Cambridge Assessment International Education

Cambridge IGCSE™

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER				

2557823302

ACCOUNTING **0452/22**

Paper 2 Structured Written Paper **February/March 2020**

1 hour 45 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [ ].
- Where you are asked to complete a layout, you may not need all the lines for your answer.

This document has **20** pages. Blank pages are indicated.

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1 Amara maintains a petty cash book using the imprest system. The imprest amount of $200 is restored on the first day of each month. On 1 January 2020 Amara had a balance of $65 in her petty cash.

All payments of less than $100 are made from petty cash.

On 1 January 2020, Amara owed $85 to Razvan, a credit supplier.

Amara provided the following information for January 2020.

January	1	The petty cash imprest was restored from the business bank account.
	3	Purchased stationery for cash, $24
	7	Paid travelling expenses, $49
	14	Paid Razvan the amount outstanding on his account
	19	Purchased goods on credit from Razvan, $200 less 10% trade discount
	22	Paid taxi fare, $18
	28	Returned goods to Razvan which had been purchased on 19 January, list price $40
	29	Paid postage, $11

REQUIRED

(a) Prepare Amara's petty cash book for the month of January 2020, on the page opposite.

Balance the petty cash book and bring down the balance on 1 February 2020.

Amara
Petty Cash Book

Total received $	Date	Details	Total paid $	Travel $	Postage and stationery $	Ledger accounts $
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....	.....	.....

[10]

Amara's supplier, Razvan, maintains a full set of accounting records.

REQUIRED

(b) Prepare the account of **Amara** as it would appear in the ledger of Razvan.

Balance the account and bring down the balance on 1 February 2020.

Razvan
Amara account

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

[6]

On 2 February 2020 Amara paid the balance due to Razvan. She deducted cash discount of 2%.

REQUIRED

(c) Complete the following table by placing a tick (✓) in the correct column to show how **Razvan** should record the cash discount. Where an account has no entry, tick 'no entry'.

	debit	credit	no entry
Amara account			
Discount allowed account			
Discount received account			

[2]

Amara usually pays Razvan by cash or cheque.

REQUIRED

(d) State **two other** methods which Amara could use to pay Razvan from her bank account.

1 .....

2 ..... [2]

[Total: 20]

PLEASE TURN OVER

2 GHB Limited maintains a full set of accounting records and prepares monthly control accounts.

The following information was provided for November 2019.

	$
Purchases ledger control account balance at 1 November	?
Totals for November:	
Purchases journal	14 200
Purchases returns journal	1 160
Cash purchases	5 390
Commission receivable	2 110
Cash discount received	650
Cash discount allowed	710
Cheques paid to trade payables	11 420
Sales ledger contras	250
Interest charged by trade payables	95
Cheque refunds from trade payables	330
Purchases ledger control account balance at 30 November	13 195

REQUIRED

(a) Prepare the purchases ledger control account for GHB Limited for November 2019.

Balance the account on 30 November 2019 and bring down the balance on 1 December 2019.

GHB Limited
Purchases ledger control account

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

[9]

A delivery vehicle was purchased by cheque during November 2019.

REQUIRED

(b) State **two** reasons why the purchase of the delivery vehicle was **not** recorded in the purchases ledger control account.

1 .....

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2 .....

..... [2]

(c) **(i)** State the **most appropriate** method of depreciation for the new delivery vehicle.

..... [1]

(ii) State **three** reasons for your answer to **(c) (i)**.

1 .....

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2 .....

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3 .....

..... [3]

The directors of GHB Limited are planning to finance a major expansion of the fleet of delivery vehicles. $250 000 will be required for this expansion. The directors are considering whether to issue additional ordinary shares or to obtain a long-term bank loan.

REQUIRED

(d) Advise the directors which of these two methods of finance is more appropriate.

Justify your answer with **one** advantage and **one** disadvantage of **each** option.

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..... [5]

[Total: 20]

PLEASE TURN OVER

3 Tia and Sarna are partners in a trading business.

Their trial balance at 31 December 2019 was as follows:

Tia and Sarna
Trial Balance at 31 December 2019

	debit	credit
	$	$
Revenue		124 000
Inventory at 1 January 2019	5 390	
Purchases	55 440	
Discount allowed	2 400	
Discount received		1 385
Carriage outwards	6 160	
Insurance	7 920	
General expenses	8 100	
Wages	9 600	
Trade receivables	11 590	
Trade payables		6 051
Bank	8 136	
Premises at cost	90 000	
Furniture at cost	24 000	
Provision for depreciation on furniture		5 600
Capital accounts		
Tia		80 000
Sarna		40 000
Current accounts		
Tia		2 100
Sarna		1 600
Drawings		
Tia	15 000	
Sarna	17 000	
	260 736	260 736

Additional information

1 Inventory at 31 December 2019 was valued at $5165.

2 Depreciation on furniture is to be charged at 20% per annum using the straight-line method.

3 The insurance includes a payment of $2160 for the 12 months from 1 July 2019 to 30 June 2020.

4 The partnership agreement provides for
interest on capital of 5% per annum
a salary to Tia of $6000 per annum
residual profits and losses to be shared equally

REQUIRED

(a) Prepare the income statement for Tia and Sarna for the year ended 31 December 2019.

Tia and Sarna
Income Statement for the year ended 31 December 2019

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

[8]

(b) Prepare the appropriation account for Tia and Sarna for the year ended 31 December 2019.

Tia and Sarna
Appropriation Account for the year ended 31 December 2019

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

[4]

(c) Prepare the current account for Sarna for the year ended 31 December 2019. Balance the account and bring down the balance on 1 January 2020.

Tia and Sarna
Sarna current account

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

[4]

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Tia and Sarna are considering transferring $7000 from the business bank account to an interest-bearing deposit account.

REQUIRED

(d) Advise the partners whether or not they should make this transfer. Justify your answer by providing advantages and disadvantages.

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..... [4]

[Total: 20]

4 Arjun is a sole trader.

Arjun prepared a trial balance on 31 January 2020. The totals of the debit and credit sides differed. This difference was placed in a suspense account.

Arjun later discovered the following errors.

1 The total of the discount received column in the cash book for January, $135, had been credited to the commission receivable account.

2 $200 received from the sale of fittings (net book value $150) had been correctly debited but had been credited to the fixtures and fittings account.

3 Cash drawings, $40, had been correctly debited but had been credited to the purchases account.

4 The total of the analysis column for cleaning in the petty cash book, $73, had been transferred to both the cleaning account and the office expenses account.

5 The purchase of equipment, $575, had been credited to the equipment repairs account. The bank account had been correctly credited.

6 No entries had been made for a cheque payment for office expenses, $90.

7 A cheque, $69, paid to Simone had been posted to the account of Simon.

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REQUIRED

(a) Prepare journal entries to correct errors 1, 2 and 3.

Narratives **are** required.

Arjun
Journal

Error number	Details	Debit $	Credit $
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
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.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[9]

(b) Prepare the suspense account. Include the original difference on the trial balance, as a balancing figure.

Arjun
Suspense account

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

[4]

(c) Complete the following table by placing a tick (✓) in the correct column to indicate how **each** of the **errors** would **affect** Arjun's capital.

The first one has been completed as an example.

Ignore depreciation of non-current assets.

Error number	Increases capital	Decreases capital	No effect on capital
3	✓		
4			
5			
6			
7			

[4]

(d) State **three** advantages to Arjun of operating as a sole trader.

1 .....

.....

2 .....

.....

3 .....

..... [3]

[Total: 20]

5 Adit provided the following information.

For the year to 31 January 2020	$
Profit for the year	27 900
Revenue	186 000
Credit purchases	93 075
At 31 January 2020	
Non-current assets at book value	43 700
Inventory	9 340
Trade receivables	14 010
Trade payables	9 435
Bank overdraft	2 240
Bank loan (repayable 2023)	6 000

All goods are sold on credit terms.

REQUIRED

(a) Calculate the following ratios. Show your workings.

profit margin	
workings	answer

trade payables turnover (days)	
workings	answer (round up to nearest whole day)

trade receivables turnover (days)	
workings	answer (round up to nearest whole day)

liquid ratio	
workings	answer

[8]

The bank overdraft limit is $2500.

The trade payables turnover for the year to 31 January 2019 was 35 days.

REQUIRED

(b) Advise Adit whether or not he should delay paying trade payables in order to reduce the bank overdraft. Justify your answer by considering the effect on **both** the bank balance and the trade payables.

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..... [5]

(c) Suggest **three other** actions which Adit could take to reduce the bank overdraft.

1 .....

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2 .....

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3 .....

..... [3]

(d) **(i)** State **two** reasons why Adit should produce an annual income statement.

1 .....

.....

2 .....

..... [2]

(ii) State **two** reasons why Adit should apply the money measurement principle.

1 .....

.....

.....

2 .....

.....

..... [2]

[Total: 20]

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