UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

8635910665

ACCOUNTING **0452/21**

Paper 2 **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	
Total	

This document consists of **18** printed pages and **2** blank pages.

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1 Grace Ngema is a trader. Her financial year ends on 31 August.

The bank columns of her cash book for the month of August 2011 were as follows:

Cash Book (bank columns only)

			$				$
2011				2011			
Aug	1	Balance b/d	54	Aug	4	Equipment	1300
	11	Paul Nlovu	117		17	Jane Abbasi	129
	30	Sales	490		28	Omega Supply Co	284
	31	Balance c/d	1052				
			1713				1713
				Sept	1	Balance b/d	1052

Grace Ngema's business bank statement for August 2011 was as follows:

Bank Statement at 31 August 2011

			Debit	Credit	Balance
2011			$	$	$
Aug	1	Balance		154	154 Cr
	2	Rent received (credit transfer)		200	354 Cr
	7	ABC Insurance Co	50		304 Cr
	10	Equipment	1300		996 Dr
	18	Paul Nlovu		117	879 Dr
	22	Jane Abbasi	129		1008 Dr
	30	Bank charges	39		1047 Dr

The following errors were discovered.

1 The cash book balance brought forward on 1 August 2011 should have been $154.

2 The bank has debited $50 for an insurance premium to Grace Ngema's business account instead of her personal account.

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REQUIRED

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(a) Update Grace Ngema's cash book. Bring down the updated cash book balance on 1 September 2011.

Cash Book (bank columns only)

[7]

(b) Prepare a bank reconciliation statement for Grace Ngema at 31 August 2011.

Bank Reconciliation Statement at 31 August 2011

[8]

Grace Ngema's bank overdraft has increased during the year ended 31 August 2011. She is concerned that this is affecting the rate at which she pays her suppliers.

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Grace Ngema's purchases for the year ended 31 August 2011 were as follows.

	$
Credit purchases	15 500
Cash purchases	4 800

Her credit suppliers allow her one month in which to pay their accounts.

On 31 August 2011 Grace Ngema owed her credit suppliers $1790.

REQUIRED

(c) Calculate the payment period for trade payables. Your answer should be rounded up to the next whole day. Show your workings.

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..... [2]

(d) State and explain whether you think that the credit suppliers will regard the payment period as satisfactory.

Will they be satisfied? .....

Explanation .....

.....

..... [3]

(e) State **two** possible advantages to Grace Ngema of paying her credit suppliers before the due date.

(i) .....

.....

(ii) .....

..... [2]

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(f) State **one** possible disadvantage to Grace Ngema of paying her credit suppliers before the due date.

.....

.....

..... [1]

Grace Ngema maintains a petty cash book for recording small cash payments. She uses the imprest system.

REQUIRED

(g) Explain what is meant by the imprest system in relation to a petty cash book.

.....

.....

.....

..... [2]

(h) Grace Ngema wrote up her petty cash book for the month of August 2011. For **each** of the following items in the petty cash book, state where the double entry was made.

The first one has been completed as an example.

		Debit or credit	Name of account
(i)	Total of sundry expenses column	*Debit*	*Sundry expenses account*
(ii)	Cash received to restore the imprest	.....	.....
(iii)	Cash received from employee for cost of personal telephone calls	.....	.....

[4]

[Total: 29]

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2 The financial year of Oasis Trading Co Ltd ends on 31 August.

The following trial balance was prepared **after** the preparation of the income statement for the year ended 31 August 2011.

	$	$
Non-current assets at cost	230 000	
Provision for depreciation on non-current assets		69 000
Inventory	36 500	
Trade payables		17 950
Trade receivables	18 400	
Provision for doubtful debts		368
Petty cash	100	
Bank		8 942
4% Debentures		20 000
Issued share capital - 5% Preference shares		40 000
Ordinary shares		100 000
General reserve		9 000
Retained profit 1 September 2010		4 000
Profit for the year ended 31 August 2011		15 740
	285 000	285 000

The directors of Oasis Trading Co Ltd have appropriated the profit for the year ended 31 August 2011 as follows:

	$	$
Profit for the year before preference share dividend		15 740
Proposed preference share dividend		2000
Profit for the year after preference share dividend		13 740
Transfer to general reserve	3 000	
Proposed ordinary share dividend	6 000	9000
Profit to be retained in the year		4 740

REQUIRED

(a) Prepare the balance sheet of Oasis Trading Co Ltd at 31 August 2011.

The proposed dividends should be included in the balance sheet.

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Oasis Trading Co Ltd
Balance Sheet at 31 August 2011

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[14]

Oasis Trading Co Ltd needs $100 000 for the purchase of new premises. It was decided to:

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1 Increase the preference share capital to $60 000 by the issue of additional 5% preference shares of $1 each.

2 Increase the ordinary share capital to $150 000 by the issue of additional ordinary shares of $0.50 each.

REQUIRED

(b) State the total amount that Oasis Trading Co Ltd could raise by issuing additional shares.

.....

.....

..... [2]

(c) (i) State **one** other source from which Oasis Trading Co Ltd could obtain the rest of the money required.

..... [1]

(ii) State **one** disadvantage of raising funds in this way.

.....

..... [1]

The directors of Oasis Trading Co Ltd are considering paying an interim dividend on the ordinary shares during the financial year ending 31 August 2012.

REQUIRED

(d) State whether such an interim dividend would be included in **each** of the following. Give a reason for your answers.

(i) Appropriation account for the year ending 31 August 2012

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.....

..... [2]

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(ii) Balance sheet at 31 August 2012

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.....

..... [2]

[Total: 22]

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3 Tarek El Mekawi is a trader in household goods. He maintains a full set of accounting records. His financial year ends on 31 October.

On 27 October 2011 Tarek El Mekawi received an invoice from Computek for $390. This included $360 for a new computer for business use and $30 for repairs to an existing computer.

REQUIRED

(a) Prepare a journal entry to record the above transaction. A narrative **is** required.

Journal

	Debit $	Credit $
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[4]

(b) Explain how the principle of duality has been applied in recording this transaction.

.....

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..... [2]

(c) On 29 October 2011 Tarek El Mekawi took goods costing $400 for his own use.

Prepare a journal entry to record the above transaction. A narrative **is** required.

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Journal

	Debit $	Credit $
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[3]

For Examiner's Use

(d) Explain how the principle of business entity has been applied in recording this transaction.

.....

.....

.....

..... [2]

(e) On 31 October 2011 Tarek El Mekawi decided to create a provision for doubtful debts of $200.

Prepare a journal entry to record the above transaction. A narrative **is** required.

Journal

	Debit $	Credit $
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[3]

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(f) Explain how the principle of prudence has been applied in recording this transaction.

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..... [2]

(g) Suggest **two** ways in which Tarek El Mekawi could reduce the risk of bad debts.

(i) .....

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(ii) .....

..... [2]

(h) After the preparation of the financial statements for the year ended 31 October 2011 it was found that the provision for doubtful debts had been completely omitted.

For **each** item in the following table, place a tick **(✓)** under the correct heading to indicate the effect of **correcting** this error.

		Increase	Decrease	No effect
(i)	Total expenses for the year			
(ii)	Profit for the year			
(iii)	Closing credit balance on capital account			
(iv)	Amount owing by trade receivables			

[4]

[Total: 22]

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Question 4 is on the next page.

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4 The financial year of the Deira Road Sailing Club ends on 30 September.

In addition to providing sailing facilities for members, the Club also has a shop selling sailing equipment.

The treasurer of the Deira Road Sailing Club produced the following receipts and payments account for the year ended 30 September 2011.

	Receipts	$		Payments	$
2011			2010		
Sept 30	Subscriptions	3 060	Oct 1	Balance b/d	2 840
	Receipts from shop sales	5 492	2011 Sept 30		
	Sailing competition entrance fees	586		Purchases of shop supplies	3 150
	Balance c/d	3 694		Sailing competition expenses	292
				Wages – shop assistant	480
				sailing tutor	940
				Rent	2 600
				General expenses	230
				Insurance	800
		12 832		Equipment	1 500
					12 832
			2011		
			Oct 1	Balance b/d	3 694

Additional information:

1

	At 1 October 2010	At 30 September 2011
	$	$
Shop inventory	270	310
Insurance prepaid	190	200
General expenses accrued	-	26
Trade payables for shop supplies	-	340
Subscriptions accrued	450	-
Subscriptions prepaid	-	360

2 On 1 October 2010, the Club owned equipment costing $4400. All equipment held at the year end is to be depreciated at 20% per annum on cost.

3 One quarter of the rent relates to the shop.

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REQUIRED

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(a) Prepare the shop income statement of the Deira Road Sailing Club for the year ended 30 September 2011.

Deira Road Sailing Club
Shop Income Statement for the year ended 30 September 2011

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..... [8]

(b) Prepare the income and expenditure account of the Deira Road Sailing Club for the year ended 30 September 2011.

For Examiner's Use

Deira Road Sailing Club
Income and Expenditure Account for the year ended 30 September 2011

[16]

[Total: 24]

Question 5 is on the next page

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5 Kuljit Singh is a trader who does not maintain a full set of double entry accounting records. All purchases and sales are made on credit terms.

Kuljit Singh provided the following information:

	$
At 1 August 2010	
Amounts owing by customers	7450
Amounts owing to suppliers	4390
For the year ended 31 July 2011	
Cheques received from customers	7995
Cheques paid to suppliers	3920
Discounts received	80
Discounts allowed	205
Bad debts written off	180
At 31 July 2011	
Amounts owing by customers	8020
Amounts owing to suppliers	5550

REQUIRED

(a) Explain **two** advantages of maintaining accounting records using the double entry method.

(i) .....

.....

.....

(ii) .....

.....

..... [4]

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(b) Calculate Kuljit Singh's credit sales and credit purchases for the year ended 31 July 2011.

Your answer may be in the form of calculations or ledger accounts.

(i) Credit sales

[6]

(ii) Credit purchases

[5]

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Kuljit Singh provided the following information about his inventory.

	At 31 July 2010	At 31 July 2011
	$	$
Cost	1900	1130
Net realisable value	1650	1340

REQUIRED

(c) Explain why inventory should be included in financial statements at the lower of cost and net realisable value.

.....

.....

.....

..... [2]

(d) Kuljit Singh included the inventory at cost price in his financial statements for **each** of the years ended 31 July 2010 and 31 July 2011.

Complete the table below to show the effect of this on **each** of the following items.

The first one has been completed as an example.

		overstated	understated	no effect
		$	$	
(i)	net profit for the year ended 31 July 2010	✓ *250*	- -	-
(ii)	capital employed at 31 July 2010			
(iii)	gross profit for the year ended 31 July 2011			
(iv)	current assets at 31 July 2011			

[6]

[Total: 23]

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