



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE
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NUMBER

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ACCOUNTING

0452/13

Paper 1

October/November 2013

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 a soft pencil for any diagrams or graphs.

Do not use staples, paper clips, highlighters, 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.



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)** Sara sold goods on credit to Tarek.

How was this recorded in Sara's ledger?

| | account to be debited | account to be credited | |
|----------|-----------------------|------------------------|--------------------------|
| A | cash | Tarek | <input type="checkbox"/> |
| B | sales | Tarek | <input type="checkbox"/> |
| C | Tarek | cash | <input type="checkbox"/> |
| D | Tarek | sales | <input type="checkbox"/> |

[1]

(b) Abdul sold goods, \$250, on credit to Yasmin.

Yasmin recorded both the debit and credit entries for this transaction as \$25.

Which journal entry will correct this error?

| | | debit \$ | credit \$ | |
|----------|--------------------|-------------|--------------|--------------------------|
| A | Abdul purchases | 225 | 225 | <input type="checkbox"/> |
| B | Abdul sales | 225 | 225 | <input type="checkbox"/> |
| C | purchases Abdul | 225 | 225 | <input type="checkbox"/> |
| D | sales Abdul | 225 | 225 | <input type="checkbox"/> |

[1]

(c) A bank statement showed a business had \$2400 in its bank account.

A cheque for \$350 paid to a supplier, had been entered twice on the statement. Bank charges of \$40 were included on the statement but had not been entered in the cash book.

What is the correct bank balance?

- | | | | |
|----------|--------|--------------------------|-----|
| A | \$2010 | <input type="checkbox"/> | |
| B | \$2050 | <input type="checkbox"/> | |
| C | \$2090 | <input type="checkbox"/> | |
| D | \$2750 | <input type="checkbox"/> | [1] |

(d) Where are bad debts shown?

- | | | | |
|----------|--|--------------------------|-----|
| A | credit entry in the purchases ledger control account | <input type="checkbox"/> | |
| B | credit entry in the sales ledger control account | <input type="checkbox"/> | |
| C | debit entry in the purchases ledger control account | <input type="checkbox"/> | |
| D | debit entry in the sales ledger control account | <input type="checkbox"/> | [1] |

(e) At what value should inventory appear in a balance sheet?

- | | | | |
|----------|--|--------------------------|-----|
| A | average cost price during the year | <input type="checkbox"/> | |
| B | average selling price during the year | <input type="checkbox"/> | |
| C | lower of cost and net realisable value | <input type="checkbox"/> | |
| D | net realisable value | <input type="checkbox"/> | [1] |

- (f) The following balances were brought down on a rent receivable account.

| \$ | |
|----------------|---------|
| 1 January 2012 | 2000 Dr |
| 1 January 2013 | 1000 Cr |

Rent received during 2012 was \$15 000.

What amount should be shown for rent receivable in the income statement for the year ended 31 December 2012?

- A \$12 000
- B \$13 000
- C \$14 000
- D \$15 000 [1]

- (g) At the end of the financial year of East Ltd, the interest due to the debenture holders had not been paid.

Where will debenture interest be recorded in the financial statements of East Ltd?

| | income statement | appropriation account | balance sheet | | |
|---|------------------|-----------------------|---------------|-----------|------------------------------|
| | | | asset | liability | |
| A | ✓ | | ✓ | | <input type="checkbox"/> |
| B | ✓ | | | ✓ | <input type="checkbox"/> |
| C | | ✓ | ✓ | | <input type="checkbox"/> |
| D | | ✓ | | ✓ | <input type="checkbox"/> [1] |

- (h) Which would **not** appear in a receipts and payments account?

- A depreciation
- B insurance
- C subscriptions
- D wages [1]

- (i) A trader's quick (acid-test) ratio was 0.8 : 1.

What does this mean?

- A** Current assets excluding inventory were less than current liabilities.
- B** Current assets excluding inventory were more than current liabilities.
- C** Current assets were less than current liabilities.
- D** Current assets were more than current liabilities. [1]

- (j) With what should a trader compare his results in order to measure the progress of his business?

- A** the financial statements of another trader in a different type of business
- B** the financial statements of his business for previous years
- C** the profit for the year made by a trader in a different type of business
- D** the profit for the year made by each business in the same town [1]

[Total: 10]

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(d) Complete the table below. Use a tick (✓) to show on which side of a trial balance **each** item would appear. The first one has been completed as an example.

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| | Debit | Credit |
|------------------|-------|--------|
| Equipment | ✓ | |
| Bank overdraft | | |
| Sales | | |
| Discount allowed | | |
| Capital | | |
| Drawings | | |

[5]

(e) State **one** purpose of preparing a trial balance.

.....
 [1]

(f) A payment for vehicle repairs has been debited to the motor vehicles account in error.

(i) Name the type of error which has taken place.

..... [1]

(ii) Explain the effects of this error on the trial balance.

.....

 [2]

(g) Name the following documents.

| | Document |
|---|----------|
| a document sent by a supplier showing the balance owing at the end of a month | |
| a document sent to a customer as a demand for payment | |
| a document sent by a customer detailing the allowance due on returned goods | |

[3]

[Total: 23]

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3 Samantha runs a delivery company. On 1 January 2012 the business had three delivery vans. The following information is available.

| Van | Original cost \$ | Accumulated depreciation at 1 January 2012 \$ |
|-----|---------------------|---|
| A | 20 000 | 11 562 |
| B | 24 000 | 10 500 |
| C | 30 000 | 13 125 |

Further information is as follows.

- 1 Delivery vans are depreciated at the rate of 25% per annum on the reducing (diminishing) balance basis. A full year's depreciation is provided in the year of purchase and none in the year of disposal.
- 2 On 1 July 2012 Samantha sold van B.
- 3 On 1 August 2012 Samantha bought van D for \$28 000 from DM Limited. She paid half the cost by cheque. The balance was to be paid to the supplier in 12 months' time.

(a) State how many years' depreciation had been provided on van B at the date of disposal.

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

(b) Complete the ledger account below.

| Delivery vans account | | | | | |
|-----------------------|-------------|--------|--------|-------------|--------|
| 2012 | | \$ | 2012 | | \$ |
| Jan 1 | Balance b/d | | Jul 1 | | |
| Aug 1 | Bank | | Dec 31 | Balance c/d | 78 000 |
| | | | | | |
| | | | | | |
| | | | | | |
| 2013 | | | | | |
| Jan 1 | Balance b/d | 78 000 | | | |

[6]

(f) Name the accounting principle being applied when the same method of depreciation is used every year.

..... [1]

(g) State **three** causes of depreciation.

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

[Total: 24]

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(d) Solomon is considering going into partnership. State **two** advantages and **two** disadvantages of forming a partnership.

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Advantages

- 1
.....
- 2
.....

Disadvantages

- 1
.....
- 2
..... [4]

[Total: 23]

Question 5 is on the next page.

5 (a) Explain the following terms.

1 Bad debts

.....
.....

2 Provision for doubtful debts

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

On 1 September 2012 Leila's total trade receivables amounted to \$16 100 and she had a provision for doubtful debts of \$322.

On 31 August 2013 her trade receivables totalled \$21 200. This included \$1400 owed by a customer who had been declared bankrupt and was unlikely ever to pay. Leila decided to provide for doubtful debts at a rate of 3%.

(b) Prepare the provision for doubtful debts account for the year ended 31 August 2013. Balance the account and bring down the balance on 1 September 2013.

Provision for doubtful debts account

.....
.....
.....
.....
.....
.....
.....
..... [5]

(c) Prepare a balance sheet extract for trade receivables at 31 August 2013.

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

- (d) Leila owns a manufacturing business. Complete the table below using a tick (✓) to indicate how **each** item would appear in the financial statements. The first one has been completed as an example.

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Use

| | Manufacturing account direct cost | Manufacturing account indirect cost | Income statement |
|------------------------------------|---|---|---------------------|
| Production labour | ✓ | | |
| Depreciation of delivery van | | | |
| Purchases of raw material | | | |
| Factory supervisor's salary | | | |
| Salesman's commission | | | |
| Carriage inwards | | | |

[5]

[Total: 14]

6 On 1 July 2013 a trader had the following transactions.

- 1 Received \$800 by cheque from subletting premises.
- 2 Took goods costing \$200 for his own use.
- 3 Received \$600 by cheque in full settlement of a debt of \$625 from Tabitha, a credit customer.
- 4 Sold goods costing \$1000 on credit to Samir for \$1400.

(a) Complete the table below showing how these transactions are recorded. The first one has been completed as an example.

| Transaction | Debit entry | | Credit entry | |
|-------------|-------------|------------|------------------------|------------|
| | | \$ | | \$ |
| 1 | <i>Bank</i> | <i>800</i> | <i>Rent receivable</i> | <i>800</i> |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |

[7]

(b) At the start of business on 1 July 2013 the working capital (net current assets) of the business was \$12 100. Calculate the value of working capital after the transactions above have taken place.

| | \$ |
|-------------------------|--------|
| Opening working capital | 12 100 |
| Transaction 1 | |
| 2 | |
| 3 | |
| 4 | |
| Closing working capital | |

[5]

(c) Complete the table below. Write 'Increase', 'Decrease' or 'No effect' to indicate the effect **each** transaction has on the current ratio and the quick (acid test) ratio. The first one has been completed as an example.

| Transaction | Current ratio | Quick (acid test) ratio |
|-------------|-----------------|-------------------------|
| 1 | <i>Increase</i> | <i>Increase</i> |
| 2 | | |
| 3 | | |
| 4 | | |

[6]

(d) Complete the table below using a tick (✓) to indicate how each item would be classified. The first one has been completed as an example.

| | Capital expenditure | Capital receipt | Revenue expenditure | Revenue receipt |
|------------------------------|---------------------|-----------------|---------------------|-----------------|
| Rental income | | | | ✓ |
| Purchase of goods for resale | | | | |
| Purchase of equipment | | | | |
| Proceeds of sale of fixtures | | | | |
| Payment of advertising | | | | |
| Credit sales | | | | |
| Discount allowed | | | | |

[6]

(e) Name the financial statement in which the following are shown.

1 Capital expenditure

.....

2 Revenue expenditure

.....

[2]

[Total: 26]

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