Centre Number	Candidate Number	Name

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

Paper 2

0452/02

October/November 2006

1 hour 30 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 a soft pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

This document consists of **12** printed pages.

UNIVERSITY *of* CAMBRIDGE
International Examinations

[Turn over

1 (a) Ahmed makes a sale on credit to Bahir. What is the name of the document Ahmed gives to Bahir showing the amount of the sale?

.... [1]

(b) Give **two** examples of a fixed asset.

(i) ....

(ii) .... [2]

(c) In which final account would motor expenses appear?

.... [1]

(d) State what is meant by a trade creditor.

....

.... [1]

(e) A payment from Peter is entered in Paul's account in error.
What type of error has been made?

.... [1]

(f) State **two** methods of calculating depreciation.

(i) ....

(ii) .... [2]

(g) In which section of the Balance Sheet should a bank overdraft be shown?

.... [1]

(h) Kay's business had stock on 1 July 2005 valued at $6000 and on 30 June 2006 valued at $9000. Her cost of goods sold for the year was $45 000. What was her rate of stock turnover?

Show your workings.

....

....

.... [3]

(i) Insert the missing words in the following formula:

Gross profit percentage = $\dfrac{\boxed{}}{\boxed{}}$ x 100

[2]

[Total: 14]

0452/02/O/N/06   **[Turn over**

2 Tanita has a retail shop and sells clothes. Some of her customers pay cash and some have credit accounts which they settle each month. Tanita had the following transactions in March 2006:

Date March		$
4	Sale on credit to Vanni	110
7	Cash sale	55
10	Sale on credit to Saska	200
15	Returns from Vanni	30
31	Cash received from Saska	190
31	Discount allowed to Saska	10

REQUIRED

(a) Show the entries for these transactions in the following accounts in Tanita's ledger. Enter the transfers to the Trading and Profit and Loss Account for the month.

Sales account

Sales Returns account

Vanni account

Saska account

···

···

···

Discount Allowed account

···

Cash book

[15]

(b) From your answer to **(a)**, complete items **(i), (ii), (iii)** and **(iv)** in the following extract from Tanita's Trading and Profit and Loss Account for the month of March 2006.

Trading and Profit and Loss Account (extract)

$

Sales **(i)**

Less: sales returns **(ii)**

Net sales **(iii)**

Expenses

Discount allowed **(iv)**

[4]

[Total: 19]

3 Morgan is in business as a printer. He has prepared the following Trial Balance (after calculating net profit) from his accounting records for the year ended 31 August 2006.

Morgan
Trial Balance at 31 August 2006

	$	$
Machinery at cost	7 000	
Office equipment at cost	2 500	
Provision for depreciation		
Machinery		1 400
Office equipment		1 000
Accrued expenses		300
Bank		2 200
Cash	200	
Creditors		1 800
Debtors	3 500	
Loan from Nicola repayable 2011		5 000
Prepayments	600	
Stock at 31 August 2006	3 900	
Capital		9 000
Drawings	21 000	
Profit for the year		18 000
	38 700	38 700

REQUIRED

(a) State which accounting principle has been applied in the treatment of **each** of the following items:

  (i) Profit for the year;

....

  (ii) Stock.

.... [4]

(b) Prepare Morgan's Balance Sheet at 31 August 2006.

Morgan
Balance Sheet at 31 August 2006

[13]

(c) Morgan's business has a bank overdraft at 31 August 2006. Suggest **one** way in which he could reduce or eliminate the overdraft.

....

.... [2]

(d) Nicola has given Morgan an additional long term loan of $2000 paid into the bank on 1 September 2006.

In the table below, place a tick (✓) under the correct heading to indicate the effect of the additional loan on the following items in Morgan's Balance Sheet:

Effect of additional loan

		Increase	Decrease	No effect
(i)	Bank overdraft			
(ii)	Loan account			
(iii)	Working capital			
(iv)	Profit for the year			
(v)	Capital			

[5]

[Total: 24]

4 **(a)** Explain and give an example of the accounting principle of matching.

....

....

.... [4]

Kalim has a retail business and pays insurance on his premises. He pays an annual premium to the insurance company for the year ended 31 December but prepares his accounts to 30 September.

At 1 October 2005 he had prepaid insurance of $300. He paid the next year's annual premium of $1320 on 1 January 2006.

REQUIRED

(b) Show the entries in Kalim's insurance account for the year ended 30 September 2006 including the transfer to the Profit and Loss Account for the year and the balance carried down at 30 September 2006.

Kalim
Insurance account

....

....

....

....

....

....

.... [7]

[Total: 11]

5 Smith and Travers are in partnership sharing profits and losses in accordance with their partnership agreement which states the following:

1 Interest on capital is allowed at 5% per annum.
2 Salary to be paid to Smith of $15 000 per annum.
3 Interest to be charged on each partner's total drawings for the year at 4% per annum.
4 Travers and Smith share the balance of profits in the ratio 3:2.

The balances on the partners' capital accounts at 1 October 2005 were:

Smith $30 000
Travers $40 000

The partners' drawings for the year ended 30 September 2006 were:

Smith $35 000
Travers $15 000

The net profit of the partnership for the year ended 30 September 2006 was $89 000.

REQUIRED

(a) Prepare the Profit and Loss Appropriation Account for the partnership for the year ended 30 September 2006.

You may use the space below for workings.

Smith and Travers
Profit and Loss Appropriation Account for the year ended 30 September 2006

....

....

....

....

....

....

....

....

....

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....

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....

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....

....

.... [14]

....

Smith's current account in the partnership books showed a balance of $2300 Cr. at
1 October 2005.

REQUIRED

(b) Using the information above and your answer to part **(a)**, calculate the balance on
Smith's current account at 30 September 2006.

Show your workings.

[8]

[Total: 22]