



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

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ACCOUNTING

0452/12

Paper 1

May/June 2014

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 **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 (✓) in the box to indicate the correct answer.

1 **(a)** Which task would an accountant perform?

- | | | | |
|----------|---|--------------------------|-----|
| A | analysing financial information | <input type="checkbox"/> | |
| B | drawing up a trial balance | <input type="checkbox"/> | |
| C | preparing sales and purchases ledger accounts | <input type="checkbox"/> | |
| D | writing up the books of prime entry | <input type="checkbox"/> | [1] |

(b) Which statement is **not** correct?

- | | | | |
|----------|---|--------------------------|-----|
| A | Accounting can help to control costs. | <input type="checkbox"/> | |
| B | Accounting can help to identify profit trends. | <input type="checkbox"/> | |
| C | Accounting can help to measure the motivation of workers. | <input type="checkbox"/> | |
| D | Accounting can help to monitor liquidity. | <input type="checkbox"/> | [1] |

(c) A flower shop receives an invoice for 200 plants at \$5 each, less 20% trade discount, from A. Field. The plants were bought on credit and for resale.

Which entry records the transaction in the flower shop's books?

| | account to be debited | | account to be credited | | |
|----------|-----------------------|------|------------------------|------|--------------------------|
| | | \$ | | \$ | |
| A | purchases | 1000 | A. Field | 1000 | <input type="checkbox"/> |
| B | A. Field | 1000 | purchases | 1000 | <input type="checkbox"/> |
| C | purchases | 800 | A. Field | 800 | <input type="checkbox"/> |
| D | A. Field | 800 | purchases | 800 | <input type="checkbox"/> |

[1]

- (d) A bank reconciliation statement is drawn up starting with the debit balance shown in the cash book.

The difference between the balance in the cash book and that shown on the bank statement is caused by a bank error overstating bank charges and a cheque not yet presented.

How are these items shown in the bank reconciliation statement?

| | bank error overstating bank charges | cheque not yet presented | |
|----------|-------------------------------------|--------------------------|--------------------------|
| A | added | added | <input type="checkbox"/> |
| B | added | deducted | <input type="checkbox"/> |
| C | deducted | added | <input type="checkbox"/> |
| D | deducted | deducted | <input type="checkbox"/> |

[1]

- (e) A trader provided the following information.

| | | \$ |
|----------|--------------------------------------|-------------|
| 1 April | sales ledger control account balance | 9 600 debit |
| 30 April | totals for the month: | |
| | credit sales | 11 300 |
| | sales returns | 800 |
| | cheques received from debtors | 8 700 |

What was the balance on the sales ledger control account on 30 April?

- A** \$6200
- B** \$7800
- C** \$11 400
- D** \$13 000
- [1]

(f) The following information is extracted from the rent account of a business.

| | \$ |
|--|------|
| owing at 1 January 2013 | 400 |
| rent paid in year ended 31 December 2013 | 1700 |
| rent paid in advance at 31 December 2013 | 250 |

How much rent was payable for the year ended 31 December 2013?

- A** \$1050
- B** \$1550
- C** \$1850
- D** \$2350 [1]

(g) A business maintains a provision for doubtful debts.

Which two accounting principles are being applied?

- A** accruals (matching) and prudence
- B** business entity and duality
- C** consistency and realisation
- D** money measurement and going concern [1]

(h) Emily is a trader. She provided the following information on 30 April 2014.

| | \$ |
|---------------------|--------|
| non-current assets | 25 000 |
| current assets | 15 000 |
| current liabilities | 12 000 |

Her capital on 1 May 2013 was \$20 000. She did not make any drawings during the year.

What was Emily's profit for the year ended 30 April 2014?

- A** \$8000
- B** \$23 000
- C** \$32 000
- D** \$48 000 [1]

- (i) The table shows information relating to two businesses trading in the same type of goods.

| business | rate of inventory turnover | quick ratio |
|----------|----------------------------|-------------|
| Y | 3 times a year | 1.5 : 1 |
| Z | 9 times a year | 0.7 : 1 |

Which statement is correct?

- A** Business Y has a good rate of inventory turnover but has poor liquidity.
- B** Business Y has a poor rate of inventory turnover and has poor liquidity.
- C** Business Z has a good rate of inventory turnover but has poor liquidity.
- D** Business Z has a poor rate of inventory turnover and has poor liquidity. [1]

- (j) What will **not** be found in the financial statements of a business?

- A** the amount the business owes to suppliers
- B** the income and running costs of the business
- C** the skill and experience of the employees
- D** the value of the assets owned by the business [1]

[Total: 10]

2 (a) Explain the meaning of the following terms.

1 asset

.....

2 liability

.....

3 owner's capital

..... [3]

(b) Complete the table below using a tick (✓) to indicate if each item is an asset or a liability. The first has been completed as an example.

| | Asset | Liability |
|---------------|-------|-----------|
| Inventory | ✓ | |
| Motor vehicle | | |
| Creditor | | |
| Debtor | | |
| Bank loan | | |
| Cash | | |

[5]

Archie is a trader with a year end of 31 December. During the year he made the following transactions.

- 1 On 1 January paid \$10 000 of his own money into the business bank account.
- 2 On 1 January bought plant and equipment, \$6000, paying half by cheque and paying half with a loan from ABC Finance.
- 3 On 30 June took \$500 in cash as drawings.
- 4 On 31 December paid by bank transfer \$210 interest on the loan from ABC Finance.
- 5 On 31 December paid \$1000 by cheque as the first repayment of the loan.
- 6 On 31 December provided \$600 depreciation on the plant and equipment.

REQUIRED

(c) Complete the table below, showing the double entry recording each of these transactions. The first has been completed as an example.

| | Debit entry | | Credit entry | |
|---|---------------------|---------------|------------------------|---------------|
| | | \$ | | \$ |
| 1 | <i>Bank account</i> | <i>10 000</i> | <i>Capital account</i> | <i>10 000</i> |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |

[11]

(d) Calculate the annual rate of interest Archie was paying on the loan.

.....

.....

..... [2]

(e) Explain how a bank overdraft can arise.

.....

.....

..... [2]

(f) The cheque issued by Archie on 31 December did not appear on the bank statement until 6 January. State the term given to this cheque in Archie's bank reconciliation statement on 31 December.

..... [1]

[Total: 24]

3 (a) (i) Name **one** ledger account which might be found in the nominal (general) ledger.

..... [1]

(ii) Name **one** other type of ledger which a business might maintain.

..... [1]

(iii) Explain why dividing the ledger into sections makes it easier to use.

.....

 [2]

(b) Complete the table below to indicate in which financial statement each item would appear. State to which type of business each item relates.

The first has been completed as an example.

| | Financial statement | Type of organisation |
|-------------------------------|--|------------------------|
| Ordinary share capital | <i>Statement of financial position</i> | <i>Limited company</i> |
| Accumulated fund | | |
| Interest on capital | | |
| Ordinary share dividends paid | | |
| Debenture interest | | |

[8]

(c) State **two** differences between debentures and ordinary shares.

1

2

 [4]

(d) Explain why a limited company might decide **not** to distribute all of its profit for the year in the form of a dividend.

.....

.....

.....

..... [2]

[Total: 18]

- 4 (a) Matsumi was inexperienced in book-keeping and drew up a trial balance which failed to balance. Name the account she could have opened to enable the trial balance to balance.

..... [1]

The trial balance which she drew up, and which contained errors, was as follows.

Matsumi
Trial Balance at 30 April 2014

| | Dr \$ | Cr \$ |
|--|-------------------|---------------|
| Bank overdraft | | 2 320 |
| Cash | | 100 |
| Fixtures and fittings at cost | | 6 800 |
| Provision for depreciation at 1 May 2013 | 1 360 | |
| Fees receivable | 28 105 | |
| Interest payable | 200 | |
| Rent payable | 6 000 | |
| Advertising | 430 | |
| Wages | | 8 005 |
| Loan account | 3 000 | |
| Capital at 1 May 2013 | | 2 950 |
| Drawings | <u> </u> | <u>16 200</u> |
| | <u>39 095</u> | <u>36 375</u> |

REQUIRED

(b) Prepare a corrected trial balance at 30 April 2014.

Matsumi
Trial Balance at 30 April 2014

| | Dr \$ | Cr \$ |
|--|----------|----------|
| Bank overdraft | | |
| Cash | | |
| Fixtures and fittings at cost | | |
| Provision for depreciation at 1 May 2013 | | |
| Fees receivable | | |
| Interest payable | | |
| Rent payable | | |
| Advertising | | |
| Wages | | |
| Loan account | | |
| Capital at 1 May 2013 | | |
| Drawings | | |
| | _____ | _____ |
| | _____ | _____ |

[6]

(c) Explain why the capital account balance in the trial balance is that of 1 May 2013.

.....

.....

..... [2]

(d) Suggest the line of business in which Matsumi may be working.

.....

..... [1]

- (e) Matsumi depreciates her fixtures and fittings at the rate of 20% per annum using the reducing (diminishing) balance method. Calculate the depreciation charge for the year ended 30 April 2014.

.....

.....

.....

.....

.....

.....

..... [2]

- (f) Prepare the provision for depreciation account for the year ended 30 April 2014. Balance the account and bring down the balance on 1 May 2014.

Provision for depreciation account

.....

.....

.....

.....

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.....

..... [4]

[Total: 16]

5 (a) Complete the sentences below, using the terms

current assets
inventory

direct labour
raw materials

finished goods
work in progress

A manufacturing business is one which purchases and by using converts them into If some units of production are only partially complete they are known as These appear as under the heading in the statement of financial position.

[6]

Randeep provided the following information.

| | \$ |
|--|---------|
| At 1 April 2013 | |
| Inventory of raw materials | 16 200 |
| Inventory of finished goods | 9 100 |
| For the year ended 31 March 2014 | |
| Purchases of raw materials | 159 000 |
| Carriage on raw materials | 4 800 |
| Wages of factory workers | 72 000 |
| Salary of factory supervisor | 20 000 |
| Factory rent | 30 000 |
| Depreciation of factory machinery | 38 000 |
| Total administration and selling costs | 64 600 |
| Revenue | 410 000 |
| At 31 March 2014 | |
| Inventory of raw materials | 17 500 |
| Inventory of finished goods | 8 200 |

(c) Name **one** indirect cost from the information on **page 13**.

..... [1]

(d) Suggest **two** items which might be included in the total of administration and selling costs.

1

2 [2]

[Total: 24]

6 (a) Explain the difference between capital expenditure and revenue expenditure.

.....

.....

.....

..... [2]

(b) Complete the table below, indicating with a tick (✓) how each item would be classified. The first has been completed as an example.

| | Capital expenditure | Revenue expenditure |
|------------------------------------|---------------------|---------------------|
| Salesman's commission | | ✓ |
| Carriage of raw materials | | |
| Purchases of goods for resale | | |
| Purchases of plant and equipment | | |
| Payment of insurance | | |
| Legal fees on purchase of property | | |

[5]

Morwenna provided the following information about her assets and liabilities at 30 April 2014.

| | | |
|---|--------|----|
| | \$ | |
| Motor vehicles at cost | 18 000 | |
| Provision for depreciation of motor vehicles | 6 200 | |
| Fixtures and fittings at cost | 15 000 | |
| Provision for depreciation of fixtures and fittings | 4 500 | |
| Goodwill | 10 000 | |
| Inventory | 41 000 | |
| Trade receivables | 28 000 | |
| Bank | 2 200 | Cr |
| Trade payables | 44 000 | |

REQUIRED

(c) Calculate to two decimal places Morwenna's current ratio at 30 April 2014.

.....

.....

.....

..... [2]

When Morwenna's accountant checked her figures he discovered the following.

- 1 The goodwill figure represented Morwenna's estimate of the value of the good reputation of her business.
- 2 Inventory had been calculated at selling price, after applying a mark up of \$10 250.
- 3 During the year motor vehicle repairs, \$800, had been debited to the motor vehicle account. This did not affect the depreciation for the year.
- 4 During the year new fixtures and fittings, \$1000, had been debited to the stationery account. No depreciation was charged on non-current assets purchased during the year.
- 5 On 30 April 2014, Morwenna was two months in arrears in paying her rent of \$1500 a month.

(e) Calculate to two decimal places Morwenna’s current ratio at 30 April 2014 based on her statement of financial position figures.

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

(f) Comment on the liquidity of Morwenna’s business.

.....
.....
.....
..... [3]

[Total: 28]

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