Cambridge IGCSE

**Cambridge Assessment International Education**
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

*2569455531*

**ACCOUNTING** **0452/12**

Paper 1 **October/November 2019**

**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 **21** printed pages and **3** blank 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 group contains only assets?

**A** accrued wages, inventory, trade payables ☐

**B** cash, machinery, rent receivable accrued ☐

**C** bank loan, drawings, office fixtures and fittings ☐

**D** bank overdraft, prepaid insurance, trade receivables ☐

[1]

**(b)** On 1 January 2018 Jennie, a food retailer, had stationery valued at $45.
During the year she purchased stationery, $200.
On 31 December 2018 she transferred $194 from the stationery account to the income statement.

What was the balance of the stationery account on 1 January 2019?

**A** $39 credit ☐

**B** $39 debit ☐

**C** $51 credit ☐

**D** $51 debit ☐

[1]

**(c)** Which items may appear on the debit side of a purchases ledger control account?

1 contra entry
2 discount received
3 interest on overdue account
4 purchases

**A** 1 and 2 only ☐

**B** 1, 2 and 3 ☐

**C** 3 and 4 ☐

**D** 4 only ☐

[1]

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**(d)** A trader always depreciates his motor vehicles using the reducing (diminishing) balance method.

Which accounting principle is he applying?

**A** consistency ☐

**B** duality ☐

**C** going concern ☐

**D** realisation ☐

[1]

**(e)** Which ratio can only be calculated using information from both the income statement and the statement of financial position?

**A** margin ☐

**B** mark-up ☐

**C** rate of inventory turnover ☐

**D** return on capital employed ☐

[1]

**(f)** Asim and Bakari are in partnership. Their partnership agreement provides for an annual salary of $15 000 for Bakari and the balance of the profit to be shared equally.

The profit for the year was $93 000.

What was Bakari's total income from the business?

**A** $39 000 ☐

**B** $46 500 ☐

**C** $54 000 ☐

**D** $61 500 ☐

[1]

**(g)** Which error does **not** affect the balancing of a trial balance?

**A** Cash received from Smith was debited to Smythe's account. ☐

**B** Motor vehicle expenses were debited to the motor vehicles account. ☐

**C** One page of the sales journal was overcast. ☐

**D** Purchases returns were omitted from the purchases ledger. ☐

[1]

**(h)** A manufacturer provided the following information at the end of his financial year.

| | $ |
|---|---|
| direct materials | 314 000 |
| direct labour | 181 000 |
| factory overheads | 117 000 |
| increase in work in progress | 32 000 |

What was the cost of production?

**A** $346 000 ☐

**B** $410 000 ☐

**C** $580 000 ☐

**D** $644 000 ☐

[1]

**(i)** Jamal did not maintain double entry records during his first year of trading.

Which item is **not** required in order to calculate his credit sales using a total trade receivables account?

**A** bad debts ☐

**B** discount allowed ☐

**C** provision for doubtful debts ☐

**D** receipts from credit customers ☐

[1]

**(j)** During her first year of trading Daraja purchased 1000 units of inventory at $16 each. She sold 910 units at $19 each. Of the inventory remaining at the end of her financial year 30 units were damaged and valued at $7 each.

What was the value of Daraja's inventory at the end of the financial year?

**A** $1170 ☐

**B** $1350 ☐

**C** $1440 ☐

**D** $1710 ☐

[1]

[Total: 10]

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**PLEASE TURN OVER**

**2** Saleh started to maintain a petty cash book on 1 August 2019. He decided to use the imprest system, with the monthly imprest of $150 which would be restored on the first day of each month.

Saleh's transactions for the month of August 2019 included the following.

| | | | $ |
|---|---|---|---|
| August | 4 | Purchased stationery | 21 |
| | 9 | Paid Omar, a credit supplier | 57 |
| | 14 | Bought flowers for office | 10 |
| | 20 | Paid taxi fare | 9 |
| | 26 | Bought tea and coffee for office | 7 |
| | 30 | Paid cleaner | 30 |

**REQUIRED**

**(a)** Enter the transactions in Saleh's petty cash book on the page opposite.

Balance the petty cash book and bring down the balance on 1 September 2019. [10]

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Saleh – Petty Cash Book

| Total received $ | Date 2019 | Details | Total paid $ | Office expenses $ | Travel $ | Cleaning $ | Ledger accounts $ |
|---|---|---|---|---|---|---|---|
| *150* | *Aug 1* | *Bank* | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |

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**[Turn over**

**(b)** **(i)** State the amount which was received on 1 September 2019 when the petty cash was restored to the imprest amount.

..... [1]

**(ii)** State the double entry for restoring the imprest amount.

| debit | credit |
|---|---|
| | |

[2]

**(c)** Show the entries which were made in the following accounts on 31 August 2019.
It is not necessary to total or balance the accounts.

Saleh
Office expenses account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

Omar account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[2]

Saleh balanced his cash book on 31 August 2019 and compared the balance on the bank column with his bank statement. The following differences were found.

| | $ |
|---|---|
| Items not recorded in the cash book | |
| Bank charges | 22 |
| Credit transfer from Laila | 190 |
| Insurance premium paid by standing order | 30 |
| Items not recorded on the bank statement | |
| Cheque paid to Kalifa | 114 |
| Cheque paid to Fatima | 175 |
| Cash sales | 363 |

**REQUIRED**

**(d)** Update the bank columns of the cash book.
Bring down the new balance on 1 September 2019.

Saleh
Cash Book (bank columns only)

| Date 2019 | Details | $ | Date 2019 | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | *Sept 1* | *Balance b/d* | *944* |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[4]

**(e)** Prepare a bank reconciliation statement at 31 August 2019 to show the balance on the bank statement on that date.

Saleh
Bank Reconciliation Statement at 31 August 2019

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.....

.....

.....

.....

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.....

..... [6]

[Total: 25]

**3** Tumelo is a trader. He buys goods on credit from Azuel.

The traders exchanged various documents in July 2019.

**REQUIRED**

**(a)** Complete the table by naming the person who issued **each** document.
Name the book of prime (original) entry in which **each** document would be recorded by **each** trader.

If a document is not entered in a book of prime (original) entry, write 'No entry'.

| document | name of person issuing document | book of prime (original) entry used by Tumelo | book of prime (original) entry used by Azuel |
|---|---|---|---|
| invoice | | | |
| debit note | | | |
| credit note | | | |

[9]

The following incomplete document was prepared on 31 July 2019.

Azuel
West Street
Somecity

Tumelo
North Avenue
Anytown

31 July 2019

| Date | Reference | Debit $ | Credit $ | Balance $ |
|---|---|---|---|---|
| 2019 | | | | |
| July 1 | Balance due | | | 300 |
| 14 | Goods | 470 | | ? |
| 18 | Returns | | 190 | ? |
| 27 | Payment | | 294 | ? |
| | Discount | | 6 | ? |

**REQUIRED**

**(b) (i)** State the name of the document.

..... [1]

**(ii)** Name the person who issued the document.

..... [1]

**(iii)** State **one** reason for the issue of the document.

.....

..... [1]

**(iv)** Name the person who owed the opening balance of $300.

..... [1]

**(v)** Calculate the percentage of the discount on 27 July 2019.

.....

..... [1]

**(vi)** Calculate the balance due on 31 July 2019.

.....

..... [1]

**(vii)** State why this document was **not** used as a source document by either Tumelo or Azuel.

.....

..... [1]

Azuel divides his ledger into three – the sales ledger, the purchases ledger and the nominal (general) ledger.

**(c)** State **two** advantages of dividing the ledger into these three sections.

1 .....

.....

2 .....

..... [2]

**(d)** Complete the table by naming the ledger in which Azuel would maintain **each** of the following accounts.

| account | ledger |
|---|---|
| Tumelo, a credit customer | |
| sales returns | |
| Lerato, a credit supplier | |
| purchases | |
| carriage inwards | |

[5]

[Total: 23]

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**4** Gary is a manufacturer of kitchen equipment. His financial year ends on 30 September.

On 1 August 2019 Ed, a credit customer, was declared bankrupt and the balance of his account of $326 was written off as irrecoverable.

No other debts were written off during the year.

**REQUIRED**

**(a)** Prepare a journal entry to write off the amount owed by Ed.

A narrative **is** required.

Gary
General Journal

| Date | Details | Debit $ | Credit $ |
|---|---|---|---|
| 2019 | | | |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |

[3]

On 1 June 2018 the account of Sally, a credit customer who owed $440, was written off as irrecoverable.

On 4 September 2019 Sally settled her account with $180 in cash and a computer valued at $260.

**REQUIRED**

**(b)** State how Gary would record the transaction on 4 September 2019.

| account debited | | account credited | |
|---|---|---|---|
| | $ | | $ |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |

[3]

Gary maintains a provision for doubtful debts of 2½% of the trade receivables at the end of each financial year. He provided the following information.

Trade receivables at 30 September 2018 owed $36 400
Trade receivables at 30 September 2019 owed $38 000

**(c)** Prepare the provision for doubtful debts account for the year ended 30 September 2019. Balance the account and bring down the balance on 1 October 2019.

Gary
Provision for doubtful debts account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[5]

Gary wishes to increase his profit for the year. He has decided to stop maintaining a provision for doubtful debts.

**REQUIRED**

**(d)** Explain why Gary should continue to maintain a provision for doubtful debts.

.....

.....

.....

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.....

..... [4]

**(e)** Complete the table to indicate the **effect of omitting** to record the bad debt, the bad debt recovered and the adjustment to the provision for doubtful debts.

The first one has been completed as an example.

| item omitted | effect on profit for the year ended 30 September 2019 | | effect on current assets at 30 September 2019 | |
|---|---|---|---|---|
| | | $ | | $ |
| bad debts | *overstated* | *326* | *overstated* | *326* |
| bad debt recovered | | | | |
| adjustment to provision for doubtful debts | | | | |

[4]

[Total: 19]

**5** Oliver and Amy are in partnership. They are considering converting the business to a limited liability company.

**REQUIRED**

**(a)** Explain the term 'limited liability company'.

.....

.....

.....

..... [2]

**(b)** State **two** benefits (**excluding** limited liability) to Oliver and Amy of forming a limited liability company.

1 .....

.....

2 .....

..... [2]

**(c)** State the meaning of the following terms.

**(i)** called-up share capital

.....

..... [1]

**(ii)** paid-up share capital

.....

..... [1]

If Oliver and Amy decide to form a limited liability company they plan to raise funds from an issue of ordinary shares and an issue of debentures.

**(d)** State **two** features of ordinary shares.

1 .....

.....

2 .....

..... [2]

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**(e)** State **two** features of debentures.

1 .....

.....

2 .....

..... [2]

Oliver and Amy understand that a statement of changes in equity has to be prepared in addition to an annual income statement.

**(f)** Complete the table by placing a tick (✓) in the correct column to indicate whether **each** item appears in a limited company's income statement or statement of changes in equity.

If the item does not appear in these financial statements place a tick (✓) in the 'no entry' column.

| | income statement | statement of changes in equity | no entry |
|---|---|---|---|
| issue of 5% debentures during the year | | | |
| debenture interest relating to the current year paid during the year | | | |
| final ordinary share dividend relating to the previous financial year paid during the current year | | | |
| interim ordinary share dividend paid for the current year | | | |
| proposed ordinary share dividend for the current year | | | |

[5]

[Total: 15]

**6** Pavita is a food wholesaler. Her financial year ends on 30 September. She provided the following information on 30 September 2019 **after** the calculation of her gross profit.

| | $ | |
|---|---|---|
| Gross profit | 40 780 | |
| Non-current assets at cost | | |
| Premises | 96 000 | |
| Fixtures and fittings | 12 000 | |
| Motor vehicle | 14 400 | |
| Provisions for depreciation of non-current assets | | |
| Fixtures and fittings | 4 800 | |
| Motor vehicle | 6 300 | |
| Wages | 27 120 | |
| Rates and insurance | 1 700 | |
| Trade receivables | 8 940 | |
| Trade payables | 10 280 | |
| Drawings | 2 980 | |
| Capital at 1 October 2018 | 112 000 | |
| Operating expenses | 3 195 | |
| Motor expenses | 1 155 | |
| Discount received | 970 | |
| Inventory at 30 September 2019 | 8 870 | |
| Bank | 1 230 | credit |

Additional information

1 At 30 September 2019 wages accrued amounted to $980.

2 The rates and insurance includes $900 for insurance for 15 months to 31 December 2019.

3 Pavita's cash drawings, $1000, have been debited to the wages account in error.

4 $190 owing by a credit customer should be written off as irrecoverable.

5 The fixtures and fittings are to be depreciated using the straight line (equal instalment) method at 20% per annum.

6 The motor vehicle is to be depreciated using the reducing (diminishing) balance method at 25% per annum.

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**(a)** Prepare the income statement for the year ended 30 September 2019.

Pavita
Income Statement for the year ended 30 September 2019

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |

[12]

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**[Turn over**

**(b)** Calculate Pavita's working capital at 30 September 2019.

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.....

.....

..... [3]

**(c)** Suggest **two** ways in which Pavita could increase her working capital.

1 .....

2 ..... [2]

**(d)** Calculate the current ratio correct to **two** decimal places.

.....

.....

..... [2]

Pavita provided the following additional information for the year ended 30 September 2019.

| | $ |
|---|---|
| Credit sales | 120 000 |
| Credit purchases | 88 100 |

She allows her credit customers 21 days credit and is allowed 30 days credit by her credit suppliers.

**REQUIRED**

**(e)** State the formula for the calculation of the trade receivables collection period.

.....

..... [1]

**(f)** Calculate the trade receivables collection period for the year ended 30 September 2019. Round up your answer to the next whole day.

.....

.....

.....

..... [2]

**(g)** Suggest **one** way in which Pavita could improve the trade receivables collection period.

.....

..... [1]

**(h)** State the formula for the calculation of the trade payables payment period.

.....

..... [1]

**(i)** Calculate the trade payables payment period for the year ended 30 September 2019. Round up your answer to the next whole day.

.....

.....

.....

..... [2]

**(j)** State whether the trade payables would be satisfied with the payment period. Give a reason for your answer.

Satisfied? .....

Reason .....

.....

..... [2]

[Total: 28]

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