Cambridge IGCSE

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CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

7379503445

ACCOUNTING **0452/13**

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 **23** printed pages and **1** blank page.

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[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)** Insurance paid by a business included $400 relating to the owner's private house. This amount was **not** included in the income statement.

Which accounting principle was applied?

A accruals (matching) ☐

B business entity ☐

C duality ☐

D prudence ☐ [1]

(b) The following account appeared in Jacob's ledger.

Cindy account

Date 2019	Details	$	Date 2019	Details	$
Aug 16	Returns	110	Aug 1	Balance b/d	450
29	Bank	441	14	Purchases	390
	Discount	9			
31	Balance c/d	280			
		840			840

Which statement is correct?

A Cindy paid Jacob $441 by cheque on 29 August. ☐

B Cindy purchased goods, $390, on credit from Jacob on 14 August. ☐

C Jacob allowed Cindy $9 cash discount on 29 August. ☐

D Jacob owed Cindy $450 on 1 August. ☐ [1]

(c) What is **not** a requirement of the accounting objective of reliability?

A information must be available in time for decisions to be made ☐

B information must be free from bias ☐

C information must be free from errors ☐

D information must be prepared with suitable caution applied to any judgement ☐ [1]

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(d) On 2 September Tumelo purchased goods on credit, list price $4200, less trade discount of 20% and a cash discount of 2% if the invoice was paid within 30 days.

On 5 September Tumelo returned one-third of the goods to the supplier.

Which amount did Tumelo enter in his purchases returns journal?

A $1092 ☐

B $1120 ☐

C $1372 ☐

D $1400 ☐ [1]

(e) Which statements about debentures are correct?

1 Debentures carry a fixed rate of interest.

2 Debentures do not carry voting rights.

3 Debenture holders are members of the company.

4 Debenture interest depends on the profit of the company.

A 1 and 2 ☐

B 1 and 4 ☐

C 2 and 3 ☐

D 3 and 4 ☐ [1]

(f) The totals of a trial balance did not agree.

Which error caused this?

A A cheque paid to Hong for $500 had been credited to the account of Heng. ☐

B An invoice for goods purchased, $50, was entered in the purchases journal as $500. ☐

C Goods sold on credit to Gemma, $500, were debited to the account of Gina. ☐

D Rent paid by cheque, $500, was debited to the rent receivable account. ☐ [1]

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(g) Sally provided the following information at the end of her financial year.

	$
Revenue	44 000
Opening inventory	3 000
Closing inventory	1 000
Purchases	32 000
Expenses	6 000

What was Sally's percentage of gross profit to revenue (gross profit margin)?

A 9.09% ☐

B 11.76% ☐

C 22.73% ☐

D 29.41% ☐ [1]

(h) A food retailer purchased a computer and debited the cost to the purchases account.

What was the effect on the profit for the year and the non-current assets?

	profit for the year		non-current assets	
	overstated	understated	overstated	understated
A	✓		✓	
B	✓			✓
C		✓	✓	
D		✓		✓

☐ ☐ ☐ ☐ [1]

(i) Hassan's trial balance did not balance and a suspense account was opened.

It was found that the total of the discount received column in the cash book, $173, had been debited to the discount allowed account in the ledger.

Which journal entry corrects this error?

	details	debit $	credit $
A	discount allowed discount received suspense	173 173	 346
B	discount received suspense	173	 173
C	suspense discount allowed	173	 173

D	suspense
	  discount allowed
	  discount received
		346	
			173
			173

☐ ☐ ☐ ☐ [1]

(j) Beketele's financial year ends on 31 December. On 1 January 2015 she purchased a machine costing $18 000. The machine was depreciated by 15% per annum using the straight line (equal instalment) method. The machine was sold on 1 January 2019.

What was the book value of the machine on the date of sale?

A $4500 ☐

B $7200 ☐

C $10 800 ☐

D $13 500 ☐ [1]

[Total: 10]

2 Aisha is a retailer. She buys goods on credit from Kadir, a wholesaler. They exchanged several documents during September 2019.

The following incomplete document was issued on 18 September 2019.

Credit Note

Kadir
123 West View
Some City

Aisha
14 Straight Row
Anywhere

18 September 2019

Quantity	Description	Unit price $	Amount $
70	Suits assorted sizes	**(i)**	4130
	Less 20% Trade discount		**(ii)** .....
	Reason for issue: Correcting overcharge on goods supplied on 4 September 2019		**(iii)** .....

REQUIRED

(a) Insert the missing figures in **(i)** – **(iii)** in the above document. [3]

(b) Name the person who issued the above document.

..... [1]

(c) Suggest **one** reason why a credit note may be issued **other than** correcting an overcharge.

.....

..... [1]

(d) State why it was necessary to deduct trade discount on the credit note.

.....

..... [1]

(e) Name the book of prime (original) entry in which **each** trader would record the credit note.

book of prime (original) entry used by Aisha	book of prime (original) entry used by Kadir
.....	.....

[2]

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On 1 September 2019 Aisha owed Kadir $3400.

During September 2019 Aisha and Kadir exchanged the following documents (**in addition to the credit note**).

September 4 Invoice for goods, $8960

13 Debit note, $3540, claiming overcharge for goods supplied on 4 September

27 Cheque to settle balance outstanding on 1 September less 2% cash discount

30 Statement of account showing a closing balance of $5656

REQUIRED

(f) Name the book of prime (original) entry in which Aisha would record these documents. If the document is not recorded in a book of prime (original) entry, write 'no entry'.

document	book of prime (original) entry used by Aisha
invoice	……..
debit note	…….
cheque	……
statement of account	…….

[4]

(g) Prepare the account of Kadir as it would appear in the ledger of Aisha for the month of September 2019.
Balance the account and bring down the balance on 1 October 2019.

Aisha
Kadir account

Date 2019	Details	$	Date 2019	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[7]

(h) State the name of the ledger in which Aisha would maintain Kadir's account.

..... [1]

[Total: 20]

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3 Timothy is a trader who buys and sells on both cash and credit terms. He maintains a full set of accounting records and prepares monthly control accounts.

REQUIRED

(a) State **two** advantages to Timothy of preparing monthly control accounts.

1 .....

.....

2 .....

..... [2]

(b) Name the book of prime (original) entry which Timothy would use to obtain the following information when preparing his purchases ledger control account.

	book of prime (original) entry
purchases returns	
contra entry	
discount received	
interest charged on overdue account	

[4]

(c) State the meaning of a contra entry in connection with control accounts.
State why Timothy made a contra entry.

Meaning .....

.....

Reason .....

..... [2]

(d) State **two** reasons why it is possible for Timothy to have a debit balance on his purchases ledger control account.

1 .....

.....

2 .....

..... [2]

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Timothy provided the following information for October 2019.

	$
On 1 October	
Debit balance on sales ledger control account	6530
Credit balance on sales ledger control account	110
Totals for the month of October	
Credit sales	7860
Cash sales	3850
Receipts from credit customers	5782
Discount allowed to credit customers	118
Discount received from credit suppliers	246
Returns by credit customers	285
Bad debts written off	260
Increase in provision for doubtful debts	170
Contra entry	300
Interest charged on a credit customer's overdue account	15
On 1 November	
Debit balance on sales ledger control account	?
Credit balance on sales ledger control account	80

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REQUIRED

(e) Select the relevant figures and prepare the sales ledger control account for the month of October 2019.
Balance the account and bring down the balances on 1 November 2019.

Timothy
Sales ledger control account

Date	Details	$	Date	Details	$
2019			*2019*		
Oct 1	*Balance b/d*	*6530*	*Oct 1*	*Balance b/d*	*110*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[9]

[Total: 19]

Question 4 is on the next page.

4 Abiola started a business on 1 September 2017. On that date she opened a business bank account with a capital of $40 000 and a loan of $10 000. On the same day she purchased inventory, $6600, and fixtures and fittings, $11 750, paying by bank transfer.

REQUIRED

(a) Prepare a journal entry, to include all the above information, to open the books of the business on 1 September 2017.
A narrative **is** required.

Abiola
General Journal

Date 2017	Details	Debit $	Credit $
Sept 1	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[5]

(b) State why it is useful to show a narrative as part of a journal entry.

.....

.....

.....

..... [2]

The following transactions took place on 1 March 2018.

1 Abiola transferred her private motor vehicle to the business at a valuation of $12 000.

2 Abiola took goods, $450, from the business for personal use.

REQUIRED

(c) Prepare journal entries to record the transactions of 1 March 2018.
Narratives are **not** required.

Abiola
General Journal

	Date 2018	Details	Debit $	Credit $
1	*Mar 1*	……	.....	.....
	.....	……	.....	.....
	.....	……	.....	.....
2	*Mar 1*	……	.....	.....
	.....	……	.....	.....
	.....	……	.....	.....

[4]

Abiola rents premises at an annual rent of $6000, payable on the first of each month.

She provided the following information.

		$
2018		
September 1	Rent payable accrued	500

The following amounts of rent were paid by bank transfer.

2018		
September	2	3000
2019		
February	3	3000
August	6	1500

REQUIRED

(d) Prepare the rent payable account in the ledger of Abiola for the year ended 31 August 2019. Balance the account and bring down the balance on 1 September 2019.

Abiola
Rent payable account

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

[5]

(e) Explain how the accounting principle of accruals (matching) was applied in the preparation of the rent payable account.

.....

.....

.....

.....

..... [2]

Abiola receives commission from another trader when Abiola's customers purchase goods from his shop.

Abiola provided the following information.

		$
2018		
September 1	Commission receivable outstanding	350

The following amounts of commission were received by bank transfer.

2018		
September	30	350
2019		
January	31	425
April	30	395
July	31	470

On 31 August 2019 commission receivable outstanding amounted to $310.

REQUIRED

(f) Prepare the commission receivable account in the ledger of Abiola for the year ended 31 August 2019.
Balance the account and bring down the balance on 1 September 2019.

Abiola
Commission receivable account

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

[5]

[Total: 23]

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5 The KW Sports Club has 50 members. The annual subscription is $85. The financial year ends on 30 September. The treasurer prepares a full set of financial statements at the end of each financial year.

On 1 October 2018 subscriptions had been prepaid by 14 members.

On 30 September 2019 subscriptions had been prepaid by 10 members and 22 members had not paid their subscription for the year.

REQUIRED

(a) State the meaning of the word 'subscriptions' in connection with clubs and societies.

.....

..... [1]

(b) Calculate the subscriptions received during the year ended 30 September 2019.

.....

.....

.....

.....

.....

.....

.....

..... [5]

(c) Discuss the possible effects on the bank account and the income and expenditure account of KW Sports Club if the annual subscription was increased to $105.

.....

.....

.....

.....

.....

.....

.....

..... [4]

(d) State **four** ways in which an income and expenditure account differs from a receipts and payments account.

1 .....

.....

.....

2 .....

.....

.....

3 .....

.....

.....

4 .....

.....

..... [4]

The income and expenditure account for the year ended 30 September 2019 showed a deficit. After the preparation of the account it was found that several errors had been made.

REQUIRED

(e) Complete the table by placing a tick (✓) in the correct column to indicate the **effect of each error** on the deficit for the year.
If the error does not affect the deficit place a tick (✓) in the column headed 'no effect'.

error	effect of error on the deficit		
	overstated	understated	no effect
the total of the income from a sports competition was understated			
no entry had been made for bank charges			
proceeds of sale of club equipment were included in the income			
no adjustment was made of club shop wages accrued at the year-end			
shop rent was charged to the income and expenditure account instead of the shop income statement			

[5]

[Total: 19]

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6 Amrit runs a secretarial agency. His financial year ends on 31 July. He prepared the following trial balance on 31 July 2019.

	$	$
Fees from clients		58 800
Premises (at cost)	90 000	
Office equipment (at cost)	16 000	
Provision for depreciation of office equipment		3 200
Capital		85 000
Drawings	11 500	
5% Loan (repayable 1 February 2020)		15 000
Trade receivables	4 650	
Provision for doubtful debts		100
Bad debts	80	
Insurance	2 100	
Wages	38 000	
Operating expenses	6 500	
Rent receivable		3 000
Bank		3 730
	168 830	168 830

The following information is available.

1 The insurance covers a period of 14 months to 30 September 2019.

2 At 31 July 2019 wages, $1500, were accrued and one year's loan interest was outstanding.

3 A debt of $150 should be written off as irrecoverable.

4 The provision for doubtful debts should be maintained at 3% of the remaining trade receivables.

5 The office equipment is to be depreciated at 20% per annum using the reducing (diminishing) balance method.

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REQUIRED

(a) Prepare the income statement for the year ended 31 July 2019.

Amrit
Income Statement for the year ended 31 July 2019

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

[14]

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[Turn over

Amrit is considering several proposals to try to increase his working capital.

REQUIRED

(b) Complete the table by placing a tick (✓) in the correct column to indicate how **each** proposal would affect Amrit's working capital.

	increase	decrease	no effect
extend the loan for a further 2 years			
ask the bank to extend the overdraft facility			
purchase new office equipment on credit			

[3]

(c) Suggest **two** possible reasons why Amrit's return on capital employed (ROCE) was higher on 31 July 2019 than it was on 31 July 2018.

1 .....

.....

2 .....

..... [2]

On 1 August 2019 Amrit decided to admit his sister, Neena, to the business as a partner.

The partnership agreement provided for the following:

interest on capital of 4% per annum
interest on drawings of 3%
Amrit to be entitled to a partnership salary of $6000 per annum
profits and losses to be shared Amrit 60% and Neena 40%.

Amrit made an adjustment to his capital so that it equalled $80 000.

Neena invested $60 000.

It was estimated that the profit for the first year of trading would be $15 500.

It was estimated that the partners' drawings during the first year of trading would be Amrit $7000 and Neena $5000.

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REQUIRED

(d) State **two** advantages to Amrit of being a partner rather than a sole trader.

1 .....

.....

2 .....

..... [2]

(e) State **two** disadvantages to Amrit of being a partner rather than a sole trader.

1 .....

.....

2 .....

..... [2]

(f) Complete the estimated profit and loss appropriation account for the year ending 31 July 2020.

Amrit and Neena
Estimated Profit and Loss Appropriation Account for the year ending 31 July 2020

		$	$
Estimated profit for the year			*15 500*
Interest on drawings	Amrit	.....	.....
	Neena	.....	.....
		.....	.....
Interest on capital	Amrit	.....	.....
	Neena	.....	.....
		.....	.....
Partnership salary	Amrit	.....	.....
		.....	.....
Share of profit/loss	Amrit	.....	.....
	Neena	.....	.....

[6]

[Total: 29]

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