



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

0452/22

Paper 2

May/June 2013

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.

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

* 3 2 2 1 1 8 8 5 1 8 *

- 1 Nathan Kershaw runs an advertising agency. His financial year ends on 31 March. He provided the following information on 31 March 2013.

	\$
Motor vehicle at cost	12 480
Provision for depreciation of motor vehicle	5 460
Office equipment at cost	9 800
Provision for depreciation of office equipment	4 410
Income from clients	94 060
Wages	42 000
Office expenses	6 250
Commission received	1 050
Rates and insurance	10 000

Additional information

- 1 On 31 March 2013 commission receivable outstanding amounted to \$190 and office expenses due amounted to \$540.
 - 2 During the year Nathan Kershaw has withdrawn \$7800 in cash. This has been debited to the wages account.
 - 3 The rates and insurance includes \$3000 for insurance of the premises. This represents cover for 15 months to 30 June 2013.
 - 4 The motor vehicle is being depreciated at 25% per annum on the reducing (diminishing) balance method.
 - 5 The office equipment is being depreciated at 15% per annum on the straight line method.
- (a)** Prepare the income statement of Nathan Kershaw for the year ended 31 March 2013.

After the preparation of the income statement the following errors and omissions were discovered:

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- 1 A bank statement received on 31 March 2013 showed bank charges of \$140. This had not been entered in the accounting records.
- 2 The office expenses includes stationery. The inventory of stationery was valued at \$210 on 31 March 2013. No adjustment had been made in the accounting records.
- 3 The trade receivables amounted to \$8400 on 1 April 2012 and \$8900 on 31 March 2013. A provision for doubtful debts is maintained at 2% of trade receivables. No entries had been made on 31 March 2013 to adjust the provision.
- 4 On 1 January 2013 the business received a \$10000 loan from Finance4all. No entries had been made for interest which is charged at 6% per annum.

(b) Complete the table below to show what effect **each** of the above errors would have on the profit for the year ended 31 March 2013

The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated \$	Understated \$	No effect
1	140		
2			
3			
4			

[6]

[Total: 20]

Question 2 is on the next page.

3 (a) Explain the difference between a dishonoured cheque and an unrepresented cheque.

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(b) Explain the difference between a standing order and a direct debit.

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..... [2]

Safiya Shendi is a trader. Her financial year ends on 30 April.

The bank columns of her cash book for the month of April 2013 were as follows:

Cash Book (bank columns only)

	\$			Cheque number	\$	
2013		2013				
April 1	Balance b/d	1194	April 2	Waheed	000134	316
4	Cash sales	1250	8	El Nil Stores	000135	465
15	Aziz & Co	110	10	Expenses	000136	212
24	Capital	3000	18	Equipment	000137	2500
29	Khalid	530	30	Assistant's salary	000138	450
			30	Balance c/d		<u>2141</u>
						<u>6084</u>
2013						
May 1	Balance b/d	2141				

Question 4 is on the next page.

(b) Calculate the amount received from credit customers during the year ended 30 April 2013.

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..... [5]

(c) Calculate the expenses paid during the year ended 30 April 2013.

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..... [7]

(d) Explain **two** reasons why William Masanga should value his inventory on 30 April 2013 at \$3250.

1

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2

..... [4]

- (e) Assume that the inventory on 30 April 2013 was incorrectly valued at \$3480. Complete the following table by placing a tick (✓) in the correct column to show the effect of this error.

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	Overstated	Understated	No effect
Profit for the year ended 30 April 2013			
Profit for the year ended 30 April 2014			

[4]

- (f) William Masanga has asked A1 Wholesalers Ltd to supply him with goods on credit. He has not previously traded with this supplier. State **one** reason why A1 Wholesalers Ltd would be interested in William Masanga's financial statements.

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..... [2]

[Total: 28]

Question 5 is on the next page.

5 Tazeen Shah is a wholesaler. Her financial year ends on 31 January.

She purchases all her goods on credit terms and is allowed 30 days credit by her suppliers. All her sales are made on credit terms and she allows her customers 21 days credit.

She provided the following information.

	31 January 2012	31 January 2013
Collection period for trade receivables	30 days	36 days
Payment period for trade payables	44 days	40 days
Current ratio	2 : 1	1.75 : 1
Return on capital employed (ROCE)	15%	18%

(a) State the purpose of calculating the collection period for trade receivables.

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 [1]

(b) State whether Tazeen Shah will be satisfied with the change in the collection period for trade receivables. Give a reason for your answer.

Satisfied?

Reason

..... [3]

(c) State whether the credit suppliers will be satisfied with the payment period for the year ended 31 January 2013. Give a reason for your answer.

Satisfied?

Reason

..... [3]

(d) Explain why it is important for Tazeen Shah to have an adequate amount of working capital.

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 [2]

(e) Tazeen Shah made the following transactions on 1 February 2013.

State, giving a reason, how **each** transaction would affect Tazeen Shah's working capital.

The first one has been completed as an example.

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Transaction	Effect on working capital	Reason
Paid \$10 000 to A1 Finance as part repayment of loan	<i>Decrease \$10 000</i>	<i>Current assets decrease No change in current liabilities</i>
Goods, \$135, were purchased on credit from Abu & Co		
Paid \$280 to Farouk, a credit supplier, in full settlement of \$300 owing		
Withdrew \$150 from the bank to restore the petty cash imprest		

[6]

(f) State whether Tazeen Shah will be satisfied with the change in the return on capital employed (ROCE).

Satisfied?

Reason

.....

..... [3]

- (g) The following transactions took place on 31 January 2013, but were not entered in the accounting records.

State, giving a reason, how each transaction would affect Tazeen Shah's return on capital employed (ROCE).

Transaction	Effect on return on capital employed (ROCE)	Reason
Goods, \$1230, were purchased for cash	<i>No change</i>	<i>No change in profit for the year No change in total current assets so no change in capital employed</i>
Additional capital, \$10 000, was placed in the business bank account		
Fixtures, \$500, were purchased by cheque		

[6]

- (h) Tazeen Shah's financial statements do not provide a complete picture of the performance and position of her business.

State how non-financial aspects may be regarded as a limitation of financial statements.

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..... [2]

[Total: 26]

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