Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9185233748

ACCOUNTING **0452/13**

Paper 1 **October/November 2016**

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.

© UCLES 2016

CAMBRIDGE International Examinations

[Turn over

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)** What is the purpose of accounting?

A to check the arithmetical accuracy of the double entry ☐

B to control inventory levels ☐

C to ensure that all transactions are recorded ☐

D to prepare financial statements ☐ [1]

(b) Alice had owed Brian $120 for a long time. Brian decided to write off the balance on Alice's account but in error entered $210 in the bad debts account.

Which entries correct this error?

	debit entry		credit entry		
A	Alice	$90	bad debts	$90	☐
B	bad debts	$90	Alice	$90	☐
C	bad debts	$90	suspense	$90	☐
D	suspense	$90	bad debts	$90	☐ [1]

(c) A trader's cash book had a debit balance of $50. When the bank statement arrived he saw that a customer's cheque for $80 had been dishonoured, and that the bank had charged him $10 in bank charges.

What was the balance on the cash book when it had been updated?

A $20 credit ☐

B $40 credit ☐

C $120 debit ☐

D $140 debit ☐ [1]

© UCLES 2016

(d) Where are bad debts recorded in the control accounts?

A on the credit side of the purchases ledger control account ☐

B on the credit side of the sales ledger control account ☐

C on the debit side of the purchases ledger control account ☐

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

(e) Which statements are true about capital employed?

1 It equals non-current assets plus net current assets.

2 It equals owner's capital less non-current liabilities.

3 It represents total funds invested in the business.

A 1 only ☐

B 1 and 3 ☐

C 2 and 3 ☐

D 3 only ☐ [1]

(f) A partnership had a profit for the year of $60 000.

Interest on capital was

Jamila	$4 000
Kate	$2 000

Drawings were

Jamila	$18 000
Kate	$10 000

Profits were shared equally.

What was the total amount credited to Jamila's current account at the end of the year?

A $13 000 ☐

B $27 000 ☐

C $29 000 ☐

D $31 000 ☐ [1]

© UCLES 2016

(g) A company provided the following information.

	$
profit for the year	85 000
dividend paid	15 000
transfer to general reserve	10 000
proceeds of share issue	30 000

By how much did total equity (shareholders' funds) increase during the year?

A $60 000 ☐

B $90 000 ☐

C $100 000 ☐

D $105 000 ☐ [1]

(h) Why did the trade receivables collection period of a trader decrease from 32 days to 21 days?

A He increased the rate of cash discount. ☐

B He increased the rate of trade discount. ☐

C His credit sales decreased. ☐

D His credit sales increased. ☐ [1]

(i) A trader provided the following information.

	$
Cash sales for the year	6 000
Credit sales for the year	84 000
Trade receivables at the year end	7 400
Bad debts to be written off at the year end	1 300

What was the trade receivables collection period?

A 25 days ☐

B 27 days ☐

C 31 days ☐

D 33 days ☐ [1]

© UCLES 2016

(j) The directors of a company ensured that the financial statements represented actual events.

Which accounting objective was applied?

A comparability ☐

B relevance ☐

C reliability ☐

D understandability ☐ [1]

[Total: 10]

2 **(a)** Complete the following sentences using the words ‘debit’ and ‘credit’.

A decrease in a non-current asset account requires a …….. entry.

An increase in a liability account requires a …… entry.

An increase in an expense account requires a …….. entry. [3]

(b) Give **one** example of a liability.

..... [1]

(c) State how a book-keeper records a depreciation charge for the year.

debit entry	credit entry

[2]

(d) State **one** reason why a business uses books of prime (original) entry.

.....

..... [1]

(e) Name **two** books of prime (original) entry which a business may maintain. In **each** case name a source document which would be recorded in that book.

	book of prime (original) entry	source document
1		
2		

[4]

(f) State the difference between a trading business and a service business.

.....

.....

..... [3]

© UCLES 2016

(g) Complete the following table. Indicate with a tick (✓) whether **each** item can appear in the financial statements of a trading business, a service business, or both.

	trading business only	service business only	both
cost of sales			
gross profit			
discount allowed			
profit for the year			

[4]

(h) Complete the following table, naming **each** accounting principle being described.

	principle
the same accounting treatment should be applied to similar items at all times	
transactions should be expressed in monetary terms	
financial statements should assume that a business will continue to operate indefinitely	

[3]

[Total: 21]

3 Winston is a manufacturer who rents his premises.

Until 31 December 2015 the rent was $1000 a month. From 1 January 2016 the rent was $1200 a month.

REQUIRED

(a) Calculate the rent for the year ended 31 August 2016.

.....

.....

..... [1]

The balance on Winston's rent account on 1 September 2015 was $1000 credit. During the year he made three payments of rent, by cheque, as follows.

	$
4 September 2015	6000
1 March 2016	7400
9 July 2016	3600

REQUIRED

(b) State what the balance on 1 September 2015 represented.

.....

..... [1]

(c) Prepare Winston's rent account for the year ended 31 August 2016. Balance the account and bring down the balance on 1 September 2016.

Winston
Rent account

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

[5]

© UCLES 2016

[Turn over

Jared buys goods from Winston. On 1 August 2016 Jared owed Winston $300.
During August 2016 the following took place.

August 3 Jared bought goods, list price $600, after deducting 20% trade discount.

6 Jared returned goods, list price $50.

9 Jared paid, by cheque, the balance due on 1 August after deducting 3% cash discount.

18 Jared purchased further goods, list price $400, after deducting trade discount as before.

REQUIRED

(d) Prepare Jared's account in Winston's sales ledger for the month of August 2016. Balance the account and bring down the balance on 1 September 2016.

Winston
Sales ledger
Jared account

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

[8]

© UCLES 2016

Winston also buys goods from Jared and on 31 August 2016 he owed Jared $40. Winston decided to make a contra entry on 1 September 2016 to set off the accounts in the sales and purchases ledgers.

REQUIRED

(e) State the double entry needed to set off the accounts.

account debited	account credited

[2]

(f) Name the accounting term Winston uses for his partially finished products.

..... [1]

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

	manufacturing account	income statement
purchases of raw materials	✓	
salesmen's wages		
carriage outwards		
purchases of finished goods		
machine operators' wages		
factory supervisor's salary		
inventory of raw materials		
carriage inwards		
inventory of finished goods		

[4]

[Total: 22]

© UCLES 2016

[Turn over

BLANK PAGE

© UCLES 2016

4 Arun, a trader, admitted Rajiv as a partner on 1 July 2015.

REQUIRED

(a) State **one** advantage to Arun of admitting a partner.

.....

..... [1]

(b) State **one** reason why it was useful for Arun and Rajiv to have a partnership agreement.

.....

..... [1]

(c) State **two** items which might be included in a partnership agreement.

1 .....

2 ..... [2]

On 1 August 2015 Rajiv withdrew $1000 from the business bank account for his own use.

REQUIRED

(d) State the double entry needed to record the withdrawal.

debit entry	credit entry

[2]

Rajiv made further drawings during the year and at the year end the balance on his drawings account was $7500.

REQUIRED

(e) State the double entry needed at the year end to account for Rajiv's drawings.

debit entry	credit entry

[2]

© UCLES 2016

[Turn over

Friedrich and Graham were also in partnership as accountants with a year end of 31 July. On 31 July 2016 the balances in their books of account were as follows.

	$	
Bank	4 800	debit
Cash	200	
Fees received	81 000	
Rent paid	12 000	
Wages	6 800	
Administration costs	19 500	
Drawings – Friedrich	25 000	
– Graham	16 100	
Equipment	24 200	
Provision for depreciation	6 500	
Trade receivables	17 400	
Other payables	1 100	
Capital account – Friedrich	20 000	
– Graham	15 000	
Current account – Friedrich	?	
– Graham	3 300	credit

© UCLES 2016

REQUIRED

(f) Prepare the partnership's trial balance at 31 July 2016.

Friedrich and Graham
Trial Balance at 31 July 2016

	$	$
Bank	.....	.....
Cash	.....	.....
Fees received	.....	.....
Rent paid	.....	.....
Wages	.....	.....
Administration costs	.....	.....
Drawings – Friedrich	.....	.....
– Graham	.....	.....
Equipment	.....	.....
Provision for depreciation	.....	.....
Trade receivables	.....	.....
Other payables	.....	.....
Capital account – Friedrich	.....	.....
– Graham	.....	.....
Current account – Friedrich	.....	.....
– Graham	.....	.....

[8]

[Total: 16]

5 Boris did not maintain a full set of accounting records. He was able to provide the following information.

	$
Trade receivables at 1 July 2015	300

During the year ended 30 June 2016

Receipts from credit customers	6800
Cash sales	2100
Invoices issued to credit customers	7770
Credit notes issued to credit customers	480
Bad debts written off	250

REQUIRED

(a) Prepare the total trade receivables account for the year ended 30 June 2016 to determine the amount owed by credit customers at the year end.

Boris
Total trade receivables account

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

[6]

© UCLES 2016

Boris provided the following additional information.

	$
Trade payables at 1 July 2015	710

During the year ended 30 June 2016

Payments to credit suppliers	4320
Invoices received	4500
Trade payables at 30 June 2016	680

REQUIRED

(b) Prepare the total trade payables account for the year ended 30 June 2016 to determine the discount received by Boris during the year.

Boris
Total trade payables account

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

[5]

© UCLES 2016

[Turn over

Boris provided the following additional information.

1 At 1 July 2015, the non-current assets which originally cost $7100 had accumulated depreciation of $2800. Boris's policy is to depreciate non-current assets at 10% per annum using the reducing (diminishing) balance basis.

2 Boris's capital on 1 July 2015 was $5010. During the year he made drawings of $2050.

3 On 30 June 2016

	$
Inventory	700
Other operating expenses accrued	100
Bank overdraft	300
Trade receivables	*from your answer to part **(a)***
Trade payables	*from your answer to part **(b)***

REQUIRED

(c) Prepare Boris's statement of financial position at 30 June 2016. Show both opening and closing balances in the capital section. Insert profit for the year as a balancing figure.

Boris
Statement of Financial Position at 30 June 2016

	$	$	$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[11]

© UCLES 2016

(d) Comment on Boris's drawings policy.

.....

.....

..... [2]

[Total: 24]

Question 6 is on the next page.

6 The Chess Club also runs a shop for its members. Its receipts and payments account for the year ended 31 December 2015 is as follows.

Chess Club
Receipts and Payments Account for the year ended 31 December 2015

	$		$
Balance b/d	4 100	Rent	4 800
Subscriptions	17 700	Purchases	5 700
Shop sales	6 700	Wages – shop	1 200
		Wages – club	8 400
		Club equipment	3 800
		Club expenses	4 300
		Balance c/d	300
	28 500		28 500

Other information is as follows.

	1 January 2015	31 December 2015
	$	$
Subscriptions in arrears	550	950
Club equipment at valuation	3100	5150
Shop inventory	580	310
Amounts owed to shop suppliers	170	350

© UCLES 2016

REQUIRED

(a) Prepare the shop income statement for the year ended 31 December 2015.

Chess Club
Income Statement for the year ended 31 December 2015

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[7]

© UCLES 2016

[Turn over

(b) Prepare the club's income and expenditure account for the year ended 31 December 2015.

Chess Club
Income and Expenditure Account for the year ended 31 December 2015

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[7]

(c) Calculate, to **two** decimal places, the mark-up being applied on the sale of goods in the shop.

.....

.....

..... [3]

© UCLES 2016

A member of the committee has suggested hiring a computerised system for use in the shop. This would cost $500 a year. This would enable the shop staff to ensure that all goods were sold at a standard mark-up of 40%. If this was implemented, staff would no longer be paid a set wage but instead earn a commission of 20% of sales value.

REQUIRED

(d) Calculate the profit or loss which would be earned in the shop if the committee went ahead with this suggestion. Assume sales volume is unchanged.

Chess Club
Statement of revised profit

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[6]

(e) Suggest **two** other ways in which the committee might try to improve the financial position of the club.

1 .....

2 .....

[2]

(f) Explain why club members are not entitled to drawings.

.....

..... [2]

[Total: 27]

© UCLES 2016

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 2016