



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

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ACCOUNTING

0452/13

Paper 1

October/November 2016

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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This document consists of **22** printed pages and **2** blank 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 (✓) in the box to indicate the correct answer.

1 **(a)** What is the purpose of accounting?

- | | | | |
|----------|--------------------------------------------------------|--------------------------|-----|
| A | to check the arithmetical accuracy of the double entry | <input type="checkbox"/> | |
| B | to control inventory levels | <input type="checkbox"/> | |
| C | to ensure that all transactions are recorded | <input type="checkbox"/> | |
| D | to prepare financial statements | <input type="checkbox"/> | [1] |

(b) Alice had owed Brian \$120 for a long time. Brian decided to write off the balance on Alice's account but in error entered \$210 in the bad debts account.

Which entries correct this error?

- | | debit entry | | credit entry | | | |
|----------|-------------|------|--------------|------|--------------------------|-----|
| A | Alice | \$90 | bad debts | \$90 | <input type="checkbox"/> | |
| B | bad debts | \$90 | Alice | \$90 | <input type="checkbox"/> | |
| C | bad debts | \$90 | suspense | \$90 | <input type="checkbox"/> | |
| D | suspense | \$90 | bad debts | \$90 | <input type="checkbox"/> | [1] |

(c) A trader's cash book had a debit balance of \$50. When the bank statement arrived he saw that a customer's cheque for \$80 had been dishonoured, and that the bank had charged him \$10 in bank charges.

What was the balance on the cash book when it had been updated?

- | | | | |
|----------|-------------|--------------------------|-----|
| A | \$20 credit | <input type="checkbox"/> | |
| B | \$40 credit | <input type="checkbox"/> | |
| C | \$120 debit | <input type="checkbox"/> | |
| D | \$140 debit | <input type="checkbox"/> | [1] |

(d) Where are bad debts recorded in the control accounts?

A on the credit side of the purchases ledger control account

B on the credit side of the sales ledger control account

C on the debit side of the purchases ledger control account

D on the debit side of the sales ledger control account

[1]

(e) Which statements are true about capital employed?

1 It equals non-current assets plus net current assets.

2 It equals owner's capital less non-current liabilities.

3 It represents total funds invested in the business.

A 1 only

B 1 and 3

C 2 and 3

D 3 only

[1]

(f) A partnership had a profit for the year of \$60 000.

Interest on capital was

Jamila \$4 000

Kate \$2 000

Drawings were

Jamila \$18 000

Kate \$10 000

Profits were shared equally.

What was the total amount credited to Jamila's current account at the end of the year?

A \$13 000

B \$27 000

C \$29 000

D \$31 000

[1]

(g) A company provided the following information.

| | \$ |
|-----------------------------|--------|
| profit for the year | 85 000 |
| dividend paid | 15 000 |
| transfer to general reserve | 10 000 |
| proceeds of share issue | 30 000 |

By how much did total equity (shareholders' funds) increase during the year?

- A \$60 000
- B \$90 000
- C \$100 000
- D \$105 000 [1]

(h) Why did the trade receivables collection period of a trader decrease from 32 days to 21 days?

- A He increased the rate of cash discount.
- B He increased the rate of trade discount.
- C His credit sales decreased.
- D His credit sales increased. [1]

(i) A trader provided the following information.

| | \$ |
|---------------------------------------------|--------|
| Cash sales for the year | 6 000 |
| Credit sales for the year | 84 000 |
| Trade receivables at the year end | 7 400 |
| Bad debts to be written off at the year end | 1 300 |

What was the trade receivables collection period?

- A 25 days
- B 27 days
- C 31 days
- D 33 days [1]

(j) The directors of a company ensured that the financial statements represented actual events.

Which accounting objective was applied?

A comparability

B relevance

C reliability

D understandability

[1]

[Total: 10]

2 (a) Complete the following sentences using the words 'debit' and 'credit'.

A decrease in a non-current asset account requires a entry.

An increase in a liability account requires a entry.

An increase in an expense account requires a entry. [3]

(b) Give **one** example of a liability.

..... [1]

(c) State how a book-keeper records a depreciation charge for the year.

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

[2]

(d) State **one** reason why a business uses books of prime (original) entry.

.....
 [1]

(e) Name **two** books of prime (original) entry which a business may maintain. In **each** case name a source document which would be recorded in that book.

| | book of prime (original) entry | source document |
|---|--------------------------------|-----------------|
| 1 | | |
| 2 | | |

[4]

(f) State the difference between a trading business and a service business.

.....

 [3]

- (g) Complete the following table. Indicate with a tick (✓) whether **each** item can appear in the financial statements of a trading business, a service business, or both.

| | trading business only | service business only | both |
|---------------------|-----------------------|-----------------------|------|
| cost of sales | | | |
| gross profit | | | |
| discount allowed | | | |
| profit for the year | | | |

[4]

- (h) Complete the following table, naming **each** accounting principle being described.

| | principle |
|------------------------------------------------------------------------------------------|-----------|
| the same accounting treatment should be applied to similar items at all times | |
| transactions should be expressed in monetary terms | |
| financial statements should assume that a business will continue to operate indefinitely | |

[3]

[Total: 21]

3 Winston is a manufacturer who rents his premises.

Until 31 December 2015 the rent was \$1000 a month. From 1 January 2016 the rent was \$1200 a month.

REQUIRED

(a) Calculate the rent for the year ended 31 August 2016.

.....
.....
..... [1]

The balance on Winston’s rent account on 1 September 2015 was \$1000 credit. During the year he made three payments of rent, by cheque, as follows.

| | \$ |
|------------------|------|
| 4 September 2015 | 6000 |
| 1 March 2016 | 7400 |
| 9 July 2016 | 3600 |

REQUIRED

(b) State what the balance on 1 September 2015 represented.

.....
..... [1]

Jared buys goods from Winston. On 1 August 2016 Jared owed Winston \$300. During August 2016 the following took place.

- August 3 Jared bought goods, list price \$600, after deducting 20% trade discount.
- 6 Jared returned goods, list price \$50.
- 9 Jared paid, by cheque, the balance due on 1 August after deducting 3% cash discount.
- 18 Jared purchased further goods, list price \$400, after deducting trade discount as before.

REQUIRED

(d) Prepare Jared’s account in Winston’s sales ledger for the month of August 2016. Balance the account and bring down the balance on 1 September 2016.

Winston
Sales ledger
Jared account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
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[8]

Winston also buys goods from Jared and on 31 August 2016 he owed Jared \$40. Winston decided to make a contra entry on 1 September 2016 to set off the accounts in the sales and purchases ledgers.

REQUIRED

(e) State the double entry needed to set off the accounts.

| account debited | account credited |
|-----------------|------------------|
| | |

[2]

(f) Name the accounting term Winston uses for his partially finished products.

..... [1]

(g) Complete the following table, indicating with a tick (✓) where **each** item would appear in Winston’s financial statements. The first has been completed as an example.

| | manufacturing account | income statement |
|-----------------------------|-----------------------|------------------|
| purchases of raw materials | ✓ | |
| salesmen’s wages | | |
| carriage outwards | | |
| purchases of finished goods | | |
| machine operators’ wages | | |
| factory supervisor’s salary | | |
| inventory of raw materials | | |
| carriage inwards | | |
| inventory of finished goods | | |

[4]

[Total: 22]

4 Arun, a trader, admitted Rajiv as a partner on 1 July 2015.

REQUIRED

(a) State **one** advantage to Arun of admitting a partner.

.....
 [1]

(b) State **one** reason why it was useful for Arun and Rajiv to have a partnership agreement.

.....
 [1]

(c) State **two** items which might be included in a partnership agreement.

1
 2 [2]

On 1 August 2015 Rajiv withdrew \$1000 from the business bank account for his own use.

REQUIRED

(d) State the double entry needed to record the withdrawal.

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

[2]

Rajiv made further drawings during the year and at the year end the balance on his drawings account was \$7500.

REQUIRED

(e) State the double entry needed at the year end to account for Rajiv’s drawings.

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

[2]

Friedrich and Graham were also in partnership as accountants with a year end of 31 July. On 31 July 2016 the balances in their books of account were as follows.

| | \$ | |
|-----------------------------|-------|--------|
| Bank | 4800 | debit |
| Cash | 200 | |
| Fees received | 81000 | |
| Rent paid | 12000 | |
| Wages | 6800 | |
| Administration costs | 19500 | |
| Drawings – Friedrich | 25000 | |
| – Graham | 16100 | |
| Equipment | 24200 | |
| Provision for depreciation | 6500 | |
| Trade receivables | 17400 | |
| Other payables | 1100 | |
| Capital account – Friedrich | 20000 | |
| – Graham | 15000 | |
| Current account – Friedrich | ? | |
| – Graham | 3300 | credit |

REQUIRED

(f) Prepare the partnership’s trial balance at 31 July 2016.

Friedrich and Graham
Trial Balance at 31 July 2016

| | \$ | \$ |
|-----------------------------|-------|-------|
| Bank | ..... | ..... |
| Cash | ..... | ..... |
| Fees received | ..... | ..... |
| Rent paid | ..... | ..... |
| Wages | ..... | ..... |
| Administration costs | ..... | ..... |
| Drawings – Friedrich | ..... | ..... |
| – Graham | ..... | ..... |
| Equipment | ..... | ..... |
| Provision for depreciation | ..... | ..... |
| Trade receivables | ..... | ..... |
| Other payables | ..... | ..... |
| Capital account – Friedrich | ..... | ..... |
| – Graham | ..... | ..... |
| Current account – Friedrich | ..... | ..... |
| – Graham | ..... | ..... |
| | | |
| | | |

[8]

[Total: 16]

Boris provided the following additional information.

| | |
|-------------------------------|-----------|
| Trade payables at 1 July 2015 | \$ 710 |
|-------------------------------|-----------|

During the year ended 30 June 2016

| | |
|--------------------------------|------|
| Payments to credit suppliers | 4320 |
| Invoices received | 4500 |
| Trade payables at 30 June 2016 | 680 |

REQUIRED

- (b) Prepare the total trade payables account for the year ended 30 June 2016 to determine the discount received by Boris during the year.

Boris
Total trade payables account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
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[5]

(d) Comment on Boris's drawings policy.

.....
.....
..... [2]

[Total: 24]

Question 6 is on the next page.

- 6 The Chess Club also runs a shop for its members. Its receipts and payments account for the year ended 31 December 2015 is as follows.

Chess Club
Receipts and Payments Account for the year ended 31 December 2015

| | | | |
|---------------|---------------|----------------|---------------|
| | \$ | | \$ |
| Balance b/d | 4 100 | Rent | 4 800 |
| Subscriptions | 17 700 | Purchases | 5 700 |
| Shop sales | 6 700 | Wages – shop | 1 200 |
| | | Wages – club | 8 400 |
| | | Club equipment | 3 800 |
| | | Club expenses | 4 300 |
| | | Balance c/d | 300 |
| | <u>28 500</u> | | <u>28 500</u> |

Other information is as follows.

| | 1 January 2015 | 31 December 2015 |
|--------------------------------|-------------------|---------------------|
| | \$ | \$ |
| Subscriptions in arrears | 550 | 950 |
| Club equipment at valuation | 3100 | 5150 |
| Shop inventory | 580 | 310 |
| Amounts owed to shop suppliers | 170 | 350 |

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