UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER							CANDIDATE NUMBER					

7389318775

ACCOUNTING **0452/13**

Paper 1 **May/June 2010**

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.
The number of marks is given in brackets [ ] at the end of each question or part question.

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1	
2	
3	
4	
5	
6	
Total	

This document consists of **18** printed pages and **2** blank pages.

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International Examinations

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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)** Businesses use financial records to prepare financial statements (final accounts).

Which record is used in the preparation of the balance sheet?

A bank statement ☐

B cash book ☐

C purchases journal ☐

D sales journal ☐ [1]

(b) Which documents received by a business are used to write up the purchases returns journal?

A credit notes ☐

B debit notes ☐

C statements ☐

D sales invoices ☐ [1]

(c) A business keeps a petty cash book with an imprest amount of $300. During September the following transactions take place:

	$
imprest restored on 1 September	100
petty cash drawn from bank on 15 September	150
expenses paid from petty cash	400

What amount will be required to restore the imprest on 30 September?

A $50 ☐ **B** $250 ☐ **C** $400 ☐ **D** $550 ☐ [1]

(d) Which error would **not** be revealed by a trial balance?

A completely omitting a transaction

B incorrectly balancing an account

C making only one entry for a transaction

D recording a transaction twice on the same side [1]

(e) Which will be shown on a bank statement?

A cash paid into bank not yet credited

B cheque dishonoured

C cheque drawn not yet presented

D petty cash payment [1]

(f) What is meant by the realisation concept?

A Revenue and profit should not be anticipated.

B Revenue is recognised as being earned when ownership of goods passes to the customer.

C Similar items should be accounted for in a similar way from one accounting period to the next.

D Transactions must be expressed in monetary terms. [1]

(g) A business values its inventory (stock) of items X and Y. The following information is available.

item	amount	cost price per unit	net realisable value per unit
X	300 units	$3	$4
Y	600 units	$6	$5

What is the total value of the inventory (stock)?

A $3900 **B** $4200 **C** $4500 **D** $4800 **[1]**

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(h) What is the effect of **not** including intangible assets on the balance sheet?

A overstate the value of the non-current (fixed) assets

B overstate the value of the working capital

C understate the value of the current assets

D understate the total value of the assets [1]

(i) Which will appear in the income statement (profit and loss account) of a limited company?

A debenture interest paid

B preference share dividend paid

C retained profit brought forward

D transfer to general reserve [1]

(j) A trader does not keep proper accounting records. Her capital at the end of the financial year is higher than at the start. She has not introduced any further capital during the year.

What does this show?

A A net loss has been made during the year.

B Annual drawings are greater than the net profit.

C Assets less liabilities have reduced during the year.

D Net profit is greater than annual drawings. [1]

[Total: 10]

2 **(a)** Give **two** ratios used to measure the profitability of a business.

(i) ....

....

(ii) ....

.... [2]

(b) In the table below, place a tick (✓) under the correct heading to show whether the item is a current asset or a current liability:

	Current asset	Current liability
Inventory (stock)		
Trade payables (creditors)		
Other receivables (prepayments)		

[3]

(c) In the table below, place a tick (✓) to show where an entry for a dishonoured cheque would be made in the cash book.

	Bank column	Cash column
Debit side		
Credit side		

[1]

(d) Name the final account in which discount allowed should be shown.

....

.... [1]

(e) Imran buys a new machine but the cost is entered in the repairs account. Name the type of error which has been made.

.... [1]

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(f) State which accounting principle is being followed when a business makes a provision for a doubtful debt.

.... [1]

(g) Whangi's business had credit purchases for the year ended 31 March 2010 of $45 500, and carriage inwards of $2500.

His inventory (stock) at 1 April 2009 was $4000 and at 31 March 2010 was $5600.

His trade payables (creditors) at 31 March 2010 were $3750.

(i) Calculate his rate of inventory (stock) turnover. Give your answer to **two** decimal places. Show **all** your workings.

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.... [4]

(ii) Calculate his payment period for trade payables (creditors) in days. Give your answer to the nearest **whole** day. Show **all** your workings.

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.... [4]

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(h) Hooper's financial year ended on 31 March 2010. He paid wages for the year of $32 800.

He had wages outstanding as follows:

	$
at 1 April 2009	300
at 31 March 2010	450

Write up the wages account in his ledger for the year ended 31 March 2010. Show the amount transferred to the income statement (profit and loss account).

Hooper
Wages account

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.... [5]

[Total: 22]

3 Arthur and Nancy formed a partnership on 1 May 2009 to start a business selling furniture. Their partnership agreement states:

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1 Interest on capital is to be allowed at 3% per annum.

2 Salary of $15 000 per annum is to be paid to Arthur.

3 Interest is to be charged on drawings at 4% per annum on total drawings.

4 Arthur and Nancy are to share the balance of profits or losses in the ratio 2:3.

The initial capital introduced on 1 May 2009 was:

Arthur	$30 000
Nancy	$40 000

The partners' drawings for the year ended 30 April 2010 were:

Arthur	$35 000
Nancy	$15 000

The net profit of the partnership for the year ended 30 April 2010 was $89 000.

REQUIRED

(a) Calculate the interest on capital paid to **each** partner for the year ended 30 April 2010.

Show **all** your workings.

(i) Arthur

....

.... [2]

(ii) Nancy

....

.... [2]

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(b) Calculate the interest on drawings charged to **each** partner for the year ended 30 April 2010.

Show **all** your workings.

(i) Arthur

....

.... [2]

(ii) Nancy

....

.... [2]

(c) Show how the balance of the net profit for the year ended 30 April 2010 was divided between Arthur and Nancy. Show **all** your workings.

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.... [7]

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(d) Write up Arthur's current account for the year ended 30 April 2010.

Arthur
Current account

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.... [6]

(e) Arthur thinks that the partners should reduce the rate of interest charged on their drawings.

Show, by placing a tick (✓) in the table below, the effect this would have on his total earnings from the partnership:

Increase	
Reduce	
Unchanged	

[2]

[Total: 23]

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4 The following summary list of balances was taken from the books of Deali, a sole trader, on 31 March 2010.

	$	
Revenue (sales)	125 000	
Inventory (stock)	14 500	
Ordinary goods purchased (Purchases)	76 000	
Bank (overdraft)	2 300	Cr
Equipment	9 000	
Trade receivables (debtors)	1 700	
Trade payables (creditors)	2 800	
Expenses	37 500	
Capital	15 500	
Drawings	8 000	

REQUIRED

(a) Give **one** reason for preparing a trial balance.

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.... [1]

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(b) Prepare Deali's trial balance at 31 March 2010.

Show any difference you find as a balance on a suspense account.

Deali
Trial Balance at 31 March 2010

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.... [11]

After the trial balance had been prepared, it was found that an error had been made in the books of account. Sales of $1100 had been entered in the cash book but not posted to the ledger.

REQUIRED

(c) Show the journal entry, with narrative, to correct this error.

Date		Dr $	Cr $

[5]

(d) Deali had inventory (stock) of $18 000 at 31 March 2010.

Assuming that the journal entry in part **(c)** has been posted, complete Deali's summary income statement (trading and profit and loss account) for the year ended 31 March 2010.

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Deali
Summary Income Statement (Trading and Profit and Loss Account)
for the year ended 31 March 2010

		$		$
Revenue (sales)			**(i)**	
Inventory (stock) at 1 April 2009	**(ii)**			
Ordinary goods purchased (Purchases)	**(iii)**			
Inventory (stock) at 31 March 2010	**(iv)**			
Cost of sales			**(v)**	
Gross profit			**(vi)**	
Expenses			**(vii)**	
Net profit			**(viii)**	

[8]

[Total: 25]

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5 **(a)** Explain what is meant by

(i) a bad debt

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.... [2]

(ii) a provision for doubtful debts.

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.... [2]

Umtali sells goods on credit and his terms are for settlement within 30 days.

At 31 March 2010 the total of his trade receivables (debtors) was $12 600 and included the following:

Date	Customer	Amount $
10 January 2010	Veeku	300.00
31 January 2010	Wlanda	550.00

At 31 March 2010 Umtali decided to:

1 write off the balances owed by Veeku and Wlanda as bad debts.

2 set up a provision for doubtful debts of 4% of the remaining balance of trade receivables (debtors). He had not previously made such a provision.

REQUIRED

(b) Show the journal entry to write off the bad debts. A narrative is **not** required.

Date		Dr $	Cr $

[4]

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(c) Calculate the amount of the provision for doubtful debts at 31 March 2010.

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.... [3]

(d) Show the journal entry to create the provision for doubtful debts. A narrative is **not** required.

	Dr $	Cr $

[4]

(e) Assuming that the journal entries in part **(d)** above are posted, write up the bad debts account and the provision for doubtful debts account in Umtali's ledger below for the year ended 31 March 2010.

Show the transfer to the income statement (profit and loss account) and bring down any balances at 1 April 2010.

(i) Umtali
Bad debts account

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.... [2]

(ii) Umtali
Provision for doubtful debts account

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.... [2]

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(f) On 15 April 2010, Veeku paid the outstanding amount on his account in full.

Write up the bad debts recovered account for the month of April 2010.

Umtali
Bad debts recovered account

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.... [2]

[Total: 21]

6 Accounting statements can be used for decision-making purposes.

REQUIRED

(a) Give **two** examples of interested parties, other than the owner or shareholders, who may use accounting statements for decision-making purposes.

(i) ....

(ii) .... [4]

(b) Selkirk Ltd decides to extend and improve their factory building. Show by placing a tick (✓) in the table below which items of expenditure should be treated as capital and which as revenue.

	Capital	Revenue
New factory extension		
Repainting old factory		
Architect's fees for designing extension		
New plant and equipment for extension		

[4]

The cost of the new factory extension is $30 000 and the architect's fees are 10% of this amount.

The cost of the new plant and equipment is $6000.

Selkirk Ltd decides to depreciate all the costs of the new factory extension on the straight line basis over its useful life of 20 years. The factory extension is not expected to have any residual value after this time.

The company decides to depreciate the new plant and equipment on the straight line basis over its useful life of four years. The plant is expected to have a residual value of $800 after that time.

REQUIRED

(c) **(i)** Calculate the depreciation charge for a full year for the new factory extension.

Show **all** your workings.

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.... [4]

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(ii) Calculate the depreciation change for a full year for the new plant and equipment.

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.... [3]

(d) It is not usual to charge depreciation on land. Suggest **two** reasons why depreciation should **not** be charged on land.

(i) ....

....

(ii) ....

.... [4]

[Total: 19]

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