UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

4873625695

ACCOUNTING **0452/13**

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.

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1	
2	
3	
4	
5	
6	
Total	

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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) Ali receives a cheque from Hassan, a debtor, in payment for goods purchased by Hassan on credit.

Where will Ali enter this payment?

A cash book and sales ledger ☐

B cash book and purchases ledger ☐

C nominal ledger and sales ledger ☐

D nominal ledger and purchases ledger ☐ [1]

(b) Which is part of the double entry system?

A petty cash book ☐

B purchases journal ☐

C sales return journal ☐

D trial balance ☐ [1]

(c) A trader commenced business with a gift of machinery from his father.

What will be the accounting entry?

	debit	credit	
A	bank	machinery	☐
B	capital	machinery	☐
C	machinery	bank	☐
D	machinery	capital	☐ [1]

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(d) How would the balances of the carriage inwards and carriage outwards accounts be recorded in the trial balance?

	carriage inwards	carriage outwards	
A	Credit column	Debit column	☐
B	Credit column	Credit column	☐
C	Debit column	Debit column	☐
D	Debit column	Credit column	☐

[1]

(e) A bank reconciliation statement is

A drawn up by the bank to ensure there is no fraud. ☐

B drawn up by the company to verify the cash book balance against the bank statement balance. ☐

C sent by the bank every quarter. ☐

D sent by the bank when the account is overdrawn. ☐ [1]

(f) Which is revenue expenditure?

A building an extension to factory premises ☐

B legal costs of buying factory premises ☐

C purchase of factory premises ☐

D redecorating factory premises ☐ [1]

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(g) The depreciation of equipment for the year was $200.

Which journal entry records this?

		Debit $	Credit $	
A	Depreciation of equipment	200		☐
	Income statement		200	
B	Income statement	200		☐
	Provision for depreciation of equipment		200	
C	Provision for depreciation of equipment	200		☐
	Depreciation of equipment		200	
D	Provision for depreciation of equipment	200		☐
	Income statement		200	

[1]

(h) Which is shown in a statement of affairs?

A gross profit ☐

B overhead expenses ☐

C owner's capital ☐

D sales and purchases ☐ [1]

(i) Which is a measure of profitability?

A current ratio ☐

B quick ratio ☐

C rate of inventory turnover ☐

D return on capital employed ☐ [1]

(j) What is meant by duality?

A for every entry in the cash book there must be a corresponding entry in the bank statement ☐

B for every debtor there must be a creditor ☐

C there are two aspects to every transaction ☐

D there are two sides to every balance sheet ☐ [1]

[Total: 10]

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2 **(a)** Give **two** examples of a financial statement (final account).

(i) .....

.....

(ii) .....

..... [2]

(b) **(i)** Explain what is meant by a service business.

.....

..... [1]

(ii) Give **one** example of a service business.

.....

..... [1]

(c) In the table below, place a tick (✓) under the correct heading to show whether the item is an asset or a liability.

	Asset	Liability
Trade payables		
Goodwill		
Bank overdraft		

[3]

(d) Give **two** reasons for depreciating non-current assets.

(i) .....

.....

(ii) .....

..... [2]

(e) Name **one** interested party who makes use of accounting information.

..... [1]

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(f) Explain what is meant by the accounting principle of going concern.

.....

..... [1]

(g) Complete the following statement: inventory is valued at the **lower** of

.....and ..... [2]

(h) Jaime had revenue (sales) for the year ended 30 September 2011 of $36 000. He uses a standard mark-up of 25%.

Calculate Jaime's cost of sales for the year. Show **all** your workings.

.....

.....

.....

.....

.....

..... [4]

(i) Samra Limited has issued $120 000 of 5% debentures which are repayable in 2016. The debenture interest is payable quarterly.

State the amount of interest payable by the company each quarter.

.....

..... [3]

[Total: 20]

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3 Briscow has a hardware business and buys inventory on credit. He receives purchase invoices from his suppliers.

REQUIRED

(a) Name the book of prime (original) entry in which Briscow will enter his purchase invoices.

.....[1]

(b) Briscow has received a purchase invoice from a supplier. Certain items are missing from the invoice but it is possible to complete the missing items from the other information.

Complete the missing items (words or figures) **(i)** to **(vii)** on the supplier's invoice.

Global Supply Company
Sales Invoice

Briscow — 15 September 2011

Quantity	Description	Unit price $	Total $
100	Fastenings	2.50	250.00
250	Long screws	[ ] **(i)**	112.50
1000	Boltheads	0.75	750.00
50	Wall fixings	3.00	150.00
[ ] **(ii)**	Angles	2.80	210.00
500	Wood nails	0.30	150.00
			[ ] **(iii)**
Less [ ] % **(iv)**	[ ] **(v)** discount		[ ] **(vi)**
		Total	1557.60

Terms: 2½% [ ] **(vii)** discount for payment within 14 days of invoice

[7]

Briscow's accounting records for the year ended 30 September 2011 showed the following:

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	$
Purchases	73 400
Purchases returns	800
Trade payables at 1 October 2010	7 000
Trade payables at 30 September 2011	8 000
Inventory at 1 October 2010	7 600
Inventory at 30 September 2011	9 000

REQUIRED

(c) Calculate Briscow's payment period for trade payables in days. Show your workings and round your answer up to the next whole day.

.....

.....

..... [4]

(d) Calculate Briscow's rate of inventory turnover. Show your workings and give your answer to **two** decimal places or the nearest whole day.

.....

.....

..... [4]

(e) Briscow proposes to reduce the amount of his trade payables and to reduce the average amount of his inventory.

For **each** of these changes, place a tick (✓) under the correct heading to show whether the change will **increase**, **decrease**, or **have no effect** on the accounting ratio shown.

(i) Effect if Briscow reduces the amount of trade payables.

	Increase	Decrease	No effect
Payment period for trade payables			
Rate of inventory turnover			

[4]

(ii) Effect if Briscow reduces the average amount of inventory.

	Increase	Decrease	No effect
Payment period for trade payables			
Rate of inventory turnover			

[4]

[Total: 24]

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4 Adrian and Christopher are in partnership. Their partnership agreement includes the following:

1 Interest on partners' capital is allowed at 4% per annum.

2 Christopher is to receive a salary of $18 000 per annum.

3 Interest is to be charged at 6% per annum on the excess of drawings over $12 000 per annum (for a whole year whenever drawn)

4 The balance of profits or losses is to be shared by Adrian and Christopher in the ratio 5:3.

The profit of the partnership for the year ended 31 August 2011 was $93 000.

Additional information:

	Drawings for the year ended 31 August 2011	Capital account at 1 September 2010
	$	$
Adrian	32 000	40 000
Christopher	12 000	50 000

REQUIRED

(a) Explain the purpose of a partnership appropriation account.

.....

.....

..... [2]

(b) Prepare Adrian and Christopher's appropriation account for the year ended 31 August 2011.

You may use the space below for workings.

Adrian and Christopher
Appropriation Account for the year ended 31 August 2011

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[14]

The balances on the partners' current accounts at 1 September 2010 were:

	$
Adrian	3400 Cr
Christopher	9000 Cr

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REQUIRED

(c) From this information, and the appropriation account write up **each** partner's current account for the year ended 31 August 2011.

Show the balance brought down on each account at 1 September 2011.

[12]

[Total: 28]

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5 Ruth has an office services business. Her financial year ends on 30 September.

On 1 October 2008 she bought office furniture costing $1800 for use in her business and paid by bank transfer.

Ruth has been depreciating the furniture on the reducing balance method at the rate of 40% per annum. On 1 October 2010 the balance on her provision for depreciation of office furniture account was $1152.

On 1 April 2011 Ruth sold all the office furniture to Norse Limited for $850. She entered this amount in her cash book and at the end of the month transferred it to her sales account.

REQUIRED

(a) Name the account to which the sale proceeds of the office furniture should have been transferred.

.....

..... [2]

(b) State the type of error which Ruth has made.

.....

..... [2]

(c) Show the journal entry required to correct this error. The date and narrative are **not** required.

	Dr $	Cr $

[4]

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Ruth is preparing her financial statements for the year ended 30 September 2011 and is writing up her ledger accounts to show the sale of the furniture correctly.

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No depreciation is to be provided on items sold in the year.

REQUIRED

(d) Make the entries in Ruth's ledger accounts and show any transfer to her income statement for the year.

Ruth
Office furniture account

.....

.....

.....

.....

Provision for depreciation of office furniture account

.....

.....

.....

.....

Disposal of office furniture account

.....

.....

.....

.....

[8]

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(e) Ruth does not understand why there is a transfer to her income statement from the disposal of office furniture account.

(i) Explain what the transfer to Ruth's income statement represents.

.....

.....

..... [2]

(ii) Suggest **one** way in which Ruth may reduce or avoid such transfers on the future sale of other non-current assets.

.....

.....

..... [2]

[Total: 20]

6 Lo Shung Limited sells business stationery and their financial year ends on 30 September. After preparing the income statement for the year ended 30 September 2011 the trial balance showed the following items.

	$
Equipment	18 500
Provision for depreciation	9 800
Inventory (30 September 2011)	4 500
Trade receivables	8 700
Bank and cash	1 000 Dr
Trade payables	5 800
Other payables	900
3% debentures repayable 2020	6 000
Share capital	5 000
Retained profit brought forward	1 200
Profit for the year	4 000

REQUIRED

(a) Prepare Lo Shung Limited's statement of financial position (balance sheet) at 30 September 2011 on the following page.

Lo Shung Limited
Statement of Financial Position (Balance Sheet) at 30 September 2011

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.... [11]

The management of Lo Shung Limited are interested in measuring their company's performance.

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REQUIRED

(b) In the table below, place a tick (✓) under the correct heading to show whether the accounting ratio measures profitability or liquidity.

	Profitability	Liquidity
Percentage of profit for the year to sales		
Current ratio		
Return on capital employed		

[3]

(c) From the information above and your answer to **(a)**, calculate the return on **opening** capital employed for Lo Shung Limited. Show your workings and give your answer to **two** decimal places.

.....

.....

.....

.....

..... [4]

[Total: 18]

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