Cambridge Assessment International Education

Cambridge IGCSE™

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

2185971341

ACCOUNTING **0452/22**

Paper 2 Structured Written Paper **February/March 2021**

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.

DC (PQ) 200799/4

1 Shilpa is a trader. The following transactions took place in January 2021.

January 2 Paid rent, $450, by direct debit

3 Bought goods on credit from Dilip, list price $120, subject to a trade discount of 25%

6 Sold goods on credit to Kabir, list price $200, subject to a trade discount of 20%

9 Sold surplus office fittings for $110 which was paid by credit transfer

10 Returned goods to Dilip, list price $20. These goods had been purchased on 3 January

11 Paid $50 to Dilip in cash

15 Cash sales, $85, were immediately paid into the bank

17 Paid office expenses, $30, by credit transfer

20 Sold goods on credit to Pari, $150

21 Kabir paid by cheque for the goods he purchased on 6 January, after deducting cash discount of 7½%

24 Pari paid $141, by cheque, in full settlement of the purchases made on 20 January

26 Sold goods on credit to Yash, $62, offering him a discount of 5% if he paid within 21 days

REQUIRED

(a) Prepare Shilpa's sales journal for January 2021.
Total the journal and indicate the ledger account to which the total would be posted.

Shilpa
Sales journal

Date	Details	$	$
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[4]

(b) Complete Shilpa's cash book on the page opposite.
Balance the cash book and bring down the balances on 1 February 2021.

Shilpa
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2021		$	$	$	*2021*		$	$	$
Jan 1	*Balance b/d*	....	*200*	*814*	....	....	....	....	....
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[11]

(c) Prepare the ledger account of Dilip for January 2021. Balance the account and bring down the balance on 1 February 2021.
There was no balance on Dilip's account on 1 January 2021.

Shilpa
Dilip account

Date	Details	$	Date	Details	$
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[4]

(d) Complete the table by placing a tick (✓) to indicate which document Dilip would send to Shilpa for the return of goods on 10 January.

Debit note	
Credit note	

[1]

[Total: 20]

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2 Zamir is in business providing legal services. Zamir provided the following balances from his books of account at 31 December 2020.

	$
Fee income	151 750
Rent and rates	26 000
Salaries	55 000
Stationery and advertising	6 450
Electricity	8 000
Bank charges	4 100
Office equipment – cost	60 000
Office equipment – provision for depreciation	22 500
Proceeds of disposal of office equipment	1 000
Bank overdraft	7 900
Trade receivables	15 600
Capital	57 000
Drawings	65 000

Additional information

1 The annual rent is $16 000. On 31 December 2020 rent was paid to cover the period from 1 January to 31 March 2021.
There was no accrual or prepayment of rent at 1 January 2020.

2 Rates of $6000 were paid during the year to 31 December 2020. This payment covered the period 1 January 2020 to 31 October 2020 only. From 1 November 2020 annual rates were $7560.

3 Depreciation is to be charged on office equipment at 15% per annum using the straight-line method. No depreciation is charged in the year of disposal.

4 In February 2020 office equipment was sold for $1000. This equipment had been purchased for $1800 on 1 January 2018. The sales proceeds have been debited to the bank account and credited to the proceeds of disposal of office equipment account. No other entries have been made in respect of the disposal.

5 One of Zamir's clients has become bankrupt. The client owed $1885. Zamir does not expect to recover this amount.

REQUIRED

(a) Prepare Zamir's income statement for the year ended 31 December 2020.

Zamir
Income Statement for the year ended 31 December 2020

	$	$
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[10]

(b) Prepare the assets section of Zamir's statement of financial position at 31 December 2020.

Zamir
Statement of Financial Position (assets section) at 31 December 2020

	$	$	$
....	....	....	....
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[3]

(c) Suggest **two** possible reasons why Zamir required a bank overdraft.

1 ....

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2 ....

....
[2]

Zamir employs Sharif, who is another lawyer. Sharif also keeps the books of account for the business. Zamir would like to ensure that Sharif does not leave to start work for a rival legal business.

REQUIRED

(d) Advise Zamir whether he should offer Sharif an increase in salary **or** invite him to become a partner in the business. Justify your answer with **two** advantages of **each** course of action.

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.... [5]

[Total: 20]

3 Rachel prepared her trial balance at 31 January. The total of the debit side was more than the total of the credit side. Rachel entered the difference in a suspense account.

(a) Explain how the use of a suspense account allows a draft statement of financial position to be prepared.

....

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.... [2]

Rachel later discovered the following errors.

1 A repair to the premises, $220, had been debited to the premises account.

2 The purchase of a motor vehicle, $3400, on credit from Neil's Wheels, had not been recorded in the accounting records.

3 Both the sales journal and the purchases journal had been overcast by $100.

4 Returns inwards, $19, had not been recorded in the returns inwards account.

5 Bank interest received, $25, had been debited to the bank charges account. The entry in the bank account had been correctly made.

REQUIRED

(b) Prepare the journal entries to correct errors 1–5. Narratives are **not** required.

Rachel
Journal

Error number	Details	Debit $	Credit $
....	....	....	....
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[11]

(c) State the number of the error which is

(i) a compensating error

.... [1]

(ii) an error of omission

.... [1]

(d) Complete the table to indicate the **effect** of **each** error on gross profit and on profit for the year. The first one has been completed as an example.

Error number	Gross Profit			Profit for the year		
	No effect	Understated $	Overstated $	No effect	Understated $	Overstated $
1	✓					*220*
2						
3						
4						
5						

[4]

(e) State why a balance may remain on the suspense account after errors 1–5 have been corrected.

....

....

.... [1]

[Total: 20]

4 Chaaya provided the following information.

	$
For the year to 31 December 2020	
Credit sales	114 400
Credit purchases	63 110
Gross profit	51 480
At 31 December 2020	
Inventory	2 850
Trade receivables	15 400
Trade payables	7 430
Bank overdraft	6 190

REQUIRED

(a) Complete the following table.

ratio	working	answer
gross margin		
trade receivables turnover days (round up to next whole day)		
current ratio (correct to two decimal places)		

[6]

Chaaya is comparing her ratios with those of Sara, her main competitor. Based on Sara's most recent financial statements, her trade receivables turnover is 28 days.

REQUIRED

(b) **(i)** Compare Chaaya's trade receivables turnover with Sara's trade receivables turnover.

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.... [3]

(ii) State **two** problems with the inter-firm comparison in **4(b)(i)**.

1 ....

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2 ....

....
[2]

Chaaya is considering stopping selling on credit and instead selling on a cash only basis. Chaaya would offer a trade discount of 12% to regular customers in order to maintain a good relationship with customers.

REQUIRED

(c) Advise Chaaya whether she should start to make cash sales only and offer the trade discount. Justify your answer by providing **two** advantages and **two** disadvantages.

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.... [5]

(d) **(i)** State **two** reasons why Chaaya's employees would be interested in her financial statements.

1 ....

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2 ....

....
[2]

(ii) State **two** types of users of Chaaya's financial statements, **other than** Chaaya and her employees.

1 ....

2 ....
[2]

[Total: 20]

5 Maira opened a shop on 1 January 2020.

She provided the following trading information.

Gross margin: 40%
Purchase price: $70 per unit
Carriage inwards: $2 per unit
Inventory: 130 units at 31 December 2020

REQUIRED

(a) Calculate the cost of Maira's inventory at 31 December 2020.

....

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....

.... [2]

Maira has not kept a full set of accounting records, but provided the following information.

1 All sales were made on cash terms. The sales for the first year were:

for the first two months: $10 800 each month
for the next eight months: $12 000 each month
for the last two months: $16 200 each month

2 During the year Maira purchased 1400 units. Carriage was paid on these units.

3 Maira took goods from the business during the year ended 31 December 2020. No record was kept of these drawings.

REQUIRED

(b) Prepare Maira's income statement (trading section) for the year ended 31 December 2020.

Maira
Income Statement (trading section) for the year ended 31 December 2020

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[8]

Maira has been too busy to keep a full set of accounting records. However, she is now considering using double-entry book-keeping for her business.

(c) Advise Maira on whether or not she should start to keep a full set of accounting records. Justify your answer with **two** advantages and **two** disadvantages.

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.... [5]

(d) Place a tick (✓) in the correct column to indicate to Maira the book of prime entry in which **each** of the following should be recorded.

	Cash book	Purchases journal	Purchases returns journal
Discount received from a supplier for prompt payment			
Credit note received from a supplier			
Direct debit paid to a supplier			

[3]

(e) Complete the table by placing a tick (✓) in the correct column to indicate to Maira the accounting objective which is described in **each** statement.

	Comparability	Relevance	Reliability
Maira's financial statements should be free from significant errors.			
Maira's financial statements should be provided in time for her to use them when making decisions about her shop.			

[2]

[Total: 20]

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