UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

ACCOUNTING **0452/13**

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	

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) Which document is used by a supplier to notify a customer of goods supplied, goods returned and payments received in a month?

A credit note ☐

B debit note ☐

C invoice ☐

D statement ☐ [1]

(b) A trader buys a motor vehicle, for use in his business, on credit from J. Sango.

How is this recorded in the trader's ledger?

	account to be debited	account to be credited	
A	bank	motor vehicle	☐
B	motor vehicle	bank	☐
C	motor vehicle	J. Sango	☐
D	J. Sango	motor vehicle	☐ [1]

(c) On 1 January 2009 a trader bought a computer for use in his business. He sold the computer on 31 December 2011.

How should the transaction of 31 December be classified?

A capital expenditure ☐

B capital receipt ☐

C revenue expenditure ☐

D revenue receipt ☐ [1]

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(d) A trader provides the following information for the year ended 30 April 2012.

	$
sales	60 000
expenses	15 000
profit for the year	10 000

What is the cost of sales for the year ended 30 April 2012?

A $25 000 ☐

B $35 000 ☐

C $45 000 ☐

D $50 000 ☐ [1]

(e) Which is a non-current liability?

A bank loan repayable in five years ☐

B bank overdraft repayable in six months ☐

C freehold property ☐

D trade payables ☐ [1]

(f) A business provides for the depreciation of its non-current assets.

What is the effect of this?

	net profit	net book value of non-current assets	
A	decrease	decrease	☐
B	decrease	increase	☐
C	increase	decrease	☐
D	increase	increase	☐ [1]

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(g) In a partnership appropriation account, which is correct?

A Salaries and interest on capital will increase divisible profit. ☐

B Interest on capital and interest on drawings will increase divisible profit. ☐

C Salaries and interest on capital will decrease divisible profit. ☐

D Interest on capital and interest on drawings will decrease divisible profit. ☐ [1]

(h) How is factory cost of production calculated?

A prime cost – factory overheads – increase in work in progress ☐

B prime cost – factory overheads + increase in work in progress ☐

C prime cost + factory overheads – increase in work in progress ☐

D prime cost + factory overheads + increase in work in progress ☐ [1]

(i) What is shown by the percentage of net profit to revenue?

A whether the cost of revenue has decreased ☐

B whether the expenses are well controlled ☐

C whether the selling price has increased ☐

D whether the inventory is being sold quickly enough ☐ [1]

(j) A trader included his personal telephone bill in the telephone expenses account of his business.

Which accounting principle is the trader not applying?

A business entity ☐

B going concern ☐

C matching (accruals) ☐

D prudence ☐ [1]

[Total: 10]

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Question 2 is on the next page.

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2 **(a)** Name two books of prime (original) entry.

1 .....

2 ..... [2]

(b) In the table below, place a tick (✓) under the correct heading to show whether the item is income or an expense of a business.

	Income	Expense
Debenture interest		
Factory overheads		
Commissions received		

[3]

(c) Bedou is a new supplier of goods on credit to Anwar. Suggest **one** reason why Bedou would be interested in Anwar's financial statements.

.....

.....

..... [2]

(d) Alan's trial balance does not balance. Give **two** possible reasons for this.

1 .....

.....

2 .....

..... [4]

(e) Jenny has received her bank statement. The following items have not yet been entered in her cash book. Place a tick (✓) in the table below under the correct heading to show whether the item will increase, reduce, or have no effect on the debit balance in her cash book.

	Increase	Decrease	Have no effect
Bank charges			
Credit transfer			
Dishonoured cheque			

[3]

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(f) Give **one** example of an intangible non-current asset.

..... [1]

(g) Singh bought goods, $240, on credit from Malik. This was recorded in Singh's books as $420.

(i) Name the type of error which has been made.

..... [1]

(ii) Show the journal entry required to correct this error. A narrative is **not** required.

Singh Journal

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

[3]

(h) Lindie maintains a provision for doubtful debts of 3% of her trade receivables. Her trade receivables amounted to $28 000 on 1 November 2011 and $32 000 on 31 October 2012.

Calculate the amount of the increase in Lindie's provision for doubtful debts on 31 October 2012.

.....

.....

.....

..... [3]

[Total: 22]

3 Prince makes engine parts. His financial year ends on 30 September.

The following items remained on Prince's books after the preparation of the income statement for the year ended 30 September 2012.

	$
Bank	500 Dr
Bank loan (repayable 2018)	2800
Capital	6800
Equipment at cost	3500
Inventory	3300
Motor vehicle at cost	4500
Other payables	900
Provision for depreciation – equipment	600
Provision for depreciation – motor vehicle	1000
Trade payables	2700
Trade receivables	3000

REQUIRED

(a) Prepare Prince's balance sheet at 30 September 2012 on the following page.

Prince Balance Sheet at 30 September 2012

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[9]

Prince is interested in how easily he can turn the current assets of his business into cash and whether his business will be able to pay the current liabilities as they fall due.

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REQUIRED

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

.....

..... [1]

(ii) Calculate Prince's current ratio at 30 September 2012. Show your workings and give your answer to **two** decimal places.

.....

.....

..... [2]

(iii) State and explain whether Prince will be satisfied with his current ratio.

Will he be satisfied? .....

Reason .....

.....

..... [3]

(c) (i) State the formula for the calculation of the quick (acid test) ratio.

.....

..... [1]

(ii) Calculate Prince's quick (acid test) ratio at 30 September 2012. Show your workings and give your answer to **two** decimal places.

.....

.....

..... [2]

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(iii) State and explain whether Prince will be satisfied with his quick (acid test) ratio.

Will he be satisfied? .....

Reason .....

.....

..... [3]

(d) Suggest **one** way in which Prince could encourage his customers to pay their accounts more quickly.

.....

..... [2]

(e) Suggest **one** way in which Prince could improve his working capital.

.....

..... [2]

[Total: 25]

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4 Mlongo buys and sells mirrors. The following information is available for the year ended 31 October 2012.

	$
Carriage inwards	50
Carriage outwards	100
Inventory at 1 November 2011	1300
Operating expenses	680
Purchases	4650
Rent	780
Revenue	8000
Returns inwards	215

Rent includes $260 paid in advance. Additional operating expenses of $120 are to be accrued.

REQUIRED

(a) State what is meant by the term "inventory".

.....

..... [1]

Mlongo sells three different types of mirror and provided the following information about his inventory at 31 October 2012.

Mirror type	Units in stock	Cost per unit	Selling price per unit
		$	$
Full-length mirror	15	55	85
Wall mirror	50	15	21
Table mirror	36	25	20

REQUIRED

(b) Calculate the value of Mlongo's inventory at 31 October 2012. Show your workings.

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..... [4]

(c) From the information on page 12 and your answer to **(b)**, prepare Mlongo's income statement for the year ended 31 October 2012.

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Mlongo
Income Statement for the year ended 31 October 2012

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.... [9]

Mlongo knows that the rate of inventory turnover is important to a business.

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REQUIRED

(d) (i) State the formula for the calculation of the rate of inventory turnover.

.....

..... [1]

(ii) Calculate Mlongo's rate of inventory turnover for the year ended 31 October 2012. Show your workings and give your answer to **one** decimal place.

.....

.....

..... [2]

(e) Mlongo plans to reduce his closing inventory at 31 October 2013. State the effect of this on his rate of inventory turnover. Give a reason for your answer.

.....

.....

.....

..... [2]

(f) State **one** type of business which will have a low rate of inventory turnover.

..... [1]

[Total: 20]

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5 Joolia has a restaurant and receives a bill for water used each month.

At 1 July Joolia had an unpaid bill for water of $58.50.

During the three months ended 30 September 2012 she made the following payments by cheque to the water company.

	$
10 July	58.50
12 August	75.00
14 September	45.80

On 4 October Joolia received a bill for $62.30 for water used to 30 September.

REQUIRED

(a) Explain what is meant by the accounting principle of accruals (matching).

.....

.....

.....

..... [2]

(b) Prepare the water account in Joolia's nominal (general) ledger for the three months ended 30 September 2012. Show the amount transferred to Joolia's income statement for the period. Balance the account and bring down the balance on 1 October 2012.

Joolia
Water account

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..... [5]

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(c) Joolia omitted to include an accrued expense for staff wages at the end of her accounting period.

State the effect of this omission on her profit for the period.

.....

.....

..... [1]

Joolia buys supplies of food from HiClass Foods Ltd. Their account in her ledger for September 2012 was as follows.

Joolia
HiClass Foods Ltd

2012		$	2012		$
Sept 7	Bank	273	Sept 1	Balance b/d	280
	Discount	7	12	Purchases	475
15	Purchase returns	35			
30	Balance c/d	440			
		755			755

REQUIRED

(d) State the section of Joolia's ledger in which the above account would appear.

..... [1]

(e) Explain **each** entry in the above account.
State where the double entry for each transaction would have been made.
The first one has been completed as an example.

1 September Balance b/d

Explanation *This is the balance owed by Joolia to HiClass Foods Ltd.*

Double entry *Debit HiClass Foods Ltd (August account).*

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7 September Bank

Explanation .....

.....

.....

Double entry ..... [2]

7 September Discount

Explanation .....

.....

.....

Double entry ..... [2]

12 September Purchases

Explanation .....

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Double entry ..... [2]

15 September Purchase returns

Explanation .....

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Double entry ..... [2]

30 September Balance c/d

Explanation .....

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Double entry ..... [2]

[Total: 19]

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6 Black Limited has issued 100 000 ordinary shares of $1.50 each and 120 000 6% preference shares of $1 each. All the shares are fully paid.

REQUIRED

(a) Calculate the total issued share capital of Black Limited.

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..... [3]

(b) (i) Explain the meaning of the term called-up capital.

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..... [2]

(ii) Explain the meaning of the term paid-up capital.

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..... [2]

(c) State **two** differences between ordinary shares and preference shares.

1 .....

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2 .....

..... [4]

(d) State **two** differences between ordinary shares and debentures.

1 .....

.....

2 .....

..... [4]

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Schmidt is a partner in Schmidt and Kohl, but is also a shareholder in Black Limited. He holds 10 000 ordinary shares and 12 000 preference shares.

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Black Limited pays the dividend on the preference shares in two equal instalments on 30 April and 31 October.

Black Limited declared a dividend on the ordinary shares of 12% payable on 31 October 2012 and the preference share dividend was also paid on that date.

REQUIRED

(e) Explain why companies pay dividends on shares.

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..... [2]

(f) Calculate the total dividend paid to Schmidt on 31 October 2012.

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..... [5]

(g) State **one** advantage of being an ordinary shareholder in a limited company compared with being a partner.

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..... [2]

[Total: 24]

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