Cambridge IGCSE

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

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

*4958675483*

**ACCOUNTING** **0452/22**

Paper 2 **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.



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**1** Tebogo is a trader. His financial year ends on 31 August.

Tebogo maintains a full set of accounting records. He sells goods on credit terms.

On 1 August 2019 Kayla, a credit customer, owed $900.

The following transactions took place in August 2019.

August 6 Sold goods on credit to Kayla, list price $1400, less a trade discount of 20%

12 Kayla returned some of the goods purchased on 6 August, list price $300

18 Sold goods on credit to Nyack, $620

24 Nyack returned one quarter of the goods purchased on 18 August

29 Received a cheque from Kayla in settlement of the balance due on 1 August, less 2% cash discount

30 Sold goods on credit to Kayla, $160

**REQUIRED**

**(a)** Prepare the sales journal and the sales returns journal for August 2019.

Total each journal and indicate the ledger account to which the total would be transferred.

Tebogo
Sales Journal

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

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Tebogo
Sales Returns Journal

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

[5]

**(b)** Prepare the following accounts in Tebogo's ledger for the month of August 2019.

Close the accounts by balancing or by making a transfer to the income statement.

Tebogo
Kayla account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| *2019* | | | | | |
| *Aug 1* | *Balance b/d* | *900* | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

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**[Turn over**

Sales account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | *2019 Aug 1* | *Total sales to date* | 21 400 |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

Sales returns account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| *2019 Aug 1* | *Total returns to date* | 1 560 | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[8]

Tebogo allows his credit customers a 2% cash discount if they settle their accounts within 30 days.

From 1 September 2019 Tebogo decided to reduce the credit period to 21 days and reduce the percentage of cash discount to 1%.

**REQUIRED**

**(c) (i)** Suggest, giving a reason, **one** possible effect this decision may have on the profit for the year ending 31 August 2020.

.....

.....

.....

..... [2]

**(ii)** Suggest, giving a reason, **one** possible effect this decision may have on the liquidity for the year ending 31 August 2020.

.....

.....

.....

..... [2]

[Total: 17]

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**2** Amelia opened a business on 1 April 2017. On that date she made the following payments by bank transfer.

| | $ |
|---|---|
| Premises | 100 000 |
| Office furniture | 3 450 |
| Carriage on office furniture | 50 |
| Stationery and small office equipment | 30 |
| Legal expenses on purchase of premises | 1 400 |
| Computer equipment | 1 600 |
| Installation of computer equipment | 100 |
| Ink cartridges and printer paper | 40 |

**REQUIRED**

**(a)** Complete the table by placing a tick (✓) in the correct column to indicate whether **each** payment is capital expenditure or revenue expenditure.

| Payment | Capital expenditure | Revenue expenditure |
|---|---|---|
| Premises | | |
| Office furniture | | |
| Carriage on office furniture | | |
| Stationery and small office equipment | | |
| Legal expenses on purchase of premises | | |
| Computer equipment | | |
| Installation of computer equipment | | |
| Ink cartridges and printer paper | | |

[6]

Amelia decided to depreciate her non-current assets using the reducing (diminishing) balance method at the following rates.

| | |
|---|---|
| Premises | 2% per annum |
| Office furniture | 20% per annum |
| Computer equipment | 30% per annum |

She decided that no depreciation would be charged in the year of disposal.

**REQUIRED**

**(b)** Name **one** other method of depreciation which Amelia could apply.

..... [1]

**(c)** Prepare the following accounts for **each** of the years ended 31 March 2018 and 31 March 2019.

Balance the provision for depreciation of computer equipment account and bring down the balance on 1 April 2018 and 1 April 2019.

Amelia
Computer equipment account

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

Provision for depreciation on computer equipment account

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

[6]

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On 30 September 2019 Amelia sold the office furniture as it was no longer suitable and received $1750 in cash.

**REQUIRED**

**(d)** Calculate the total depreciation on the office furniture up to the date of disposal.

.....

.....

.....

.....

.....

..... [3]

**(e)** Calculate the profit or loss on the disposal of the office furniture.

.....

.....

.....

.....

.....

..... [4]

[Total: 20]

**Question 3 is on the next page.**

**3** The financial year of the KS Sports Club ends on 31 July. The club has 150 members and the annual subscription is $50.

On 1 August 2018 subscriptions were outstanding from 5 members and 2 members had paid their subscription in advance for the next financial year.

On 31 July 2019 subscriptions had been paid in advance for the next financial year by 4 members.

**REQUIRED**

**(a)** Prepare the subscriptions account for the year ended 31 July 2019 to show the amount received for subscriptions during the year.
Balance the account and bring down the balance on 1 August 2019.

KS Sports Club
Subscriptions account

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

[6]

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**[Turn over**

The treasurer of the KS Sports Club provided the following information.

| | $ |
|---|---|
| **At 1 August 2018** | |
| Bank overdraft | 2620 |
| 5% loan from AB Loans | 2000 |
| **Receipts and payments during the year ended 31 July 2019** | |
| Subscriptions received from members | ? |
| Loan interest and repayment of loan | 2100 |
| Short-term interest-free loan received from a member | 1000 |
| General expenses | 435 |
| Rates and insurance | 3120 |
| Purchase of new sports equipment | 4150 |
| Repairs to sports equipment | 215 |
| Proceeds of sale of old sports equipment (book value $750) | 870 |
| Receipts from sports tournament | 525 |
| Expenses of sports tournament | 335 |
| **At 31 July 2019** | |
| General expenses accrued | 25 |
| Insurance prepaid | 150 |

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**(b)** Prepare the receipts and payments account for the year ended 31 July 2019.
Balance the account and bring down the balance on 1 August 2019.

KS Sports Club
Receipts and Payments Account for the year ended 31 July 2019

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

[13]

[Total: 19]

**4** Mariam's financial year ends on 30 September. She does not maintain a full set of accounting records, but was able to provide some information.

On 1 October 2018

| | $ | | $ |
|---|---|---|---|
| Premises at cost | 80 000 | Capital | ? |
| Fixtures and fittings at cost | 7 800 | Loan | 21 000 |
| Motor vehicle at cost | 10 000 | Trade payables | 6 220 |
| Inventory | 6 350 | | |
| Trade receivables | 5 900 | | |
| Bank balance | 6 170 | | |

Mariam's non-current assets have not been depreciated.

During the year ended 30 September 2019

Mariam's drawings amounted to $3125
Mariam transferred $5000 of her own money into the business bank account
One-third of the loan was repaid and it was agreed that a further one-third would be repaid on 1 March 2020.

Comparing the assets and liabilities on 30 September 2019 with those on 1 October 2018 the following differences were found:

inventory had decreased by $510
trade payables had increased by $880
the balance at bank had increased by 10%
trade receivables had increased to $6450
other payables amounted to $260

On 30 September it was decided to:

write off a debt of $150 as irrecoverable
create a provision for doubtful debts of 5% of the remaining trade receivables
provide for depreciation on the fixtures and fittings for the year at 15% per annum on cost
provide for depreciation on the motor vehicle for the year at 20% per annum on cost
maintain the premises at cost price.

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**REQUIRED**

**(a)** Prepare a statement of affairs at 30 September 2019 showing the **total** capital at that date.

Mariam
Statement of Affairs at 30 September 2019

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

[15]

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**[Turn over**

**(b)** Prepare the capital account of Mariam for the year ended 30 September 2019 to show the profit or loss for the year.

Mariam
Capital account

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

[5]

Mariam has been advised to start maintaining double entry records.

**REQUIRED**

**(c)** State **two** advantages to Mariam of maintaining double entry records.

1 .....

.....

2 .....

..... [2]

[Total: 22]

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**PLEASE TURN OVER**

**5** Sabir's financial year ends on 30 September. The totals of the trial balance prepared on 30 September 2019 did not balance and Sabir opened a suspense account with a debit entry of $7000.

Sabir used the trial balance to prepare draft financial statements for the year ended 30 September 2019.

After the preparation of these draft financial statements five errors were discovered.

**REQUIRED**

**(a)** Complete the table to show the entries required to **correct each** error.
The first one has been completed as an example.

| | Error | Entry required to correct the error | | | |
|---|---|---|---|---|---|
| | | Debit | | Credit | |
| | | account | $ | account | $ |
| 1 | The total of the sales returns journal, $990, had been posted to the credit of the sales account. | *sales*<br>*sales returns* | *990*<br>*990* | *suspense* | *1980* |
| 2 | A bad debt written off, $65, had been credited to the account of Nadia instead of the account of Nadira. | ..... | ..... | ..... | ..... |
| 3 | No entry had been made for goods, cost price $150, withdrawn by Sabir for personal use. | ..... | ..... | ..... | ..... |
| 4 | The opening inventory, $4100, had not been entered in the trial balance. | ..... | ..... | ..... | ..... |
| 5 | The total of the discount allowed column in the cash book, $430, had been posted to the credit of the discount received account as $340. | ..... | ..... | ..... | ..... |
| | | ..... | ..... | ..... | ..... |

[9]

**(b)** State whether all the errors in Sabir's books have been discovered.

Give a reason for your answer.

Have all the errors been discovered? .....

Reason .....

..... [2]

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**(c)** Complete the following statement to show the effect on the draft profit for the year of **correcting** errors 1–5.
Calculate the corrected profit for the year.

If the error does not affect the profit place a tick (✓) in the 'No effect on profit' column.

Sabir
Statement of corrected profit for the year ended 30 September 2019

| | | | | |
|---|---|---|---|---|
| Draft profit for the year before corrections | | | | $31 400 |
| | No effect on profit | Increase in profit | Decrease in profit | |
| Error 1 | ..... | $ ..... | $..... | |
| Error 2 | ..... | $..... | $..... | |
| Error 3 | ..... | $..... | $..... | |
| Error 4 | ..... | $..... | $..... | |
| Error 5 | ..... | $..... | $..... | |
| | | _____ | _____ | |
| | | $_____ | $_____ | _____ |
| Corrected profit for the year | | | | $_____ |

[9]

[Total: 20]

**6** Rashida started a business trading in fruit and vegetables on 1 July 2017. She rents shop premises. She works in the shop herself and does not employ any staff. All goods are sold on cash terms.

Rashida provided the following information at the end of her second year of trading.

| | $ |
|---|---|
| Capital | 53 000 |
| Interest-free long term loan from family | 10 000 |
| Inventory 1 July 2018 | 860 |
| Inventory 30 June 2019 | 920 |
| Cost of sales | 35 490 |
| Revenue | 42 000 |
| Operating expenses | 3 772 |

**REQUIRED**

**(a)** Complete the table to show the ratios for Rashida for the year ended 30 June 2019. Calculations should be correct to **two** decimal places.

You may use the space at the bottom of this page for your workings.

| | |
|---|---|
| Percentage of gross profit to revenue | .....% |
| Percentage of profit to revenue | .....% |
| Return on capital employed | .....% |
| Rate of inventory turnover | .....times |

[8]

Workings

Rashida decided to compare her results with those of her two brothers Damon and Hakim. They formed a partnership eight years ago when they purchased premises and started a business as furniture wholesalers. They now employ ten warehouse workers. All goods are sold on credit terms to retail stores.

**REQUIRED**

**(b)** Explain why Rashida had a lower percentage of gross profit to revenue than her brothers.

.....

.....

.....

..... [2]

**(c)** Suggest **one** reason why Rashida's rate of inventory turnover is higher than that of her brothers.

.....

..... [1]

**(d)** Suggest **two** expenses which would appear in the income statement of Damon and Hakim but would not appear in the income statement of Rashida.

1 .....

2 ..... [2]

**(e)** Suggest **four** factors which Rashida should consider when comparing her results with those of her brothers.

1 .....

.....

2 .....

.....

3 .....

.....

4 .....

..... [4]

Rashida is disappointed with the percentage of gross profit to revenue. She is considering increasing the selling price.

**REQUIRED**

**(f)** Discuss how an increase in selling price may affect Rashida's business.

.....

.....

.....

..... [2]

Rashida is considering asking her sister, Sabeena, to join her in the business.

**(g)** State **three** factors Rashida should consider before formally inviting Sabeena to become a partner.

1 .....

.....

2 .....

.....

3 .....

..... [3]

[Total: 22]

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