UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

2076080738

ACCOUNTING **0452/21**

Paper 2 **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	
Total	

This document consists of **16** printed pages.

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1 Zabeel opened a manufacturing business on 1 November 2011.

The following information was provided at 31 October 2012.

	$
Revenue	183 400
Purchases of finished goods	9 200
Purchases of raw materials	54 300
Returns from customers	2 600
Returns to suppliers of raw materials	2 100
Factory direct wages	46 000
Factory indirect wages	11 210
Office and administration wages	23 950
Rates and insurance	6 000
Factory general expenses	21 660
Office and selling expenses	9 400
Carriage on raw materials	480
Carriage on sales	630
Discount allowed	130
Discount received	420

Additional information

1 On 31 October 2012 Inventories were valued at:

raw materials	4 300
work in progress	10 200
finished goods	12 620

2 On 31 October 2012 factory direct wages outstanding amounted to $2150 and factory general expenses prepaid were $370.

3 60% of the rates and insurance relates to the factory and 40% relates to the office.

4 Machinery costing $64 500 was purchased on 1 November 2011. Depreciation is to be charged at 20% per annum on cost.

5 Loose tools, $980, were purchased on 1 November 2011. Additional tools, $130, were purchased during the year. No loose tools were disposed of during the year.
On 31 October 2012 the loose tools were valued at $820.

REQUIRED

(a) Select the relevant figures and prepare the manufacturing account of Zabeel for the year ended 31 October 2012.

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Zabeel
Manufacturing account for the year ended 31 October 2012

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[14]

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(b) Select the relevant figures and prepare the income statement (trading section) of Zabeel showing the calculation of the gross profit for the year ended 31 October 2012.

Zabeel
Income Statement for the year ended 31 October 2012

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..... [6]

(c) **(i)** State the basis on which Zabeel should value his inventories.

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..... [1]

(ii) Name the accounting principle Zabeel is applying by valuing the inventories on this basis.

..... [1]

(d) Name the accounting principle Zabeel applied in **each** of the following.

(i) Credit sales were recorded at the time of sale rather than when payment was received.

..... [1]

(ii) No entries were made for expenses paid by Zabeel for running his personal motor car.

..... [1]

[Total: 24]

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2 Nancy Tanwin owns a clothing store. Her financial year ends on 31 October.

She lets part of her premises to Gemstones Ltd at an annual rent of $2592.

On 1 November 2011 Gemstones Ltd prepaid two months' rent.

On 1 January 2012 Nancy Tanwin received a cheque for $1296 for rent to 30 June 2012.

On 1 July 2012 she received a further cheque for $1080 for rent to 30 November 2012.

REQUIRED

(a) Write up the rent received account as it would appear in Nancy Tanwin's ledger for the year ended 31 October 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three column running balance account is used the balance column should be updated after each entry.

Nancy Tanwin
Rent received account

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..... [6]

(b) State the section of the balance sheet prepared on 31 October 2012 in which the balance of the rent received account would appear. Give a reason for your answer.

Section of balance sheet ..... [1]

Reason .....

..... [1]

On 1 November 2011 Nancy Tanwin owed advertising expenses of $74. She paid this outstanding amount in cash on 15 November 2011.

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On 1 June 2012 Nancy Tanwin paid $1200 by cheque for an advertising campaign which was for twelve months to 31 May 2013.

REQUIRED

(c) Write up the advertising expenses account as it would appear in Nancy Tanwin's ledger for the year ended 31 October 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three column running balance account is used the balance column should be updated after each entry.

Nancy Tanwin
Advertising expenses account

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..... [6]

(d) Indicate, by placing a tick (✓) against the correct answer, the effect on the capital employed at 31 October 2012 if the total cost of the advertising campaign had been charged to the year ended 31 October 2012.

Effect on capital employed	
Overstated	
Understated	

[1]

Nancy Tanwin's income statement showed that she had made a loss of $550 for the year ended 31 October 2012.

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The following errors were then discovered.

1 No entry had been made for general expenses, $20, paid from petty cash.

2 The sales account had been undercast by $1100.

3 New fixtures and fittings, $3000, had been debited to the premises account.

4 The inventory on 31 October 2012 included goods costing $310 which were damaged and would have to be thrown away.

5 Discount received, $260, had been omitted from the income statement.

REQUIRED

(e) Prepare a statement to show the effect of correcting errors 1-5 on the original loss for the year and calculate the corrected profit or loss for the year.

If the error does not affect the profit or loss for the year write "No effect".

The first correction has been completed as an example.

Nancy Tanwin
Statement of corrected profit/loss for the year ended 31 October 2012

	Increase in profit $	Decrease in profit $	$
Profit for the year before corrections			(550)
Error 1		*20*	
Error 2			
Error 3			
Error 4			
Error 5			
Corrected profit for the year			

[9]

[Total: 24]

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3 White Rose Ltd was formed some years ago. The company raised funds from the issue of ordinary shares and debentures.

REQUIRED

(a) Explain why it is an advantage to the shareholders in White Rose Ltd to have limited liability.

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..... [2]

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

1 .....

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2 .....

..... [4]

White Rose Ltd provided the following information at the end of the financial year on 31 August 2012.

1 The issued share capital consisted of 350 000 ordinary shares of $0.50 each.

2 The company had issued 1000 5% debentures of $100 each.

3 On 1 September 2011:

General reserve	$18 500
Retained profit	$7 300

4 The profit for the year ended 31 August 2012 was $36 000.

5 During the year ended 31 August 2012 an interim dividend of 3% on the ordinary shares was paid.

6 On 31 August 2012 it was decided to transfer $10 000 to general reserve and pay a dividend of 4% on the ordinary shares.

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REQUIRED

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(c) Prepare the profit and loss appropriation account of White Rose Ltd for the year ended 31 August 2012.

White Rose Ltd
Profit and Loss Appropriation Account for the year ended 31 August 2012

[9]

(d) Prepare the capital and reserves section of the balance sheet of White Rose Ltd at 31 August 2012.

White Rose Ltd
Extract from Balance Sheet at 31 August 2012

Capital and Reserves

[5]

(e) Prepare the non-current liabilities section of the balance sheet of White Rose Ltd at 31 August 2012.

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White Rose Ltd
Extract from Balance Sheet at 31 August 2012

Non-current liabilities

.....

..... [2]

[Total: 22]

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4 Ruth Van Zyl is a trader who maintains a full set of accounting records. She divides her ledger into three sections – general ledger, sales ledger and purchases ledger.

REQUIRED

(a) State **one** advantage of dividing the ledger into these three sections.

.....

..... [1]

Ruth Van Zyl prepares control accounts at the end of each month and provided the following information.

		$
1 September 2012	Debit balances in purchases ledger	210
	Credit balances in purchases ledger	9 530
Totals of the journals on 30 September 2012		
Purchases journal		11 740
Purchases returns journal		1 160
The cash book for September 2012 showed:		
Cheques paid to credit suppliers		8 730
Discounts received		270
The journal entries for September 2012 showed:		
Interest charged by credit supplier		90
1 October 2012	Debit balances on the purchases ledger	160
	Credit balances on the purchases ledger	?

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(b) Prepare Ruth Van Zyl's purchases ledger control account for the month of September 2012.

Where a traditional "T" account is used it should be balanced and the balances brought down.

Where a three column running balance account is used the balance column should be updated after each entry.

Ruth Van Zyl
Purchases ledger control account

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..... [11]

(c) State **two** advantages of maintaining a purchases ledger control account.

1 .....

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2 .....

..... [2]

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(d) State where **each** of the following items will appear in Ruth Van Zyl's sales ledger control account. If the item will not appear in a sales ledger control account write "No entry".

The first one has been completed as an example.

Item	Entry in sales ledger control account
Cash refund to a credit customer	*debit*
Sales returns	.....
Bad debt written off	.....
Provision for doubtful debts	.....
Credit customer's cheque dishonoured	..... [4]

On 2 November 2012 Ruth Van Zyl had the following transactions.

1 Charged Wilhelm, a credit customer, $15 interest on his overdue account.

2 Transferred the balance of $500 from Ansie's account in the purchases ledger to her account in the sales ledger.

REQUIRED

(e) Prepare journal entries to record the above transactions. Narratives are required.

Ruth Van Zyl
Journal

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

[6]

[Total: 24]

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5 Tariq Osman is a trader. His financial year ends on 30 September.

All his sales are made on credit terms.

The selling price is calculated by marking up the cost price by 25%.

Tariq Osman provided the following information.

		$
1 October 2011	Trade receivables	4 950
During the year ended 30 September 2012:		
	Cheques received from credit customers	56 360
	Discount allowed to credit customers	1 640
	Bad debts written off	1 260
30 September 2012	Trade receivables	6 290
	Trade payables	6 150
	Inventory	5 800
	Bank overdraft	1 240
	Petty cash	100

REQUIRED

(a) Calculate the credit sales for the year ended 30 September 2012.

Your answer may be in the form of a ledger account or an arithmetic calculation.

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..... [6]

(b) Using your answer to **(a)** and the information above, calculate the gross profit for the year ended 30 September 2012.

Show your workings.

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..... [2]

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(c) Using your answers to **(a)** and **(b)**, calculate the cost of sales.

Show your workings.

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..... [2]

(d) Assuming that Tariq Osman's average inventory is $6000, calculate the rate of inventory turnover.

The calculation should be correct to **two** decimal places.

Show your workings.

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..... [2]

(e) Suggest **two** ways in which the rate of inventory turnover could be improved.

1 .....

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2 .....

..... [4]

(f) Calculate the current ratio.

The calculation should be correct to **two** decimal places.

Show your workings.

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..... [3]

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(g) Calculate the quick ratio (acid test ratio).

The calculation should be correct to **two** decimal places.

Show your workings.

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(h) Explain why the quick ratio (acid test ratio) is more reliable than the current ratio as an indicator of liquidity.

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..... [2]

(i) Suggest **one** way in which Tariq Osman could improve his quick ratio (acid test ratio).

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..... [2]

[Total: 26]

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