Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

7262529580

ACCOUNTING **0452/13**

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 **18** 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)** A business prepares monthly control accounts.

Where would a contra entry appear?

	sales ledger control account		purchases ledger control account	
	debit	credit	debit	credit
A	✓			✓
B		✓	✓	
C		✓		
D			✓	

☐ [1]

(b) Which item is a capital receipt for a foodstore?

A discount received from supplier for prompt payment ☐

B interest received on bank deposit account ☐

C receipt from sale of shelving at book value ☐

D receipts from sales of food products ☐ [1]

(c) Zafar owed Ali $500. Zafar was only able to pay Ali $200. Ali wrote the balance off as a bad debt.

Which entries record this in Ali's ledger?

	account to be debited	$	account to be credited	$	
A	bad debts	500	bank Zafar	300 200	☐
B	bank Zafar	200 300	bad debts	500	☐
C	bad debts bank	300 200	Zafar	500	☐
D	Zafar	500	bad debts bank	300 200	☐ [1]

(d) Pat and Mike are in partnership. Pat is credited with an annual salary of $20 000. The balance of the partnership's profit for the year is shared equally between the partners. The profit for the year was $100 000.

What is the total amount credited to Pat's current account for the year?

A $40 000 ☐

B $50 000 ☐

C $60 000 ☐

D $70 000 ☐ [1]

(e) On 1 January 2013 a club had an accumulated fund of $12 300. For the year ended 31 December 2013 the club's income was $10 000 and its expenditure $11 800.

What was the balance on the accumulated fund on 31 December 2013?

A $500 ☐

B $2300 ☐

C $10 500 ☐

D $14 100 ☐ [1]

(f) A manufacturer provided the following information for his financial year.

	$
prime cost	330 000
factory overheads	190 000
cost of production	524 000
opening work in progress	11 000

What was the value of the closing work in progress?

A $4000 ☐

B $7000 ☐

C $15 000 ☐

D $18 000 ☐ [1]

(g) What is used in the calculation of the trade payables payment period?

A average inventory ☐

B credit purchases ☐

C credit sales ☐

D total purchases ☐ [1]

(h) Four businesses are of a similar size and sell similar products.

Which business is most efficient at keeping its overhead expenses to a minimum?

	Gross profit / sales %	Net profit / sales %
A	40	23
B	45	30
C	55	37
D	65	46

☐ ☐ ☐ ☐ [1]

(i) Which external user would be interested in the financial statements of a business?

A creditor ☐

B employee ☐

C manager ☐

D owner ☐ [1]

(j) Which is **not** a feature of reliability of information in financial statements?

A The information must be able to be compared to other businesses. ☐

B The information must be capable of being independently verified. ☐

C The information must be free from bias. ☐

D The information must be free from significant errors. ☐ [1]

[Total: 10]

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2 **(a)** Give the name of **each** document described below.

1 a document sent to a customer with details of goods supplied on credit

.....

2 a document informing a supplier of overcharges or shortages

.....

3 a summary of a customer's transactions for a month

..... [3]

(b) **(i)** State on which side of the cash book discount allowed appears.

.....

(ii) Name which type of discount this is.

.....

(iii) Explain why this discount is given.

..... [3]

Vikram maintains a cash book with columns for bank and cash.

The following transactions take place.

1 Vikram sells goods, $300, on credit to Hal
2 Hal pays the debt in full in cash
3 Vikram pays $250 of the cash into the bank
4 Vikram writes a cheque for $400 for his own use
5 $600 is received from Mabel, a debtor, by credit transfer

REQUIRED

(c) Complete the table below showing how these transactions are recorded in Vikram's books. The first has been completed as an example.

	Debit entry		Credit entry	
		$		$
1	*Hal account*	*300*	*Sales account*	*300*
2				
3				
4				
5				

[8]

(d) State which transaction in **(c)** is known as a contra.

..... [1]

A cash book (bank column) had a debit balance of $620 on 1 September 2014.

The bank statement at that date showed a credit balance of $660.

The differences were identified as follows.

1 A cheque for $100 had not been presented at the bank.
2 Bank charges of $10 were not included in the cash book.
3 The bank had made an error by making a payment of $50 to a supplier twice.

REQUIRED

(e) Calculate the value of bank which should appear in the statement of financial position on 1 September 2014.

.....

.....

.....

..... [4]

(f) Name the section of the statement of financial position in which the bank balance would appear.

..... [1]

(g) Name **one** other item which might appear in this section.

..... [1]

[Total: 21]

3 **(a)** Explain the difference between a prepayment and an accrual.

.....

.....

..... [2]

An insurance account showed a prepayment of $180 on 1 July 2013. A payment, $2340, for insurance was made on 2 August 2013. There was a prepayment of $195 showing on the account on 30 June 2014.

REQUIRED

(b) Prepare the insurance account for the year ended 30 June 2014. Bring down the balance on 1 July 2014.

Insurance account

Date	Details	$	Date	Details	$
.....	……	……..	.....	……	……..
.....	……	……..	.....	……	……..
.....	……	……..	.....	……	……..
.....	……	……..	.....	……	……..
.....	……	……..	.....	……	……..
.....	……	……..	.....	……	……..

[5]

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(c) (i) Name the section of the income statement in which insurance appears.

..... [1]

(ii) Name the principle being applied when a prepayment is calculated.

..... [1]

(d) (i) Slavko is a hairdresser. State whether his business is a trading or a service business.

..... [1]

(ii) Name **two** items which would appear in the income statement of a trading business which would **not** appear in the income statement of a service business.

1 .....

2 ..... [2]

(e) (i) Inventory should **not** be valued at normal selling price. Name the accounting concept which prohibits this.

..... [1]

(ii) State how inventory ought to be valued.

.....

..... [2]

Marek sells table lamps which he buys for $8 each. On 31 July 2014 he had 10 broken lamps which could only be sold for scrap, at $2 each. The cost of sending them to the scrap merchant was $7 in total.

REQUIRED

(f) Calculate the value at which these 10 lamps should be included in the inventory on 31 July 2014.

.....

.....

.....

..... [3]

(g) (i) Explain **one** limitation a potential investor should be aware of when studying the financial statements of a business.

.....

.....

..... [2]

(ii) Complete the table below, indicating with a tick (✓) where **each** item would appear in the financial statements. The first has been completed as an example.

	Income statement		Statement of financial position	
	Debit	Credit	Assets	Liabilities
Bank overdraft				✓
Depreciation charge for the year				
Prepaid rent				
Discount received				
Commission received				

[4]

[Total: 24]

4 Arrietty's draft income statement showed a profit for the year of $26 800. The following errors were then discovered.

1 Inventory, $160, at a customer's premises at the year end on a sale or return basis, had been forgotten and not included in the financial statements.
2 The sales account had been undercast by $1000.
3 Goods, $250, taken by Arrietty for her own use, had not been recorded in the books of account.
4 A cheque from a debtor, Alice, had been credited to the account of Alicia.
5 A payment for vehicle repairs, $300, had been credited to the vehicle repair account.

REQUIRED

(a) Complete the table below using a tick (✓) to indicate if **each** error would affect the balancing of the trial balance. The first has been completed as an example.

Error	Affects balancing of trial balance	Does not affect balancing of trial balance
1		✓
2		
3		
4		
5		

[4]

(b) Complete the statement below to show the effect of **each** of these errors on the profit for the year. If an error has no effect, write No Effect. Show the corrected profit for the year.

Statement of corrected profit

	$
Draft profit for the year	26 800
Error 1	.....
2	.....
3	.....
4	.....
5	.....
Corrected profit for the year	.....

[7]

(c) Name the type of error made in Error 4.

..... [1]

[Total: 12]

5 Ajith has a financial year end of 31 December. He provided the following information at 1 January 2013.

	$
Fixtures and fittings at cost	31 200
Accumulated depreciation	9 702

Ajith depreciates his fixtures and fittings at the rate of 20% per annum on the reducing (diminishing) balance basis. He provides a full year's depreciation in the year of purchase and none in the year of disposal.

On 1 June 2013 he sold some fixtures and fittings which had cost $1200 when bought on 15 May 2011. He received a cheque for $600 in settlement.

On 1 August 2013 he bought new fixtures and fittings, $2500, paying in cash.

REQUIRED

(a) Calculate the accumulated depreciation provided on the fixtures and fittings sold on 1 June 2013.

.....

.....

.....

.....

..... [3]

(b) Prepare the following ledger accounts for the year ended 31 December 2013. Where necessary balance the account and bring down the balance on 1 January 2014.

Fixtures and fittings account

.....

.....

.....

.....

.....

.....

.....

Provision for depreciation account

.....

.....

.....

.....

.....

.....

.....

Disposal account

.....

.....

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..... [15]

(c) Prepare the following extracts from Ajith's financial statements using your answer to **(b)**.

Ajith
Extract from Income Statement for the year ended 31 December 2013

.....

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.....

.....

.....

.....

Ajith
Extract from Statement of Financial Position at 31 December 2013

.....

.....

.....

.....

..... [4]

[Total: 22]

6 **(a)** Explain why a sole trader might convert his business into a limited company.

.....

..... [1]

(b) Name **one** type of share capital other than ordinary share capital.

..... [1]

Two companies provided the following information.

	ABC Limited $	XYZ Limited $
At 1 January 2013		
Retained profit	29 300	14 100
For the year ended 31 December 2013		
Profit from operations (profit before interest)	15 000	15 000
Dividend paid per share	0.03	0.05
At 31 December 2013		
10% debentures (issued in 2009)	15 000	
8% debentures (issued in 2008)		100 000
Ordinary shares of $0.50 each	130 000	
Ordinary shares of $1.00 each		62 000
Non-current assets	100 000	100 000
Net current assets	80 000	80 000

During the year ended 31 December 2013 the directors of ABC Limited decided to create a general reserve of $5000.

REQUIRED

(c) Explain why a company might wish to create a general reserve.

.....

..... [2]

(d) Calculate the profit after interest for the year ended 31 December 2013 for **each** of the companies.

ABC Limited .....

.....

.....

.....

XYZ Limited .....

.....

.....

..... [4]

(e) Prepare the appropriation account for the year ended 31 December 2013 for **each** of the companies.

ABC Limited
Appropriation Account for the year ended 31 December 2013

.....

.....

.....

.....

.....

.....

.....

XYZ Limited
Appropriation Account for the year ended 31 December 2013

.....

.....

.....

.....

.....

.....

..... [11]

(f) Explain why these two companies, having the same capital employed, can have different retained profits for the year.

.....

.....

.....

..... [2]

Questions 6(g) and (h) are on the next page.

(g) Prepare the summarised statement of financial position of ABC Limited at 31 December 2013.

ABC Limited
Statement of Financial Position at 31 December 2013

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..... [6]

(h) Antoinette bought $20 000 of shares in each company when they were formed. Suggest **two** reasons why she is happier with her investment in ABC Limited than her investment in XYZ Limited.

1 .....

.....

2 .....

..... [4]

[Total: 31]

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