UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

ACCOUNTING **0452/13**

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	
2	
3	
4	
5	
6	
Total	

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

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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) What is shown as a liability in a balance sheet?

A bank overdraft ☐

B fixtures and fittings ☐

C inventory (stock) ☐

D prepaid rent ☐ [1]

(b) Rent is paid to J. Perigo in cash.

How is this recorded?

	account to be debited	account to be credited	
A	cash	rent	☐
B	J. Perigo	rent	☐
C	rent	cash	☐
D	rent	J. Perigo	☐ [1]

(c) When is a suspense account opened?

A when a balance sheet fails to balance ☐

B when a trial balance fails to balance ☐

C when an error of omission is corrected ☐

D when an error of principle is corrected ☐ [1]

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(d) Which item on a bank statement would cause the balance on the bank statement to be more than the balance in the cash book?

A bank charges ☐

B bank interest credited ☐

C dishonoured cheque ☐

D standing orders paid ☐ [1]

(e) Why should costs be matched with revenues at the end of an accounting period?

A so that profit may be calculated ☐

B so that the trial balance will balance ☐

C to calculate the amount owed to trade creditors ☐

D to calculate the bank balance ☐ [1]

(f) Peter sold goods on credit to Ann in 2009. In October 2010 Peter wrote off the amount owed by Ann as a bad debt.

What entries must Peter make in his ledger to write off the bad debt?

	account to be debited	account to be credited	
A	Ann	bad debts	☐
B	Ann	sales	☐
C	bad debts	Ann	☐
D	sales	Ann	☐ [1]

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(g) The following information is available for a sole trader for the year ended 30 September 2010.

	$
sales in year	59 200
inventory (stock) at 1 October 2009	2 500
inventory (stock) at 30 September 2010	3 800
purchases in year	28 600

What is the gross profit for the year?

A $24 300 ☐

B $29 300 ☐

C $30 600 ☐

D $31 900 ☐ [1]

(h) Which of the following appears in the income statement (profit and loss account) of a partnership?

A a partner's drawings ☐

B a partner's salary ☐

C interest on a partner's capital ☐

D interest on a partner's loan ☐ [1]

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(i) A business has calculated the following ratios:

	percentage of gross profit to sales	percentage of net profit to sales
Year 1	40 %	19 %
Year 2	40 %	25 %

Why did the percentage of net profit to sales increase in Year 2?

A cost of sales decreased ☐

B cost of sales increased ☐

C expenses decreased ☐

D expenses increased ☐ [1]

(j) Which of the following should **not** be recorded in the books of account?

A canteen costs ☐

B maintenance of office buildings ☐

C wages of staff ☐

D workers' skills ☐ [1]

[Total: 10]

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2 **(a)** Name the business document which is sent to the purchaser by a supplier of goods to record the value of the goods purchased.

.....[1]

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

	Capital expenditure	Revenue expenditure
Purchase of shop		
Repairs to shop windows		
Purchase of new lock for shop door		

[3]

(c) Name the financial statement (final account) in which the provision for doubtful debts should be shown.

.....[1]

(d) Explain what is meant by a business preparing its financial statements (final accounts) on the going concern basis.

.....

.....

.....[2]

(e) A payment for a new motor car has been debited to the motor expenses account in the ledger. Name the type of error which has been made.

.....[1]

(f) Dio owns 5000 shares of $2 each in Diomedes Limited. The company declares a dividend of $0.25 per share. State how much Dio will receive as a dividend.

.....

.....[2]

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(g) On 1 July 2010 Helia paid a premium of $600 for a new insurance policy for 12 months to 30 June 2011.

Calculate the amount for insurance in her income statement (profit and loss account) for the financial year ended 30 September 2010.

Show your workings.

.....

.....

..... [3]

(h) Beja's balance sheet at 31 July 2010 included the following:

	$
non-current (fixed) assets	30 000
inventory (stock)	15 000
trade receivables (debtors)	14 500
balance at bank	16 000 Dr
trade payables (creditors)	18 200

Calculate Beja's working capital at 31 July 2010.

Show your workings.

.....

.....

.....

.....

.....

..... [4]

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(i) Khanu's financial statements showed the following:

	$
cash sales	46 500
credit sales	126 000
cash received from trade debtors	122 800
trade receivables (debtors)	13 800

Calculate his collection period for trade receivables (debtors) to the nearest whole day.

Show your workings.

.....

.....

.....

.....

.....

..... [4]

[Total: 21]

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3 Moma keeps full accounting records and makes up her financial statements (final accounts) to 31 October in each year.

Extracts from her accounting records for October 2010 show the following:

Purchases Journal

			$
October	5	Summa	320
	17	Carter	500
	29	Summa	270

Purchases Returns Journal

			$
October	8	Summa	100

Cash Book (credit side)

			Discount	Bank
			$	$
October	30	Summa		220
	31	Carter	15	485

REQUIRED

(a) Write up the accounts of Summa and Carter in Moma's purchases ledger for the month of October 2010. Show any balances carried and brought down.

Purchases Ledger

Summa account

.....

.....

.....

.....

.....

.....

..... [7]

Carter account

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.....

.....

.....

.....

..... [5]

At 1 October Moma had 200 units of inventory (stock) which had cost $2.80 per unit. In the month of October her purchases were:

October	Units	Cost per unit
		$
5	100	3.20
10	130	3.10
27	120	2.90

REQUIRED

(b) Calculate the following. Show your workings.

(i) The value of inventory (stock) at 1 October.

.....

.....

..... [2]

(ii) The total cost of purchases for October.

.....

.....

.....

..... [6]

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(c) Stock is sold in the order in which it is received. At 31 October Moma had 250 units in stock. The net realisable value of each unit was $3.00.

Calculate the value of inventory (stock) at 31 October.

.....

.....

.....

..... [5]

[Total: 25]

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4 Gorman Limited has prepared the following trial balance from the company's accounting records for the year ended 30 September 2010.

Gorman Limited
Trial Balance at 30 September 2010

	$	$
Bank (overdrawn)		2 200
Revenue (sales)		92 000
Ordinary goods purchased (purchases)	70 300	
Carriage inwards	600	
Inventory (stock) at 1 October 2009	13 900	
Rent payable	2 600	
Property tax	1 500	
Electricity	850	
Wages and salaries	5 250	
Equipment and office fittings	17 000	
Provision for depreciation on equipment and office fittings		1 700
Repairs and maintenance	1 100	
Administrative expenses	4 000	
Retained profit at 1 October 2009		28 000
Share capital		9 000
Trade receivables (debtors)	17 600	
Trade payables (creditors)		1 800
	134 700	134 700

Additional information

1 Inventory (stock) at 30 September 2010 was $14 300.

2 Wages accrued but unpaid were $500.

3 Property tax prepaid was $300.

4 The bank statement for 30 September showed bank charges of $120. This has not been entered in the books.

5 Depreciation of $1700 is to be provided for the year.

REQUIRED

(a) Define a trial balance.

.....

..... [3]

(b) Prepare Gorman Limited's income statement (trading and profit and loss account) for the year ended 30 September 2010.

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Gorman Limited
Income Statement (Trading and Profit and Loss Account)
for the year ended 30 September 2010

[13]

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(c) Name the accounting principle which has been applied to the amount included in the income statement (trading and profit and loss account) for **each** of the following.

(i) Inventory (stock)

.....

(ii) Property tax

..... [4]

(d) From your answer to **(b)** calculate Gorman Limited's rate of inventory (stock) turnover.

Show your workings.

.....

.....

.....

..... [5]

(e) Gorman Limited had a bank overdraft at 30 September 2010. Suggest **one** way in which the company could reduce or eliminate the overdraft.

.....

.....

..... [2]

[Total: 27]

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5 Sohara has a shop and sells goods for cash and on credit. She keeps the cash book herself but her accountant writes up her ledger each month.

Sohara puts her cash receipts in a till and enters them into her three-column cash book each week. She offers a cash discount of 3% to her debtors for payment within 15 days.

She buys stock in bulk from Apollo for cash and receives trade discount of 5% for orders in excess of $1000.

She pays wages each week in cash.

On 1 September 2010 Sohara's cash book showed cash in hand of $700 and cash at bank of $3000.

Sohara had the following transactions in one week in September 2010.

		$
September 6	Cheque received from Juno for goods sold on 24 August	291
7	Sold goods on credit to Hercules	100
8	Paid cash to Apollo for goods purchased	1900
9	Cheque received from Minos for goods sold on 29 June	85
10	Cash sales for the week	1850
10	Wages paid for the week	350

REQUIRED

(a) (i) State the type and amount of discount allowed to Juno by Sohara.

.....

..... [3]

(ii) State the type and amount of discount received by Sohara on paying Apollo.

.....

..... [3]

(b) Make the necessary entries in Sohara's cash book to record the above transactions for the week ended 10 September 2010. You are **not** required to balance the cash book.

The cash book is on the next page.

Sohara Cash Book
September 2010

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
		$	$	$			$	$	$

[12]

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Sohara also keeps a petty cash book on the imprest system with an imprest of $300.

On 30 September 2010 there was $20 in the petty cash box and vouchers for expenses totalling $270.

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REQUIRED

(c) (i) State the amount of cash there should have been in the petty cash box.

..... [2]

(ii) Suggest **one** reason why there was a difference in the petty cash between the amount actually in the box and the expected amount.

.....

..... [2]

(iii) State the amount which was transferred from the bank on 1 October to restore the imprest.

..... [2]

[Total: 24]

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6 Norman started a business on 1 July 2010 selling machines.

On that day he bought inventory (stock) for $12 000 and office furniture for $1500.

He paid an additional $2300 into a new business bank account and kept $200 on hand as a petty cash float.

On 2 July his brother Peter paid $3000 into the business bank account as a loan to the business.

REQUIRED

(a) Show the journal entries to record these transactions. Narratives are **not** required.

Norman
Journal

	Dr $	Cr $
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[8]

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Norman understands he should depreciate the office furniture.

He decides his office furniture will have a useful life of four years and will have no scrap value.

REQUIRED

(b) Name **two** possible methods of depreciation he could use.

(i) .....

(ii) ..... [2]

(c) Select which method Norman should use. Give a reason for your answer.

.....

.....

.....

..... [3]

[Total: 13]

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