UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0535568012

ACCOUNTING **0452/12**

Paper 1 **October/November 2010**

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 a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, 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.

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1	
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4	
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6	
Total	

This document consists of **19** printed pages and **1** blank pages.

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1 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.

(a) Why should a trader record all the financial information about her business?

A to calculate her bank balance ☐

B to calculate her trade receivables (debtors) ☐

C to calculate her drawings ☐

D to calculate her profit ☐ [1]

(b) Which entries are made in Xanthe's ledger to record the payment by a customer of money owing to Xanthe?

	account to be debited	account to be credited	
A	cash	creditor	☐
B	cash	debtor	☐
C	creditor	cash	☐
D	debtor	cash	☐ [1]

(c) Which error will require a correcting entry in a suspense account?

A cash paid to Gideon debited to Gibson's account ☐

B motor vehicles account omitted from the trial balance ☐

C purchase of fixtures for cash debited to the purchases account ☐

D no entry made for cash paid for stationery ☐ [1]

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(d) Maria maintains a provision for doubtful debts at 5% of the trade receivables (debtors) at the end of each financial year.

On 31 December 2008 the trade receivables (debtors) owed $25 000 and on 31 December 2009 the trade receivables (debtors) owed $20 000.

How much will appear in Maria's income statement (profit and loss account) for the year ended 31 December 2009?

A $250 credit ☐ **B** $250 debit ☐ **C** $1000 credit ☐ **D** $1000 debit ☐ [1]

(e) Karl's trial balance for 31 December 2009 includes the following balances.

	$
sales	3 200
inventory (stock) at 1 January 2009	200
purchases	1 800
expenses	800

Karl's inventory (stock) at 31 December 2009 was $300.

What is Karl's net profit for the year?

A $400 ☐ **B** $500 ☐ **C** $700 ☐ **D** $1500 ☐ [1]

(f) Which is **not** a current asset?

A cash in hand ☐

B money owed by a customer ☐

C prepaid bill for electricity ☐

D unpaid invoice from a supplier ☐ [1]

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(g) Which group contains only tangible fixed assets?

A bank, cash, trade receivables (debtors), inventory (stock) ☐

B bank, trade receivables (debtors), loan, prepaid expenses ☐

C equipment, goodwill, machinery, vehicles ☐

D equipment, machinery, premises, vehicles ☐ [1]

(h) Joe and Paul are partners sharing profits in the ratio 3:2, after paying Paul an annual salary of $15 000. For the year ended 31 March, the partnership's net profit was $55 000.

How much was credited to Paul's current account for the year ended 31 March?

A $15 000 ☐ **B** $22 000 ☐ **C** $31 000 ☐ **D** $37 000 ☐ [1]

(i) A business provided the following information.

	year 1	year 2	year 3
gross profit as a percentage of sales	37 %	37 %	37 %
net profit as a percentage of sales	12 %	10 %	7 %

What does this show?

A control over expenses is getting better ☐

B control over expenses is getting worse ☐

C sales have reduced ☐

D sales have increased ☐ [1]

(j) The same accounting treatment should be applied to similar items at all times.

Which accounting principle is being applied?

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A consistency ☐

B duality ☐

C money measurement ☐

D prudence ☐ [1]

[Total: 10]

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2 **(a)** Name **two** business documents used to make entries in the accounting records of a business.

(i) .....

(ii) ..... [2]

(b) In the table below, place a tick (✓) under the correct heading to show whether the item is income or expense.

	Income	Expense
Bad debt recovered		
Interest charged to customers on overdue accounts		
Discount allowed		

[3]

(c) The total of the purchases journal is posted to the purchases account in the ledger. In the table below, place a tick (✓) to show whether this entry is a debit or a credit.

Debit	Credit

[1]

(d) Which accounting policy requires information to represent actual events and to be free from error and bias?

..... [1]

(e) A cheque from Hipham was credited to Bipham's account in the sales ledger. What type of error has been made?

..... [1]

(f) Explain what is meant by a shareholder of a company having limited liability.

.....

.....

..... [2]

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(g) Sasha has a shop which sells fashion clothing.

She bought 50 dresses for $13.00 each and paid total carriage inwards of $50.00.
She sold 30 dresses for $20.00 each.
The price at which she can sell the dresses has now fallen to $13.50 each.

At what amount will Sasha value the remaining dresses in her balance sheet?

.....

.....

..... [3]

(h) Tamara keeps her petty cash on the imprest system with an imprest of $150. She paid expenses in the month of October of $80.50.

(i) What was the amount of petty cash remaining at 31 October?

.....

(ii) How much cash was transferred to restore the imprest at 1 November?

..... [4]

(i) Kishu's business had inventory (stock) on 1 July 2009 of $6000 and on 30 June 2010 of $9000. His cost of goods sold for the year ended 30 June 2010 was $45 000.

Calculate his rate of inventory (stock) turnover. Show **all** your workings.

.....

..... [4]

[Total: 21]

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3 Ottoman compared his cash book with the statement from his bank at 30 September 2010 and found the balance shown on the bank statement did not agree with the balance in the bank column of his cash book.

REQUIRED

(a) Give **two** reasons why the balance shown in a cash book might not agree with the balance shown on a bank statement at the same date.

(i) .....

.....

(ii) .....

..... [4]

On 30 September 2010 the balance on Ottoman's cash book (bank column) was $850 Dr. The balance shown on his bank statement was $1660.

The cash book was checked against the bank statement and the following differences were found.

1 Cheques totalling $250 issued to creditors had not been presented for payment.

2 Rent received of $800 paid directly into the bank on 30 September did not appear in the cash book.

3 Bank charges of $60 were shown on the bank statement but had not been entered in the cash book.

4 Cash sales recorded as $1200 were shown on the bank statement correctly as $1500.

5 A cheque received from Hans for $480 and deposited at the bank on 28 September has been entered in the cash book but has not yet been shown on the bank statement.

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REQUIRED

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(b) Make any additional entries which are required in Ottoman's cash book. Balance the cash book at 30 September 2010 and find the adjusted balance carried down.

Ottoman - Cash Book (bank columns)

Date	Detail	Dr $	Date	Detail	Cr $

[8]

(c) Prepare a bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 30 September 2010.

Ottoman
Bank Reconciliation Statement at 30 September 2010

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..... [7]

(d) (i) Name the heading under which bank will be shown in Ottoman's balance sheet on 30 September 2010.

.....

(ii) State the amount which will be entered for bank in Ottoman's balance sheet on 30 September 2010.

..... [4]

[Total: 23]

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4 Sam Sumo received a statement of his account with the Eastern Commercial Company at 30 September 2010.

REQUIRED

(a) Give **one** purpose of sending a statement of account to a customer.

.....

..... [2]

Sam's statement was as follows.

EASTERN COMMERCIAL COMPANY
STATEMENT OF ACCOUNT

Sam Sumo

30 September 2010

Date	Detail	Dr $	Cr $	Balance $
Sept 1	Balance b/f	400.00		400.00
7	Sales – invoice 301	56.50		456.50
12	Sales – invoice 330	217.00		673.50
19	Sales returns – credit note 29		16.50	657.00
28	Bank – Sam Sumo		392.00	265.00
30	Balance c/f			265.00

Terms: 2% discount for settlement within 21 days.

For Examiner's Use

REQUIRED

(b) (i) State why Sam paid $392 on 28 September when the balance brought forward on 1 September was $400.

.....

..... [1]

(ii) State whether this payment was for the correct amount. Give a reason for your answer.

.....

.....

..... [3]

On 19 October 2010 Sam deducted the discount offered from the balance on the statement dated 30 September 2010 and paid the net amount which he considered was due.

REQUIRED

(c) (i) Calculate the amount Sam deducted from the balance due at 30 September. Show your workings.

.....

..... [3]

(ii) State the net amount which Sam paid on 19 October.

.....

..... [3]

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(d) Show the entries in the Eastern Commercial Company's accounts for the month of September to record **each** of the transactions shown in the statement of account on page 11.

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Balance Sam Sumo's account at 30 September.

Sam Sumo account

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Sales account

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Sales returns account

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Cash book – bank columns

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[10]

(e) Sam wishes to take advantage each month of the discount terms offered by the Eastern Commercial Company.

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Explain how Sam can ensure he obtains the discount each month.

.....

.....

..... [2]

[Total: 24]

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5 Martina started a business on 1 October 2008 printing designs on T-shirts and bought a printing machine for $3200.

She decided to depreciate the printing machine on the straight line basis over 5 years and expected the machine to have a scrap value of $700 after that time.

REQUIRED

(a) State **one** reason for charging depreciation on non-current (fixed) assets in an income statement (profit and loss account).

.....

..... [2]

(b) Calculate the depreciation charged in Martina's income statement (profit and loss account) for **each** of the **two** years ended 30 September 2009 and 2010.

Show **all** your workings.

(i) year ended 30 September 2009

.....

.....

(ii) year ended 30 September 2010

.....

..... [6]

(c) Complete the following extract from Martina's balance sheet at 30 September 2010.

Martina
Balance Sheet at 30 September 2010 (extract)

	Cost	Provision for depreciation	Net book value
	$	$	$
Non-current (fixed) assets			
.....			
.....			

[4]

A new and quicker method of electronic T-shirt printing became available on 1 October 2010 using a machine costing only $1500.

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Martina bought the new machine on 15 October 2010 and sold the existing machine for scrap for $400.

REQUIRED

(d) Prepare the Disposal of non-current (fixed) assets account in Martina's ledger to show the scrapping of the old machine and the amount to be transferred to the income statement (profit and loss account).

Disposal of machinery account

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.....

..... [5]

Martina expects the new machine to have a useful life of five years and to have no scrap value after that time. However, she does not wish to show a loss on disposal if she has to scrap the machine after three years.

REQUIRED

(e) Suggest which method and rate of depreciation Martina should use to depreciate the new machine.

Give reasons for your answer.

.....

.....

..... [3]

[Total: 20]

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6 Ricardo has a business selling spare parts for cars. He lost many of his financial records in a flood but has been able to provide the following information.

	1 November 2009 $	31 October 2010 $
Non-current (fixed) assets	12 000	14 000
Current assets	110 000	95 500
Current liabilities	26 000	24 000

Additional information:

1 Ricardo introduced additional capital of $50 000 on 1 January 2010.

2 He took drawings of $7500 each month.

3 He decided to increase the provision for doubtful debts by $1500 on 31 October 2010.

REQUIRED

(a) Prepare Ricardo's statement of affairs on 1 November 2009 showing his total capital at that date.

Ricardo – Statement of Affairs at 1 November 2009

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..... [6]

(b) Prepare Ricardo's statement of affairs on 31 October 2010 showing his total capital at that date.

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Ricardo – Statement of Affairs at 31 October 2010

[6]

(c) Prepare Ricardo's capital account for the year ended 31 October 2010. Show his net profit for the year and the balance carried down.

Ricardo – Capital account

[6]

Ricardo has decided to take a 5-year business loan from the bank. The money will be paid in to his business bank account.

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REQUIRED

(d) In the table below, place a tick (✓) under the correct heading to show the effect which taking the loan will have on **each** of the following items.

	Increase	Decrease	No change
Current assets			
Long term liabilities			
Revenue (sales)			
Working capital			

[4]

[Total: 22]

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