UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

6476070419

ACCOUNTING **0452/12**

Paper 1 **October/November 2011**

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.

For Examiner's Use	
1	
2	
3	
4	
5	
6	
Total	

This document consists of **17** printed pages and **3** 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 does the owner of a business calculate profit?

A to find out how much debtors owe him ☐

B to find out how much he owes to creditors ☐

C to know how much money may be taken as drawings without reducing capital ☐

D to reconcile the cash book balance with the balance on the bank statement ☐ [1]

(b) What is another name for a copy of a customer's account in the sales ledger when it is sent to the customer?

A credit note ☐

B debit note ☐

C invoice ☐

D statement ☐ [1]

(c) It is important to match a business's expenses to the appropriate accounting period.

Why is this?

A the business needs to pay the correct amount of expenses ☐

B to calculate the correct profit or loss for the period ☐

C to calculate unpaid expenses for the period ☐

D unpaid expenses cannot be carried forward to the next year ☐ [1]

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(d) Paul returns goods previously purchased on credit from Peter.

Where will this transaction be recorded in Peter's accounting records?

	book of prime (original) entry	nominal (general) ledger	
A	purchases returns journal	credit purchases returns account	☐
B	purchases returns journal	debit purchases returns account	☐
C	sales returns journal	credit sales returns account	☐
D	sales returns journal	debit sales returns account	☐

[1]

(e) A business made a loss for the year.

What effect would this have on the balance sheet?

A decrease current liabilities ☐

B decrease net assets ☐

C increase capital employed ☐

D increase capital owned ☐ [1]

(f) Which item would appear in a partnership income statement?

A interest on loans from partners ☐

B interest on partners' capital ☐

C interest on partners' drawings ☐

D partners' salaries ☐ [1]

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(g) A limited company has issued debentures.

Which statement is correct?

A Debentures are part of the share capital ☐

B Debentures earn a fixed rate of interest ☐

C The holders of debentures can vote at shareholders' meetings ☐

D The rate of dividend on debentures varies according to profits ☐ [1]

(h) Which is **not** used to calculate cost of production?

A inventory of finished goods ☐

B inventory of raw materials ☐

C purchase of raw materials ☐

D work in progress ☐ [1]

(i) Which is the **best** indicator of the liquidity of a business?

A current ratio ☐

B quick ratio ☐

C return on capital employed ☐

D working capital ☐ [1]

(j) Suzanne's financial year ends on 31 December.

She carried forward the closing inventory on 31 December 2010 so it became the opening inventory at the start of the following financial year.

Which accounting principle is Suzanne applying?

A business entity ☐

B consistency ☐

C going concern ☐

D money measurement ☐ [1]

[Total 10]

For Examiner's Use

2 **(a)** Give **two** examples of a current asset.

(i) .....

(ii) ..... [2]

(b) State the accounting equation.

.....

..... [1]

(c) Mikhail rents a workshop for his car repair business. In the table below, place a tick (✓) under the correct heading to show whether his expenditure is capital or revenue.

	Capital expenditure	Revenue expenditure
Repairs to workshop windows		
Installation of alarm system		
Storage shelves for tools		

[3]

(d) Name the section of the ledger in which you would find the following accounts:

(i) a customer's account;

.....

(ii) the provision for bad debt account.

..... [2]

(e) **(i)** Susie's trial balance does not balance. Give **one** example of an error which may have been made.

.....

..... [1]

(ii) Japo has bought inventory for $1000 but this has been entered in his books as $1100. Name the error which has been made.

.....

..... [1]

For Examiner's Use

(f) For the year ended 30 September 2011 Ahern's business had sales of $125 000, cost of sales of $85 000 and expenses of $15 000.

Calculate Ahern's percentage of net profit to sales. Show your workings.

.....

.....

.....

..... [3]

(g) Arthur's cash book showed a debit balance of $2400 on 30 September 2011. He received a bank statement dated 30 September 2011 showing that cheques issued to the amount of $860 had not been presented for payment.

Calculate the balance shown on the bank statement at 30 September 2011.

.....

.....

.....

..... [3]

(h) Farling Limited has issued share capital of 120 000 ordinary shares of $0.25 each and 10 000 preference shares of $1.00 each.

State the amount of share capital shown in the company balance sheet.

.....

.....

..... [4]

[Total: 20]

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[Turn over

Question 3 is on the next page

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3 Moloch has a furniture store and sells goods for cash and on credit. He puts the cash receipts in his cash box and enters them into his three-column cash book each week. He offers a cash discount of 2½% to his credit customers for payment within 15 days.

He buys inventory in bulk from a wholesaler for cash and receives trade discount of 4% for orders in excess of $1500.

He pays staff wages each week in cash.

On 1 October 2011 Moloch's cash book showed cash in hand of $650 and cash at bank of $3200.

Moloch had the following transactions for the first week of October 2011. He writes up his cash book and ledger each week.

October		$
3	Cheque received from Justin for goods sold on 19 September	390
4	Sold goods on credit to Hercules	800
5	Paid cash to Andrews for goods purchased	2880
6	Cheque received from Munira for goods sold on 2 September	150
7	Cash sales for the week	3650
7	Wages paid for the week	630

REQUIRED

(a) Make the necessary entries in Moloch's cash book on the following page to record the above transactions for the week ended 7 October 2011.

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Moloch

Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
		$	$	$			$	$	$

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[8]

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(b) From the information given above, and the entries in the cash book, write up the accounts in Moloch's ledger below to record the transactions for the week.

Revenue (sales) account

.....

.....

.....

Purchases account

.....

.....

Discount received account

.....

.....

Discount allowed account

.....

.....

Hercules account

.....

.....

Justin account

.....

.....

.....

Munira account

.....

.....

[9]

For Examiner's Use

(c) Calculate Moloch's total sales for the week. Show your workings.

.....

.....

.....

..... [2]

Moloch had trade receivables of $8200 at 31 October 2011 and is concerned that some of his credit customers may not pay their outstanding debts.

He proposes to create a provision for doubtful debts of 5% of his trade receivables.

REQUIRED

(d) Explain what is meant by a provision for doubtful debts.

.....

.....

..... [2]

(e) Calculate the amount of the provision for doubtful debts which Moloch will create at 31 October 2011. Show your workings.

.....

.....

..... [2]

(f) Explain how Moloch will be able to decide in the future if the provision for doubtful debts is adequate.

.....

.....

..... [3]

[Total: 26]

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4 The following balances were taken from the books of Henrietta, a sole trader, on 30 September 2011.

	$
Revenue (sales)	124 100
Inventory (opening)	14 500
Purchases	77 000
Bank (overdraft)	2 800
Cash	1 100
Equipment	19 000
Administrative expenses	26 500
Capital (equity)	25 000
Drawings	15 600

REQUIRED

(a) Prepare Henrietta's trial balance at 30 September 2011, showing any difference you find as a balance on a suspense account.

Henrietta
Trial Balance at 30 September 2011

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

..... [10]

For Examiner's Use

After the trial balance had been prepared, the following errors were found.

1 Cash sales of $2200 had been paid into the bank but had not been posted to the revenue (sales) account.

2 Drawings of $900 had been correctly entered in the cash book but posted to the drawings account as $500.

3 No entry had been made for wages of $650 paid in cash.

REQUIRED

(b) Prepare the journal entries required to correct these errors. The date and narrative are **not** required.

	Dr $	Cr $

[6]

(c) Write up the suspense account in Henrietta's ledger. Dates are **not** required.

Henrietta
Suspense account

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.....

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..... [3]

[Total 19]

For Examiner's Use

5 **(a)** Explain what is meant by a non-current asset.

.....

.....

..... [2]

Queresh has bought a machine costing $3600 for use in his business. He estimates the machine will have a useful life of three years and will have a scrap value of $450 after that time. Queresh decides he will depreciate the machine on the straight line method.

REQUIRED

(b) Calculate the depreciation to be charged on the machine in Queresh's income statement for **each** of the three years of its useful life. Show your workings.

(i) Year 1 .....

.....

.....

(ii) Year 2 .....

.....

.....

(iii) Year 3 .....

.....

..... [5]

Queresh is preparing his financial statements for the year ended 30 September 2011 and has extracted the following items from his trial balance at that date.

Queresh
Trial Balance (extract) at 30 September 2011

	$
Revenue (sales)	72 500
Rent receivable	6 500
Sales returns	800
Inventory at 1 October 2010	6 000
Raw materials (purchases)	48 800
Distribution expenses	2 580
Administrative expenses	8 225
Other operating expenses	1 600
Finance costs	1 380
Drawings	12 000

No entry has yet been made for depreciation on the above machine.

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The following additional information is available.

1 Queresh has valued his inventory at 30 September 2011 at $7600.
2 Rent receivable includes $1300 received in advance.
3 Additional administrative expenses of $375 are to be accrued.
4 Depreciation (as calculated in **(b)** above) is to be included.

REQUIRED

(c) Prepare Queresh's income statement (showing the trading account) for the year ended 30 September 2011.

Queresh
Income Statement for the year ended 30 September 2011

[15]

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Queresh believes that his profit for the year is too small. He is considering not including the depreciation charge on his machine in his income statement so the profit will be increased.

REQUIRED

(d) (i) Explain why Queresh should include the depreciation charge in his income statement.

.....

.....

..... [2]

(ii) Suggest **one** other way in which Queresh may increase his profit for future years.

.....

.....

..... [2]

[Total: 26]

Question 6 is on the next page

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6 Vasco and Xavier each have a garage.

Vasco sells only fuel.

Xavier does not sell fuel. He sells parts for cars and has a workshop where he does repairs.

The following information is available for the year ended 30 September 2011.

	Vasco's garage $	Xavier's garage $
Revenue (sales) – fuel	124 000	nil
Revenue (sales) – parts and repairs	nil	80 000
Cost of sales	114 700	60 000
Operating expenses	5 600	12 000
Capital employed	20 000	60 000

REQUIRED

(a) For **each** garage, show the percentage of gross profit to sales in the table below. Use the space given for your workings and give your answer to **one** decimal place.

Percentage of gross profit to sales

Vasco's garage	Xavier's garage
Workings	Workings
Answer	Answer

[6]

(b) For **each** garage, show the return on capital employed in the table below. Use the space given for your workings and give your answer to **one** decimal place.

Return on capital employed

Vasco's garage	Xavier's garage
Workings	Workings
Answer	Answer

[6]

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Xavier decides he will increase his profit by also selling fuel.

This will **not** require him to introduce any additional capital.

REQUIRED

(c) In the table below, place a tick (✓) under the correct heading to show the effect on **each** ratio if Xavier also sells fuel.

	Increase	Decrease	No effect
Percentage of gross profit to sales			
Return on capital employed			

[4]

(d) Advise Vasco about whether he should also sell parts and open a workshop. He would need to introduce additional capital to do this. Give reasons for your answer.

.....

.....

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..... [3]

[Total: 19]

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