Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

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ACCOUNTING **0452/12**

Paper 1 **October/November 2015**

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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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)** Which business document would be sent by a customer to a supplier?

A credit note ☐

B debit note ☐

C invoice ☐

D statement of account ☐ [1]

(b) An insurance account shows an amount paid for the year of $2000 and a prepayment at the end of the year of $400.

Which entry appears in the insurance account to record the transfer to the income statement?

A credit entry of $1600 ☐

B credit entry of $2400 ☐

C debit entry of $1600 ☐

D debit entry of $2400 ☐ [1]

(c) Where would a dishonoured cheque from a customer be recorded in the books of the supplier?

A credit side of the purchases ledger control account ☐

B credit side of the sales ledger control account ☐

C debit side of the purchases ledger control account ☐

D debit side of the sales ledger control account ☐ [1]

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(d) Jamal treats purchases of loose tools as capital expenditure.

On 1 July 2014 his loose tools were valued at $7100.
On 1 September 2014 he bought new tools costing $1200.
On 30 June 2015 he valued loose tools at $6000.

Which amount for loose tools appeared in his income statement for the year ended 30 June 2015?

A $100 ☐

B $1100 ☐

C $1200 ☐

D $2300 ☐ [1]

(e) The following account appeared in Andrew's ledger.

Andrew
Advertising account

2015		$	2014		$
30 April	Bank	4000	1 May	Balance b/d	500
			2015		
			30 April	Income statement	2800
				Balance c/d	700
		4000			4000
2015					
1 May	Balance b/d	700			

Which statement is correct?

A Andrew earned $2800 from advertising during the year. ☐

B Andrew had prepaid $700 for advertising on 1 May 2015. ☐

C Andrew owed $700 for advertising on 1 May 2015. ☐

D Andrew paid $2800 for advertising during the year. ☐ [1]

(f) Why does a partnership prepare an appropriation account?

A to allocate profit for the year to each partner ☐

B to calculate interest on partners' loans ☐

C to ensure that drawings are accounted for ☐

D to record dividends paid and proposed ☐ [1]

(g) During the accounting year a limited company had the following transactions.

	$
ordinary share dividend paid	25 000
interest paid on short term bank loan	3 000
interest paid on debentures (repayable in 2019)	12 000
interest received on bank deposit	5 000

Which amount appeared in the expenses in the income statement?

A $10 000 ☐

B $12 000 ☐

C $15 000 ☐

D $35 000 ☐ [1]

(h) Why does a sports club prepare the trading account section of an income statement?

A it has paid staff as well as voluntary workers ☐

B it operates a café ☐

C to calculate subscriptions for the year ☐

D to value the closing inventory ☐ [1]

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(i) The rent of a manufacturing business is split 60% factory, 10% offices and 30% showrooms.

Business rent is $40 000 a year and salesmen's salaries are $12 000 a year.

How much appears in the manufacturing account for these costs?

A $24 000 ☐

B $31 200 ☐

C $36 000 ☐

D $46 800 ☐ [1]

(j) Financial statements must be free from error and bias.

Which accounting policy is being applied?

A comparability ☐

B relevance ☐

C reliability ☐

D understandability ☐ [1]

[Total: 10]

2 **(a)** State what is meant by a book of prime (original) entry.

.....

..... [1]

(b) Name **two** of the books of prime (original) entry which a business may maintain.

1 .....

2 ..... [2]

(c) Complete the following table using a tick (✓) to indicate whether **each** item is an asset, a liability or an expense. The first has been completed as an example.

	asset	liability	expense
fixtures and fittings	✓		
insurance			
bank overdraft			
cash			
trade payable			
wages			
accrued electricity			
increase in provision for doubtful debts			
unpaid commission receivable			

[4]

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(d) Name the financial statement in which the following are recorded.

(i) assets

..... [1]

(ii) expenses.

..... [1]

Neel started a business on 1 June. The following transactions took place in June.

1 Opened a business bank account with $8000 of his own money.

2 Received a bank loan, $2000.

3 Bought a delivery van, $5200, from A1 Motors on credit.

4 Bought inventory, $3700, paying by cheque.

5 Paid shop rent, $1000, by standing order.

6 Withdrew cash, $100, to start up an imprest system.

REQUIRED

(e) Complete the following table showing how these transactions were recorded. The first has been completed as an example.

	Debit entry		Credit entry	
		$		$
1	*Bank account*	*8000*	*Capital account*	*8000*
2				
3				
4				
5				
6				

[10]

(f) Calculate the balance on Neel's bank account after these transactions.

.....

.....

.....

.....

.....

.....

.....

..... [3]

[Total: 22]

3 **(a)** Name **three** types of inventory which might be held by a manufacturing business.

1 .....

2 .....

3 ..... [3]

(b) State how inventory should be valued.

.....

..... [1]

(c) State how Asrul, a retailer, records goods taken for his personal use.

Account debited	Account credited

[2]

(d) Name the accounting principle which Asrul is applying.

..... [1]

(e) State **one** reason why Asrul prepares a bank reconciliation statement.

..... [1]

(f) State what is meant by a bank statement.

.....

..... [1]

(g) Give **one** example of **each** of the following.

1 An item in the cash book not in the bank statement

.....

2 An item in the bank statement not in the cash book.

..... [2]

[Total: 11]

4 **(a)** Explain what is meant by the term provision for doubtful debts.

.....

..... [2]

On 1 May 2014 Samuel's provision for doubtful debts account showed a balance of $450. On 30 April 2015 his trade receivables amounted to $9750. This included a debt of $250 which had gone bad and should be written off. Samuel provides for doubtful debts at a rate of 4%.

REQUIRED

(b) Prepare Samuel's provision for doubtful debts account. Bring down the balance on 1 May 2015.

Samuel
Provision for doubtful debts account

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

[5]

(c) State where the entry for doubtful debts will appear in the income statement.

..... [1]

(d) Name the **two** accounting principles Samuel is applying by maintaining a provision for doubtful debts account.

1 .....

2 ..... [2]

(e) Name the **two** items in the statement of financial position which might be overstated if Samuel did not maintain a provision for doubtful debts account.

1 .....

2 ..... [2]

[Total: 12]

5 Nzita is a sole trader. His statement of financial position at 31 January 2014 included the following balances.

	$	
Trade receivables	700	
Trade payables	400	
Inventory	1 100	
Equipment at cost	15 700	
Provision for depreciation of equipment	4 100	
Prepaid rent	250	
Bank	2 100	debit

REQUIRED

(a) Calculate Nzita's capital at 31 January 2014.

[6]

A summary of Nzita's bank statements showed the following for the year ended 31 January 2015.

	$
Receipts from customers	28 900
Payments to suppliers	12 600
Wages	5 200
Rent	3 100
Purchase of new equipment	1 100
Sundry expenses	2 650
Drawings	6 600

Further information is as follows.

1 Nzita depreciates his non-current assets at the rate of 10% per annum on the straight line basis. A full year's depreciation is provided in the year of purchase.

2 No non-current assets were disposed of during the year.

3 Proper books of account were not kept during the year but Nzita provided the following information at 31 January 2015.

	$
Trade receivables	900
Trade payables	650
Inventory	1400
Prepaid rent	150

4 All sales and purchases were made on credit.

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REQUIRED

(b) Prepare the following accounts for the year ended 31 January 2015 to determine the sales and purchases for the year.

Nzita
Total trade receivables account

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

Nzita
Total trade payables account

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

[8]

(c) Prepare Nzita's income statement for the year ended 31 January 2015.

Nzita
Income Statement for the year ended 31 January 2015

	$	$
……	……..	……..
……	……..	……..
……	……..	……..
……	……..	……..
……	……..	……..
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……	……..	……..
……	……..	……..

[9]

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(d) Prepare an extract from Nzita's statement of financial position at 31 January 2015 showing the capital section.

Nzita
Statement of Financial Position (extract) at 31 January 2015

[4]

(e) Calculate, to **two** decimal places, Nzita's gross profit margin for the year.

[2]

(f) Suggest **two** reasons why Nzita's gross profit margin was lower than in the previous year.

1

2 [2]

[Total: 31]

6 **(a)** Complete the following sentences using the words

capital	current	non-current
overstated	revenue	understated

……. expenditure relates to the purchase of an asset which will last for more than 12 months.

……. expenditure relates to the day-to-day running costs of the business or the purchase of a ……. asset.

A capital receipt arises when a ……. asset is sold.

If an item of capital expenditure is wrongly recorded as revenue expenditure profit will be …….

If an item of revenue expenditure is wrongly recorded as capital expenditure profit will be……. [6]

Leroy prepared a trial balance on 30 September 2015 which failed to balance. He opened a suspense account. He then discovered the following errors.

1 Discount allowed, $30, had been posted to the credit side of the discount received account.

2 Receipt of cash, $85, from Yolanda, a credit customer, had been credited to the account of Joanie.

3 The total of the sales returns journal, $110, had been posted as $100.

4 An invoice totalling $1000 for computer equipment and supplies had included a charge of $150 for stationery. The total amount had been posted to the office equipment account.

REQUIRED

(b) State which **two** of these errors did **not** affect the balancing of the trial balance and in **each** case name the type of error which had occurred.

Error .....

Name .....

Error .....

Name ..... [4]

(c) Prepare journal entries to correct all **four** errors. Narratives **are** required.

Error number	Details	Debit $	Credit $
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
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.....	.....	.....	.....
.....	.....	.....	.....

[13]

Question 6(d) is on the next page.

(d) Prepare the suspense account, showing the original difference on the trial balance.

Leroy
Suspense account

Date	Details	$	Date	Details	$
2015 Sept 30	……..…..……	…….	2015 Sept 30	……...……	…….
……..	……...……	…….	……..	……..…..……	…….
……..	……...……	…….	…….	……..…..……	…….
……..	……...……	…….	…….	……..…..……	…….
……..	……...……	……..	…….	……..…..……	…….

[3]

Leroy had a draft profit for the year of $5170 **before** the errors were corrected.

REQUIRED

(e) Complete the following table to calculate the correct profit for the year. Where an error has no effect on profit, place a tick (✓) in the No Effect column.

	No Effect	Increase $	Decrease $	$
Draft profit				5170
Error 1				
Error 2				
Error 3				
Error 4		_____	_____	
		_____	_____	_____
Corrected profit				_____

[8]

[Total: 34]

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