Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

* 8 2 7 4 5 7 8 9 5 8 *

ACCOUNTING **0452/22**

Paper 2 **February/March 2019**

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 **20** printed pages.

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1 Narinder is a wholesaler who trades in handicrafts. He purchases all goods from local producers, paying by cheque at the time of purchase. Some goods are sold on credit terms to large retail stores and some goods are sold for cash to smaller stores. Narinder maintains a full set of accounting records.

The following entries were made in Narinder's cash book, sales journal and sales returns journal in January 2019.

Narinder
Cash Book

2019		Discount Allowed $	Cash $	Bank $	2019		Cash $	Bank $
Jan 1	Balance b/d		60		Jan 1	Balance b/d		1420
10	Amrik			540	5	Purchases		1890
28	Noor	26		1274	17	Amrik(Dis. Chq)*		540
30	Sales		1620		31	Wages	1334	
31	Balance c/d			2036		Drawings	120	
						Balance c/d	226	
		26	1680	3850			1680	3850

* Dis. Chq = Dishonoured cheque

Narinder
Sales Journal

2019			$	$
Jan 1	Amrik	Goods	720	
		Less Trade discount	180	540
16	Noor	Goods	1800	
		Less Trade discount	360	1440
31	Total for month			1980

Narinder
Sales Returns Journal

2019			$	$
Jan 18	Noor	Goods	175	
		Less Trade discount	35	140
31	Total for month			140

REQUIRED

(a) Enter the transactions for January 2019 in the following ledger accounts. It is not necessary to total or balance any of the accounts.

Narinder
General Ledger
Purchases account

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

Sales account

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

Wages account

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

Drawings account

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

Sales returns account

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

Discount allowed account

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

Sales Ledger
Amrik account

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

Noor account

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

[13]

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Narinder's financial year ends on 31 January. He maintains a provision for doubtful debts account. The following account appeared in his ledger.

Provision for doubtful debts account

Date	Details	$	Date	Details	$
2019			2018		
Jan 31	Balance c/d	155	Feb 1	Balance b/d	136
			2019		
			Jan 31	Income statement	19
		155			155

REQUIRED

(b) Explain the following entries in the provision for doubtful debts account.
Name the account in which the double entry would be made for each item.
State whether the account would be debited or credited.

1 February 2018 Balance b/d

Explanation .....

.....

.....

Name of account .....

Debit or credit .....

31 January 2019 Balance c/d

Explanation .....

.....

.....

Name of account .....

Debit or credit ..... [4]

(c) **(i)** Explain the following entry in the provision for doubtful debts account.

31 January 2019 Income statement

.....

.....

..... [1]

(ii) State how this entry affected Narinder's profit for the year ended 31 January 2019.

..... [1]

[Total: 19]

2 Aysha trades in children's shoes. Her financial year ends on 31 January.

Aysha rents a warehouse at an annual rent of $6 000. She sublets part of the premises to a tenant.

The following information is available.

2018		
February	1	Aysha had paid two months' rent in advance The tenant owed $600 rent
March	31	Cash received for rent, $800
April	30	Aysha paid six months' rent by bank transfer
May	1	Cheque received for rent, $2000
October	31	Aysha paid seven months' rent by cheque
2019		
January	31	Transfer to the income statement from the rent receivable account, $2400

REQUIRED

(a) Prepare the rent payable account and the rent receivable account in the ledger of Aysha for the year ended 31 January 2019. Balance the accounts and bring down the balances on 1 February 2019.

Aysha
Rent payable account

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

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Aysha
Rent receivable account

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

[9]

Aysha sells on credit to Ravi.

The following information relates to the month of February 2019.

February 1 Ravi owed $400

6 Credit sales to Ravi, list price $700, less 20% trade discount
Carriage charged on goods sold, $25

12 Ravi requested to be allowed to return some of the goods purchased on 6 February, list price $220

14 Aysha agreed that Ravi could return goods, list price $200

21 Ravi paid the balance due on 1 February 2019 by bank transfer after deducting 2½% cash discount

REQUIRED

(b) Name the document which would be issued on **each** of the following dates.
Name the person who issued this document.

February 6 Document .....

Person issuing the document .....

12 Document .....

Person issuing the document .....

14 Document .....

Person issuing the document ..... [6]

(c) Name the document Aysha would issue on 28 February 2019.
Suggest **one** reason why Aysha may issue this document.

Document .....

Reason for issue .....

..... [2]

(d) Write up the account of Aysha as it would appear **in the ledger of Ravi** for the month of February 2019. Balance the account and bring down the balance on 1 March 2019.

Ravi
Aysha account

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

[6]

Ravi sells goods to Aysha in addition to purchasing goods from her.

On 1 March 2019 it was agreed that the balance of Aysha's account in Ravi's sales ledger of $230 should be transferred to her account in Ravi's purchases ledger.

REQUIRED

(e) Prepare a journal entry to record the transfer of the balance of the sales ledger account to the purchases ledger account in the books of Ravi.
A narrative **is** required.

Ravi
Journal

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

[3]

[Total: 26]

3 Bari and Nada are in partnership. Their financial year ends on 31 December.

Their partnership agreement provides for residual profits to be shared in proportion to capital invested.

The balances on their accounts on 1 January 2018 were:

	Bari	Nada
	$	$
Capital account	150 000	100 000
Current account	950 credit	150 debit

During the year ended 31 December 2018 the partners made the following drawings:

Bari	Nada
$	$
11 000	13 000

The following is an extract from the draft appropriation account for the year ended 31 December 2018.

Bari and Nada
Draft Appropriation Account for the year ended 31 December 2018

		$	$
Profit for the year			35 590
Interest on drawings	Bari	660	
	Nada	780	1 440
			37 030
Interest on capital	Bari	7 500	
	Nada	5 000	
		12 500	
Partner's salary	Bari	20 000	32 500
Profit available for distribution			4 530

The following additional information is available at 31 December 2018.

	$
Premises at 1 January 2018	120 000
Premises purchased on 1 July 2018	100 000
Other non-current assets	92 650
Trade payables	17 250
Trade receivables	25 500
Other payables	800
Other receivables	910
Provision for doubtful debts	510
Bank	21 890 debit
Loan (repayable 2025)	80 000

REQUIRED

(a) Prepare the draft statement of financial position at 31 December 2018.

The details of the partners' current accounts should be shown within the statement.

Bari and Nada
Draft Statement of Financial Position at 31 December 2018

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

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

[13]

Bari and Nada's receipts and payments during the financial year ended 31 December 2018 included both capital and revenue items.

REQUIRED

(b) State the meaning of **each** of the following terms and give an example of each.

Capital expenditure

Meaning .....

.....

Example .....

Capital receipt

Meaning .....

.....

Example .....

Revenue expenditure

Meaning .....

.....

Example .....

Revenue receipt

Meaning .....

.....

Example ..... [8]

After the preparation of the draft financial statements for the year ended 31 December 2018 the accounting records were checked.

The amount debited to the premises account on 1 July 2018 consisted of the following:

	$
Cost of premises	89 000
Legal fees (including $250 legal fees for recovery of a bad debt)	5 300
Decoration costs (half of which related to the original premises)	3 300
Insurance of new premises (for 12 months from 1 July 2018)	2 400
	100 000

REQUIRED

(c) (i) Calculate the amount which should have been debited to the premises account on 1 July 2018.

	$
Cost of premises	89 000
.....	.....
.....	.....
.....	.....
Correct amount to debit to premises account	_____

[3]

(ii) Calculate the **correct** profit for the year ended 31 December 2018.

	$
Profit for the year	35 590
.....	.....
.....	.....
.....	.....
Corrected profit for the year ended 31 December 2018	_____

[4]

[Total: 28]

4 Jai's financial year ends on 31 December. He has little knowledge of book-keeping but decided to prepare a trial balance on 31 December 2018.

The trial balance he prepared, which contains errors, was as follows.

	$	$
Revenue		196 000
Purchases	116 500	
Inventory 1 January 2018		9 410
Purchases returns	4 500	
Premises at cost	110 500	
Fixtures and fittings at cost	12 000	
Motor vehicle at cost	16 190	
Provision for depreciation of fixtures and fittings		4 320
Provision for depreciation of motor vehicle		7 000
Bank overdraft	1 180	
Trade receivables	18 000	
Trade payables		9 383
Office expenses	16 121	
Discount received		2 100
Discount allowed	1 900	
Drawings		3 100
Capital 1 January 2018		79 100
	296 891	310 413

In addition to the obvious errors in the trial balance the following errors were also discovered.

Error 1 Repairs to motor vehicle, $190, had been debited to the motor vehicle account.

Error 2 No entry had been made for bank charges, $34.

Error 3 A debt of $100 should have been written off as irrecoverable.

REQUIRED

(a) Prepare a corrected trial balance at 31 December 2018. If the trial balance does not balance insert a balancing figure in a suspense account.

Jai
Corrected Trial Balance at 31 December 2018

	Debit $	Credit $
Revenue	.....	.....
Purchases	.....	.....
Inventory 1 January 2018	.....	.....
Purchases returns	.....	.....
Premises at cost	.....	.....
Fixtures and fittings at cost	.....	.....
Motor vehicle at cost	.....	.....
Provision for depreciation of fixtures and fittings	.....	.....
Provision for depreciation of motor vehicle	.....	.....
Bank overdraft	.....	.....
Trade receivables	.....	.....
Trade payables	.....	.....
Office expenses	.....	.....
Discount received	.....	.....
Discount allowed	.....	.....
Drawings	.....	.....
Capital 1 January 2018	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
	.....	.....

[13]

After the trial balance had been corrected draft financial statements were prepared.

Additional errors were then discovered.

REQUIRED

(b) Complete the table to show the entries required to **correct each** error.

The first one has been completed as an example.

Error		Entry required to correct the error			
		Debit		Credit	
		Account	$	Account	$
Error 4	The total of the office expenses column, in the petty cash book, $21, had not been transferred to the ledger	*Office expenses*	*21*	*Suspense*	*21*
Error 5	Discount allowed to Meena, $9, had not been entered in her ledger account	.....	.....	.....	.....
Error 6	A monthly total of the purchases returns journal, $490, had been transferred to the purchases returns account as $940	.....	.....	.....	.....
Error 7	Cash sales, $300, had been correctly entered in the cash book but debited to the account of K Limited	.....	.....	.....	.....
		.....	.....	.....	.....

[7]

(c) Complete the table by placing a tick (✓) in the correct columns to indicate the **effect of errors** 4–7 on the profit for the year **and** on the assets.

error	effect on the profit for the year			effect on assets		
	overstated	understated	no effect	overstated	understated	no effect
Error 4						
Error 5						
Error 6						
Error 7						

[8]

[Total: 28]

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PLEASE TURN OVER

5 The financial year of LW Limited ends on 31 January.

The following information is available.

Ratio	31 January 2018	31 January 2019
Rate of inventory turnover	9.45 times	8.17 times
Trade payables payment period	40 days	53 days
Trade receivables collection period	29 days	33 days
Current ratio	2.54:1	?
Quick (acid test) ratio	1.44:1	?

At 31 January 2019

	$
Inventory	31 200
Trade receivables	30 900
Trade payables	32 000
Short-term bank loan	10 000
Cash at bank	14 000
Cash	100

All goods are bought and sold on credit terms. If credit customers pay their accounts within 30 days they are allowed a cash discount. If the accounts of credit suppliers are paid within 45 days LW Limited is entitled to a cash discount.

REQUIRED

(a) Comment on the change in the rate of inventory turnover.

.....

.....

.....

..... [2]

(b) State **two** effects of the change in the trade payables payment period.

1 .....

.....

2 .....

..... [2]

(c) Comment on the change in the trade receivables collection period.

.....

.....

.....

..... [2]

(d) **(i)** Calculate the current ratio at 31 January 2019.

The calculation should be correct to **two** decimal places.

.....

.....

.....

..... [2]

(ii) Calculate the quick (acid test) ratio at 31 January 2019.

The calculation should be correct to **two** decimal places.

.....

.....

.....

..... [2]

(e) Suggest **one** reason for the change in the quick (acid test) ratio.

.....

..... [1]

The directors of LW Limited are concerned at the change in the quick (acid test) ratio. One of the directors has made four proposals which he believes would increase the quick (acid test) ratio.

REQUIRED

(f) Complete the table by placing a tick (✓) in the correct column to indicate the effect of **each** proposal on the **quick (acid test) ratio**.

	increase	decrease	no effect
Proposal 1 Buy a new non-current asset on credit terms			
Proposal 2 Sell on cash terms only rather than on credit			
Proposal 3 Arrange for the short-term loan to be changed into a long-term loan			
Proposal 4 Pay the credit suppliers more quickly in order to obtain a cash discount			

[4]

(g) **(i)** Explain how Proposal 3 would affect the **current ratio**.

.....

.....

.....

..... [2]

(ii) Explain how Proposal 4 would affect the **current ratio**.

.....

.....

.....

..... [2]

[Total: 19]

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