost	type of expenditure	reason
cost of motor vehicle	*capital*	*This is the cost of purchasing a non-current asset which will be kept for over 12 months*
1 year's insurance		
delivery charge		
fuel		

[6]

[Total: 23]

4 The YK Club was formed some years ago. In addition to providing sporting facilities for members, the club also has a shop selling sports clothing.

The following information was available for the year ended 31 January 2019.

	$
On 1 February 2018	
Shop inventory	896
Amount owing for shop supplies	420
For the year ended 31 January 2019	
Payments for shop supplies	4150
On 31 January 2019	
Shop inventory	960
Amount owing for shop supplies	470

All goods are marked up by 25%.

REQUIRED

(a) Prepare the shop income statement for the year ended 31 January 2019 showing the revenue for the year.

YK Club
Shop Income Statement for the year ended 31 January 2019

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

[5]

(b) Complete the table to indicate how the following items would be recorded in the financial statements of the YK Club for the year ended 31 January 2019.

Some items may appear in more than one financial statement.

The first one has been completed as an example.

	$	receipts and payments account $	income and expenditure account $	statement of financial position $
balance at bank on 1 February 2018	460	*460*		
insurance paid on 1 February 2018 for 18 months to 31 July 2019	1080			
purchase of new sports equipment by cheque on 31 December 2018	3500			
subscriptions received in January 2019 for the year ending 31 January 2020	350			
accumulated depreciation of sports equipment at 31 January 2019	850			
cost of sports equipment at 31 January 2019	8500			
profit from club shop for the year ended 31 January 2019 (**calculated in (a)**)	?			
bank overdraft on 31 January 2019	1250			

[11]

The treasurer is concerned that the overdraft of the YK Club is increasing each year. He has recommended that the club should hold fund-raising activities to reduce the club's bank overdraft.

REQUIRED

(c) Suggest **two** other ways in which the bank overdraft of the club could be reduced.

1 .....

2 .....

[2]

[Total: 18]

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5 Krishna has a secretarial agency. Her financial year ends on 30 April.

She provided the following information for the year ended 30 April 2019.

	$
Fees received from clients	35 270
Wages	24 300
Operating expenses	4 260
Rent and rates	7 750
Motor expenses	720
Commission receivable	1 820
Office fixtures and equipment at valuation 1 May 2018	18 900
Motor vehicle at cost	17 500
Provision for depreciation of motor vehicle	6 300

Additional information

1 At 30 April 2019
Clients owed fees totalling $2150.
Commission receivable accrued amounted to $60.
Rent, $1200, was accrued.
Rates prepaid amounted to $550.

2 Krishna lives in an apartment above the business premises. One quarter of the rent and rates relates to Krishna's apartment.

3 The office fixtures and equipment were valued at $17 320 on 30 April 2019.
No office fixtures and equipment were purchased or sold during the year.

4 The motor vehicle is to be depreciated at 20% per annum using the reducing (diminishing) balance method.

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REQUIRED

(a) Prepare Krishna's income statement for the year ended 30 April 2019.

Krishna
Income Statement for the year ended 30 April 2019

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

[13]

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[Turn over

(b) Complete the following accounts in Krishna's ledger for the year ended 30 April 2019. Close the accounts by balancing or by making an appropriate year-end transfer.

Krishna
Drawings account

Date	Details	$	Date	Details	$
2019					
April 30	*Total cash drawings*	*9150*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

Capital account

Date	Details	$	Date	Details	$
			2018		
.....	.....	.....	*May 1*	*Balance b/d*	*38000*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[5]

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Krishna is considering purchasing business premises costing $80 000. She could invest a further $40 000 as capital. The remaining $40 000 would have to come from a 6% bank loan repayable after 5 years.

REQUIRED

(c) Explain **three** factors Krishna should consider when making a decision about purchasing these business premises.

1 .....

.....

.....

2 .....

.....

.....

3 .....

.....

.....

[6]

[Total: 24]

6 ML Limited was formed some years ago. The company's share capital consists entirely of ordinary shares.

REQUIRED

(a) Complete the table by placing a tick (✓) in the correct column to indicate whether **each** statement is true or false.

The first one has been completed as an example.

	True	False
The reward given to ordinary shareholders for investing in the company is known as a dividend.	✓	
The amount of issued shares for which payment has been received by the company from shareholders is known as paid-up share capital.		
Ordinary shareholders receive a fixed percentage of the profit each year.		
In the event of the company being wound up the ordinary shares are the last to be repaid.		
Ordinary shareholders are personally liable for the debts of the company.		
Any ordinary share dividend paid during the financial year is entered in the statement of changes of equity irrespective of the year to which it relates.		

[5]

The financial year of ML Limited ends on 31 December. The following information is available.

	$
At 1 January 2018	
Ordinary share capital	200 000
Retained earnings	16 500
General reserve	8 000
Dividends paid during the year ended 31 December 2018	
Final dividend for the year ended 31 December 2017	8 000
Interim dividend for the year ended 31 December 2018	6 000
Profit for the year ended 31 December 2018	28 000

On 31 December 2018 it was decided to make a transfer to general reserve of $3000.

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REQUIRED

(b) Prepare a statement of changes in equity for the year ended 31 December 2018.

ML Limited
Statement of Changes in Equity for the year ended 31 December 2018

	Ordinary share capital $	Retained earnings $	General reserve $	Total $
On 1 January 2018	.....	.....	.....	.....
Profit for the year	.....	.....	.....	.....
Dividend paid – final	.....	.....	.....	.....
interim	.....	.....	.....	.....
Transfer to general reserve	.....	.....	.....	.....
On 31 December 2018	.....	.....	.....	.....

[6]

(c) Calculate the percentage (%) total ordinary share dividend for the year ended 31 December 2018.

.....

.....

..... [2]

The directors of ML Limited want to expand the company and need to raise $100 000. They are considering issuing either 6% preference shares or 5% debentures.

REQUIRED

(d) State **three** features of preference shares.

1 .....

.....

2 .....

.....

3 .....

.....

[3]

(e) State **three** features of debentures.

1 .....

.....

2 .....

.....

3 .....

.....

[3]

(f) Complete the table to indicate the effect of raising the funds from an issue of 5% debentures on 1 January 2019.
Where there is no effect place a tick (✓) in the 'no effect' column.

The first one has been completed as an example.

	increase $	decrease $	no effect
effect on balance at bank	*100 000*		
effect on non-current liabilities			
effect on working capital			
effect on equity at 1 January 2019			
effect on annual profits			

[4]

[Total: 23]

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