Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

6506021222

ACCOUNTING **0452/12**

Paper 1 **February/March 2017**

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.

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CAMBRIDGE International Examinations

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)** The purchase on credit of a motor vehicle, $10 100, was entered in the general journal as $11 000.

Which error was made?

A commission ☐

B compensating ☐

C original entry ☐

D principle ☐ [1]

(b) An invoice for $100 sent to Ahmed was entered in the sales journal as $10.

What was the double entry needed to correct this error?

	debit entry	$	credit entry	$
A	Ahmed	90	sales	90
B	sales	90	Ahmed	90
C	sales	90	suspense	90
D	suspense	90	sales	90

☐ ☐ ☐ ☐ [1]

(c) A trader compared his cash book (bank column), which had a debit balance of $70, with his bank statement. He found that bank charges, $10, had not been recorded in his books, and that a cheque for $18 which he had issued had not been presented.

What was the balance on his bank statement?

A $62 credit ☐

B $62 debit ☐

C $78 credit ☐

D $78 debit ☐ [1]

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(d) Which statement is true?

A Bad debts are deducted from trade receivables after the provision for doubtful debts is calculated. ☐

B Bad debts are deducted from trade receivables before the provision for doubtful debts is calculated. ☐

C Bad debts are only written off if there is no provision for doubtful debts. ☐

D Provision is only made for doubtful debts if no bad debts have been written off in the year. ☐ [1]

(e) An item cost $128. It is slightly damaged and can only be sold for $120. The salesman's commission is 15%.

At which value is the item included in inventory in the financial statements?

A $102 ☐

B $110 ☐

C $120 ☐

D $128 ☐ [1]

(f) Why is an income statement prepared?

A to account for the revenues and costs of a period ☐

B to calculate the surplus or deficit of an organisation ☐

C to list the ledger balances on a particular date ☐

D to summarise the business bank account ☐ [1]

(g) A trader provided the following information.

Net assets at start of year	$8000
Drawings – cash	$2100
Drawings – goods	cost $50, selling price $90
Net assets at end of year	$8200

What was his profit for the year?

A $1950 ☐

B $2210 ☐

C $2350 ☐

D $2390 ☐ [1]

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(h) Where are interest on partners' loans and interest on capital recorded?

	income statement	appropriation account
A	interest on capital	interest on loan
B	interest on loan	interest on capital
C	interest on capital and interest on loan	neither
D	neither	interest on capital and interest on loan

[1]

(i) A business provided the following information.

	$
Cost of raw materials consumed	8000
Decrease in work in progress	450
Machine operators' wages	4800
Factory overheads	4100

What was the cost of production?

A $12 800

B $16 450

C $16 900

D $17 350

[1]

(j) A business provided the following information.

	$
Sales	3000
Opening inventory	400
Closing inventory	700
Mark-up	50%

What were the purchases for the year?

A $1200

B $1700

C $1800

D $2300

[1]

[Total:10]

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2 Amitav sells goods on credit to Barry. An invoice is issued.

REQUIRED

(a) Name the person who issues the invoice and the person who receives it.

Person issuing .....

Person receiving .....[1]

(b) State why a credit note may later be issued.

.....

.....[1]

(c) Name the book of prime entry in which Barry would record a credit note from Amitav.

.....[1]

(d) State **one** reason why both Amitav and Barry would keep books of account.

.....

.....[1]

(e) State the meaning of the accounting principle of duality.

.....

.....[1]

(f) Complete the following sentences using the words and phrases 'credit', 'debit', 'income statement' and 'statement of financial position'.

An expense account usually has a ..... balance. At the end of the financial year the expense for the year is transferred to the ..... This transfer is recorded with an entry on the ..... side of the expense account. Any balance remaining on the account is included in the .....

[4]

(g) State what is meant by the accounting objective of understandability.

.....

.....[1]

(h) State how International Accounting Standards help to achieve understandability.

.....

.....[1]

(i) Name **two** interested parties who might wish to look at the financial statements of a business. Give a reason in **each** case.

	Interested party	Reason
1		
2		

[4]

[Total: 15]

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3 Simran's statement of financial position was prepared on 31 January 2017. It showed the following assets and liabilities.

	$	
Equipment at net book value	7200	
Inventory	800	
Trade receivables	1300	
Trade payables	830	
Other payables	510	
Bank	180	debit
Cash	250	

REQUIRED

(a) Calculate, at 31 January 2017,

(i) Working capital

.....

.....

.....

.....

.....

.....

(ii) Simran's capital.

.....

.....

.....[5]

On 1 February 2017 Simran had the following transactions.

1 Took cash, $100, as drawings.
2 Paid remaining cash into the bank.
3 Transferred her private motor vehicle, value $2500, to the business.
4 Sent a cheque, $48, to Neel, a credit supplier. Simran received 4% cash discount when making this payment.
5 Paid wages, $350, for January 2017, by credit transfer.

REQUIRED

(b) Complete the following table stating the double entry needed to record **each** transaction. The first has been completed as an example.

	account debited	$	account credited	$
1	*drawings*	*100*	*cash*	*100*
2				
3				
4				
5				

[9]

(c) Identify the following:

(i) the transaction which increased profit **and** Simran's capital

Transaction number.....

(ii) the transaction which increased Simran's capital but **not** profit

Transaction number.....

(iii) the transaction which increased working capital.

Transaction number..... [3]

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(d) State where the wages owed at 31 January 2017 were shown in the statement of financial position. Name the item and the section.

Item .....

Section .....[2]

(e) Prepare the bank column of the cash book on 1 February 2017. Bring down the balance on 2 February.

Simran
Cash book (bank column only)

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[3]

Question 3 (f) is on the next page.

Simran had further transactions in the period 2 February to 28 February 2017. These were as follows:

	$
Credit sales	6300
Cheques received from credit customers	5830
Returns from credit customers	190

The cheques received included one for $95 from Paul which was later dishonoured. Paul then paid Simran $20 in cash and she wrote the remaining amount off as a bad debt.

REQUIRED

(f) Prepare the sales ledger control account for February, starting with the balance on 1 February of $1300. Balance the account and bring down the balance on 1 March.

Simran
Sales ledger control account for February 2017

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[8]

[Total: 30]

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4 Sonia started her business on 1 January 2015. She decided on the following depreciation policy.

Motor vehicles were to be depreciated at the rate of 25% per annum using the reducing (diminishing) balance method.

Equipment was to be depreciated at the rate of 10% per annum using the straight line (equal instalment) method.

A full year's depreciation was to be provided in the year of purchase.

Sonia provided the following information about her purchases of assets.

	in the year ended 31 December 2015	in the year ended 31 December 2016
	$	$
motor vehicle A	30 000	
motor vehicle B		20 000
equipment	28 000	18 000

REQUIRED

(a) Complete the following table. Indicate with a tick (✓) in which column of a trial balance **each** ledger account balance would appear.

	debit column	credit column
equipment		
provision for depreciation of equipment		

[1]

(b) Complete the following table showing the depreciation charges, the accumulated depreciation and the net book values of the different assets on the dates shown. A space is provided for your workings.

	motor vehicle A	motor vehicle B	equipment
	$	$	$
depreciation charge for the year ended 31 December 2015			
net book value at 31 December 2015			
depreciation charge for the year ended 31 December 2016			
accumulated depreciation at 31 December 2016			
net book value at 31 December 2016			

workings

[13]

(c) Prepare the extract from the statement of financial position at 31 December 2016 showing full details of the value of motor vehicles and equipment.

Sonia
Statement of Financial Position (extract) at 31 December 2016

.....

.....

.....

.....

.....

.....

.....[5]

(d) Name the section of the statement of financial position where motor vehicles and equipment appear.

.....[1]

[Total: 20]

5 A group of friends set up LMN Chess Club, on 1 January 2016.

The club hosts chess tournaments, and organises trips for members to attend tournaments elsewhere.

The annual subscription is $100.

A member made an interest-free loan of $1000 to the club when it started. Before the end of the first year the treasurer was able to repay half of the loan.

The treasurer provided the following additional information.

For the year ended 31 December 2016

	$
Subscriptions received	4100
Entry fees received for tournaments	1600
Cost of trophies and prizes for tournaments	670
Receipts for coach travel	980
Travel costs	1020
Equipment purchased	2500
Rent paid	2100
Other expenses	450

At 31 December 2016:

1 The club owed $200 in rent.

2 The club held an inventory of trophies and prizes costing $60.

3 Four members had paid their subscription for the year ending 31 December 2017 while one member still owed his subscription for 2016.

4 Three members owed the club amounts for coach travel, total $80.

5 The equipment was expected to be used steadily for ten years. At the end of this time it would be sold for an expected amount of $300.

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REQUIRED

(a) Prepare the receipts and payments account for the year ended 31 December 2016. Balance the account and bring down the balance on 1 January 2017.

LMN Chess Club
Receipts and Payments Account for the year ended 31 December 2016

Date		$	Date		$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[5]

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[Turn over

(b) Prepare the subscriptions account for the year ended 31 December 2016. Balance the account and bring down the balance on 1 January 2017.

Subscriptions Account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[5]

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(c) Prepare the income and expenditure account for the year ended 31 December 2016.

LMN Chess Club
Income and Expenditure Account for the year ended 31 December 2016

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
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.....	.....	.....

[10]

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[Turn over

(d) State **two** reasons why the closing balance in the receipts and payments account is different from the final figure in the income and expenditure account. For **each** reason give **one** example taken from the question.

Reason 1 .....

.....

Example .....

.....

Reason 2 .....

.....

Example .....

.....[4]

[Total: 24]

6 D Limited provided the following information:

On 1 July 2015
The company had in issue 400 000 ordinary shares of $0.50 each.
Retained earnings were $80 000.
The general reserve amounted to $25 000.

During the year ended 30 June 2016
Debentures, $100 000, were issued.
A dividend of $0.09 per share was paid.
The profit for the year was $78 600.
$10 000 was transferred to general reserve.

REQUIRED

(a) Calculate the retained earnings at 30 June 2016.

.....

.....

.....

.....

.....

.....

.....[5]

(b) Prepare an extract from the statement of financial position at 30 June 2016 showing the capital and reserves section.

D Limited
Statement of Financial Position (extract) at 30 June 2016

.....

.....

.....

.....

.....

.....[4]

(c) State **one** reason why D Limited paid a dividend.

.....

.....[1]

(d) Suggest **two** reasons why the directors decided that the total dividend should be less than the profit for the year.

Reason 1 .....

.....

Reason 2 .....

.....[2]

(e) Calculate, to **two** decimal places, the return on capital employed (ROCE) for the year ended 30 June 2016.

.....

.....

.....

.....[4]

(f) State **two** possible reasons why the return on capital employed (ROCE) had decreased from the previous year.

Reason 1 .....

.....

Reason 2 .....

.....[2]

D Limited wishes to raise additional finance and is considering issuing more ordinary shares or taking out a long-term bank loan.

REQUIRED

(g) Advise the company of **three** factors it might take into consideration when making its decision.

Factor 1 .....

.....

Factor 2 .....

.....

Factor 3 .....

.....[3]

[Total: 21]

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