Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9157846789

ACCOUNTING **0452/23**

Paper 2 **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 **20** printed pages.

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CAMBRIDGE International Examinations

1 Peter Pickard maintains a petty cash book. The monthly imprest of $250 is restored on the last day of the month.

REQUIRED

(a) State **two** reasons for maintaining a petty cash book.

1 .....

.....

2 .....

..... [2]

(b) Explain the imprest system of petty cash.

.....

.....

..... [2]

(c) State **one** advantage of the imprest system of petty cash.

.....

..... [1]

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The entries in Peter Pickard's petty cash book for August 2014 were as follows.

Peter Pickard
Petty Cash Book

Total Received	Date	Details	Total Paid	Postage	Cleaning	Sundries	Ledger Accounts
$	2014		$	$	$	$	$
250	Aug 1	Balance b/d					
	4	Window cleaner	25		25		
	10	Stamps	30	30			
	16	B Smith	36				36
	21	Donation to charity	15			15	
	29	Office cleaner	83		83		
	31	W Jones	18				18

REQUIRED

(d) Calculate how much the petty cashier will receive on 31 August 2014 to restore the imprest.

.....

..... [1]

(e) Complete the following table to show the double entry to restore the imprest on 31 August 2014.

Debit	Credit

[2]

(f) State how the double entry is completed on 31 August 2014 for the items recorded in the cleaning column of the petty cash book.

.....

..... [1]

(g) State how the double entry is completed on 31 August 2014 for the items recorded in the ledger accounts column of the petty cash book.

.....

.....

..... [2]

Additional Information

Peter Pickard's transactions for August 2014 included the following.

Aug	5	Sold goods on credit to S Bower, list price $1480, less 20% trade discount
	13	Sold goods on credit to C Brooke, list price $1340, less 15% trade discount
	19	S Bower returned goods, list price $160, purchased on 5 August

REQUIRED

(h) Make the necessary entries in Peter Pickard's sales journal, sales returns journal, sales ledger and nominal (general) ledger for the month of August 2014.

It is **not** necessary to balance the accounts.

Peter Pickard
Sales Journal

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

[3]

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Sales Returns Journal

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

[2]

Sales Ledger
S Bower account

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

[2]

C Brooke account

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

[1]

Nominal (General) Ledger
Sales account

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

[1]

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Sales Returns account

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

[1]

Additional Information

Peter Pickard sells on both cash and credit terms. He allows his credit customers a period of 30 days in which to pay their accounts.

The sales for the year ended 31 August 2014 were:

	$
Cash sales	4 100
Credit sales	29 600

On 31 August 2014 the trade receivables amounted to $2340.

REQUIRED

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

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.....

.....

..... [2]

(j) State whether Peter Pickard would be satisfied with the collection period for trade receivables.

..... [1]

(k) Explain how Peter Pickard's payment period for trade payables may be affected by the collection period for trade receivables.

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.....

.....

..... [2]

[Total: 26]

2 Alina Tan is a trader. She maintains a full set of accounting records. Her financial year ends on 31 October. She has written off a number of bad debts during the year.

REQUIRED

(a) Suggest **two** ways in which Alina Tan could reduce the possibility of bad debts.

1 .....

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2 .....

..... [2]

On 30 October 2014 Alina Tan wrote off $66 which had been outstanding from Yeung for 2 years.

REQUIRED

(b) Prepare a journal entry to record this transaction. A narrative **is** required.

Alina Tan
Journal

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

[3]

Additional Information

Alina Tan maintains a provision for doubtful debts at 3% of her trade receivables at the end of each year.

On 1 November 2013 the provision for doubtful debts was $450. On 31 October 2014 the trade receivables amounted to $13 500.

REQUIRED

(c) Explain the term 'provision for doubtful debts'.

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..... [2]

(d) Name **two** accounting principles which are applied when a provision for doubtful debts is maintained.

1 .....

2 ..... [2]

(e) Prepare a journal entry on 31 October to record the adjustment to the provision for doubtful debts. A narrative **is** required

Alina Tan
Journal

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

[3]

(f) Explain the term 'bad debt recovered'.

.....

.....

..... [2]

(g) Explain the following terms.

Capital expenditure

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.....

Revenue expenditure

.....

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Capital receipts

.....

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Revenue receipts

.....

..... [4]

On 31 October 2014 Alina Tan discovered that an item of capital expenditure had been recorded as revenue expenditure.

REQUIRED

(h) Complete the following table by putting a tick (✓) in the correct columns to indicate the effect of this error on the non-current assets and the profit for the year.

non-current assets at 31 March 2014		profit for the year ended 31 March 2014	
Overstated	Understated	Overstated	Understated

[2]

[Total: 20]

3 **(a)** State **two** advantages of being a partner rather than a sole trader.

1 .....

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2 .....

..... [2]

Shahid and Hamza Hussain are in partnership as gardeners. Their financial year ends on 31 July.

They provided the following information on 31 July 2014.

	$
Equipment at valuation 1 August 2013	2 900
Equipment purchased during year	1 150
Motor vehicles at cost	25 000
Provision for depreciation of motor vehicles 31 July 2013	9 000
Receipts from customers	76 400
Wages	41 600
Insurance	1 232
General expenses	3 090

Additional information

1 The wages include $1500 for work done in Shahid's private garden.

2 On 31 July 2014 general expenses accrued amounted to $94.

3 The insurance represents cover for 14 months to 30 September 2014.

4 The motor vehicles are being depreciated at 20% per annum on the reducing (diminishing) balance method.

5 The equipment was valued at $3150 on 31 July 2014.

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REQUIRED

(b) Prepare the income statement of Shahid and Hamza Hussain for the year ended 31 July 2014.

Shahid and Hamza Hussain
Income Statement for the year ended 31 July 2014

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..... [11]

Additional Information

The partnership agreement of Shahid and Hamza Hussain provides for:
Interest on capital at 5% per annum
Interest on drawings at 3% per annum
An annual salary of $9000 per annum for Shahid Hussain
Sharing of residual profits and losses equally

On 1 August 2013 the balances on the partners' capital and current accounts were as follows.

	Shahid Hussain	Hamza Hussain
	$	$
Capital account	80 000	60 000
Current account	2 340 Cr	1 960 Dr

On 1 February 2014 Shahid Hussain withdrew $20 000 of his capital from the business.

Drawings and interest on drawings for the year ended 31 July 2014 were as follows.

	Shahid Hussain	Hamza Hussain
	$	$
Drawings	10 000	8 000
Interest on drawings	300	240

REQUIRED

(c) Prepare the profit and loss appropriation account of Shahid and Hamza Hussain for the year ended 31 July 2014.

Start with the profit for the year calculated in **(b)**

Shahid and Hamza Hussain
Profit and Loss Appropriation Account for the year ended 31 July 2014

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[7]

(d) Prepare the current account of Hamza Hussain for the year ended 31 July 2014. Balance the account and bring down the balance on 1 August 2014.

Hamza Hussain
Current account

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.....

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.....

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..... [5]

[Total: 25]

Question 4 is on the next page.

4 Grace Mhando started a business on 1 October 2013. She did not maintain a full set of accounting records.

All goods are bought and sold on credit terms.

She provided the following information.

	$
For the year ended 30 September 2014	
Payments to credit suppliers	31 600
Receipts from credit customers	35 100
Discount allowed to credit customers	900
Returns to credit suppliers	2 100
Bad debts written off	100
Interest charged by credit supplier on overdue account	40
Carriage inwards	1 090
On 30 September 2014	
Amount owed to credit suppliers	1 990
Amount owed by credit customers	3 950

REQUIRED

(a) Calculate the credit purchases for the year ended 30 September 2014.

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..... [6]

(b) Calculate the credit sales for the year ended 30 September 2014.

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..... [6]

Grace Mhando did not value her inventory on 30 September 2014. Her gross profit margin was 20%.

REQUIRED

(c) Calculate the value of the inventory on 30 September 2014 by means of an income statement (trading account section).

Grace Mhando
Income Statement (Trading Account Section) for the year ended 30 September 2014

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..... [7]

(d) State **two** reasons why Grace Mhando's credit suppliers would be interested in her financial statements.

1 .....

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2 .....

..... [2]

(e) Name **two** other business people who would be interested in Grace Mhando's financial statements.

1 .....

2 ..... [2]

[Total: 23]

5 The financial year of Zilani Limited ends on 30 September.

The following information is available.

	$	$
For the year ended 30 September 2014		
Revenue (sales)		480 000
Cost of sales		310 000
Expenses		94 000
On 30 September 2014		
Capital employed		635 000
Inventory	30 800	
Trade receivables	56 000	86 800
Trade payables	51 500	
Bank overdraft	15 300	
Short term loan	5 000	71 800

REQUIRED

(a) Calculate the percentage of gross profit to revenue (sales).

The calculation should be correct to **two** decimal places.

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..... [2]

The percentage of gross profit to revenue (sales) is lower than in 2013.

(b) Suggest **two** reasons why it is lower.

1 .....

.....

2 .....

..... [2]

(c) Calculate the percentage of profit for the year to revenue (sales).

The calculation should be correct to **two** decimal places.

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..... [2]

(d) Suggest **two** ways in which the percentage of profit for the year to revenue (sales) could be improved.

1 .....

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2 .....

..... [2]

(e) Calculate the return on capital employed (ROCE).

The calculation should be correct to **two** decimal places.

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..... [2]

(f) Explain the importance of the return on capital employed (ROCE) to Zilani Limited.

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..... [2]

(g) Calculate the current ratio.

The calculation should be correct to **two** decimal places.

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..... [2]

(h) Calculate the quick (acid test) ratio.

The calculation should be correct to **two** decimal places.

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..... [2]

(i) Explain why the quick (acid test) ratio is more reliable than the current ratio as an indicator of liquidity.

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..... [2]

Question 5(j) and (k) are on the next page.

(j) Complete the table by placing a tick (✓) in the correct column to show how **each** of the following transactions would affect the working capital of Zilani Limited.

	Increase	Decrease	No effect
Issue of additional shares			
Cheque paid to credit supplier			
Repayment of long term loan			
Purchase of goods on credit			
Sale of unused non-current asset			
Cheque paid for repairs to non-current asset			

[6]

(k) Suggest **two** problems Zilani Limited may encounter if its working capital is inadequate.

1 .....

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2 .....

..... [2]

[Total: 26]

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