



# Cambridge IGCSE™

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## ACCOUNTING

0452/22

Paper 2 Structured Written Paper

October/November 2022

1 hour 45 minutes

You must answer on the question paper.

No additional materials are needed.

### INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

### INFORMATION

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [ ].
- Where you are asked to complete a layout, you may not need all the lines for your answer.

This document has **20** pages. Any blank pages are indicated.

- 1 BC a sole trader prepared the following trial balance from his accounts on 31 August 2022.

|  | Dr<br>\$       | Cr<br>\$       |
|--|----------------|----------------|
| Purchases  | 120 000        |                |
| Revenue  |                | 231 500        |
| Sales returns                                    | 3 600          |                |
| Inventory 1 September 2021                       | 11 100         |                |
| Capital  |                | 111 900        |
| Bank   |                | 4 100          |
| Non-current assets at cost                       |                |                |
| Premises   | 98 000         |                |
| Machinery  | 52 000         |                |
| Provision for depreciation of non-current assets |                |                |
| Machinery  |                | 28 400         |
| Commission receivable                            |                | 2 200          |
| Trade receivables                                | 19 200         |                |
| Trade payables                                   |                | 7 300          |
| Discount allowed                                 | 600            |                |
| Discount received                                |                | 1 400          |
| Insurance  | 9 600          |                |
| Repairs  | 12 400         |                |
| Salaries   | 53 900         |                |
| Rates  | 6 000          |                |
| Carriage inwards                                 | 400            |                |
|  | <u>386 800</u> | <u>386 800</u> |

Additional information

- The closing inventory at 31 August 2022 was valued at \$12 000.
- Commission received of \$800 was owing at 31 August 2022.
- The balance shown for salaries covers the 11 months to 31 July 2022. Salaries for August 2022 are due and unpaid. There have been no salary increases over the previous 12 months and an equal amount is paid each month.
- At 31 August 2022 rates were prepaid by \$300.
- The insurance included \$700 covering a private insurance premium for BC.
- The repairs included \$4 000 that related to a new attachment for machinery.
- Machinery is to be depreciated at the rate of 20% per annum by the reducing balance method. A full year's depreciation is charged regardless of the date of any purchases. There were no disposals during the year. Premises are not depreciated.



(b) Calculate the working capital at 31 August 2022.

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BC has been making future plans for the business and he needs to purchase \$6000 of machinery immediately. There are two options to finance the purchase.

Option 1        On credit with the full amount of \$6000 payable in 60 days

Option 2        Obtain a \$6000 8% loan repayable in 5 years

**REQUIRED**

(c) Advise BC on which option he should use. Justify your answer.

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[Total: 20]

- 2 MC is a trader who maintains a full set of accounting records and prepares control accounts at the end of each month.

**REQUIRED**

- (a) Complete the table to name the book of prime entry which MC would use to obtain information when preparing control accounts.

| Item                                    | Book of prime entry |
|---|---------------------|
| Discount received from credit suppliers |                     |
| Purchases returns                       |                     |
| Contra entries                          |                     |
| Interest charged by credit suppliers    |                     |

[4]

- (b) Explain how a contra entry is treated in the ledger accounts.

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..... [2]

MC has provided the following information for the month of July 2022.

|   |         |
|---|---------|
|   | \$      |
| On 1 July 2022                                      |         |
| Purchases ledger control account credit balance b/d | 21 400  |
| Purchases ledger control account debit balance b/d  | 130     |
| Totals for the month                                |         |
| Credit purchases                                    | 259 600 |
| Credit purchases returns                            | 9 800   |
| Cash purchases                                      | 240     |
| Cheques paid to credit suppliers                    | 228 200 |
| Discount received                                   | 12 900  |
| Cash paid to credit suppliers                       | 500     |
| Interest charges by credit suppliers                | 150     |
| Contra sales ledger                                 | 2 260   |

At 31 July 2022 the purchases ledger control account had a credit balance c/d of \$180.

**REQUIRED**

(c) Prepare the purchases ledger control account for the month of July 2022. Balance the account and bring down the balances on 1 August 2022.

MC  
Purchases ledger control account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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[9]

Currently MC purchases all goods from a local supplier. He has been offered a monthly price reduction of \$2000 if he changes to an annual contract purchasing all goods from a new overseas supplier.

**REQUIRED**

(d) Advise MC whether he should change to the new overseas supplier. Justify your answer.

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[Total: 20]



- 3 MG has been in business for a number of years as a furniture manufacturer. On 31 August 2022 the bank column of his cash book showed the business had \$25 600 in the bank account. The bank statement on this date showed a credit balance of \$24 815.

The following transactions were included only in the cash book.

|                         |     |
|-------------------------|-----|
|                         | \$  |
| Cheque paid to JW       | 680 |
| Cheque received from TH | 910 |

In addition, an error had been identified. A standing order for rates of \$205 had incorrectly been recorded in the cash book as \$255.

The following transactions were included only on the bank statement.

|                                     |     |
|-------------------------------------|-----|
|                                     | \$  |
| Dishonoured cheque received from RJ | 420 |
| Insurance paid by direct debit      | 110 |
| Bank charges                        | 75  |

**REQUIRED**

- (a) Update the cash book of MG. Bring down the updated balance on 1 September 2022.

MG  
Cash book (bank columns only)

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

(b) Prepare a bank reconciliation statement at 31 August 2022.

MG  
Bank reconciliation statement at 31 August 2022

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..... [4]

(c) State **two** reasons why a business would prepare a bank reconciliation statement.

1 .....  
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2 .....  
..... [2]

(d) State **two** possible reasons why the cheque from RJ was dishonoured.

1 .....  
.....  
2 .....  
..... [2]

(e) Explain the differences between a direct debit and a standing order.

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..... [2]



- 4 PG a trader sells electrical components. She has provided the following information for the year ended 31 July 2022.

|   |         |
|---|---------|
|   | \$      |
| Sales journal for the year ended 31 July 2022         | 360 000 |
| Sales returns journal for the year ended 31 July 2022 | 13 300  |
| Trade receivables at 1 August 2021                    | 28 500  |
| Provision for doubtful debts at 1 August 2021         | 1 140   |

Cash book extract of totals for the year ended 31 July 2022

|                   | Discount<br>Allowed | Cash   | Bank    |  | Bank  |
|-------------------|---------------------|--------|---------|--|-------|
|                   | \$                  | \$     | \$      |  | \$    |
| Trade receivables | 6 500               |        | 335 100 | Trade receivables<br>(dishonoured cheques) | 4 000 |
| Sales             |                     | 17 000 |         |  |       |

Additional information

- 1 \$900 of trade receivables were written off as irrecoverable debts on 31 July 2022. There were no other irrecoverable debts during the year.
- 2 The provision for doubtful debts is to be set at 4% of trade receivables at 31 July 2022.

**REQUIRED**

- (a) Prepare the following ledger accounts for the year ended 31 July 2022. Where appropriate show the balance brought down on 1 August 2022.

PG  
Sales account

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

Sales returns account

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

Trade receivables account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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Irrecoverable debts account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
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Provision for doubtful debts account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
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[13]

(b) Prepare a relevant extract from PG’s statement of financial position at 31 July 2022.

PG  
Extract from statement of financial position at 31 July 2022

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(c) List **three** ways in which PG could reduce the possibility of irrecoverable debts.

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(d) State **two** factors PG should consider when setting the provision for doubtful debts.

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[Total: 20]

5 Sian and Tom are in partnership sharing profits and losses in proportion to capital invested. The partnership agreement states the following:

- 1 interest on capital is allowed at 6% per annum
- 2 Sian is allowed a salary of \$20 000 per annum
- 3 interest on drawings is charged at 3% per annum, charged for each proportion of the year

The profit for the year before appropriation for the year ended 31 March 2022 was \$59 190.

Drawings made during the year were:

|                | Sian<br>\$ | Tom<br>\$ |
|----------------|------------|-----------|
| 1 April 2021   | 8 000      | 10 000    |
| 1 October 2021 | 6 000      | 12 000    |

The capital account balances on 1 April 2021 were:

|      | \$      |
|------|---------|
| Sian | 150 000 |
| Tom  | 100 000 |





The current account balances on 1 April 2021 were:

|      |              |
|------|--------------|
|      | \$           |
| Sian | 3 000 credit |
| Tom  | 7 000 debit  |

**REQUIRED**

(b) Prepare the extract from the statement of financial position of Sian and Tom that shows the capital accounts and the full details of their current accounts at 31 March 2022.

Sian and Tom  
Statement of financial position (extract) at 31 March 2022

|       | \$    | \$    | \$    |
|-------|-------|-------|-------|
| ..... | ..... | ..... | ..... |
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[8]

(c) Explain the significance of a debit balance in a partner's current account.

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Sian and Tom prepare their financial statements on a going concern basis.

(d) Explain the accounting principle of going concern.

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..... [2]

[Total: 20]



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