

# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

CANDIDATE NAME		
CENTRE NUMBER	CANDIDATE NUMBER	
ACCOUNTING		0452/12
Paper 1	Oct	ober/November 2012
		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 a soft pencil for any diagrams or graphs.

Do not use staples, paper clips, highlighters, glue or correction fluid.

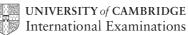
DO NOT WRITE IN ANY BARCODES.

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.	For Examiner's Use
The number of marks is given in brackets [] at the end of each question or part question.	1
	2
	3
	4
	5
	6
	Total

This document consists of 20 printed pages.



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 ( $\checkmark$ ) in the box to indicate the correct answer.

- (a) Why should a sole trader record all the financial information about her business?
  - A because she is required to do so by law

1

- **B** because she needs to pay her creditors on time
- **C** so that she can prepare final accounts
- **D** so that she knows how much her debtors owe her
- (b) Ace Motors sold a delivery van on credit to M. Johnson.

Which entries will be made in the books of Ace Motors?

	account debited	account credited	
Α	M. Johnson	motor vehicles	
В	M. Johnson	sales	
С	motor vehicles	M. Johnson	
D	sales	M. Johnson	[1]

(c) A business has a suspense account. It is found that the amount in the suspense account is in respect of a cash sale to Tahir, which was omitted from the sales account.

Which entries will correct the error?

	account debited	account credited	
Α	sales	suspense	
в	suspense	sales	
С	suspense	Tahir	
D	Tahir	suspense	[1]

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[1]

(d) A trader purchases a supply of office paper on credit.

How should this transaction be recorded?

	debit	credit	
Α	office equipment	supplier	
в	supplier	office equipment	
С	stationery	supplier	
D	supplier	stationery	[1]

(e) Amounts owed by a trader for electricity are given below.

	\$
1 January	2 000
31 December	2 500

The charge for electricity shown in the income statement for the year ended 31 December was \$15 500.

What was the amount paid for electricity during the year?

- **A** \$15 000
- **B** \$15 500
- **C** \$16 000
- **D** \$20 000
- (f) Amina lists her current assets in order of liquidity.

In which order will the current assets appear?

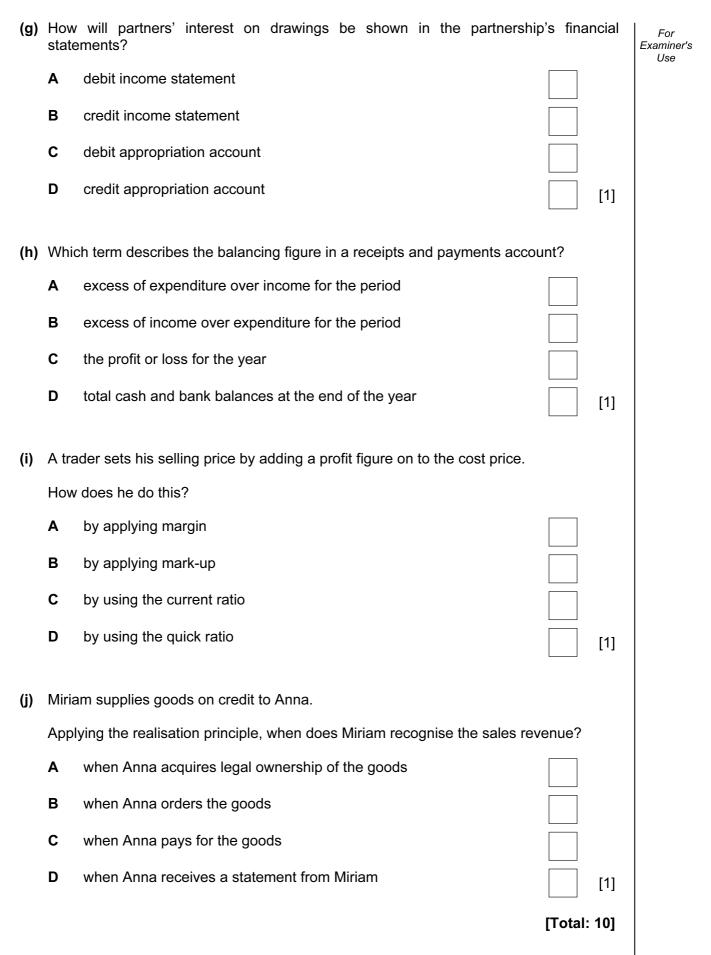
- A bank, cash, inventory, trade receivables
- B cash, bank, trade receivables, inventory
- C inventory, trade receivables, bank, cash
- D trade receivables, inventory, bank, cash



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[1]

[1]



Question 2 is on the next page.

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2 (a) Sheva returned faulty goods to her supplier, Limpo Limited. Name the business Examiner's document which Limpo Limited issued to Sheva: (i) when the goods were supplied [1] ..... (ii) when the goods were returned. [1] ..... (b) Give two examples of accounts in the nominal (general) ledger which would be entered in the trading account section of the income statement. 1 ..... 2 [2] \_\_\_\_\_ (c) Naomi bought goods on credit from Ruth for \$560. Ruth offers 21/2% discount for payment within ten days. Naomi paid her account within this period. Calculate the amount of the discount which Naomi received. ......[1] (d) Janni has been told that he must use the same method of providing depreciation from one year to the next. Name the accounting principle which is being applied. [1] ..... (e) Lynch bought goods, \$100, on credit, but he recorded this as \$1000. Name the type of error which has been made. [1] (f) Mubara keeps his petty cash book on the imprest system with an imprest amount of \$120. At 31 October there were vouchers for petty cash expenditure totalling \$74.50 in the petty cash box. He had not claimed for a train fare of \$17.50. State the amount which will remain in the petty cash box after he has claimed his train fare. .....[1]

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(g)	(i)	Explain what is meant by a bad debt.	For Examiner's Use
		[2]	
	(ii)	Explain what is meant by a provision for doubtful debts.	
		[2]	
	(iii)	Mary maintains a provision for doubtful debts at 3% of her trade receivables. On 1 September 2011 Mary's provision for doubtful debts was \$1350. On 31 August 2012 Mary's trade receivables amounted to \$48 000.	
		How much would be charged in Mary's income statement for the year ended 31 August 2012?	
		[2]	
(h)	\$0.5	gle Limited has an issued share capital of \$40 000 divided into ordinary shares of 50 each. The company declared a dividend of \$0.30 per share. What was the total pount of the dividend paid to shareholders?	
	•••••	[2]	
		[Total: 16]	
			1

**3** Walek sells goods for cash and on credit. He puts the cash receipts in a box and pays the total into his bank account each month. He pays the cheques received from his credit customers into the bank on the day he receives them.

On 1 September 2012 Walek's cash book showed a debit balance at the bank of \$2400.

Walek had the following transactions in September 2012.

September		\$
3	Cheque received from Lashki	640
4	Sold goods on credit to Sharon	420
9	Purchased goods on credit from Bruton	1980
14	Paid two weeks' wages by cheque	250
16	Cheque received from Yovell	370
28	Paid two weeks' wages by cheque	280
29	Paid cheque to Bruton	1980
30	Cash sales for the month	3560

On 21 September the bank returned Yovell's cheque dishonoured.

# REQUIRED

(a) Make the necessary entries in the bank columns of Walek's cash book to record the above transactions. Balance the cash book and bring down the balance on 1 October 2012.

Date	Details	\$	Date	Details	\$
		•••••			
		•••••			
		•••••			
		•••••			
		••••••			
					[0]

	Walek
Cash Book	(bank columns only)

[8]

(b) From the information given on page 8 and the entries in the cash book, make the entries in the following accounts in Walek's ledger to record the transactions for September 2012.

Walek Sales account
Purchases account
Wagoo account
Wages account
Lashki account
Sharon account
Yovell account
Bruton account
[11]

At 30 September Walek had recorded the cash sales in his cash book, but had not For deposited the money in the bank. The cheque payable to Bruton dated 29 September was Examiner's Use not cleared by the bank until 6 October. The bank statement at 30 September showed a balance at the bank of \$2510. REQUIRED (c) Prepare a bank reconciliation statement for Walek at 30 September 2012. Walek Bank Reconciliation Statement 30 September 2012 [4] (d) Explain why items are recorded on the opposite side of the cash book to that on which they appear on the bank statement. ..... [4] [Total: 27]

Question 4 is on the next page.

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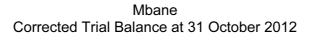
4 Mbane sells craft items from a market stall. He sells for cash and buys his goods on credit. He prepared the following trial balance at 31 October 2012. Although the trial balance totals were equal, Mbane had made some errors.

	Mbane			
Trial Balance at 31 October 2012				
	Dr	Cr		
	\$	\$		
Capital	2 600			
Motor vehicle	4 400			
Purchases	12 400			
Trade payables	3 200			
Revenue		30 800		
Inventory 31 October 2012	3 300			
General expenses	600			
Cash at bank		5 200		
Motor vehicle expenses	860			
Drawings	8 640			
-	36 000	36 000		

Mbane had inventory on 1 November 2011 of \$4500.

#### REQUIRED

(a) Prepare a corrected trial balance at 31 October 2012.



Dr	Cr \$
\$	\$
 	••••••

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[7]

(b) From your answer to (a) and the other information shown, prepare Mbane's income statement for the year ended 31 October 2012.

		·
		[8]
(c)	(i)	State the formula for the calculation of working capital.
		[1]
	(ii)	Calculate Mbane's working capital at 31 October 2012.

Mbane Income Statement for the year ended 31 October 2012

For

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# REQUIRED

(d) In the table below, place a tick (✓) under the correct heading to show the effect on Mbane's working capital of each of the following.

	Increase	Decrease	No change
Increased revenue			
Increased trade payables			
Increased motor expenses			
Reduced drawings			
	<u>.</u>		[4
(e) (i) State the formula for the calculation of the current ratio.			

(ii) Calculate Mbane's current ratio at 31 October 2012. Give your answer to one decimal place.

[2]

[Total: 25]

Question 5 is on the next page.

15

5			a bought a tractor, \$6400, on 1 January 2010 for use on his farm. The tractor will have life of four years and is expected to have a scrap value of \$800 after that time.	For Examiner's Use
	RE	QUII	RED	
	(a)	Sta	te <b>two</b> methods used to calculate depreciation of a non-current asset.	
		1		
		2	[2]	
	Agr	icola	a decided to use the most suitable method to depreciate his tractor.	
	RE	QUII	RED	
	(b)	Cal	culate the following. Show your workings.	
		(i)	Depreciation for <b>each</b> of the two years ended 31 December 2010 and 31 December 2011.	
			[3]	
		(ii)	Net book value at 31 December 2011.	
			[2]	
	(c)	Aqı	ricola sold the tractor on 1 January 2012 for \$2600. Prepare the disposal account.	
	. ,	Ū	Agricola	
			Disposal of tractor account	
			[5]	

(d) (i) State **one** reason why there was a profit or loss on the sale of Agricola's tractor.

[2]

(ii) Suggest **one** way in which a loss on a sale of a non-current asset may be reduced or avoided.

[2]

On checking his accounting records, Agricola discovered the following errors:

- 1 A cheque, \$320, paid to Cattle Feeds Ltd had been debited to the account of Cattle & Co.
- 2 Repairs to farm machinery, \$30, had been recorded in the farm machinery account.

# REQUIRED

(e) Prepare journal entries to correct the above errors. Narratives are required.

Agricola Journal		
	Debit \$	Credit \$
		[

[Total: 22]

- 18
- **6** Conrad has a supermarket and sells food and other groceries. Congo has a smaller shop and only sells fresh fruit and vegetables.

The following information is available for the year ended 30 September 2012.

	Conrad	Congo
	\$	\$
Revenue	120 000	48 000
Gross profit	42 000	26 400
Profit for the year	14 400	17 600
Capital at 1 October 2011	96 000	50 000

# REQUIRED

(a) (i) For **each** business, calculate the percentage of gross profit to revenue. Show your workings and give your answers to **one** decimal place.

Conrad	Congo

[4]

(ii) Give **one** reason for the difference in the percentage of gross profit to revenue between the two businesses.

[2]

(b) (i) For each business calculate the percentage of profit for the year to revenue. Show your workings and give your answers to **one** decimal place.

 Conrad
 Congo

[4]

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(ii) State **one** reason for the difference in the percentage of profit for the year to revenue between the two businesses.

[2]

(c) (i) For each business calculate the return on the opening capital employed. Show your workings and give your answers to **one** decimal place.

Congo

(ii) Give one reason for the difference in the return on opening capital employed For between the two businesses. Examiner's Use ..... [2] ..... (d) Conrad believes that he will increase his profit by increasing his sales. Explain why this may not be the case. ..... . . . . . . . . . . . . . . . . [2] [Total: 20]

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