Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

6489769094

ACCOUNTING **0452/12**

Paper 1 **October/November 2014**

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 an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, 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 **22** printed pages and **2** blank 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.

1 **(a)** Why does the owner of a business need to measure profit?

A to calculate the total sales and purchases for the year ☐

B to discover if his business is doing better than in previous years ☐

C to find out how much money he has left in the bank ☐

D to know how much money is owed to suppliers ☐ [1]

(b) Yasmin sold goods to Zebedee. She sent an invoice for goods but later discovered that she had undercharged for the goods sold.

Which document will Yasmin issue to correct her mistake?

A cheque ☐

B credit note ☐

C debit note ☐

D statement ☐ [1]

(c) Udoka bought goods on credit from Francis, $1000.

Udoka paid Francis by cheque after deducting 3% cash discount.

Which entries record this payment in Udoka's books?

	account debited	$	account credited	$	
A	bank discount allowed	970 30	Francis	1000	☐
B	Francis	1000	bank discount allowed	970 30	☐
C	bank discount received	970 30	Francis	1000	☐
D	Francis	1000	bank discount received	970 30	☐ [1]

(d) A business provided the following information.

	$
revenue (sales)	10 000
purchases	8 000
opening inventory	1 000
closing inventory	1 500
sales returns	200
purchases returns	300

What was the cost of sales?

A $2000 ☐

B $2100 ☐

C $7200 ☐

D $8200 ☐ [1]

(e) Which statement is correct?

A A service business can never sell goods. ☐

B A service business does not aim to make a profit. ☐

C A trading business aims to make a profit. ☐

D A trading business never holds an inventory of goods. ☐ [1]

(f) Beta Limited made a profit of $482 460 for the year. $96 000 was transferred to general reserve. A dividend on ordinary shares of $168 000 was paid.

What was the retained profit for the year?

A $218 460 ☐

B $314 460 ☐

C $386 460 ☐

D $554 460 ☐ [1]

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(g) A sports club provided the following information.

	$
subscriptions for the year	26 800
profit on sale of refreshments	4 200
depreciation	1 500
rent and insurance	12 600
wages	3 200

What was the total income for the year?

A $15 800 ☐

B $17 300 ☐

C $22 600 ☐

D $31 000 ☐ [1]

(h) Two businesses, X and Y, are of a similar size and are in the same industry.

They provide the following information.

	X	Y
	%	%
gross profit as a percentage of sales	27	30
net profit as a percentage of sales	14	11

What does this show?

A X controlled expenses better than Y. ☐

B Y controlled expenses better than X. ☐

C X's sales were greater than Y's. ☐

D Y's sales were greater than X's. ☐ [1]

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(i) Why might a government department be interested in the financial statements of a company?

A to check that the company is paying the correct amount of tax ☐

B to decide whether to invest in the company ☐

C to ensure that the company continues to receive supplies ☐

D to see if the company could repay a loan ☐ [1]

(j) Which accounting objective states that the information in financial statements must be free from error and bias?

A comparability ☐

B relevance ☐

C reliability ☐

D understandability ☐ [1]

[Total: 10]

2 **(a)** State the accounting equation.

.....

[1]

Samir started a business on 1 January. The following transactions took place.

1 Samir paid $10 000 of his own money into the business bank account.

2 He transferred his own vehicle to the business at a valuation of $6500.

3 He bought goods for resale, $2000, on credit from Zed.

4 He paid rent, $3000, by cheque.

REQUIRED

(b) Complete the following table showing how these transactions were recorded in Samir's books of account. The first has been completed as an example.

Transaction	Debit entry		Credit entry	
		$		$
1	*Bank account*	*10 000*	*Capital account*	*10 000*
2				
3				
4				

[6]

(c) Explain why there could be a credit balance on a bank account but not on the cash account.

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[2]

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Arun sells goods to Rupa and also buys goods from her. On 1 October Arun's books showed the following balances.

Rupa account in sales ledger	$180
Rupa account in purchases ledger	$37

It was agreed that these balances should be set off against one another.

REQUIRED

(d) Prepare the journal entry to record the set-off in Arun's books. A narrative is **not** required.

Arun
Journal

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

[2]

(e) Explain why Arun and Rupa decided to make the set-off.

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…… [2]

(f) Complete the table below, naming the accounting principles being applied in the following situations. The first has been completed as an example.

Applying the same accounting treatment to similar items at all times	*Consistency*
Assuming a business will continue to operate indefinitely	
Expressing transactions in monetary terms	

[2]

(g) Complete the following table indicating with a tick (✓) on which side of a trial balance **each** item would appear. The first has been completed as an example.

	Debit	Credit
Rent received		✓
Sales returns		
Inventory		
Discount allowed		
Provision for depreciation		

[4]

[Total: 19]

Question 3 is on the next page.

3 Omprakash is a trader with a financial year end of 31 August. He advertises in a monthly trade magazine. He provided the following information.

1 November 2013	Paid a total of $450 for an advertisement in the January, February and March 2014 editions.
1 May 2014	Paid a total of $620 for an advertisement in the June, July, August and September 2014 editions.

REQUIRED

(a) Prepare Omprakash's advertising account for the year ended 31 August 2014. Balance the account and bring down the balance on 1 September 2014.

Advertising account

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..... [6]

(b) Complete the following table, naming **one** source document from which **each** book of prime entry is completed.

Book of prime entry	Source document
Sales journal	
Purchases journal	
Sales returns journal	
Purchases returns journal	
Petty cash book	
Cash book	

[6]

(c) State **one** advantage of using a book of prime entry.

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..... [2]

A sales journal for July shows the following.

July		$
2	Amber Retail	100
10	Business Supplies	65
18	Custom Print	22
31	Total	187

REQUIRED

(d) Complete the following table, showing how these transactions are recorded in the ledger accounts.

Account(s) to be debited	$	Account(s) to be credited	$

[4]

[Total: 18]

4 A book-keeper drew up a trial balance and found that it did not balance. He opened a suspense account with a debit balance of $60. The following errors were then discovered.

1 Sales returns, $80, have been credited to the purchases returns account, although correctly recorded in the debtor's account.
2 Vehicle repairs, $150, have been debited to the motor vehicles account.
3 The purchases journal has been overcast by $100.
4 Goods taken by the owner for his own use, $55, have not been recorded in the books.

REQUIRED

(a) Prepare journal entries to correct these errors.
Narratives are **not** required.

Journal

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

[9]

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(b) Prepare the suspense account, showing the necessary corrections.

Suspense account

Details	$	Details	$
Difference on trial balance	60	…….	……..
…….	……..	…….	……..
…….	……..	…….	……..
…….	……..	…….	……..
…….	……..	…….	……..
…….	……..	…….	……..

[3]

(c) Name the type of error made in **error 2** on **page 12**.

……. [1]

[Total: 13]

5 Ashvar provided the following information.

	$
At 1 July 2013	
Total trade receivables	4 100
Total trade payables	3 161
For the year ended 30 June 2014	
Cash sales	14 803
Credit sales	48 610
Returns of credit sales	1 001
Credit purchases	39 101
Returns of credit purchases	910
Receipts from credit customers	45 702
Payments to credit suppliers	37 691
Discount allowed	890
Discount received	663
Bad debts written off	274
Interest charged by Ashvar on overdue accounts	77

REQUIRED

(a) Prepare the sales ledger control account and the purchases ledger control account for the year ended 30 June 2014. Balance the accounts and bring down the balances on 1 July 2014.

Sales ledger control account

Purchases ledger control account

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..... [14]

(b) Complete the table below, naming the book of prime entry which provided the following information.

	Book of prime entry
Credit sales	
Returns of credit purchases	
Receipts from credit customers	
Bad debts written off	
Interest charged on overdue accounts	

[5]

Ashvar provides for doubtful debts at the rate of 5%.

REQUIRED

(c) Prepare his provision for doubtful debts account for the year ended 30 June 2014. Balance the account and bring down the balance on 1 July 2014.

Provision for doubtful debts account

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..... [4]

(d) Comment on the adequacy or otherwise of the rate of Ashvar's provision for doubtful debts.

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..... [2]

[Total: 25]

Question 6 is on the next page.

6 Dina and Lee have been in partnership for some years. Lee receives a partnership salary of $15 000 per annum and both partners receive interest on capital of 10% per annum. They share profits and losses equally.

They provided the following information.

	$	
At 1 January 2013		
Capital account balances - Dina	100 000	
- Lee	60 000	
Current account balances - Dina	5 200	Dr
- Lee	4 800	Dr
During the year ended 31 December 2013		
Drawings - Dina	18 000	
- Lee	17 000	
At 31 December 2013		
Fixtures and fittings at cost	100 000	
Provision for depreciation on fixtures and fittings	10 000	
Delivery van at cost	40 000	
Provision for depreciation on delivery van	12 000	
Inventory	56 400	
Trade receivables	19 000	
Bank	6 600	Cr
Trade payables	25 400	

REQUIRED

(a) Suggest **one** reason how the debit balances on the current accounts on 1 January 2013 could have arisen.

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..... [2]

(b) Calculate the value of the net assets of the partnership on 31 December 2013.

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..... [6]

(c) Calculate the profit for the year made by the partnership in the year ended 31 December 2013.

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..... [4]

(d) Prepare the appropriation account for the partnership for the year ended 31 December 2013.

Dina and Lee
Appropriation Account for the year ended 31 December 2013

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..... [6]

(e) Prepare the current accounts for Dina and Lee for the year ended 31 December 2013 in columnar format. Balance the accounts and bring down the balances on 1 January 2014.

Current accounts

Date	Details	Dina $	Lee $	Date	Details	Dina $	Lee $
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
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[7]

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[Turn over

(f) Calculate the following, to **two** decimal places, at 31 December 2013.

1 Current ratio

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2 Quick ratio (acid test ratio)

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..... [6]

In the previous year the quick ratio (acid test ratio) was 1.45 : 1.

REQUIRED

(g) (i) Suggest **two** reasons for the change.

1 .....

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2 .....

..... [2]

(ii) Suggest a consequence of the change in quick ratio (acid test ratio).

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..... [2]

[Total: 35]

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