Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9854874268

ACCOUNTING **0452/13**

Paper 1 **October/November 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.

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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)** Which statement describes a purpose of accounting?

A to check the arithmetical accuracy of the double entry ☐

B to ensure that all transactions are recorded ☐

C to know the balances on individual customers' and suppliers' accounts ☐

D to provide a calculation of profit ☐ [1]

(b) A credit customer buys goods with a list price of $1000. Trade discount is 30% and cash discount is 10%.

Which amount is entered in the customer's account to record the sale?

A $600 ☐

B $630 ☐

C $700 ☐

D $900 ☐ [1]

(c) Where is discount allowed recorded?

A on the credit side of the purchases ledger control account ☐

B on the credit side of the sales ledger control account ☐

C on the debit side of the purchases ledger control account ☐

D on the debit side of the sales ledger control account ☐ [1]

(d) Ann's statement of financial position includes the following:

1 an amount paid by Ann for a service which has not yet been received

2 an amount received by Ann for a service which Ann has not yet provided

3 the value of a service received by Ann for which payment has not yet been made

Which item(s) are included in 'other payables'?

A 1 and 2 ☐

B 1 only ☐

C 2 and 3 ☐

D 3 only ☐ [1]

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(e) Hiro wishes to increase his provision for doubtful debts at the end of the year.

How does he record this increase?

	debit entry	credit entry	
A	bad debts	provision for doubtful debts	☐
B	provision for doubtful debts	bad debts	☐
C	income statement	provision for doubtful debts	☐
D	provision for doubtful debts	income statement	☐

[1]

(f) Thang bought goods costing $20 each. At the end of the year Thang valued inventory of unsold goods at the selling price of $30 each.

What is the effect of this valuation?

A profit is overstated ☐

B profit is understated ☐

C purchases are overstated ☐

D purchases are understated ☐ [1]

(g) The directors of a limited company increased the general reserve.

Which item decreased?

A balance at bank ☐

B ordinary share capital ☐

C preference share capital ☐

D retained earnings ☐ [1]

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(h) A trader provided the following information at the end of the first year of trading.

	$
revenue	5000
profit for the year	500
expenses	1400
closing inventory	800

What were the purchases for the year?

A $2300 ☐

B $3900 ☐

C $4900 ☐

D $6700 ☐ [1]

(i) A trader had a percentage of gross profit to revenue (gross profit margin) of 30%.

His purchases for the year were $3400 and his inventory increased by $400.

What was his revenue for the year (to the nearest dollar)?

A $3900 ☐

B $4286 ☐

C $4940 ☐

D $5429 ☐ [1]

(j) When is financial information considered to be relevant?

A when it affects business decisions ☐

B when it can be compared with other periods ☐

C when it can be understood by the users ☐

D when it is free from error and bias ☐ [1]

[Total: 10]

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2 **(a)** State the meaning of owner's equity.

.....

.....[1]

(b) Name the accounting principle applied in **each** of the following situations.

	Principle
A trader withdraws goods for his own use and records this in the drawings account.	
A book-keeper writes off debts which will not be paid to the business.	
An accountant does not include staff morale as an asset in the statement of financial position.	
A business uses the double entry system of book-keeping to record transactions.	

[4]

(c) Name the ledger in which the purchases account is found.

.....[1]

(d) Name the type of organisation which would prepare a statement of changes in equity.

.....[1]

(e) Complete the following sentence.

Items which a business owns or which are owed to the business are known as

..... . [1]

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Jake manufactures CD players. He has a credit customer, Rashida. They have exchanged an invoice, a debit note, a credit note and a statement of account.

REQUIRED

(f) Complete the following table for the documents exchanged between Jake and Rashida. The first item has been completed as an example.

document	reason for issue	name of person issuing document
invoice	*to record goods sold on credit*	*Jake*
debit note		
credit note		
statement of account		

[6]

(g) Complete the following table by writing True or False against **each** statement.

	True or False
Work in progress may appear in Jake's manufacturing account.	
Prime cost appears in Jake's income statement.	
Jake's business is a service business.	

[3]

[Total: 17]

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3 The bank columns of Kang-Dae's cash book had a debit balance brought down of $1310 on 1 June 2017. The bank statement at the same date showed a credit balance of $790.

When Kang-Dae compared the cash book with the bank statement he found the following.

Items on the bank statement not in the cash book
bank charges, $60
credit transfer, $540, from Nigel, a credit customer
standing order for rent payable, $1000
direct debit paid to electricity company, $400

Items in the cash book not on the bank statement
cheque to Hachiro, a supplier, $700
cash paid in, $620

Kang-Dae also discovered that a payment, $320, for insurance had been entered in the cash book twice in error.

REQUIRED

(a) State what is meant by a 'bank statement'.

.....

.....[1]

(b) Update the bank columns of Kang-Dae's cash book on 1 June 2017. Balance the cash book and bring down the balance.

Kang-Dae
Cash book (bank columns only)

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

[7]

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(c) Prepare the bank reconciliation statement at 1 June 2017.

Kang-Dae
Bank reconciliation statement at 1 June 2017

.....

.....

.....

.....

.....

.....

.....

.....[6]

(d) State **two** differences between a bank overdraft and a bank loan.

1 .....

.....

2 .....

.....[2]

(e) Name the section of the statement of financial position where a 5-year bank loan would appear.

.....[1]

[Total: 17]

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4 Bayani depreciates his fixtures and fittings using the straight line (equal instalment) method of depreciation. He provides a full year's depreciation in the year of purchase and none in the year of disposal. He provided the following information.

	fixtures and fittings	
	cost	accumulated depreciation
	$	$
at 31 December 2013	42600	12780
at 31 December 2014	42600	17040

There were no additions or disposals during the year ended 31 December 2014.

REQUIRED

(a) Calculate the rate of depreciation Bayani is applying.

.....

.....

.....[3]

Additional information

On 1 May 2015 Bayani bought new fixtures and fittings, cost $12000, paying by cheque.

On 1 August 2016 he sold old fixtures and fittings, which had cost $10000 and on which four years' depreciation had been provided. The purchaser paid Bayani in cash.

REQUIRED

(b) Name the books of prime (original) entry used on 1 May 2015 and 1 August 2016.

1 May 2015

.....

1 August 2016

.....

.....[3]

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(c) Complete the following table by inserting the amounts to be shown in the financial statements. Show your workings in the spaces provided.

	workings	$
fixtures and fittings at cost on 31 December 2015		
fixtures and fittings at cost on 31 December 2016		
depreciation charge for the year ended 31 December 2015		
accumulated depreciation at 31 December 2015		
depreciation charge for the year ended 31 December 2016		
accumulated depreciation at 31 December 2016		

[12]

(d) State the double entry needed to record the depreciation charge for the year ended 31 December 2015.

debit entry	credit entry

[2]

(e) State the double entry needed to eliminate the accumulated depreciation on the fixtures and fittings sold on 1 August 2016.

debit entry	credit entry

[2]

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(f) Name **one** method of depreciation, other than the straight line (equal instalment) method, and explain how it is calculated.

Name of method .....

Method of calculation .....

.....

.....[3]

Additional information

Bayani also bought a motor vehicle. The costs relating to the purchase were as follows:

	$
cost of vehicle	17 200
number plates	120
fuel	80
insurance of vehicle	450

REQUIRED

(g) Complete the following table, indicating with a tick (✓) whether each item is a capital expenditure or a revenue expenditure.

	capital expenditure	revenue expenditure
cost of vehicle		
number plates		
fuel		
insurance of vehicle		

[4]

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

.....[1]

[Total: 30]

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5 Satish has a financial year end of 30 June. On 30 June 2017 he prepared the following trial balance.

Satish
Trial Balance at 30 June 2017

	Debit $	Credit $
Revenue		53 030
Purchases	33 200	
Fixtures and fittings	12 000	
Provision for depreciation on fixtures and fittings		3 000
Trade receivables	3 100	
Trade payables		1 900
Inventory at 1 July 2016	4 450	
Rent	6 000	
Wages	2 800	
Other operating expenses	4 180	
Drawings	10 900	
Capital		14 200
Bank		600
	76 630	72 730

Additional information

1 Satish calculated a draft gross profit for the year ended 30 June 2017 of $20 000. This calculation used a valuation of closing inventory of $4620.

2 Depreciation for the year, $1500, had yet to be provided.

The books of account contained errors and the totals of the trial balance did not agree. Satish therefore opened a suspense account, and then discovered the following errors.

1 A sale on credit, $400, had been completely omitted from the books.

2 Closing inventory included $550 for inventory which had been damaged and now had no value, but this had not been written off.

3 The purchases journal for June had been undercast by $100.

4 Capital introduced of $2000 had been correctly entered in the cash book but debited in the drawings account.

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REQUIRED

(a) Prepare the suspense account, showing the opening balance and the entries correcting the errors.

Satish
Suspense account

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

[4]

(b) **(i)** Complete the following statement to calculate the correct gross profit for the year. Where an error has no effect on gross profit, place a tick (✓) in the No Effect column.

Satish
Statement of correction of gross profit for the year ended 30 June 2017

	No Effect	Increase $	Decrease $	$
Draft gross profit				20 000
Error 1				
Error 2				
Error 3				
Error 4				
Corrected gross profit				

[8]

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(ii) Calculate the profit for the year ended 30 June 2017.

.....

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.....

.....

.....

.....

.....

.....[5]

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(c) Prepare Satish's statement of financial position at 30 June 2017.

Satish
Statement of financial position at 30 June 2017

	$	$	$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
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[10]

[Total: 27]

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6 Amina and Samara are in partnership. Their partnership agreement states that interest on capital is paid at the rate of 10% per annum and that profits and losses are shared in the ratio of 3:2 respectively.

The following information is available.

	$	
At 1 July 2016		
Capital accounts		
Amina	50 000	
Samara	20 000	
Current accounts		
Amina	4 000	credit
Samara	3 000	credit
For the year ended 30 June 2017		
Profit for the year	17 500	
Drawings		
Amina	8 000	
Samara	12 000	

On 1 January 2017 Amina introduced additional capital of $10 000 into the partnership in the form of cash.

REQUIRED

(a) State what is meant by a 'partnership'.

.....

.....[1]

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(b) Prepare the appropriation account for the year ended 30 June 2017.

Amina and Samara
Appropriation Account for the year ended 30 June 2017

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

[4]

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(c) Prepare the following ledger accounts for the year ended 30 June 2017. Balance the accounts and bring down the balances on 1 July 2017.

Amina and Samara
Capital accounts

Date	Details	Amina $	Samara $	Date	Details	Amina $	Samara $
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....

[3]

Current accounts

Date	Details	Amina $	Samara $	Date	Details	Amina $	Samara $
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....	.....	.....	.....

[5]

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(d) Explain how the financial statements would have been affected if Amina had made a loan to the partnership instead of introducing additional capital.

.....

.....

.....

.....[2]

Amina is not happy that Samara's drawings are greater than hers. Samara says she is entitled to take out of the business more drawings than Amina because she does a greater share of the work.

REQUIRED

(e) Explain **two** reasons why Amina is not happy that Samara's drawings are greater than hers.

1 .....

.....

.....

2 .....

.....

.....[4]

[Total: 19]

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