UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

4448206923

ACCOUNTING **0452/12**

Paper 1 **October/November 2013**

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.

This document consists of **20** printed pages.

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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.

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1 **(a)** Where are the accounts of credit customers found?

A	purchases journal	☐
B	purchases ledger	☐
C	sales journal	☐
D	sales ledger	☐ [1]

(b) The following account appeared in the books of Zabeel.

Khalid account

2013		$	2013		$
May	1 Balance b/d	100	May	19 Bank	98
	8 Sales	450		Discount	2
				31 Balance c/d	450
		550			550

Which statement is **not** correct?

A	On 8 May Khalid purchased goods, $450, from Zabeel.	☐
B	On 19 May Zabeel allowed Khalid $2 cash discount.	☐
C	On 19 May Khalid paid Zabeel $98 by cheque.	☐
D	On 31 May Zabeel owed Khalid $450.	☐ [1]

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(c) A business has not adjusted its financial statements for insurance prepaid at the end of the financial year.

What is the effect of this?

	profit for the year	current assets	
A	overstated	overstated	☐
B	overstated	understated	☐
C	understated	overstated	☐
D	understated	understated	☐

[1]

(d) Why does a trader maintain a provision for doubtful debts?

A to apply the principle of money measurement ☐

B to apply the principle of prudence ☐

C to ensure that non-current assets are not overstated ☐

D to ensure that profit for the year is not understated ☐ [1]

(e) A trader's inventory consisted of only two items on 31 May 2013.

item	cost	selling price	selling expenses
X	$24	$20	–
Y	$22	$25	$6

What was the value of the inventory on 31 May 2013?

A $39 ☐

B $42 ☐

C $45 ☐

D $46 ☐ [1]

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(f) Which is a service business?

A department store ☐

B insurance company ☐

C motor trader ☐

D supermarket ☐ [1]

(g) Sarah and Jane are in partnership. They provided the following information for the year ended 30 September 2013.

		$	$
gross profit			95 000
administration and selling expenses			31 000
salaries	– staff	29 000	
	– Jane	10 000	39 000
interest on loan	– paid to bank	2 000	
	– paid to Sarah	1 000	3 000

What was the profit for the year of the partnership for the year ended 30 September 2013?

A $22 000 ☐

B $25 000 ☐

C $32 000 ☐

D $33 000 ☐ [1]

(h) Why is a manufacturing account prepared?

A to calculate the cost of production ☐

B to calculate the cost of sales ☐

C to calculate the factory overheads ☐

D to calculate the profit for the year ☐ [1]

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(i) How is the amount owing to trade payables at the month-end calculated?

A opening trade payables + credit purchases – payments to credit suppliers ☐

B opening trade payables + credit purchases + payments to credit suppliers ☐

C opening trade payables – credit purchases – payments to credit suppliers ☐

D opening trade payables – credit purchases + payments to credit suppliers ☐ [1]

(j) Ashraf supplies goods on credit to Sara.

In which of Sara's accounting ratios would Ashraf be particularly interested?

A collection period for trade receivables ☐

B gross profit / sales ☐

C payment period for trade payables ☐

D rate of inventory turnover ☐ [1]

[Total: 10]

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2 **(a)** Name **two** items which might be deducted from profit in the appropriation account of a limited company.

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..... [2]

(b) Explain what is meant by the term 'limited liability'.

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..... [2]

(c) Complete the following sentences.

Authorised share capital is the ..... amount of share capital a company is allowed to issue.

The amount of share capital a company has requested from shareholders is known as ..... capital.

Paid up capital represents the proportion of shares for which ..... has been received. [3]

(d) A limited company has issued 1 million shares of $0.50 each. The directors declare a dividend of 8%. Calculate the dividend per share.

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..... [1]

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(e) Explain the purpose of depreciation.

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..... [1]

(f) Athene bought a non-current asset at a cost of $8000 on 1 January 2011. Calculate its net book value on 31 December 2012 if it is depreciated:

(i) at 20% per annum on the straight line basis

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..... [2]

(ii) at 25% per annum on the reducing (diminishing) balance basis.

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..... [2]

(g) State **one** other method of depreciation which Athene could use. Suggest **one** asset which could be depreciated by this method.

Method .....

Asset ..... [2]

(h) Name the ledger account which a business opens when it sells a non-current asset.

..... [1]

[Total: 16]

Question 3 is on the next page.

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3 **(a)** Suggest **two** reasons why a trader wants to know his profit for the year.

1 .....

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2 .....

..... [2]

(b) Complete the table below to indicate where the following will appear in the trial balance and the balance sheet.

The first one has been completed as an example.

Account	Trial balance Debit or credit	Balance sheet section
Delivery van	*Debit*	*Non-current assets*
Drawings		
Provision for doubtful debts		
Credit supplier		
Bank overdraft		
Long term bank loan		
Provision for depreciation		

[12]

(c) Name **two** errors which would **not** affect a trial balance. Give an example of each.

Name .....

Example .....

.....

Name .....

Example .....

..... [4]

[Total: 18]

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4 **(a)** Alan sells goods on credit to Vicky. During July four documents were issued. Complete the table below, using a tick (✓) to show who issued each document.

Document	Alan	Vicky
Invoice		
Credit note		
Debit note		
Statement of account		

[4]

On 1 July 2012 Alan's insurance account showed a prepayment of $200.
On 1 September 2012 he paid insurance of $1320 for the year to 31 August 2013.

(b) Prepare the insurance account for the year ended 30 June 2013. Balance the account and bring down the balance on 1 July 2013.

Insurance account

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..... [5]

On 1 July 2012 Alan had stationery valued at $60. During the year ended 30 June 2013 Alan bought stationery, $810.
On 30 June 2013 he had stationery valued at $110.

(c) Prepare the stationery account for the year ended 30 June 2013. Balance the account and bring down the balance on 1 July 2013.

Stationery account

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..... [5]

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(d) Alan produces a monthly bank reconciliation statement. Name **one** other account or statement which he might prepare to check for errors in the books of account.

For Examiner's Use

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[1]

On 1 August 2013 Alan's cash book showed a debit balance of $1690 while his bank statement showed a credit balance of $1634. The following items appeared on the statement but not in the cash book.

	$
Bank charges	61
Direct debit (water rates)	205
Standing order (rent)	1000
Credit transfers received - Diga	658
- Howat	512

The following items were in the cash book but not on the bank statement.

	$
Cash sales deposited	1112
Cheque to supplier - Nash	701
- Zamir	451

(e) Update Alan's cash book. Bring down the updated bank balance on 1 August 2013.

Cash Book (bank columns only)

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[7]

(f) Prepare Alan's bank reconciliation statement at 1 August 2013.

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Bank Reconciliation Statement at 1 August 2013

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..... [5]

[Total: 27]

Question 5 is on the next page.

5 The Top Shot Badminton Club provided the following information about its assets and liabilities.

	At 1 August 2012	At 31 July 2013
	$	$
Equipment at valuation	6200	8100
Inventory of refreshments	400	480
Amounts due to suppliers of refreshments	150	-
Bank account	2690 Dr	1420 Dr
Subscriptions in arrears	60	40
Subscriptions in advance	70	10
Accumulated fund	9130	?

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The receipts and payments account of the club for the year ended 31 July 2013 showed the following.

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	$
Receipts	
Sales of refreshments	5200
Subscriptions	3100
Payments	
Suppliers of refreshments	2800
Purchases of equipment	3800
Rent	1400
Wages	1200
Other costs	370

Irrecoverable subscriptions of $50 were written off during the year.

(a) Prepare the subscriptions account for the year ended 31 July 2013. Balance the account and bring down the balances on 1 August 2013.

Subscriptions Account

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..... [7]

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(b) Prepare the income statement (trading account) for the year ended 31 July 2013.

Top Shot Badminton Club
Income Statement for the year ended 31 July 2013

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..... [5]

(c) Prepare the income and expenditure account for the year ended 31 July 2013.

Top Shot Badminton Club
Income and Expenditure Account for the year ended 31 July 2013

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..... [8]

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(d) Prepare the balance sheet at 31 July 2013.

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Top Shot Badminton Club
Balance Sheet at 31 July 2013

[7]

(e) A member of the club is worried that the surplus or deficit in the income and expenditure account does not agree with the bank balance shown in the balance sheet at 31 July 2013. State and explain **two** reasons for this difference.

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..... [4]

[Total: 31]

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6 Amina is considering purchasing new equipment at a cost of $80 000 to replace her existing machinery which has been fully depreciated.

She has produced the following summarised income statement for the year ended 31 August 2014.

Summarised Income Statement
for year ended 31 August 2014

	$
Revenue	95 000
Cost of production	60 000
Gross profit	35 000
Other costs	25 000
Profit for the year	10 000

The cost of production includes $5000 for repairs to the existing equipment. The new equipment would reduce the cost of repairs by 80%.

Equipment is depreciated at the rate of 10% per annum on a straight line basis.

In order to fund the purchase of the new equipment Amina would require a long term loan of $80 000 at an interest rate of 4% per annum.

Amina expects to increase her selling price by 10% as a result of buying this machine. It is expected that costs would not increase.

(a) Prepare a revised income statement for the year ended 31 August 2014 showing the effect on the profit if Amina goes ahead and purchases this new equipment.

Amina
Amended income statement for year ended 31 August 2014

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..... [6]

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(b) Using your answer to **(a)** advise Amina whether she should purchase the new equipment. Give a reason for your advice.

Advice .....

Reason .....

..... [2]

(c) Suggest **one** reason why Amina may decide not to purchase the new equipment.

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..... [2]

(d) Calculate to two decimal places the return on capital employed (ROCE). Amina's capital is $64 000.

(i) Before buying the equipment.

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(ii) After buying the equipment.

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..... [5]

[Total: 15]

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