Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

2021194650

ACCOUNTING **0452/11**

Paper 1 **May/June 2016**

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 **19** printed pages and **1** blank page.

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CAMBRIDGE International Examinations

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)** An amount received from Alice, a credit customer, was credited to the account of Alison in error.

Which error was made?

A commission ☐

B compensating ☐

C original entry ☐

D principle ☐

[1]

(b) Maneck had a draft profit of $10 500. He then discovered that the total of the discount allowed column of the cash book, $200, had been entered on the credit side of the discount received account.

What was the profit once this error had been corrected?

A $10 100 ☐

B $10 300 ☐

C $10 700 ☐

D $10 900 ☐

[1]

(c) How do discount received and sales ledger contras appear in a purchases ledger control account?

	discount received	contras
A	as a credit	as a credit
B	as a credit	as a debit
C	as a debit	as a credit
D	as a debit	as a debit

[1]

(d) Which statement is true about capital expenditure?

A It consists of the purchase of goods for resale. ☐

B It includes the costs of operating a non-current asset. ☐

C It involves the buying of an asset to be used in the business for more than a year. ☐

D It should be written off during the year in which the expenditure arises. ☐

[1]

(e) Nusswan's rates are $100 a month. He pays six months' rates in advance, on 1 January and 1 July each year. He also receives six months' rent of $150 a month in advance on the same dates.

Which amounts appear in the statement of financial position on 31 January?

	in current assets	in current liabilities
A	$100	$150
B	$500	$750
C	$750	$500
D	$1250	nil

[1]

(f) A trader has an increasing level of trade receivables and maintains the same rate of provision for doubtful debts over the years. One year he forgets to update his provision for doubtful debts account.

Which effect does this have on his financial statements?

	profit for the year	current assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

[1]

(g) What is meant by the term net realisable value?

A selling price ☐

B selling price less costs of completion ☐

C selling price less costs of completion less selling expenses ☐

D selling price less selling expenses ☐

[1]

(h) FD Paints Limited started trading on 1 January 2015. The company provided the following information for the year ended 31 December 2015.

	$
Profit for the year	80 000
Dividend paid	4 200
Dividend proposed	10 400
Transfer to general reserve	5 000

What were the retained earnings at 31 December 2015?

A $60 400 ☐

B $70 800 ☐

C $75 800 ☐

D $89 200 ☐

[1]

(i) A club records its equipment at valuation.

How does it calculate its depreciation?

A value at start of year – equipment purchased – value at end of year ☐

B value at start of year – equipment purchased + value at end of year ☐

C value at start of year + equipment purchased – value at end of year ☐

D value at start of year + equipment purchased + value at end of year ☐

[1]

(j) Which statements are true about the current ratio?

1 It can be higher than the quick ratio.
2 It can be lower than the quick ratio.
3 It differs from the quick ratio because of bank overdraft.
4 It differs from the quick ratio because of inventories of goods.

A 1 and 3 ☐

B 1 and 4 ☐

C 2 and 3 ☐

D 2 and 4 ☐

[1]

[Total: 10]

2 **(a)** Complete the following sentence using the words 'plus' and 'minus'.

capital at start of year ..... profit for the year ..... capital introduced .....

drawings = capital at end of year [1]

Lewis had the following transactions.

1 Bought goods, $1000, on credit from Pamela.
2 Bought delivery van, $17 000, from AM Motors, paying $12 000 by cheque with the balance to be paid after six months.
3 Paid wages, $250, by cheque.
4 Sold goods, cost $600, for $960 on credit to Ali.
5 Withdrew $110 cash from the business bank account to increase cash in hand.

REQUIRED

(b) Complete the following table showing how **each** of these transactions was recorded in Lewis's books of account. The first has been completed as an example.

	Account(s) debited	$	Account(s) credited	$
1	Purchases	1000	Pamela	1000
2				
3				
4				
5				

[9]

(c) Identify the transaction which decreased Lewis's capital.

Transaction number ..... [1]

(d) Identify the transaction which increased Lewis's capital. State the amount by which it was increased.

Transaction number .....

Amount ..... [2]

(e) Identify the transaction which would be classified as a contra.

Transaction number ..... [1]

(f) State how capital employed is calculated.

.....[1]

(g) Name the book of prime (original) entry used when a trader brings cash into the business as capital introduced.

.....[1]

(h) Name the book of prime (original) entry used when a trader transfers his private vehicle to the business.

.....[1]

(i) Complete the following table. Indicate with a tick (✓) whether **each** item is an asset, a liability, an expense or an income.

	asset	liability	expense	income
premises				
accrued wages				
decrease in provision for doubtful debts				
bank loan				
depreciation charge				
carriage outwards				

[3]

[Total: 20]

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3 **(a)** Complete the following table by writing 'True' or 'False' against **each** comment about a statement of account.

It contains details of the quantity and price of goods supplied.	
It shows the value of trade discount given.	
It shows the balance owing at the start of the period.	
It is sent to remind the customer of the amount owed.	

[4]

Dilip is a trader. He sells goods to James, a credit customer.

REQUIRED

(b) Complete the following table indicating with a tick (✓) who would issue **each** document.

	Dilip	James
invoice		
credit note		
debit note		

[3]

(c) Name the book of prime (original) entry where **each** trader would record a credit note.

Dilip .....

James .....[2]

(d) State when **each** of the following documents is usually sent.

Invoice .....

Credit note .....

Statement of account .....[3]

On 1 March 2016 James owed Dilip $300. During March the following transactions took place.

March 3 James paid, by cheque, the balance owing less 3% cash discount.
6 James bought on credit goods, list price $620, after taking 20% trade discount.
13 James returned goods, list price $180.

REQUIRED

(e) Prepare James's account in the books of Dilip for the month of March 2016. Balance the account and bring down the balance on 1 April 2016.

Dilip
James account

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

[7]

(f) State where James's account would be included in Dilip's statement of financial position. Name the item and the section.

Item .....

Section .....[2]

(g) State why James was entitled to cash discount.

.....

.....[1]

[Total: 22]

4 **(a)** Complete the following table. Fill in the gaps so that the name of **each** accounting principle or policy is paired with an explanation. The first has been completed as an example.

Name of accounting principle or policy	Explanation
Duality	*Every transaction has a two-fold aspect.*
.....	Profits should not be overstated.
.....	Financial statements only include items which can be expressed in monetary terms.
Going concern	....
Business entity	....
.....	Accounting information should be free from error and bias.
Consistency	....

[6]

(b) State **two** reasons why two business owners might find it difficult to compare their financial statements.

1 .....

2 .....[2]

(c) Complete the following table giving **one** reason why **each** of the users of financial statements might be interested in them.

User	Reason
Bank manager	....
Credit supplier	....
Investor	....

[3]

(d) State how prime cost is calculated in a manufacturing business.

.....

.....[2]

(e) Complete the following table, indicating with a tick (✓) where **each** item appears in the financial statements of a manufacturing business.

	manufacturing account	income statement
depreciation of factory machinery		
depreciation of delivery van		
royalties		
factory rent		
salesman's commission		
factory supervisor's salary		
sales returns		
closing inventory of work in progress		

[4]

(f) State what is meant by the term work in progress.

.....

.....[1]

(g) State **one** reason why work in progress is more likely to appear in the financial statements of a boat builder than those of a business making bread rolls.

.....

.....[1]

[Total: 19]

5 Rohinton started trading on 1 January 2016. His cash book (bank columns only) for the first month of trading was as follows.

Rohinton
Cash book (bank columns only)

2016		$	2016		$
Jan 1	Capital	10 000	Jan 1	Rent (3 months)	3 000
10	Cash sales	1 600	7	Fixtures and fittings	4 000
18	Freddie	180	8	Amitav	605
28	Ling	195	21	Arun	402
			29	Charles	780
			31	Balance c/d	3 188
		11 975			11 975
Feb 1	Balance b/d	3 188			

His bank statement for the same period was as follows.

Date	Details	Debit	Credit	Balance	
2016		$	$	$	
Jan 1	Opening deposit		10 000	10 000	Cr
1	Standing order (12 months' insurance)	720		9 280	Cr
5	Cheque 0002	4 000		5 280	Cr
10	Deposit		1 600	6 880	Cr
11	Cheque 0001	3 000		3 880	Cr
12	Cheque 0003	605		3 275	Cr
20	Deposit		180	3 455	Cr

REQUIRED

(a) Update the cash book and bring down the amended balance.

Rohinton
Cash book (bank columns only)

2016		$	2016		$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[3]

(b) Prepare the bank reconciliation statement at 31 January 2016.

Rohinton
Bank reconciliation statement at 31 January 2016

.....

.....

.....

.....

.....

.....

.....

.....

.....[7]

Question 5(c) is on the next page.

Further information is as follows.

1 On 31 January

	$
Cash in hand	710
Amount owing by credit customer	70
Amount owing to credit supplier	550
Inventory	1211
Rent prepaid	?
Insurance prepaid	?

2 Depreciation at the rate of 15% per annum on the straight line basis is provided monthly.

REQUIRED

(c) Prepare a statement of affairs showing the net assets and the capital of the business on 31 January 2016.

Rohinton
Statement of Affairs at 31 January 2016

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.....[10]

(d) Calculate Rohinton's profit for the month of January 2016. Use the capital you calculated in part **(c)**.

.....

.....

.....

.....[3]

[Total: 23]

6 David and Harold are in partnership. The partnership agreement states that David is to receive an annual salary of $12 000 and that profits and losses are to be shared in the ratio 2:1.

The following balances were extracted from the partnership books on 31 March 2016.

		$	
Capital accounts	– David	80 000	
	– Harold	25 000	
Current accounts	– David	8 100	debit
	– Harold	6 200	credit
Fixtures and fittings at cost		37 200	
Provision for depreciation of fixtures and fittings		11 160	
Inventory at 1 April 2015		36 000	
Trade receivables		7 000	
Trade payables		6 140	
Bank		12 100	debit
Sales (Revenue)		142 000	
Purchases		83 100	
Rent		12 000	
Other operating expenses		11 800	
Wages		16 500	
Drawings	– David	32 000	
	– Harold	14 700	

Additional information

1 Other operating expenses included $500 for insurance which was paid in advance at 31 March 2016.

2 Inventory on 31 March 2016 amounted to $26 800.

3 Fixtures and fittings are depreciated at the rate of 10% per annum on the straight line basis. A full year's depreciation is provided in the year of purchase. The current year's depreciation has not yet been provided.

4 All the fixtures and fittings were purchased when the partnership was formed.

REQUIRED

(a) Calculate how many years' depreciation had been charged.

.....

.....

.....

.....[3]

(b) Prepare the income statement for the year ended 31 March 2016.

David and Harold
Income Statement for the year ended 31 March 2016

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

[8]

(c) Prepare the appropriation account for the year ended 31 March 2016.

David and Harold
Appropriation Account for the year ended 31 March 2016

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

[3]

(d) Calculate David's total income entitlement from the business for the year.

.....

.....

.....

.....[3]

(e) State why it might be useful if the partnership agreement contained a provision for interest on drawings.

.....

.....[1]

(f) Calculate the percentage of gross profit to revenue for the year ended 31 March 2016.

.....

.....[2]

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David and Harold were surprised to see that inventory had fallen during the year. In previous years the percentage of gross profit to revenue had been 45% and they believed that this had been maintained.

REQUIRED

(g) Calculate the value of inventory at 31 March 2016 with which the percentage of gross profit to revenue would have been constant.

.....

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.....[5]

(h) Suggest **one** reason for the lower inventory value.

.....

.....[1]

[Total: 26]

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