UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

4543922881

ACCOUNTING **0452/23**

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.

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1 Khalid Mirza is a trader.

On 1 October 2013 his trade payables included Fatima Waheed, who was owed $450, and Sajid Manzoor who was owed $280.

Khalid Mirza's transactions for the month of October 2013 included the following.

October 4 Bought goods on credit from Fatima Waheed, list price $320, less 25% trade discount

12 Paid the amount owing to Sajid Manzoor by cheque less 2½% cash discount

14 Returned goods to Fatima Waheed. These were purchased on 4 October, list price $80

21 Bought goods on credit from Sajid Manzoor, $360

26 Received an additional invoice from Sajid Manzoor, $90, to correct an undercharge for goods bought on 21 October

31 Received notification from Fatima Waheed that $9 interest would be charged as the September account was overdue

(a) Name the source document which Khalid Mirza would use to record the following transactions.

Transaction	Document
October 4 Bought goods on credit from Fatima Waheed	.....
October 12 Paid the amount owing to Sajid Manzoor by cheque	.....

[2]

(b) Name the book of prime (original) entry in which Khalid Mirza would record the following transactions.

Transaction	Book of Original Entry
October 14 Returned goods to Fatima Waheed	.....
October 31 Received notification from Fatima Waheed that interest would be charged	.....

[2]

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(c) Write up the accounts of Fatima Waheed and Sajid Manzoor as they should appear in Khalid Mirza's ledger for the month of October 2013.

For Examiner's Use

Fatima Waheed account

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..... [4]

Sajid Manzoor account

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..... [4]

(d) State **two** reasons why a statement of account is issued by a credit supplier.

1 .....

.....

2 .....

..... [2]

(e) Explain the difference between a credit note and a debit note.

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..... [2]

[Total: 16]

Question 2 is on the next page.

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2 On 1 November 2013 Donald Mackey's cash book (bank column) showed a debit balance of $741. On the same day his bank statement showed an overdrawn balance of $394.

Donald Mackey compared the cash book with the bank statement and the following differences were found.

1 Items recorded only in the cash book:

	$
Cash sales	844
Cheque paid to Ian Campbell	98

2 Items recorded only on the bank statement:

	$
Monthly insurance paid by direct debit	58
Dishonoured cheque (received from Alex Smith in October)	340

3 Errors:
A cheque received from Flora McBeath, $989, had been incorrectly recorded by the bank as $898.
The credit side of the cash book had been overcast by $100.

(a) Update the cash book. Bring down the updated cash book balance on 1 November 2013.

Donald Mackey
Cash Book (Bank columns only)

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..... [7]

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(b) Prepare a bank reconciliation statement at 1 November 2013.

Bank Reconciliation Statement at 1 November 2013

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..... [8]

(c) State why the updated cash book balance rather than the balance on the bank statement would appear in the balance sheet.

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..... [2]

[Total: 17]

3 Glenbrook Limited has an issued share capital consisting of 40 000 5% preference shares of $1 each and 120 000 ordinary shares of $0.50 each. It also has $20 000 in 4% debentures.

The financial year of Glenbrook Limited ends on 31 October.

The following information is available.

1 At 1 November 2012

	$
Premises at cost	105 000
Plant and machinery at cost	40 000
Provision for depreciation of plant and machinery	12 800
Office equipment at cost	16 000
Provision for depreciation of office equipment	4 000
Retained profits	6 200

2 The plant and machinery is being depreciated at 16% per annum using the straight line method.
The office equipment is being depreciated at 25% per annum using the reducing (diminishing) balance method.
No non-current assets were bought or sold during the year.

3 At 31 October 2013

	$
Inventory	9 300
Trade receivables	12 100
Trade payables	10 208
Other receivables	241
Bank overdraft	14 920
Petty cash	100

The provision for doubtful debts was 3% of trade receivables.
The preference dividend for the year had been paid in full.
No ordinary share dividend was paid or proposed.
The retained profit for the year was $4850.

(a) Prepare the balance sheet of Glenbrook Limited at 31 October 2013.

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Glenbrook Limited
Balance Sheet at 31 October 2013

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[16]

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

1 .....

.....

.....

2 .....

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..... [4]

The quality of information contained in financial statements will determine the usefulness of those statements.

(c) (i) Explain what is meant by the objective of reliability when selecting accounting policies.

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..... [2]

(ii) List **three** other objectives which should be considered when selecting accounting policies.

1 .....

2 .....

3 .....

[3]

[Total: 25]

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4 Asma Anwar maintains a full set of double entry records and prepares control accounts at the end of each month.

The sales ledger control account prepared on 30 September 2013 is shown below.

Asma Anwar
Sales ledger control account

		$			$
2013			2013		
Sept 1	Balance b/d	520	Sept 1	Balance b/d	36
30	Sales	848		Bank	390
				Discount	10
				Returns	56
				Contra	130
			Sept 30	Balance c/d	746
		1368			1368
2013					
Oct 1	Balance b/d	746			

(a) Explain why the sales ledger control account should be prepared by a more senior member of staff than the person who maintains the sales ledger.

.....

.....

..... [2]

(b) Explain the significance of the balance of $36 on 1 September 2013.

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..... [2]

(c) Explain the following entries in the above account. State the source of information for each item.

Sales

Explanation .....

.....

.....

Source of information .....

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Discount

Explanation .....

.....

.....

Source of information .....

Contra

Explanation .....

.....

.....

Source of information ..... [6]

Asma Anwar trades in several different types of goods.

She provided the following details about two types of goods on 30 September 2013.

Inventory type	Units	Cost per unit	Selling price per unit
A	500	$2.15	$3.40
B	600	$1.95	$1.80

Carriage inwards was charged at the rate of $1 per unit on inventory type A (this is **not** included in the cost per unit shown above).

(d) Calculate the total value of the inventory on 30 September 2013.

Inventory type	Calculation	Amount $
A		
B		
	Total	

[3]

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(e) Explain the calculations in your answer to **(d)** and state the accounting principle you have applied.

Explanation

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.....

Principle

..... [3]

The total value of Asma Anwar's inventory at 30 September 2013 was $18 200. This was $1600 less than the inventory on 1 October 2012.

Her revenue for the year was $140 000. All goods are sold at a mark-up of 25%.

(f) Calculate Asma Anwar's cost of sales for the year ended 30 September 2013.

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..... [1]

(g) Calculate her rate of inventory turnover for the year ended 30 September 2013. Give your answer to **two** decimal places.

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.....

.....

..... [2]

(h) Suggest **one** reason why Asma Anwar's rate of inventory turnover has improved.

.....

..... [2]

[Total: 21]

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5 Katie Sango is a trader who buys and sells on credit terms. She is concerned about her profitability and efficiency and provided the following information.

	Year ended 31 July	
	2012	2013
Gross profit as a percentage of revenue	24.80%	24.75%
Expenses as a percentage of revenue	12.15%	14.15%
Profit for the year as a percentage of revenue	12.65%	10.60%
Return on capital employed (ROCE)	9.50%	11.20%

(a) State how the change in the expenses percentage has affected the efficiency of the business.

.....

..... [2]

(b) Suggest **one** way in which the profit for the year as a percentage of revenue may be increased.

.....

..... [2]

(c) (i) State the meaning of the term capital employed.

.....

..... [1]

(ii) State what the return on capital employed measures.

.....

..... [1]

(iii) Suggest **one** reason why the return on capital employed increased even though the profit for the year reduced.

.....

..... [2]

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(d) State the effect (if any) of **each** of the following proposals.The first one has been completed as an example.

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Increase selling prices	
Effect on the gross profit percentage	One other effect on the business
Increase	*Total sales may fall if customers can buy cheaper elsewhere*
Reduce the trade discount allowed to customers	
Effect on the gross profit percentage	One other effect on the business
Reduce the cash discount allowed to customers	
Effect on the gross profit percentage	One other effect on the business

[6]

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(e) State how **each** of the following may be regarded as a limitation of financial statements.

Non-financial aspects

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.....

Historical cost

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.....

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..... [4]

[Total: 18]

Question 6 is on the next page.

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6 Maria Nlovu is a trader. Her financial year ends on 31 August.

The trial balance prepared on 31 August 2013 failed to agree and the difference was entered in a suspense account. Maria Nlovu then prepared a draft income statement.

The following errors were later discovered.

1 The purchases account had been overcast by $1000.

2 Carriage inwards, $111, had been debited to the carriage outwards account.

3 Repairs to motor vehicles, $315, had been included in the motor vehicles account.

4 Rent paid, $350, had been credited to the rent received account.

5 Goods, $45, returned to Helmut, a supplier, had been entered on the wrong side of his account.

(a) Complete the table below to show what effect **each** of the above errors had on the profit for the year ended 31 August 2013.

The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated $	Understated $	No effect
1		1000	
2			
3			
4			
5			

[8]

(b) Name the type of error made in:

Error number 2

.....

Error number 3.

..... [2]

(c) Prepare the entries in Maria Nlovu's journal to correct errors 2–5. Narratives **are** required.

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Maria Nlovu
Journal

	Debit $	Credit $
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
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[13]

[Total: 23]

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