Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

8253469929

ACCOUNTING **0452/21**

Paper 2 **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 **18** printed pages and **2** blank pages.

© UCLES 2015

CAMBRIDGE International Examinations

1 Shahid Ayub is a trader who maintains a full set of accounting records including a three column cash book.

On 1 August 2015 Shahid Ayub had the following balances in his cash book:

	$
Cash	50
Bank overdraft	7150

Shahid Ayub's transactions for August 2015 included the following.

August 9 A cheque received in July for $362 from El Nil Supply Company was dishonoured by the bank

18 Paid $54 by cheque for fuel of private motor vehicle

24 Received a cheque from Mariam Soliman to settle her debt of $520, less 2½% cash discount

30 Cash sales, $3224

31 Paid all the remaining cash into the bank except $100

REQUIRED

(a) Complete Shahid Ayub's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 September 2015.

[9]

© UCLES 2015

Shahid Ayub - Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
		$	$	$			$	$	$
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

© UCLES 2015

[Turn over

The following incomplete statement of account was available on 31 August 2015.

STATEMENT OF ACCOUNT
Shahid Ayub
44 Narrow Lane, Anytown

Mariam Soliman
The Avenue
Weston

31 August 2015

Date	Reference	Debit $	Credit $	Balance $
2015				
August 1	Balance due			520
9	Goods	340		860
13	Returns		24	?
24	Payment		507	?
	Discount		13	?

REQUIRED

(b) (i) Calculate the balance due on 31 August.

..... [1]

(ii) State the name of the trader who owes the balance at 31 August.

..... [1]

(c) State the business document and the book of prime (original) entry Shahid Ayub would use to record the following transactions which appear on the statement of account.

Transaction	Document	Book of prime (original) entry
August 9 Goods	.....	.....
13 Returns	.....	.....
24 Payment	.....	.....

[6]

© UCLES 2015

(d) Prepare the account of Shahid Ayub as it would appear in the ledger of Mariam Soliman.

Balance the account and bring down the balance on 1 September 2015.

Mariam Soliman
Shahid Ayub account

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

[6]

[Total: 23]

2 Grace Zindi runs a secretarial agency. Her financial year ends on 31 July.

She provided the following information on 31 July 2015.

	$
Capital 1 August 2014	85 000
Cash drawings	15 500
Fees from clients	28 500
Wages	21 600
Rates and insurance	3 900
General expenses	990
Heat and light	710
Commission receivable	7 600
Motor vehicles at cost 1 August 2014	12 500
Provision for depreciation of motor vehicles 1 August 2014	4 500
Office equipment at valuation 1 August 2014	11 400

Additional information

1 At 31 July 2015
Insurance prepaid amounted to $300
Commission receivable of $250 was outstanding
Fees from clients of $3400 was outstanding.

2 Grace Zindi lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.

3 On 31 July 2015 Grace Zindi decided to create a provision for doubtful debts of 1% of the amount owed by clients.

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

5 The office equipment was valued at $14 500 on 31 July 2015.
Additional office equipment costing $6900 was purchased during the year.
No office equipment was disposed of during the year.

© UCLES 2015

REQUIRED

(a) Prepare Grace Zindi's income statement for the year ended 31 July 2015.

Grace Zindi
Income Statement for the year ended 31 July 2015

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

[16]

(b) Prepare the capital account for Grace Zindi for the year ended 31 July 2015.

Balance the account and bring down the balance on 1 August 2015.

Grace Zindi
Capital account

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

[6]

(c) State the meaning of the accruals (matching) principle. Give **one** example of how this principle was applied in the preparation of the income statement in **(a)**.

Meaning .....

.....

.....

Example .....

..... [2]

(d) State the meaning of the business entity principle. Give **one** example of how this principle was applied in the preparation of the income statement in **(a)**.

Meaning .....

.....

.....

Example .....

..... [2]

[Total: 26]

© UCLES 2015

3 **(a)** State **two** causes of depreciation of non-current assets.

1 .....

2 ..... [2]

(b) Explain the straight line method of depreciation.

.....

.....

.....

..... [2]

(c) Explain the reducing (diminishing) balance method of depreciation.

.....

.....

.....

..... [2]

(d) Explain how charging depreciation is an example of the application of the principle of prudence.

.....

.....

.....

..... [2]

(e) Name **one** other accounting principle which is applied when charging depreciation.

..... [1]

© UCLES 2015

On 1 October 2013 Natasha Salim started a business altering and mending clothes. On that date she purchased a machine, $4000, paying by cheque.

On 1 January 2014 she purchased another machine, $6000, on credit from ABC Machines.

She decided to depreciate the machines using the reducing (diminishing) balance method at 20% per annum. A whole year's depreciation was to be charged in the year of purchase, but no depreciation in the year of sale.

On 1 February 2015 Natasha Salim decided that the machine purchased on 1 October 2013 was no longer required. She sold it for $2100, cash.

REQUIRED

(f) Prepare the following accounts in the ledger of Natasha Salim for **each** of the two years ended 30 September 2014 and 30 September 2015.

Balance the accounts and bring down the balances on 1 October 2014 and 1 October 2015.

Natasha Salim
Machinery account

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

Provision for depreciation of machinery account

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

[12]

(g) Calculate the profit or loss on the disposal of the machine on 1 February 2015.

……

……

……

……

……

…… [4]

[Total: 25]

4 Moses and Tobias Iyambo are in partnership. Their financial year ends on 31 October. They share profits and losses equally. A capital and a current account are maintained for each partner.

Despite having little accounting knowledge, Tobias prepared the following statement of financial position on 31 October 2015.

Statement of Financial Position 31 October 2015

		$	$
Premises at cost			80 000
Fixtures and equipment at book value 1 September 2014			24 800
Inventory			6 950
Trade receivables			5 200
Bank			1 500
Drawings – M Iyambo		8 000	
T Iyambo		5 500	13 500
			131 950
Trade payables			8 520
Provision for doubtful debts			130
Capital account 1 September 2014 – M Iyambo		65 000	
T Iyambo		35 000	100 000
Current account 1 September 2014 – M Iyambo	Debit	2 000	
T Iyambo	Credit	3 500	5 500
			114 150
Balance			17 800
			131 950

The following matters were then discovered.

1 The income statement included adjustments for the following which should have been included in the statement of financial position:

	$
Depreciation for the year on fixtures and equipment	3100
Expenses accrued	1130

2 Bank charges, $70, had been correctly recorded in the income statement but had not been entered in the cash book.

3 Cash in hand, $500, had not been included in the statement of financial position.

4 Profit for the year was $18 000.

REQUIRED

(a) Prepare a corrected statement of financial position at 31 October 2015 showing the different types of assets and liabilities, and the capital and current accounts of each partner.

The calculation of the current account balances may be shown within the statement of financial position or as separate calculations in the space provided.

© UCLES 2015

Moses and Tobias
Corrected Statement of Financial Position at 31 October 2015

	$	$	$

You may use the space below for your workings.

[16]

(b) State **two** items which Moses and Tobias Iyambo could have included in their partnership agreement in addition to profit-sharing ratios.

1 .....

2 ..... [2]

(c) State **two** ways in which Moses and Tobias Iyambo could obtain long-term funds to finance expansion of the business.

1 .....

2 ..... [2]

(d) Complete the following table by placing a tick (✓) in the correct column to show how **each** of the following transactions would affect the working capital of Moses and Tobias Iyambo.

	Increase	Decrease	No effect
Selling surplus equipment			
Delay paying credit suppliers			
Paying surplus cash into bank			
Writing off a bad debt			

[4]

[Total: 24]

© UCLES 2015

5 Kelbrook Limited provided the following information.

1 The issued share capital consists of 180 000 ordinary shares of $0.50 each.

2 On 1 October 2014:

General reserve	$4000
Retained earnings	$5500

3 The profit for the year ended 30 September 2015 was $9000.
$2000 of this was transferred to the general reserve.
An interim dividend of $4500 was paid during the year.
No dividends were proposed at the end of the year.

REQUIRED

(a) Prepare the equity and reserves section of the statement of financial position at 30 September 2015.

Kelbrook Limited
Extract from Statement of Financial Position at 30 September 2015

.....

.....

.....

.....

.....

.....

..... [5]

Question 5(b) is on the next page.

Kelbrook Limited provided the following information at 30 September 2015.

	$
Non-current assets at book value	102 200
Bank overdraft	6 100
Inventory	5 100
Trade receivables	8 500
Trade payables	4 300
Other payables	1 400

REQUIRED

(b) Complete the following table.

Current ratio	
Workings	Answer to **two** decimal places

Quick ratio	
Workings	Answer to **two** decimal places

Return on capital employed (ROCE)	
Workings	Answer to **two** decimal places

[6]

The ratios calculated at 30 September 2014 were:

Current ratio	2.51 : 1
Quick ratio	1.57 : 1
Return on capital employed (ROCE)	12.55%

REQUIRED

(c) Comment on the change in the current ratio.

.....

.....

.....

..... [2]

(d) Suggest **one** reason for the change in the quick ratio.

.....

..... [1]

(e) Suggest **two** ways to improve the return on capital employed (ROCE).

1 .....

2 ..... [2]

Question 5(f) is on the next page.

Kelbrook Limited provided the following information for the year ended 30 September 2015.

	$
Credit sales	45 000
Cash sales	5 000

Credit customers are allowed 60 days credit.

REQUIRED

(f) (i) Calculate the collection period for trade receivables. Round up your answer to the next whole day.

.....

.....

.....

..... [2]

(ii) Comment on the collection period for trade receivables.

.....

.....

.....

..... [2]

Kelbrook Limited is allowed 30 days credit by their credit suppliers. For the year ended 30 September 2015 the payment period was 52 days.

REQUIRED

(g) Comment on the payment period for trade payables.

.....

.....

.....

..... [2]

[Total: 22]

BLANK PAGE

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2015