UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

5861359039

ACCOUNTING **0452/12**

Paper 1 **October/November 2012**

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

A because she is required to do so by law ☐

B because she needs to pay her creditors on time ☐

C so that she can prepare final accounts ☐

D so that she knows how much her debtors owe her ☐ [1]

(b) Ace Motors sold a delivery van on credit to M. Johnson.

Which entries will be made in the books of Ace Motors?

	account debited	account credited	
A	M. Johnson	motor vehicles	☐
B	M. Johnson	sales	☐
C	motor vehicles	M. Johnson	☐
D	sales	M. Johnson	☐

[1]

(c) A business has a suspense account. It is found that the amount in the suspense account is in respect of a cash sale to Tahir, which was omitted from the sales account.

Which entries will correct the error?

	account debited	account credited	
A	sales	suspense	☐
B	suspense	sales	☐
C	suspense	Tahir	☐
D	Tahir	suspense	☐

[1]

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(d) A trader purchases a supply of office paper on credit.

How should this transaction be recorded?

	debit	credit	
A	office equipment	supplier	☐
B	supplier	office equipment	☐
C	stationery	supplier	☐
D	supplier	stationery	☐

[1]

(e) Amounts owed by a trader for electricity are given below.

	$
1 January	2 000
31 December	2 500

The charge for electricity shown in the income statement for the year ended 31 December was $15 500.

What was the amount paid for electricity during the year?

A $15 000 ☐

B $15 500 ☐

C $16 000 ☐

D $20 000 ☐ [1]

(f) Amina lists her current assets in order of liquidity.

In which order will the current assets appear?

A bank, cash, inventory, trade receivables ☐

B cash, bank, trade receivables, inventory ☐

C inventory, trade receivables, bank, cash ☐

D trade receivables, inventory, bank, cash ☐ [1]

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(g) How will partners' interest on drawings be shown in the partnership's financial statements?

A debit income statement ☐

B credit income statement ☐

C debit appropriation account ☐

D credit appropriation account ☐ [1]

(h) Which term describes the balancing figure in a receipts and payments account?

A excess of expenditure over income for the period ☐

B excess of income over expenditure for the period ☐

C the profit or loss for the year ☐

D total cash and bank balances at the end of the year ☐ [1]

(i) A trader sets his selling price by adding a profit figure on to the cost price.

How does he do this?

A by applying margin ☐

B by applying mark-up ☐

C by using the current ratio ☐

D by using the quick ratio ☐ [1]

(j) Miriam supplies goods on credit to Anna.

Applying the realisation principle, when does Miriam recognise the sales revenue?

A when Anna acquires legal ownership of the goods ☐

B when Anna orders the goods ☐

C when Anna pays for the goods ☐

D when Anna receives a statement from Miriam ☐ [1]

[Total: 10]

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Question 2 is on the next page.

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2 **(a)** Sheva returned faulty goods to her supplier, Limpo Limited. Name the business document which Limpo Limited issued to Sheva:

(i) when the goods were supplied

..... [1]

(ii) when the goods were returned.

..... [1]

(b) Give **two** examples of accounts in the nominal (general) ledger which would be entered in the trading account section of the income statement.

1 .....

2 ..... [2]

(c) Naomi bought goods on credit from Ruth for $560. Ruth offers 2½% discount for payment within ten days. Naomi paid her account within this period.

Calculate the amount of the discount which Naomi received.

.....

.....

..... [1]

(d) Janni has been told that he must use the same method of providing depreciation from one year to the next. Name the accounting principle which is being applied.

..... [1]

(e) Lynch bought goods, $100, on credit, but he recorded this as $1000.

Name the type of error which has been made.

..... [1]

(f) Mubara keeps his petty cash book on the imprest system with an imprest amount of $120. At 31 October there were vouchers for petty cash expenditure totalling $74.50 in the petty cash box. He had not claimed for a train fare of $17.50.

State the amount which will remain in the petty cash box after he has claimed his train fare.

.....

..... [1]

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(g) (i) Explain what is meant by a bad debt.

.....

.....

..... [2]

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

.....

.....

..... [2]

(iii) Mary maintains a provision for doubtful debts at 3% of her trade receivables. On 1 September 2011 Mary's provision for doubtful debts was $1350. On 31 August 2012 Mary's trade receivables amounted to $48 000.

How much would be charged in Mary's income statement for the year ended 31 August 2012?

.....

.....

..... [2]

(h) Pringle Limited has an issued share capital of $40 000 divided into ordinary shares of $0.50 each. The company declared a dividend of $0.30 per share. What was the total amount of the dividend paid to shareholders?

.....

.....

..... [2]

[Total: 16]

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3 Walek sells goods for cash and on credit. He puts the cash receipts in a box and pays the total into his bank account each month. He pays the cheques received from his credit customers into the bank on the day he receives them.

On 1 September 2012 Walek's cash book showed a debit balance at the bank of $2400.

Walek had the following transactions in September 2012.

September		$
3	Cheque received from Lashki	640
4	Sold goods on credit to Sharon	420
9	Purchased goods on credit from Bruton	1980
14	Paid two weeks' wages by cheque	250
16	Cheque received from Yovell	370
28	Paid two weeks' wages by cheque	280
29	Paid cheque to Bruton	1980
30	Cash sales for the month	3560

On 21 September the bank returned Yovell's cheque dishonoured.

REQUIRED

(a) Make the necessary entries in the bank columns of Walek's cash book to record the above transactions. Balance the cash book and bring down the balance on 1 October 2012.

Walek
Cash Book (bank columns only)

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[8]

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(b) From the information given on page 8 and the entries in the cash book, make the entries in the following accounts in Walek's ledger to record the transactions for September 2012.

For Examiner's Use

Walek

Sales account

Purchases account

Wages account

Lashki account

Sharon account

Yovell account

Bruton account

[11]

At 30 September Walek had recorded the cash sales in his cash book, but had not deposited the money in the bank. The cheque payable to Bruton dated 29 September was not cleared by the bank until 6 October.

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The bank statement at 30 September showed a balance at the bank of $2510.

REQUIRED

(c) Prepare a bank reconciliation statement for Walek at 30 September 2012.

Walek
Bank Reconciliation Statement 30 September 2012

.....

.....

.....

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.....

.....

..... [4]

(d) Explain why items are recorded on the opposite side of the cash book to that on which they appear on the bank statement.

.....

.....

.....

.....

.....

..... [4]

[Total: 27]

Question 4 is on the next page.

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4 Mbane sells craft items from a market stall. He sells for cash and buys his goods on credit. He prepared the following trial balance at 31 October 2012. Although the trial balance totals were equal, Mbane had made some errors.

Mbane
Trial Balance at 31 October 2012

	Dr $	Cr $
Capital	2 600	
Motor vehicle	4 400	
Purchases	12 400	
Trade payables	3 200	
Revenue		30 800
Inventory 31 October 2012	3 300	
General expenses	600	
Cash at bank		5 200
Motor vehicle expenses	860	
Drawings	8 640	
	36 000	36 000

Mbane had inventory on 1 November 2011 of $4500.

REQUIRED

(a) Prepare a corrected trial balance at 31 October 2012.

Mbane
Corrected Trial Balance at 31 October 2012

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

[7]

(b) From your answer to **(a)** and the other information shown, prepare Mbane's income statement for the year ended 31 October 2012.

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Mbane
Income Statement for the year ended 31 October 2012

[8]

(c) (i) State the formula for the calculation of working capital.

[1]

(ii) Calculate Mbane's working capital at 31 October 2012.

[2]

Mbane wishes to know the effect on his working capital of changes in his business.

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REQUIRED

(d) In the table below, place a tick (✓) under the correct heading to show the effect on Mbane's working capital of **each** of the following.

	Increase	Decrease	No change
Increased revenue			
Increased trade payables			
Increased motor expenses			
Reduced drawings			

[4]

(e) (i) State the formula for the calculation of the current ratio.

.....

..... [1]

(ii) Calculate Mbane's current ratio at 31 October 2012. Give your answer to **one** decimal place.

.....

.....

..... [2]

[Total: 25]

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Question 5 is on the next page.

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5 Agricola bought a tractor, $6400, on 1 January 2010 for use on his farm. The tractor will have a useful life of four years and is expected to have a scrap value of $800 after that time.

REQUIRED

(a) State **two** methods used to calculate depreciation of a non-current asset.

1 .....

2 ..... [2]

Agricola decided to use the most suitable method to depreciate his tractor.

REQUIRED

(b) Calculate the following. Show your workings.

(i) Depreciation for **each** of the two years ended 31 December 2010 and 31 December 2011.

.....

.....

.....

.....

.....

..... [3]

(ii) Net book value at 31 December 2011.

.....

..... [2]

(c) Agricola sold the tractor on 1 January 2012 for $2600. Prepare the disposal account.

Agricola
Disposal of tractor account

.....

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.....

..... [5]

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(d) (i) State **one** reason why there was a profit or loss on the sale of Agricola's tractor.

.....

.....

..... [2]

(ii) Suggest **one** way in which a loss on a sale of a non-current asset may be reduced or avoided.

.....

.....

..... [2]

On checking his accounting records, Agricola discovered the following errors:

1 A cheque, $320, paid to Cattle Feeds Ltd had been debited to the account of Cattle & Co.

2 Repairs to farm machinery, $30, had been recorded in the farm machinery account.

REQUIRED

(e) Prepare journal entries to correct the above errors. Narratives are required.

Agricola Journal

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

[6]

[Total: 22]

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6 Conrad has a supermarket and sells food and other groceries. Congo has a smaller shop and only sells fresh fruit and vegetables.

The following information is available for the year ended 30 September 2012.

	Conrad $	Congo $
Revenue	120 000	48 000
Gross profit	42 000	26 400
Profit for the year	14 400	17 600
Capital at 1 October 2011	96 000	50 000

REQUIRED

(a) (i) For **each** business, calculate the percentage of gross profit to revenue. Show your workings and give your answers to **one** decimal place.

Conrad	Congo

[4]

(ii) Give **one** reason for the difference in the percentage of gross profit to revenue between the two businesses.

.....

.....

.....

..... [2]

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(b) (i) For each business calculate the percentage of profit for the year to revenue. Show your workings and give your answers to **one** decimal place.

Conrad	Congo

[4]

(ii) State **one** reason for the difference in the percentage of profit for the year to revenue between the two businesses.

.....

.....

.....

..... [2]

(c) (i) For each business calculate the return on the opening capital employed. Show your workings and give your answers to **one** decimal place.

Conrad	Congo

[4]

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(ii) Give **one** reason for the difference in the return on opening capital employed between the two businesses.

.....

.....

.....

..... [2]

(d) Conrad believes that he will increase his profit by increasing his sales. Explain why this may not be the case.

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..... [2]

[Total: 20]

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