Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

1227470393

ACCOUNTING **0452/11**

Paper 1 **May/June 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 **19** printed pages and **1** blank page.

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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 total of the discount received column of the cash book, $80, was posted in error to the credit side of the discount allowed account.

Which entries correct this error?

	debit account(s)	$	credit account(s)	$
A	discount allowed	80	discount received	80
B	discount allowed suspense	80 80	discount received	160
C	discount allowed	160	discount received suspense	80 80
D	discount received	80	discount allowed	80

[1]

(b) Which account or statement provides a summary of transactions involving trade receivables?

A bank reconciliation statement

B provision for doubtful debts account

C sales ledger control account

D statement of financial position

[1]

(c) Why does a trader compare his cash book with his bank statement?

	to check for errors in the cash book	to ensure the cash book is up to date
A	no	no
B	no	yes
C	yes	no
D	yes	yes

[1]

(d) Asma bought a motor vehicle for $10 000. She depreciated it at the rate of 10% per annum on cost, calculated monthly.

After 18 months she sold the motor vehicle for $9200.

What was the profit on disposal?

A $200

B $650

C $700

D $1200

[1]

(e) At the start of the year Basil had paid $4500 rent in advance. During the year he paid rent, $12 000. At the year end he owed $1500.

What was Basil's annual expense for rent?

A $9 000

B $12 000

C $15 000

D $18 000

[1]

(f) A and B were in partnership. Their current accounts for the year were as follows.

	A $	B $		A $	B $
drawings	7 500	2 500	balance b/d	10 200	12 000
balance c/d	11 700	17 500	interest on capital	2 000	1 000
			share of profit	7 000	7 000
	19 200	20 000		19 200	20 000
			balance b/d	11 700	17 500

What was the profit for the year?

A $7 000

B $14 000

C $17 000

D $27 000

[1]

(g) Who benefits from a company's limited liability?

A its credit customers

B its credit suppliers

C its debenture holders

D its shareholders

[1]

(h) The work in progress of a manufacturing business increased during the year.

Which effect does this have?

	on cost of production	on gross profit
A	decrease	increase
B	decrease	no effect
C	increase	decrease
D	increase	no effect

[1]

(i) What is meant by mark-up?

A gross profit measured as a percentage of cost of sales

B gross profit measured as a percentage of revenue

C profit for the year measured as a percentage of expenses

D profit for the year measured as a percentage of revenue

[1]

(j) Why would a bank manager look at a trader's financial statements?

A to calculate how fast trade payables were being paid

B to check if the trader would be able to repay a loan

C to find out if customers will receive continuous supplies

D to know if inventory levels are too high

[1]

[Total: 10]

2 **(a)** State the accounting equation.

....[1]

(b) State what is meant by the following terms.

Asset...

....

Liability...

....

Inventory..

....[3]

(c) Name the accounting principle applied when using the double entry system of book-keeping.

....[1]

(d) State the double entry needed to record **each** of the following in the books of Taha, a trader.

	debit account	credit account
Taha receives a cheque from Michael, a credit customer		
Taha writes off a debt owed by Zoe		

[4]

(e) Name the division of Taha's ledger in which Michael's account appears.

....[1]

(f) Complete the following table, indicating with a tick (✓) if **each** statement about an increase in a provision for doubtful debts is true or false. The first one has been completed as an example.

	true	false
it will increase the total of the non-current assets		✓
it will increase the total of current assets		
it will decrease cash and bank		
it will require a credit entry in the provision for doubtful debts account		
it will have no effect on profit for the year		

[4]

Andy sells furniture on credit. Fred is a credit customer.

REQUIRED

(g) Complete the following invoice.

	Andy Factory Street Toptown		Invoice no 1001
Fred Shop Road Toptown			22 May 2017
Quantity	Details	Unit price	Amount $
20	Standard chair	$50	....
10	Luxury chair	....	....
			1750
	10% trade discount		....
			....

[5]

(h) State which value from the invoice is recorded in Fred's account.

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

[1]

(i) Name the document Andy issues if Fred returns any chairs.

....[1]

(j) State the difference between Andy's business and a service business.

....

....

....[2]

[Total: 23]

Question 3 is on the next page.

3 Zameer has a financial year end of 28 February.

He extracted the following ledger balances from his books of account on 21 February 2017.

	$
Purchases	67 210 debit
Rent payable	6 600 debit

REQUIRED

(a) State why the purchases account has a debit balance.

....[1]

Zameer's purchases journal for the week ended 28 February 2017 was as follows:

Zameer
Purchases Journal

Date	Name	$
Feb 22	Qasim	500
25	Farid	270
27	Qasim	190
		960

Zameer's cash book recorded a payment, $1800, made on 25 February by credit transfer. This payment was for rent for the three months ending 30 April 2017.

REQUIRED

(b) Name the type of book of which the cash book and the purchases journal are examples.

....[1]

(c) Prepare the following ledger accounts in the books of Zameer. Balance the accounts and where necessary show any balance brought down on 1 March 2017.

Zameer
Purchases account

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

Rent payable account

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

[8]

(d) State whether Zameer's payments were capital expenditure or revenue expenditure.

Purchases..................

Rent.......................... [2]

(e) **(i)** Give **one** example of a revenue receipt.

....

(ii) Give **one** example of a capital receipt.

....[2]

[Total: 14]

4 Elil is a trader dealing in clocks.

REQUIRED

(a) State how inventory should be valued in the financial statements.

....[1]

Elil buys clocks for $24 each. The following information is available about Elil's business:

1 Elil had inventory of 100 clocks on 1 January 2016.

2 During the year he bought 2000 clocks.

3 During the year he sold 50 clocks at a promotional price of $40 each. All other sales were made at a selling price of $60 each.

4 He had inventory of 180 clocks on 31 December 2016.

5 All sales were made on a credit basis.

REQUIRED

(b) Calculate the value of Elil's sales for the year ended 31 December 2016.

....

....

....

....[4]

(c) Calculate Elil's gross profit for the year ended 31 December 2016.

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....

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....

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....[5]

Elil provided the following additional information.

1 Trade receivables were $7900 on 1 January 2016.

2 During the year bad debts, $200, were written off.

3 Trade receivables were $9100 on 31 December 2016.

REQUIRED

(d) Calculate the amount Elil received from his trade receivables during the year ended 31 December 2016.

....

....

....

....

....

....

.... [5]

(e) State **two** reasons why the amount you calculated in **(d)** was **not** included in the income statement.

1 ....

....

2 ....

.... [2]

Elil is considering making future payments to suppliers earlier in order to receive discount.

REQUIRED

(f) Name the type of discount Elil would receive.

.... [1]

(g) Complete the table below indicating with a tick (✓) the effect of the receipt of the discount on **each** item.

	increase	decrease	no effect
gross profit			
profit for the year			
working capital			

[3]

[Total: 21]

5 JW Limited extracted the following balances from its books of account on 30 April 2017, **after** the gross profit had been calculated.

	$	
Gross profit	63 000	
Distribution costs	24 000	
Administrative expenses	16 000	
Interim dividend paid	6 000	
Debenture interest	3 000	
Ordinary shares of $1 each	100 000	
General reserve	50 000	
Retained earnings	?	
Equipment at cost	260 000	
Provision for depreciation of equipment	65 000	
Inventory	33 000	
Trade receivables	14 000	
Bank	6 800	credit
Trade payables	17 500	
10% Debentures (repayable 2025)	30 000	

REQUIRED

(a) Prepare the trial balance at 30 April 2017. Insert a value for retained earnings.

JW Limited
Trial Balance at 30 April 2017

	Debit $	Credit $
Gross profit	....	....
Distribution costs	....	....
Administrative expenses	....	....
Interim dividend paid	....	....
Debenture interest	....	....
Ordinary shares of $1 each	....	....
General reserve	....	....
Retained earnings	....	....
Equipment at cost	....	....
Provision for depreciation of equipment	....	....
Inventory	....	....
Trade receivables	....	....
Bank	....	....
Trade payables	....	....
10% Debentures (repayable 2025)	....	....
	....	....

[9]

(b) Calculate the profit for the year. The depreciation charge for the year was $13 000.

....

....

....

....

....

....

....[4]

The directors of the company transferred $10 000 to general reserve on 30 April 2017.

REQUIRED

(c) Prepare the statement of changes in equity for the year ended 30 April 2017.

JW Limited
Statement of Changes in Equity for the year ended 30 April 2017

Details	Share capital $	General reserve $	Retained earnings $	Total $
On 1 May 2016	....	....	....	....
....	....	....	....	....
....	....	....	....	....
....	....	....	....	....
On 30 April 2017	....	....	....	....

[8]

(d) Calculate to **two** decimal places the return on capital employed (ROCE) for the year ended 30 April 2017. (Use closing capital employed.)

....

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....

....

....[4]

(e) Suggest **two** reasons why JW Limited's return on capital employed (ROCE) is lower than the industry average.

1 ....

....

2 ....

....[2]

(f) Suggest **three** ways in which JW Limited could increase its return on capital employed (ROCE).

1 ....

....

2 ....

....

3 ....

....[3]

[Total: 30]

6 Hi-Jump is a sports club which also runs a shop for the use of members only. It provided the following information.

Hi-Jump
Subscriptions account

Date	Details	$	Date	Details	$
2016			2016		
Jan 1	Balance b/d	1160	Jan 1	Balance b/d	280
Dec 31	Income and expenditure account	52 905	Dec 31	Bank	52 950
				Bad debts	250
	Balance c/d	395		Balance c/d	980
		54 460			54 460
2017			2017		
Jan 1	Balance b/d	980	Jan 1	Balance b/d	395

REQUIRED

(a) State what the balance of $395 on 1 January 2017 represents.

....[1]

The receipts and payments account of the club was as follows:

Hi-Jump
Receipts and Payments Account for the year ended 31 December 2016

	$		$
Balance b/d	6 100	Shop purchases	15 240
Subscriptions received	52 950	Rent	12 000
Shop sales	13 610	Club expenses	34 200
		New club equipment	5 100
		Balance c/d	6 120
	72 660		72 660

The following additional information was also available.

		at 1 January 2016	at 31 December 2016
		$	$
1	Shop inventory	440	710
	Club equipment at valuation	17100	19900

2 10% of the rent is allocated to the shop.

3 All shop sales and all shop purchases are made on a cash basis.

REQUIRED

(b) Complete the following table to show the values of the current assets and current liabilities which would appear in the statement of financial position of the club on 31 December 2016.

Current assets	$
....	....
....	....
....	....
....	....
Current liabilities	**$**
....	....
....	....
....	....
....	....

[4]

(c) Calculate the loss made by the shop in the year ended 31 December 2016.

....

....

....

....

....

....

....

....

....

....[4]

(d) Prepare the club's income and expenditure account for the year ended 31 December 2016.

Hi-Jump
Income and Expenditure Account for the year ended 31 December 2016

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

[9]

(e) Suggest **two** reasons why the managing committee continues to run the shop despite it making a loss.

1 ....

....

2 ....

.... [2]

(f) Explain how the financial statements of the club would be affected if the managing committee decided **not** to charge the shop with its share of the rent.

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.... [2]

[Total: 22]

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