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ACCOUNTING

0452/21

Paper 2 Structured Written Paper

May/June 2024

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 Addo is a trader who only sells on credit.

His trade receivables at 1 April 2024 were as follows:

| | | |
|--------|-------------|--|
| | \$ | |
| Nuru | 920 | |
| Mahia | 1145 | |
| Ava | 1378 | |
| Rachel | 215 | |
| | <u>3658</u> | |

During April 2024, the following transactions took place:

- April 2 Sold goods to Ava, list price \$150, less 6% trade discount
- 9 Received telephone transfer from Ava, \$689
- 12 Sold goods to Nuru, \$165
- 13 Received cheque, \$627, from Mahia, in full settlement of an invoice for \$660
- 19 Received \$760 from Nuru by electronic transfer. Nuru had deducted 5% cash discount
- 20 Nuru returned goods \$30
- 21 Sold goods to Mahia, list price \$480, trade discount 5%, cash discount 5% if invoice paid within 30 days
- 30 Rachel has become bankrupt and Addo decides to write off the amount owing from her, as irrecoverable

REQUIRED

- (a) Prepare the sales journal for April 2024.
Total the sales journal and indicate the ledger account to which the total would be posted.

Addo
Sales journal

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

[3]

(b) Prepare the journal entry to write off the amount owing by Rachel. A narrative **is** required.

Addo
Journal

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

[3]

(c) Calculate:

(i) the total amount of money which Addo received from trade receivables during April 2024.

.....

.....

.....

..... [1]

(ii) the total amount of cash discount which Addo allowed in April 2024.

.....

.....

.....

..... [2]

- 2 Paul is a trader. He maintains a three-column cash book. Paul has prepared draft financial statements for the year ended 31 March 2024.

Paul later discovered the following five errors in his accounting records for the year ended 31 March 2024.

- 1 A purchase invoice, \$140, had been debited to the account for office equipment.
- 2 Cash discount received, \$18, had been recorded in the bank payments column of the cash book.
- 3 Carriage inwards, \$82, had been credited to the carriage outwards account.
- 4 A payment for insurance, \$375, had been debited to the bank account and credited to the insurance account.
- 5 The bank receipts column of the cash book for February 2024 had been undercast by \$90.

(b) Calculate the corrected bank balance at 31 March 2024.

| | \$ |
|--|------|
| Original cash at bank balance per draft financial statements | 3290 |
| | |
| | |
| | |
| | |
| | |
| Bank balance after correcting errors | |

[4]

(c) Calculate the corrected profit for the year ended 31 March 2024.

| | \$ |
|---|------|
| Original profit for the year per draft financial statements | 9268 |
| | |
| | |
| | |
| | |
| | |
| | |
| Profit for the year after correcting errors | |

[5]

[Total: 20]

- 3 Zahra and Panya are the shareholders and directors of Q Limited. The company directors of Q Limited have provided the following trial balance.

Q Limited
Trial Balance at 31 January 2024

| | Debit | Credit |
|--|----------------|----------------|
| | \$ | \$ |
| Revenue | | 78 000 |
| Purchases | 38 200 | |
| Rent and insurance | 10 600 | |
| Directors' salaries | 19 000 | |
| General expenses | 3 420 | |
| Advertising | 5 400 | |
| Dividends paid | 2 500 | |
| Fittings at cost | 18 000 | |
| Provision for depreciation of fittings | | 5 400 |
| Inventory at 1 February 2023 | 2 950 | |
| Cash at bank | 915 | |
| Trade payables | | 2 288 |
| Ordinary share capital | | 13 000 |
| Retained earnings | | 2 297 |
| | <u>100 985</u> | <u>100 985</u> |

Additional information

- 1 Inventory at 31 January 2024 was valued at \$4720.
- 2 Depreciation on fittings is to be charged at 10% per annum using the straight-line method.
- 3 Payment for advertising, \$75, is outstanding at 31 January 2024.
- 4 No dividends were outstanding at 31 January 2024.

- 4 Ahmed owns a trading business. He prepares his financial statements to 31 December each year. Ahmed had some unused office space and he decided to use some of this to store inventory and to rent the rest to Bilal.

On 1 January 2023 Bilal started renting the office space from Ahmed. The annual rental charge is \$4800. During 2023 Bilal paid the following amounts of rent into Ahmed’s bank account.

| | |
|--------------|------|
| | \$ |
| 1 April | 3600 |
| 30 September | 2400 |

REQUIRED

- (a) Prepare Ahmed’s rent receivable account for the year ended 31 December 2023. Balance the account and bring down the balance at 1 January 2024.

Ahmed
Rent receivable account

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

[3]

Ahmed sold old office equipment for \$1350 on 3 January 2023, on credit to Rahat. The equipment had been purchased for \$3200 on 1 January 2021. Ahmed charges depreciation at 25% per annum using the reducing balance method. He does not charge depreciation in the year of disposal.

REQUIRED

- (b) Prepare the disposal of office equipment account.

Ahmed
Disposal of office equipment account

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

[5]

- (c) Complete the table by placing a tick (✓) to indicate whether each amount of spending on the new inventory storage space is capital expenditure or revenue expenditure.

| | \$ | Capital expenditure | Revenue expenditure |
|--|------|---------------------|---------------------|
| Painting the walls of the storage area | 600 | | |
| Shelving for the storage area | 2115 | | |
| Installation of the shelving | 460 | | |
| Light fittings for storage area | 620 | | |
| Light bulbs for storage area | 105 | | |

[3]

Ahmed's ledger accounts at 31 December 2023 include the following balances.

| | \$ |
|-----------------------------|------|
| Inventory at 1 January 2023 | 9000 |
| Receivables | 6180 |
| Cash | 175 |
| Payables | 5500 |
| Bank overdraft | 640 |

Ahmed's inventory at 31 December 2023 was valued at \$12 130. His purchases for the year ended 31 December 2023 were \$97 000.

REQUIRED

- (d) Complete the following table.

| ratio | working | answer (to 2 decimal places) |
|------------------------------------|---------|---------------------------------|
| Rate of inventory turnover (times) | | |
| Current ratio | | |
| Liquid (acid test) ratio | | |

[7]

Ahmed's rate of inventory turnover for 2023 was lower than for 2022.

REQUIRED

(e) Suggest **two** problems which may be caused by Ahmed's lower rate of inventory turnover.

- 1
-
- 2
-

[2]

[Total: 20]

5 Stella started in business as a retailer on 1 April 2023. She sells one type of good only. She has not kept a full set of accounting records but has provided the following information.

- 1 Half of Stella’s purchases were on cash terms and half on credit terms. During the year ended 31 March 2024, Stella paid \$34 250 to credit suppliers. On 31 March 2024, she owed \$2960 to credit suppliers.
- 2 Unlike her competitors, Stella made all of her sales for cash. Stella’s mark-up was 32%.
- 3 The following amounts were paid for expenses during the year to 31 March 2024.

| | | |
|--------------------|------|--|
| | \$ | |
| Rent and insurance | 6750 | |
| Wages | 8300 | |
| Other expenses | 1815 | |

- 4 At 31 March 2024, \$300 was unpaid for wages and \$500 was paid in advance for rent.
- 5 Insurance is \$2400 per annum. On 1 April 2023, Stella paid \$3000 for insurance for the following 15 months.
- 6 Other expenses included \$120 paid for vases and flowers. One third of these were for Stella’s own home. Stella treats business costs of under \$150 as revenue expenditure.
- 7 Inventory was valued at \$6420 at 31 March 2024.

REQUIRED

(a) Calculate total purchases for the year ended 31 March 2024.

.....

.....

.....

..... [3]

(d) State:

(i) the accounting principle which Stella is following when she treats payments for small items which may last longer than one year, as revenue expenditure.

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

(ii) one advantage of following the principle in **5(d)(i)**.

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

(e) State **two** advantages of maintaining a full set of double entry accounting records.

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

[Total: 20]

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