Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

3963040331

ACCOUNTING **0452/12**

Paper 1 **October/November 2017**

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.

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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)** When Jack prepared his bank reconciliation statement it included an unpresented cheque.

Which cheque is unpresented?

A a cheque Jack received and banked but which has not appeared on his bank statement ☐

B a cheque which appears on Jack's bank statement but which has been omitted from his cash book ☐

C a cheque which Jack has issued to a supplier who has not banked it ☐

D a cheque debited twice in Jack's bank statement in an error by the bank ☐ [1]

(b) Ahmed bought a motor vehicle and paid the following amounts.

	$
motor vehicle	8000
number plates	100
insurance	400

What was Ahmed's capital expenditure?

A $400 ☐

B $500 ☐

C $8000 ☐

D $8100 ☐ [1]

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(c) A disposal account showed the following.

Disposal account

	$		$
Machinery	6200	Provision for depreciation	2100
		Bank	3800
		Income statement	300
	6200		6200

Which book of prime entry was used to transfer the $300 to the income statement and how was it treated there?

	book of prime entry	treatment in income statement	
A	general journal	as a loss	☐
B	general journal	as a profit	☐
C	sales journal	as a loss	☐
D	sales journal	as a profit	☐

[1]

(d) Sasha buys radios at $20 each. At the year end she has 50 radios in inventory. Of these, 3 radios are damaged and will cost $17 each to repair.

All the radios are expected to be sold at $30 each.

What is the value of inventory in the statement of financial position?

A $979 ☐

B $1000 ☐

C $1449 ☐

D $1500 ☐ [1]

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(e) Which businesses are trading businesses and which are service businesses?

	trading business	service business
A	food retailer	hairdresser
B	food retailer and hairdresser	neither
C	hairdresser	food retailer
D	neither	food retailer and hairdresser

[1]

(f) An appropriation account showed the following.

		$
interest on drawings	Sumit	1300
	Tom	1200
interest on capital	Sumit	1000
	Tom	1000
share of residual profit	Sumit	8000
	Tom	4000

What was the total profit for the year?

A $7500

B $11 500

C $12 000

D $12 500

[1]

(g) A subscriptions account showed subscriptions in arrears, $400, at the start of the year, and subscriptions in advance, $100, at the end of the year. Subscriptions of $15 000 had been received during the year.

Which value for subscriptions appeared in the income and expenditure account?

A $14 500

B $14 700

C $15 300

D $15 500

[1]

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(h) A manufacturer provided the following information.

	$
purchases of raw materials	50 000
direct labour	58 000
factory overheads	22 000

At the year end inventory of raw materials had increased by $4000. Inventory of finished goods had increased by $9000.

What was the cost of sales?

A $37 000 ☐

B $46 000 ☐

C $117 000 ☐

D $126 000 ☐ [1]

(i) A trader provided the following information.

	$
revenue	1050
opening inventory	50
purchases	800
closing inventory	150

Which mark-up had been applied?

A 16.67% ☐

B 31.25% ☐

C 33.33% ☐

D 50% ☐ [1]

(j) Barak did not maintain a full set of accounting records in his first year of trading.

How did Barak calculate his credit sales?

A closing trade receivables + cash received – discount allowed ☐

B closing trade receivables + cash received + discount allowed ☐

C closing trade receivables + cash received – discount received ☐

D closing trade receivables + cash received + discount received ☐ [1]

[Total: 10]

2 **(a)** Name the accounting principle applied when using the double entry system of book-keeping.

.....[1]

(b) Complete the following table by writing **either** True or False against **each** statement.

	True or False
Carriage inwards appears on the debit side of a trial balance.	
Inventory is included in current assets.	
A suspense account represents the difference between the cash book balance and the balance on the bank statement.	
A sole trader has limited liability.	
The sales account appears in the nominal (general) ledger.	

[5]

(c) Complete the following sentence using the words 'increases' and 'reduces'.

An adjustment for a prepaid cost ..... expenses and ..... profit. [1]

(d) State **one** purpose of accounting.

.....

.....[1]

(e) Complete the following table. State **one** type of organisation to which **each** of the accounting terms relates. The first has been completed as an example.

term	organisation
prime cost	*manufacturing business*
accumulated fund	
dividend paid	
interest on capital	
work in progress	
drawings	

[5]

(f) Name the financial statement where discount received is recorded. State how it is shown there.

.....

.....[2]

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(g) State **one** difference between an income statement and a statement of financial position.

.....

.....

.....

.....[2]

(h) Name **one** user who might be interested in the financial statements of a club or society.

.....[1]

(i) Name **one** factor which might limit the usefulness of the financial statements.

.....

.....[1]

[Total: 19]

3 **(a)** State **one** reason why a trader maintains books of prime entry.

.....

.....[1]

(b) Name the book of prime entry which also functions as a ledger account.

.....[1]

Jason is a trader. His financial year ends on 31 May.
On 1 May 2017 his ledger included the following balances.

	$
Purchases	19 620
Purchases returns	850

Jason's purchases journal and purchases returns journal for the month of May 2017 were as follows.

Purchases journal

2017		$
May 2	Asnee	400
5	Botan	610
7	Chaitali	388
19	Asnee	190
24	Dae	517
		2105

Purchases returns journal

2017		$
May 4	Asnee	105
15	Chaitali	55
		160

REQUIRED

(c) Complete the following table, naming the source document used by Jason on **each** date, and the person who issued the document.

Date	Source document	Issued by
May 2		
May 4		

[4]

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(d) Prepare the following ledger accounts in the books of Jason for the month of May 2017.

Show the transfers to the income statement.

Jason
Purchases account

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

[3]

Purchases returns account

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

[3]

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[Turn over

Jason owed Asnee $480 on 1 May 2017. He paid this balance by cheque on 6 May after deducting 2½% discount.

REQUIRED

(e) Prepare Asnee's account in Jason's purchases ledger for the month of May 2017. Include entries for the relevant transactions recorded in Jason's journals.

Jason
Asnee account

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

[7]

Before preparing the financial statements Jason prepared a trial balance. The totals of the trial balance did not agree.

REQUIRED

(f) State what is meant by the term 'trial balance'.

.....

.....[2]

(g) Name and explain **two** errors which would **not** affect the balancing of the trial balance.

Error 1

Name .....

Explanation .....

.....

.....

Error 2

Name .....

Explanation .....

.....

.....[4]

Jason prepared a sales ledger control account and a purchases ledger control account for the year.

REQUIRED

(h) Explain why the preparation of control accounts would have helped Jason discover why the totals of the trial balance did not agree.

.....

.....

.....

.....[2]

[Total: 27]

4 FTA Industries provided the following information.

At 31 December	Trade receivables $	Rate of provision for doubtful debts
2014	72 100	3%
2015	68 800	2%
2016	83 300	2%

Additional information

1 There were no bad debts during the year ended 31 December 2015.

2 A debt of $1400 owed by Eddie at 31 December 2016 and included in the total at that date was considered irrecoverable.

REQUIRED

(a) Prepare the provision for doubtful debts account for **each** of the years ended 31 December 2015 and 2016. Balance the account at the end of each year and bring down the balance.

FTA Industries
Provision for doubtful debts

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

[8]

(b) State the effect of the doubtful debts on the profit for the year ended 31 December 2015.

.....

.....[2]

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(c) State the double entry made on 31 December 2016 to write off Eddie's debt.

Account debited	Account credited

[2]

(d) Name the book of prime (original) entry used to write off bad debts.

.....[1]

(e) Prepare an extract from the income statement for the year ended 31 December 2016 showing the effect of bad debts and doubtful debts.

FTA Industries
Income Statement (extract) for the year ended 31 December 2016

.....

.....

.....

.....[3]

(f) Name the **two** accounting principles applied when providing for doubtful debts.

1 .....

2 .....[2]

[Total: 18]

5 HS Limited was formed on 1 January 2016 with the issue of 1 million ordinary shares of $0.50 each.

During 2016 the following took place.

1 Premises were bought for $400 000. Half of this cost was for the land and half for the buildings.
A vehicle was bought for $20 000 and fixtures and fittings for $35 000.

2 Receipts from credit customers were $290 000.
Payments to credit suppliers were $193 000.
Payments for wages and other operating expenses were $80 000.

All sales and purchases were on credit.

REQUIRED

(a) Calculate the balance on the bank account at 31 December 2016.

	$	$
Receipts		
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
Payments		
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	_____
Closing balance		_____

[6]

Additional information

1 The directors agreed on the following depreciation policy.
Buildings 1% per annum
Vehicles 25% per annum
Fixtures and fittings 10% per annum
A full year's depreciation was to be provided in the year of purchase.

2 On 31 December 2016 the company had the following assets and liabilities.

	$
trade receivables	20 000
trade payables	25 000
prepaid expenses	10 000
inventory	21 000

REQUIRED

(b) Prepare the income statement for the year ended 31 December 2016.

HS Limited
Income Statement for the year ended 31 December 2016

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

[12]

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[Turn over

(c) Prepare the statement of financial position at 31 December 2016.

HS Limited
Statement of Financial Position at 31 December 2016

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

[9]

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The directors of HS Limited are worried that the company has not paid a dividend during the year.

REQUIRED

(d) Name the financial statement in which any dividend paid would have been recorded.

.....[1]

HS Limited had a percentage of gross profit to revenue which was lower than the industry average and a percentage of profit to revenue which was higher than the industry average.

REQUIRED

(e) Suggest **one** reason for **each** of these differences.

Percentage of gross profit to revenue

.....

.....

Percentage of profit to revenue

.....

.....[2]

[Total: 30]

6 Tyler had the following assets and liabilities on 31 July 2017.

	$
trade payables	2900
other payables	900
non-current assets	8200
inventory	3000
trade receivables	2200
other receivables	400
bank overdraft	600

Tyler was concerned about his working capital position.

REQUIRED

(a) State how working capital is calculated.

.....[1]

(b) Calculate (to **two** decimal places) the current ratio on 31 July 2017.

.....

.....

.....

.....[2]

(c) Name **one** other ratio which would help Tyler to assess his liquidity position.

.....[1]

(d) Explain **two** reasons why Tyler is right to be concerned about his working capital position.

1 .....

.....

.....

2 .....

.....

.....[4]

(e) Complete the following table stating the effect on working capital and owner's capital of **each** transaction. Where a transaction has no effect, write 'No Effect'.
The first one has been completed as an example.

		working capital	owner's capital
1	introduced $2000 capital in the form of cash	*increase $2000*	*increase $2000*
2	received a long term loan, $500		
3	bought inventory, $400, on credit		
4	sold goods costing $100 for $180 cash		

[6]

(f) State which transaction increased capital employed without affecting profit.

.....[1]

(g) State **one** reason why Tyler would want to calculate his return on capital employed.

.....

.....[1]

[Total: 16]

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