Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME		
CENTRE NUMBER		CANDIDATE NUMBER

1008785551

ACCOUNTING **0452/22**

Paper 2 **May/June 2016**

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 **19** printed pages and **1** blank page.

DC (ST) 113743/3

1 Carol is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is \$100. All payments below \$50 are made from petty cash.

REQUIRED

(a) State **two** reasons for maintaining a petty cash book.

1 ....

....

2 ....

.... [2]

Carol had the following transactions during April 2016.

April	1	Petty cash imprest restored from the business bank account.
	4	Purchased tea and coffee for office staff, \$11.
	9	Paid K Mzolo's account of \$450, by cheque, after deducting a cash discount of 2%.
	16	Bought stationery, \$25.
	19	Paid taxi fare, \$8.
	20	Received a cheque from B Mamba in settlement of his account of \$920, less 2½% cash discount.
	23	Paid T Nhete, a credit supplier, \$38.
	28	Cash sales, \$2970.
	29	Paid all the cash in the main cash account, except \$100, into the bank account.

REQUIRED

(b) Record the above transactions in the following books which appear on pages **3** and **4**.

(i) Petty cash book [9]

(ii) Three column cash book [10]

Balance **each** book and bring down the balances on 1 May 2016.

[Total: 21]

(i)

Carol
Petty Cash Book

Total received	Date	Details	Total paid	Postage & stationery	General expenses	Ledger accounts
$ *23*	2016 April 1	*Balance* *b/d*	$	$	$	$ ....
....	....	....	....	....	....	....
....	....	....	....	....	....	....
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(ii)

Carol
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		$	$	$	2016		$	$	$
April 1	*Balance b/d*	....	210	....	*April 1*	*Balance b/d*	....	....	1437
....	....	....	....	....	....	....	....	....	....
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2 Aneela started a business on 1 March 2015. She did not maintain a full set of accounting records.

All purchases and sales were made on credit terms. All payments were made by cheque and all money received was banked.

Aneela was able to provide the following information.

	$
On 1 March 2015	
Capital introduced	45 000
Business start-up loan received	10 000
During the year ended 29 February 2016	
Non-current assets purchased	20 500
Credit purchases	70 150
Cheques received from credit customers	61 230
Cash discount allowed	1 570
Cash discount received	1 860
Returns to credit suppliers	1 110
Returns by credit customers	2 070
Bad debts written off	260
On 29 February 2016	
Amount owing by credit customers	16 190
Amount owing to credit suppliers	7 040
Cash at bank	16 970

REQUIRED

(a) Calculate the credit sales for the year ended 29 February 2016.

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....[6]

(b) Calculate the amount paid to credit suppliers during the year ended 29 February 2016.

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....[5]

(c) Prepare the bank account for the year ended 29 February 2016. Insert the missing figure which represents the expenses for the year.

Aneela
Bank account

Date	Details	$	Date	Details	$
2016 *Feb 29*	....	....	*2016* *Feb 29*	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
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[7]

[Total: 18]

3 Abid and Faiz are partners. They operate a secretarial agency. Their financial year ends on 31 March.

In addition to the capital invested, Abid made a 10-year loan to the business on 31 March 2016.

REQUIRED

(a) State **one** advantage of being a partner rather than a sole trader.

....

....[1]

(b) State **one** disadvantage of being a partner rather than a sole trader.

....

....[1]

(c) State **one** reason why a partner may make a loan to the business rather than investing additional capital.

....

....[1]

(d) State **two** reasons why it is important for the partnership to have an adequate amount of working capital.

1 ....

....

2 ....

....[2]

Abid and Faiz share profits and losses in the ratio of 2 : 1.

The balances on their accounts on 1 April 2015 were:

	Abid	Faiz
	$	$
Capital account	80 000	55 000
Current account	110 debit	800 credit

During the year ended 31 March 2016 the partners made the following drawings:

Abid	Faiz
$	$
6 000	7 000

The following is an extract from the profit and loss appropriation account for the year ended 31 March 2016.

Abid and Faiz
Profit and Loss Appropriation Account for the year ended 31 March 2016

		$	$
Profit for the year			13 170
Interest on drawings	Abid	120	
	Faiz	140	260
			13 430
Interest on capital	Abid	2 400	
	Faiz	1 650	
		4 050	
Salary	Faiz	5 000	9 050
Profit available for distribution			4 380

The following additional information is available on 31 March 2016.

	$
Fixtures and equipment at book value	104 000
Motor vehicles at book value	28 520
Trade payables	11 900
Other payables	160
Trade receivables	19 320
Bank	16 080 debit
Loan from Abid	20 000

REQUIRED

(e) Prepare the statement of financial position at 31 March 2016.

The details of the partners' current accounts may be shown within the statement or as a separate calculation in the space provided.

You may use this space for the partners' current accounts

Abid and Faiz
Statement of Financial Position at 31 March 2016

	$	$	$
....	....	....	....
....	....	....	....
....	....	....	....
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....	....	....	....
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[13]

[Turn over

(f) Calculate the return on capital employed (ROCE). Use the capital employed from the statement of financial position and the profit for the year of $13 170.

The calculation should be correct to **two** decimal places. Show your workings.

....

....

....[2]

(g) Explain the importance of return on capital employed (ROCE).

....

....

....

....[2]

[Total: 22]

Question 4 is on the next page.

4 Yasmin opened a garment factory on 1 May 2015.

She provided the following information.

	$
On 1 May 2015	
Cost of factory machinery	35 000
Cost of office furniture and equipment	8 500
Cost of tools	1 000
For the year ended 30 April 2016	
Revenue	113 640
Purchases of raw materials	28 600
Carriage on raw materials	1 500
Purchases of finished goods	15 700
Wages and salaries	
Factory operatives	32 300
Factory supervisors	11 860
Office and sales staff	33 150
General expenses	
Factory	3 340
Office	1 960
Rates	6 000
At 30 April 2016	
Inventory	
Raw materials	3 150
Work in progress	2 920
Finished goods	6 800
Value of tools	830

Additional information

1 The rates are to be apportioned ¾ to the factory and ¼ to the office.

2 No additional non-current assets were purchased during the year.

3 The factory machinery is to be depreciated at 20% per annum on cost.

4 The office furniture and equipment is to be depreciated at 15% per annum on cost.

5 The tools are to be revalued at the end of each financial year.

REQUIRED

(a) Prepare the manufacturing account for the year ended 30 April 2016.

Yasmin
Manufacturing Account for the year ended 30 April 2016

	$	$
....	....	....
....	....	....
....	....	....
....	....	....
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[13]

(b) (i) Calculate the cost of sales for the year ended 30 April 2016.

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....[4]

(ii) Calculate the gross profit for the year ended 30 April 2016.

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....[1]

(c) (i) Calculate the percentage of gross profit to revenue.

The calculation should be correct to **two** decimal places. Show your workings.

....

....

....[2]

(ii) Suggest **two** ways in which Yasmin could increase the percentage of gross profit to revenue.

1 ....

....

2 ....

....[2]

[Total: 22]

5 Paul is a trader. He maintains a full set of accounting records. His ledger is divided into a sales ledger, a purchases ledger and a nominal (general) ledger.

REQUIRED

(a) State **one** advantage of dividing the ledger into these three sections.

....

....[1]

(b) Name the ledger in which **each** of the following accounts would appear.

(i) J Smithson, a credit supplier, account .... ledger

(ii) Sales returns account .... ledger

(iii) Discount allowed account .... ledger

[3]

Paul's financial year ends on 31 December.

He maintains one combined account for rent and rates.

On 1 January 2015 three months' rates, totalling $900, were prepaid. On the same date four months' rent, totalling $3200, was prepaid.

The following transactions took place during the year ended 31 December 2015.

April 1 Paid rates by cheque, $3960, for 12 months to 31 March 2016.

May 1 Paid rent by cheque, $4800, for 6 months to 31 October 2015.

REQUIRED

(c) Complete the rent and rates account for the year ended 31 December 2015.
Balance the account and bring down the balances on 1 January 2016.

Paul
Rent and rates account

Date	Details	$	Date	Details	$
2015					
Jan 1	*Balance b/d*		....	....	....
	Rates 900				
	Rent <u>3200</u>	*4100*	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
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[7]

Paul always values his inventory at the lower of cost and net realisable value.

REQUIRED

(d) Explain why Paul should continue his policy of including inventory in his financial statements at the lower of cost and net realisable value.

....

....

....[2]

After the preparation of the income statement for the year ended 31 December 2015 it was discovered that the inventory on 31 December 2014 had been valued at net realisable value which was higher than the cost price.

REQUIRED

(e) Complete the following table to indicate the effect of this error.

Place a tick (✓) under the correct heading to indicate the **effect** of this error on **each** item.

	overstated	understated	no effect
Profit for the year ended 31 December 2014			
Profit for the year ended 31 December 2015			
Cost of sales for the year ended 31 December 2015			
Current assets at 31 December 2014			
Current assets at 31 December 2015			

[5]

[Total: 18]

6 David is a trader. The totals of his trial balance prepared on 31 January 2016 did not balance. The difference was entered in a suspense account and draft financial statements were prepared.

The following information was extracted from the draft income statement for the year ended 31 January 2016.

	$
Cost of sales	59 600
Gross profit	15 800
Profit for the year	3 500

REQUIRED

(a) **(i)** Calculate the percentage of profit for the year to revenue.

The calculation should be correct to **two** decimal places. Show your workings.

....

....

....[2]

(ii) Suggest **two** reasons why the percentage of profit for the year to revenue is lower than the previous year.

1 ....

....

2 ....

....[2]

The following errors were later discovered.

1 No record had been made of office expenses paid in cash, $114.

2 A page total in the sales journal, $45 400, had been incorrectly carried forward as $44 500.

3 Discount allowed, $300, was incorrectly recorded as discount received.

4 Sales returns, $814, had been correctly recorded in the customer's account, but credited to the purchases returns account.

5 The provision for doubtful debts of $120 should have been increased to $144.

REQUIRED

(b) Prepare journal entries to correct **errors 1 and 2**. Narratives **are** required.

David
Journal

	Debit $	Credit $
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....

[6]

(c) Complete the following statement to show the effect on the profit for the year of **correcting errors 1–5**. Calculate the corrected profit for the year.

The first correction has been completed as an example.

David
Statement of corrected profit for the year ended 31 January 2016

	Increase in profit $	Decrease in profit $	$
Profit for the year before corrections			3500
Error 1		*114*	
Error 2	....	....	
Error 3	....	....	
Error 4	....	....	
Error 5	....	....	
Corrected profit for the year			

[9]

[Total: 19]

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