UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

* 5 8 8 9 9 7 2 8 1 2 *

ACCOUNTING **0452/21**

Paper 2 **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 **19** printed pages and **1** blank page.

© UCLES 2013

For Examiner's Use

1 Saira Rehman maintains a petty cash book using the imprest system. Her imprest amount is $200.

On 1 October 2013 she had $56 in the petty cash box.

Saira Rehman's transactions for the month of October 2013 were as follows:

		$
October 1	Restored petty cash to imprest amount	?
4	Bought stamps and stationery	19
10	Received cash from employee for personal postage costs	3
14	Paid Abdul Shakeel, a credit supplier	34
18	Bought tea and coffee	9
23	Paid Syed Arshad, a credit supplier	16
28	Paid cleaners	80

(a) Enter the above transactions in Saira Rehman's petty cash book on the page opposite.

Balance the petty cash book at 31 October 2013 and carry down the balance.

Make the entry on 1 November 2013 to restore the petty cash to the imprest amount.

[12]

(b) State where the double entry would be completed for the items recorded in the ledger account column of Saira Rehman's petty cash book.

.....

.....

..... [2]

(c) State where the double entry would be completed for the transaction on 10 October.

.....

..... [2]

© UCLES 2013

Saira Rehman – Petty Cash Book

Total Received	Date	Details	Total Paid	Postage & stationery	Catering supplies	Cleaning	Ledger accounts
$			$	$	$	$	$
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....

For Examiner's Use

Saira Rehman is concerned that her working capital on 1 October 2013 was lower than on the same date in 2012.

For Examiner's Use

(d) Explain what is meant by working capital.

.....

.....

.....

..... [2]

(e) State and explain the effect of **each** of the following transactions on Saira Rehman's working capital. The first one has been completed as an example.

Transaction	Effect on working capital	Reason
Purchased equipment, $2000, and paid by cheque.	*Decrease by $2000*	*The bank balance will decrease by $2000 and so the working capital will also decrease by the same amount.*
Returned damaged goods, $35, to Annie Khan, a credit supplier.		
Paid Loans & Co $2015, representing repayment of a $2000 short-term loan and $15 interest.		
Received a cheque for $190 from Uzma Ali, a credit customer, in full settlement of $200 owing.		

[6]

[Total: 24]

© UCLES 2013

For Examiner's Use

2 Paul Matanga is a trader who sells on both cash and credit terms. His financial year ends on 31 July.

He maintains a provision for doubtful debts. On 1 August 2012 the provision for doubtful debts amounted to $1200.

Paul Matanga wrote off bad debts totalling $420 during the eleven months to 30 June 2013.

On 1 July 2013 Susan Kunaka, a debtor, owed Paul Matanga $20.

Paul Matanga's transactions for July 2013 included the following.

July 4 Sold goods on credit to Susan Kunaka, list price $240, less 20% trade discount

16 Received cash, $103, from XY Stores, whose debt had been written off in March 2011

24 Susan Kunaka sent a cheque for $150 and a letter to say that she was unable to pay the balance of her account

30 Wrote off the balance of Susan Kunaka's account as a bad debt

31 Adjusted the provision for doubtful debts so it was equal to 3% of the trade receivables which totalled $28 000

(a) Write up the following accounts in Paul Matanga's ledger for the year ended 31 July 2013. Balance the accounts where necessary and bring down the balances on 1 August 2013.

(i) Susan Kunaka account

.....

.....

.....

.....

..... [3]

(ii) Bad debts account

.....

.....

.....

.....

..... [3]

For Examiner's Use

(iii) Bad debts recovered account

.....

.....

..... [2]

(iv) Provision for doubtful debts account

.....

.....

.....

.....

.....

..... [4]

(b) Paul Matanga failed to enter the adjustment to the provision for doubtful debts in his income statement for the year ended 31 July 2013.

Complete the following table to indicate how this error would affect the profit for the year and the current assets at 31 July 2013.

	Overstated $	Understated $
Profit for the year ended 31 July 2013	.....	.....
Current assets at 31 July 2013	.....	.....

[4]

Paul Matanga allows his credit customers 30 days in which to pay their accounts. On 31 July 2013 the trade receivables amounted to $28 000.

The total sales for the year ended 31 July 2013 were:

	$
Cash sales	26 000
Credit sales	224 000

(c) (i) State the formula for the calculation of the collection period for trade receivables.

.....

..... [1]

For Examiner's Use

(ii) Calculate the collection period for trade receivables. Your answer should be rounded up to the next whole day.

Show your workings.

.....

.....

.....

..... [2]

(iii) Explain how the collection period for trade receivables may affect Paul Matanga's liquidity position.

.....

.....

.....

..... [2]

[Total: 21]

3 The following trial balance was extracted from the books of Steven Wright on 30 September 2013.

	$	$
Capital 1 October 2013		90 000
Drawings	6 520	
Premises at cost	65 000	
Equipment at cost	30 000	
Provision for depreciation of equipment		18 000
Motor vehicle at cost	16 000	
Provision for depreciation of motor vehicle		7 000
Inventory 1 October 2012	9 000	
Revenue		169 000
Purchases	132 000	
Sales returns	5 000	
Wages	26 500	
General expenses	3 970	
Provision for doubtful debts		260
Commission received		1 215
Trade receivables	14 200	
Trade payables		13 000
Petty cash	290	
Bank		4 005
Loan – AB Finance (repayable 2020)		6 000
	308 480	308 480

Additional information

1 Because of illness, Steven Wright did not value his inventory on 30 September 2013. His gross profit margin is 25%.

2 On 30 September 2013 general expenses prepaid amounted to $170 and wages of $750 are to be accrued.

3 During the year ended 30 September 2012 Steven Wright took goods costing $1000 for his own use. No entries have been made in the accounting records.

4 The loan was received on 1 April 2013 and interest is charged at 6% per annum.

5 The provision for doubtful debts is to be maintained at 2% of trade receivables.

6 Depreciation on equipment is charged at 20% per annum using the straight line method and depreciation on the motor vehicle is charged at 25% per annum using the reducing (diminishing) balance method.

(a) Prepare the income statement of Steven Wright for the year ended 30 September 2013.

© UCLES 2013

Steven Wright
Income Statement for the year ended 30 September 2013

For Examiner's Use

[18]

For Examiner's Use

(b) Name the accounting principles which Steven Wright applied in **each** of the following.

Maintaining the same percentage of depreciation.

.....

Recording the wages owing and general expenses paid in advance.

.....

Recording goods taken for personal use.

..... [3]

[Total: 21]

For Examiner's Use

4 Samira El Badry is a trader. Her financial year ends on 31 August.

The totals of her trial balance on 31 August 2013 failed to agree. The difference was a shortage on the debit side of $116. This was entered in a suspense account.

The following errors were later discovered.

1 The purchases returns account had been undercast by $100.
2 Discount received, $286, had been omitted from the trial balance.
3 No entry had been made in the business books for goods, $220, taken by Samira for her own use.
4 $159 received from Amrik Bhatti had been entered in his account as $195.
5 Rent paid, $200, had been credited to the rent received account.

(a) Prepare the suspense account in Samira El Badry's ledger to show the required entries. Start with the balance arising from the difference on the trial balance.

The account should be balanced or totalled as necessary.

Samira El Badry
Suspense account

.....

.....

.....

.....

.....

.....

.....

..... [7]

(b) State whether all the errors in Samira El Badry's books have been discovered. Give a reason for your answer.

.....

.....

.....

..... [2]

For Examiner's Use

(c) Explain why not all the corrections require an entry in the suspense account. Illustrate your answer with reference to **one** of the errors listed.

.....

.....

.....

.....

..... [2]

The following account appeared in Samira El Badry's purchases ledger.

Tahir Stores Limited account

		$			$
2013			2013		
Aug 10	Returns	83	Aug 1	Balance b/d	400
31	Balance c/d	535	6	Purchases	195
				Carriage	15
			31	Interest	8
		618			618
			2013		
			Sept 1	Balance b/d	535

(d) Explain the following entries in the above account.

State where the double entry for each transaction would have been made.

(i) August 6 Purchases

Explanation .....

.....

.....

Double entry ..... [3]

(ii) August 6 Carriage

Explanation .....

.....

.....

Double entry ..... [3]

© UCLES 2013

For Examiner's Use

(iii) August 31 Interest

Explanation .....

.....

.....

Double entry ..... [3]

(e) State whether the balance on 1 September 2013 represents an asset or a liability to Samira El Badry.

..... [1]

[Total: 21]

For Examiner's Use

5 (a) (i) State **one** advantage of being a partner rather than a sole trader.

.....

.....

..... [1]

(ii) State **one** disadvantage of being a partner rather than a sole trader.

.....

.....

..... [1]

(b) State why an agreement should be drawn up when a partnership is formed.

.....

.....

..... [1]

Tony and Carol Chen are in partnership, sharing profits and losses in the ratio 2:1. Their financial year ends on 31 October.

On 1 November 2012 the balances on their current accounts were:

	$
Tony Chen	14 200 credit
Carol Chen	5 100 debit

During the year ended 31 October 2013 the partners made the following drawings:

	$
Tony Chen	10 600
Carol Chen	20 400

The following is an extract from their profit and loss appropriation account for the year ended 31 October 2013.

© UCLES 2013

For Examiner's Use

Tony and Carol Chen
Profit and Loss Appropriation Account for the year ended 31 October 2013

	$	$
Profit for the year		43 000
Interest on drawings – T Chen	318	
C Chen	612	930
		43 930
Interest on capital – T Chen	4 250	
C Chen	2 000	
	6 250	
Partner's salary – C Chen	15 000	21 250
Profit available for distribution		22 680

(c) Prepare the current account of Carol Chen as it would appear in the ledger for the year ended 31 October 2013.

Carol Chen
Current account

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

(d) Explain the significance of the closing balance on Carol Chen's current account.

.....

.....

..... [2]

For Examiner's Use

(e) On 31 October 2013 it was agreed that Tony Chen would transfer $20 000 from his current account to his capital account.

Complete the table below to name the account to be debited and the account to be credited.

account to be debited	account to be credited
.....	.....

[2]

(f) Tony and Carol Chen know that relevance is one of the objectives which should be considered when selecting accounting policies.

Explain what is meant by the term relevance.

.....

.....

.....

.....

..... [2]

[Total: 14]

For Examiner's Use

6 Patrick Murphy is a wholesaler. His financial year ends on 30 June. He provided the following information.

		$
For the year ended 30 June 2013	Revenue	220 000
	Cost of sales	185 900
	Expenses	20 240
At 30 June 2013	Capital employed	110 880

(a) Complete the following tables.

Percentage of gross profit to revenue		
Formula	Workings to one decimal place	Answer

Percentage of profit for the year to revenue		
Formula	Workings to one decimal place	Answer

Return on capital employed (ROCE)		
Formula	Workings to one decimal place	Answer

[8]

Patrick Murphy decided to compare his business results with those of Kelly Limited, another wholesaler dealing in the same type of goods.

For Examiner's Use

The ratios calculated for Kelly Limited were:

Gross profit as a percentage of revenue	18.3%
Profit for the year as a percentage of revenue	5.2%
Return on capital employed (ROCE)	10.8%

(b) (i) Suggest **one** possible reason why Patrick Murphy's gross profit as a percentage of revenue is different to that of Kelly Limited.

.....

..... [2]

(ii) Suggest **one** possible reason why Patrick Murphy's profit for the year as a percentage of revenue is different to that of Kelly Limited.

.....

..... [2]

(c) (i) Explain the importance of the return on capital employed (ROCE).

.....

.....

.....

..... [2]

(ii) State which business is making the best use of the capital employed.

..... [1]

© UCLES 2013

Patrick Murphy is aware that even if he compares his results with those of a business trading in the same type of goods, the information can be misleading.

For Examiner's Use

(d) Explain **two** other factors Patrick Murphy should consider when comparing his results with those of a similar business.

1 .....

.....

.....

2 .....

.....

..... [4]

[Total: 19]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.