

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING **0452/02**

Paper 2 May/June 2004

1 hour 30 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 in the spaces provided on the Question Paper.
You may use a soft pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
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.
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.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Examiner's Use	
1	
2	
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4	
5	
Total	

- 1 (a) Give **one** example of a fixed asset likely to be used by an engineering business.
[1]
- (b) (i) Name the document sent to a customer by a supplier when goods are bought on credit.
[1]
- (ii) Name the book of prime (original) entry in which the customer will enter this transaction.
[1]
- (iii) Name the ledger in which the supplier will keep his customer's account.
[1]
- (c) A machine was bought for \$46 000. It has an estimated useful life of five years when its scrap value is expected to be \$6 000. It is to be depreciated using the straight line (equal instalment) method. Showing your workings, calculate
- (i) the annual amount of depreciation to be charged

[2]
- (ii) the annual percentage rate of depreciation to be charged

[2]
- (d) Explain what is meant by an error of original entry.

[1]
- (e) State **one** reason why a supplier would give trade discount to a customer.

[1]
- (f) Name the ledger account to which a difference on a trial balance may be posted.
[1]

(g) Name **one** accounting ratio which measures a business's profitability.

.....[1]

(h) A sole trader's Electricity account for the year ended 31 March 2004 showed the following.

1 April 2003	Balance brought down (Cr)	\$ 3 000
April 2003–March 2004	Bank – payments made during the year	18 000

On 31 March 2004 \$4000 was owing by the trader for electricity.

Calculate the amount charged for electricity in the trader's Profit and Loss Account for the year ended 31 March 2004. Show your workings.

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.....[3]

[TOTAL: 15]

2 The Balance Sheet of Amy Dootes is given below with some words and figures missing.

(a) Enter the missing words and figures in the boxes (i) to (vii) on the Balance Sheet.

Balance Sheet as at 31 March 2004

	<i>Cost</i>	<i>Depreciation to date</i>	<i>Net book value</i>
	\$	\$	\$
<u>Fixed Assets</u>	75 000	(i) <input style="width: 50px;" type="text"/>	50 000
<u>Current (ii)</u> <input style="width: 100px;" type="text"/>			
Stock	24 000		
Trade debtors	8 000		
Bank	5 000		
Prepayments	(iii) <input style="width: 50px;" type="text"/>	40 000	
<u>Less</u>			
<u>Current Liabilities</u>			
Trade (iv) <input style="width: 100px;" type="text"/>	16 000		
Accrued expenses	4 000	20 000	
	<hr/>	<hr/>	
Working (v) <input style="width: 100px;" type="text"/>			20 000
			<hr/>
			70 000
			<hr/>
Financed by:			
Capital at 1 April 2003			60 000
<u>Add</u> Net profit for year		(vi) <input style="width: 50px;" type="text"/>	
			<hr/>
			80 000
<u>Less</u> (vii) <input style="width: 100px;" type="text"/> for year			10 000
			<hr/>
			70 000
			<hr/>

[7]

(b) Calculate, showing your workings

(i) Amy's current ratio

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 [2]

(ii) Amy's quick ratio

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 [3]

[TOTAL: 12]

3 Ahmed is a sole trader who keeps full accounting records for all his purchases and sales on credit. Entries are posted monthly from prime (original) entry books to ledger accounts, but the entries for April 2004 have not yet been made.

(a) (i) From the following information, make the entries required on 30 April 2004 in the ledger accounts below.

	<i>Total for April 2004</i>
	(\$)
Purchases journal	50 000
Sales journal	85 000
Purchases returns journal	6 000
Sales returns journal	8 000

Purchases account

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Purchases returns account

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Sales account

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Sales returns account

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[4]

(ii) In which of Ahmed's ledgers are the above accounts kept?

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[1]

(b) Ahmed's trial balance at 30 April 2004 included the following debit balances.

	\$
Carriage inwards	12 000
Carriage outwards	14 000

State how and where **each** of the above amounts are shown in Ahmed's **final** accounts.

1. Carriage inwards
.....
2. Carriage outwards
.....[4]

(c) After Ahmed's **draft** final accounts for the year ended 30 April 2004 were prepared, he discovered that office machinery bought for \$10 000 had been wrongly entered in the purchases journal.

(i) Name this type of error.
.....[1]

(ii) State the effects of this error on Ahmed's final accounts.

1. Effects on Profit and Loss Account for year ended 30 April 2004
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2. Effects on Balance Sheet as at 30 April 2004
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.....
.....[4]

(iii) Give the journal entry (without narrative) required to correct this error.

	DR \$	CR \$

[2]

[TOTAL: 16]

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QUESTION 4 IS ON THE FOLLOWING PAGE

- 4 Sam is a sole trader who does not keep full accounting records. All purchases and most of his sales are on credit.

	\$
Balances on 1 April 2003 included	
Debtors	8 000
Creditors	6 000

During the year ended 31 March 2004 Sam recorded the following information.

	\$
Receipts from debtors	83 000
Payments to creditors	74 000
Discounts allowed	5 000
Discounts received	3 000
Credit Sales	90 000
Credit Purchases	77 000

- (a) Calculate Sam's debtors and creditors as at 31 March 2004. Show your workings.

- (i) Calculation of debtors

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- (ii) Calculation of creditors

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Sam supplies the following further information.

	\$
Cash sales for the year	10 000
Stock of goods for resale:	
At 1 April 2003	14 000
At 31 March 2004	16 000

- (b) Using the relevant information given in 4(a) and above, prepare Sam's Trading Account below.

Sam

Trading Account for the year ended 31 March 2004

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.....[7]

- (c) (i) Calculate Sam's rate of stock turnover for the year ended 31 March 2004. Show your workings.

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.....[4]

- (ii) Suggest one way in which knowing the rate of stock turnover will be useful to Sam.

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.....[2]

[TOTAL: 23]

5 Wood and Coe are business partners with an agreement which provides that:

1. Interest on partners' capitals is payable at 10% per annum;
2. Coe is to receive a salary of \$15 000 per annum;
3. Profits and losses are to be shared: Wood $\frac{2}{3}$
Coe $\frac{1}{3}$

Balances remaining in the partnership's books **after** preparation of the Trading Account for the year ended 30 April 2004 included the following.

	Dr	Cr
	\$	\$
Capital accounts 1 May 2003		
Wood		70 000
Coe		20 000
Fixed assets at cost	40 000	
Gross profit		58 000
Discounts allowed and received	2 000	1 000
General expenses	4 500	
Rent	13 000	
Wages and salaries	14 500	

The following further information is available.

1. At 30 April 2004:

	\$
General expenses accrued	500
Rent prepaid	3 000
Wages due but unpaid	1 500
 2. Depreciation on fixed assets is to be provided at 20% on cost.
- (a)** For the year ended 30 April 2004 prepare the partnership's
- (i)** Profit and Loss Account
 - (ii)** Appropriation Account

(b) The partners are considering whether or not they should pay interest on their cash drawings from the business.

State and explain **two** reasons why charging interest on drawings could be an advantage to the partnership.

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.....[4]

[TOTAL: 24]