Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

5285040115

ACCOUNTING **0452/13**

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 **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)** 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 statement describes the purpose of a trial balance?

A It checks the arithmetical accuracy of the double entry. ☐

B It ensures the ledger accounts contain no errors. ☐

C It indicates areas where errors have arisen. ☐

D It prevents errors from occurring. ☐ [1]

(b) A statement of financial position showed the following.

	$
Non-current assets	190 000
Non-current liabilities	27 000
Current assets	56 000
Current liabilities	71 000

What was the owner's capital?

A $90 000 ☐

B $148 000 ☐

C $178 000 ☐

D $232 000 ☐ [1]

(c) A receipt of $800 from Jamal, a credit customer, was recorded as a receipt of $880 in the account of James.

Which entries are needed to correct this error?

	Account(s) debited	$	Account(s) credited	$	
A	Jamal Suspense	800 80	James	880	☐
B	Jamal	880	James Suspense	800 80	☐
C	James Suspense	800 80	Jamal	880	☐
D	James	880	Jamal Suspense	800 80	☐

[1]

(d) What is true about a bank reconciliation statement?

A It forms part of the double entry system. ☐

B It is a statement prepared by the bank. ☐

C It is prepared to look for errors in the cash book and the bank statement. ☐

D It reconciles the opening and closing cash book balances. ☐

[1]

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[Turn over

(e) Jane maintains a provision for doubtful debts at 5% of her trade receivables. The following account appeared in her ledger.

Jane
Provision for doubtful debts account

2015		$	2014		$
30 June	Income statement	50	1 July	Balance b/d	600
	Balance c/d	550			
		600			600
			2015		
			1 July	Balance b/d	550

Which statement is correct?

A Bad debts recovered during the year amounted to $50. ☐

B Bad debts written off during the year amounted to $50. ☐

C Total trade receivables decreased during the year. ☐

D Total trade receivables increased during the year. ☐ [1]

(f) An item of inventory has an original cost of $18 and a replacement cost of $13. The costs of packing and delivery when the item is sold will amount to $3. It is expected to be sold for $20.

At which value should it be included in the financial statements?

A $13 ☐

B $16 ☐

C $17 ☐

D $18 ☐ [1]

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(g) On 1 January 2014 Lionel had a debit balance on his current account of $2000. During the year the following were recorded in his current account.

	$
Interest on capital	12 500
Interest on drawings	840
Share of residual profit	18 000
Drawings	25 600

What was the balance on Lionel's current account on 1 January 2015?

A $2060 credit ☐

B $3740 credit ☐

C $6060 credit ☐

D $7740 credit ☐ [1]

(h) Which statement about debentures is correct?

A They carry a fixed rate of dividend. ☐

B They carry a fixed rate of interest. ☐

C They carry a variable rate of dividend. ☐

D They carry a variable rate of interest. ☐ [1]

(i) The activities of the Wilhelm Archery club include the running of an equipment shop. On 1 January the accumulated fund of the club amounted to $16 200 and on 31 December $18 000.

What does this increase mean?

A The non-current assets increased by $1800. ☐

B There was a surplus for the year of $1800. ☐

C There was a trading profit from the shop of $1800. ☐

D The subscriptions received amounted to $1800. ☐ [1]

(j) A manufacturing business provided the following information about its first year of trading.

	$
Purchases of raw materials	128 000
Closing inventory of raw materials	13 000
Purchases of finished goods	65 000
Closing inventory of finished goods	29 000
Factory direct wages	77 000
Supervisor's salary	21 000
Depreciation of machinery	19 000

What was the prime cost?

A $38 000 ☐

B $74 000 ☐

C $152 000 ☐

D $192 000 ☐ [1]

[Total: 10]

2 **(a)** State the purpose of each of the following business documents.

debit note .....

.....

credit note .....

.....

statement of account .....

..... [3]

(b) State **one** reason why a trader's ledger might be divided into different sections.

.....

..... [1]

(c) Complete the following table, naming the ledger in which **each** account appears.
The first one has been completed as an example.

Account	Ledger
Delivery van	*Nominal/general*
Sales	
Susan, a credit customer	
Carriage inwards	
Drawings	
Adam, a credit supplier	

[5]

(d) Name the section of a statement of financial position in which inventory is recorded.

..... [1]

(e) State how Ivy would record the purchase of goods for resale on credit from Alice.

Account debited	Account credited

[2]

(f) Indicate with a tick (✓) in which account cash discount is recorded in the books of **both** Ivy and Alice.

	Discount allowed	Discount received
in the books of Ivy		
in the books of Alice		

[2]

(g) Name the business document issued by Alice on which the cash discount is recorded.

.....

[1]

[Total: 15]

3 **(a)** Give **two** examples of items which might appear as non-current assets in the statement of financial position of a manufacturing business.

1 .....

2 ..... [2]

(b) Explain how a non-current asset differs from a current asset.

.....

.....

..... [2]

(c) Give **one** example of a capital receipt.

..... [1]

(d) Complete the following table using a tick (✓) to indicate if **each** item is capital or revenue expenditure.

	Capital expenditure	Revenue expenditure
Purchase of inventory		
Purchase of stationery		
Legal fees on purchase of land		
Construction costs of factory		

[4]

(e) Name the account which is opened when a non-current asset is sold.

..... [1]

(f) Name the accounting principle applied when the same rate of depreciation is maintained each year.

..... [1]

(g) State **one** limitation of financial statements.

.....

..... [1]

[Total: 12]

4 Esme provided the following information.

	$
At 1 January 2014	
Trade payables	7 000
Trade receivables	9 500
For the year ended 31 December 2014	
Sales (all credit)	95 100
Sales returns	1 050
Purchases (all credit)	63 600
Purchases returns	1 950
Receipts from credit customers	92 750
Payments to credit suppliers	59 000
Refund to credit customer	450
Discount allowed	2 100
Discount received	850
Bad debt written off	300

Additional information at 31 December 2014

1 Esme owed $100 to a supplier who also owed $180 to Esme. It was agreed to record this as a setoff in the control accounts.

2 Esme owed $50 to a credit customer who had overpaid.

REQUIRED

(a) Prepare the sales ledger control account and the purchases ledger control account for the year. Balance the accounts and bring down the balances on 1 January 2015.

Esme
Sales ledger control account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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[Turn over

Purchases ledger control account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
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[18]

(b) State **one** reason why Esme maintains a sales ledger control account.

.....

..... [1]

(c) State why the discount allowed was given.

.....

..... [1]

[Total: 20]

Question 5 is on the next page.

5 Elliott started a business selling machinery on 1 May 2015. He opened a business bank account with $12 000 of his own money and transferred his own vehicle to be retained and used in the business at a valuation of $1800.

He provided the following summary of the transactions in the first month of trading.

Paid $3000 by standing order for three months' rent.

Bought 6 machines at $300 each and 8 machines at $400 each, paying by credit transfer.

Sold 5 of the cheaper machines for $450 each in cash.

Sold 6 of the more expensive machines for $700 each receiving the funds by cheque.

Withdrew $3600 from the bank as drawings.

Paid sundry expenses, $150, in cash.

Paid cash, $2000, into the bank.

Used, but did not pay for, electricity, $80.

REQUIRED

(a) Prepare Elliott's cash book for May 2015. Balance the cash book and bring down the balances on 1 June 2015. The cash book is on the opposite page. [11]

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Elliott
Cash book

Date	Details	Cash	Bank	Date	Details	Cash	Bank
		$	$			$	$
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
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[Turn over

(b) Calculate the following for May 2015.

Cost of sales .....

.....

.....

.....

Expenses .....

.....

.....

.....

Profit for the month .....

.....

.....

..... [9]

(c) Prepare Elliott's statement of financial position at the end of the first month of trading.

Elliott
Statement of Financial Position at 31 May 2015

	$	$
……	……..	……..
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[9]

(d) Suggest **one** reason, based on your answer to **(c)**, why Elliott might face financial difficulties in the future.

.....

..... [1]

[Total: 30]

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6 On 1 January 2014 General Stores Limited had fixtures and fittings which had cost $31 500.

On 1 March 2014 it paid by cheque for new fixtures and fittings, $17 400, and sold old fixtures and fittings with an original cost of $6000. There was no profit or loss on this disposal.

General Stores Limited provides for depreciation on fixtures and fittings at a rate of 30% per annum on the straight-line basis.

It provides a full year's depreciation in the year of purchase and none in the year of disposal.

REQUIRED

(a) Prepare the fixtures and fittings account for the year ended 31 December 2014. Balance the account and bring down the balance on 1 January 2015.

General Stores Limited
Fixtures and fittings account

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

[5]

(b) Calculate the depreciation charge for the year ended 31 December 2014.

.....

.....

..... [2]

The company provided the following additional information for the year ended 31 December 2014.

	$
Revenue	227 000
Purchases	129 000
Sales assistants' wages	15 900
Office salaries	12 060
Rent	24 000
Other operating expenses	6 220
Dividend paid	10 000
Interest paid	15 000
Transfer to general reserve	5 000

Inventory values were as follows.

	$
1 January 2014	41 200
31 December 2014	44 520

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REQUIRED

(c) Prepare the income statement for the year ended 31 December 2014.

General Stores Limited
Income Statement for the year ended 31 December 2014

	$	$
……	……..	……..
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[10]

(d) Complete the following statement of changes in equity for the year ended 31 December 2014.

General Stores Limited
Statement of Changes in Equity for the year ended 31 December 2014

Details	Share capital $	General reserve $	Retained earnings $	Total $
On 1 January 2014	100 000	20 000	4 810	124 810
Profit for the year	.....	.....	.....	.....
Dividend paid	.....	.....	.....	.....
Transfer to general reserve	.....	.....	.....	.....
On 31 December 2014	.....	.....	.....	.....

[5]

(e) Calculate to **two** decimal places the net profit margin.

.....

.....

..... [2]

(f) Explain why the ratio for General Stores Limited is lower than that of the neighbouring shop.

.....

.....

.....

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.....

..... [6]

(g) Suggest **three** ways in which General Stores Limited might improve its net profit margin.

1 .....

.....

2 .....

.....

3 .....

..... [3]

[Total: 33]

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