**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

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| CANDIDATE NAME | |

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**ACCOUNTING** **0452/12**

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 **18** printed pages and **2** blank pages.

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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)** How is profit for the year calculated?

A closing capital + drawings – opening capital ☐

B closing capital – drawings – opening capital ☐

C opening capital + drawings – closing capital ☐

D opening capital – drawings – closing capital ☐ [1]

**(b)** Vikram received $100 from Sasha, a credit customer. He credited bank and debited the account of Sally.

Which entries correct this error?

| | account debited | $ | account credited | $ | |
|---|---|---|---|---|---|
| A | bank | 100 | Sally | 100 | ☐ |
| B | bank | 200 | Sally<br>Sasha | 100<br>100 | ☐ |
| C | Sasha | 100 | Sally | 100 | ☐ |
| D | suspense | 200 | Sally<br>Sasha | 100<br>100 | ☐ |

[1]

**(c)** A bank statement balance and a cash book balance do not agree.

Which items arise from timing differences?

1 bank charges
2 bank errors
3 uncredited deposits
4 unpresented cheques

A 1 and 2 only ☐

B 1, 2, 3 and 4 ☐

C 2, 3 and 4 only ☐

D 3 and 4 only ☐ [1]

**(d)** Which item appears on the debit side of a sales ledger control account?

A discount received ☐

B dishonoured cheque from customer ☐

C provision for doubtful debts ☐

D sales returns ☐ [1]

**(e)** The purchase of a motor vehicle for business use has been treated as revenue expenditure.

Which item in the statement of financial position was understated?

A capital ☐

B current assets ☐

C current liabilities ☐

D non-current liabilities ☐ [1]

**(f)** Omar's financial year ended on 30 September 2015.

He had paid $2000 on 31 March 2015 for ten identical advertisements to run monthly from April 2015 to January 2016.

How did this appear in his financial statements?

| | income statement | statement of financial position |
|---|---|---|
| A | $800 expense | $1200 current asset |
| B | $800 expense | $1200 current liability |
| C | $1200 expense | $800 current asset |
| D | $1200 expense | $800 current liability |

☐ ☐ ☐ ☐ [1]

**(g)** A trader provided the following information.

| | at 31 March 2015 | at 31 March 2016 |
|---|---|---|
| trade receivables | $40 000 | $46 000 |
| rate of provision for doubtful debts | 5% | 4% |

Which entry for provision of doubtful debts appeared in his income statement for the year ended 31 March 2016?

A $160 as an expense ☐

B $160 as an income ☐

C $240 as an expense ☐

D $240 as an income ☐ [1]

**(h)** Edison expects to sell the goods he holds in inventory at a mark up of 40%.

How should he value inventory in his statement of financial position?

A at cost ☐

B at cost less selling expenses ☐

C at selling price ☐

D at selling price less selling expenses ☐ [1]

**(i)** Benjamin and Cody's partnership agreement states that Benjamin is to receive an annual salary of $10 000 and that profits and losses are to be shared in the ratio 3:2. The partnership's profit for the year is $45 000.

What is Benjamin's total allocation of profit?

A $14 000 ☐

B $23 000 ☐

C $27 000 ☐

D $31 000 ☐ [1]

**(j)** Ajith manufactures all the goods he sells. He provided the following information for the year.

| | $ |
|---|---|
| Opening inventory of raw materials | 4 000 |
| Closing inventory of raw materials | 6 200 |
| Opening inventory of work-in-progress | 8 100 |
| Closing inventory of work-in-progress | 10 050 |
| Purchases | 121 700 |
| Carriage inwards | 3 500 |
| Carriage outwards | 4 900 |

What was the cost of raw materials consumed?

A $119 500 ☐

B $121 050 ☐

C $123 000 ☐

D $124 400 ☐ [1]

**[Total: 10]**

**2** **(a)** State the accounting equation.

.....[1]

Saeed is a trader. He took cash from the business for his own use.

**REQUIRED**

**(b)** State how the taking of the cash was recorded in Saeed's books of account.

| account debited | account credited |
|---|---|
| | |

[2]

**(c)** State whether this transaction increased or decreased Saeed's capital.

.....[1]

**(d)** Name **one** form (other than in cash or from the bank) in which a business owner might take drawings.

.....[1]

**(e)** State how capital employed is calculated.

.....[1]

**(f)** State what is meant by the term book-keeping.

.....

.....[1]

**(g)** State **one** advantage of maintaining books of prime (original) entry.

.....

.....[1]

**(h)** Complete the following table naming **one** source document for **each** book of prime (original) entry. The first has been completed as an example.

| book of prime (original) entry | source document |
|---|---|
| cash book | *cheque counterfoil* |
| sales journal | |
| sales returns journal | |
| purchases journal | |
| petty cash book | |

[4]

**(i)** State **one** transaction recorded in the general journal.

.....[1]

**(j)** Name the accounting principle applied when the double entry system of book-keeping is used.

.....[1]

**[Total: 14]**

**3** **(a)** Define an income statement.

.....

.....[2]

**(b)** State **one** reason why a business owner prepares an income statement.

.....[1]

**(c)** Name **one** user of the financial statements (other than the owner) who would be interested in them. State **one** reason why that user would be interested.

User .....

Reason .....

.....[2]

**(d)** State **one** reason why a book-keeper would prepare a trial balance.

.....

.....[1]

**(e)** Complete the following table, indicating with a tick (✓) whether **each** account would appear on the debit side or the credit side of a trial balance.

| | debit side | credit side |
|---|---|---|
| machinery | | |
| bank overdraft | | |
| inventory | | |
| capital | | |
| purchases | | |
| discount received | | |
| carriage outwards | | |
| trade receivables | | |

[4]

**(f)** State which accounts from the table in **(e)** are

**(i)** assets .....

.....

**(ii)** liabilities.....

.....[3]

**(g)** Name the account which is opened when a trial balance fails to agree.

.....[1]

**(h)** Name and explain **two** errors which would **not** affect the balancing of the trial balance.

Error 1

Name .....

Explanation .....

.....

.....

Error 2

Name .....

Explanation .....

.....

.....[4]

**[Total: 18]**

**4** Virginia depreciates motor vehicles at the rate of 25% per annum using the reducing (diminishing) balance method. She provides a full year's depreciation in the year of purchase and none in the year of disposal. Her accounting year end is 31 December.

She purchased a motor vehicle, cost $10 000, on 1 April 2013, and sold it on 28 May 2015 for $7210 cash. On the same date she bought a new motor vehicle for $17 000, paying by cheque.

**REQUIRED**

**(a)** Calculate the depreciation which had been provided on the old motor vehicle at the date of disposal.

.....

.....

.....

.....[3]

**(b)** Prepare the following ledger accounts for the year ended 31 December 2015.

Virginia
Motor vehicles account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

Provision for depreciation of motor vehicles account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
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Motor vehicle disposal account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[14]

**(c)** Name the financial statement in which the provision for depreciation appears. State in which section it appears.

Name of financial statement .....

Section .....[2]

**(d)** State how providing depreciation is an application of the accounting principle of accruals (matching).

.....

.....

.....[2]

**(e)** Name **one** other accounting principle which is applied when depreciation is provided.

.....[1]

**(f)** State the type of asset for which the revaluation method of depreciation is suitable.

.....[1]

**[Total: 23]**

**5** **(a)** State **three** reasons why a sole trader might wish to turn his business into a limited company.

1 .....

2 .....

3 .....[3]

**(b)** State the term used to describe **each** of the following.

| definition | term |
|---|---|
| the value of shares which a company has requested from its shareholders | ..... |
| the value of shares for which the company has received cash | ..... |

[2]

AC Industries Limited provided the following information.

| | | $ |
|---|---|---|
| At 31 March 2015 | | |
| | Ordinary shares of $1 each | 100 000 |
| | General reserve | 20 000 |
| | Retained earnings | 36 800 |
| During the year ended 31 March 2016 | | |
| | Profit for the year | 19 300 |
| | Transfer to general reserve | 5 000 |
| | Interim dividend paid | 7 000 |
| | New shares issued | 10 000 |
| | Long-term bank loan received | 15 000 |
| At 31 March 2016 | | |
| | Inventory | 17 800 |
| | Trade receivables | 8 000 |
| | Bank overdraft | 2 500 |
| | Trade payables | ? |
| | Current ratio | 1.2 : 1 |

**REQUIRED**

**(c)** Complete the following statement of changes in equity for the year ended 31 March 2016.

AC Industries Limited
Statement of Changes in Equity for the year ended 31 March 2016

| Details | Share capital $ | General reserve $ | Retained earnings $ | Total $ |
|---|---|---|---|---|
| On 1 April 2015 | ..... | ..... | ..... | ..... |
| Share issue | ..... | ..... | ..... | ..... |
| Profit for the year | ..... | ..... | ..... | ..... |
| Dividend paid | ..... | ..... | ..... | ..... |
| Transfer to general reserve | ..... | ..... | ..... | ..... |
| On 31 March 2016 | ..... | ..... | ..... | ..... |
| | | | | |

[6]

**(d)** Prepare the statement of financial position at 31 March 2016 in as much detail as possible. (Non-current assets will be the balancing figure.)

AC Industries Limited
Statement of Financial Position at 31 March 2016

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |

[10]

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**(e)** Suggest **one** reason why the directors might have taken out the loan.

.....

.....[1]

**(f)** Name and calculate **one** ratio (other than the current ratio given) which would help the directors assess the liquidity position of the company. Your calculation should be to **two** decimal places.

Name of ratio .....

Calculation .....

.....

.....

.....[4]

**(g)** Comment on the liquidity position of the company on 31 March 2016.

.....

.....

.....

.....

.....

.....[4]

**[Total: 30]**

**6** The Cambridge Club is a football club which also runs a shop for members. It provided the following information.

| | $ | |
|---|---|---|
| At 31 March 2015 | | |
| Bank balance | 6 100 | debit |
| Subscriptions in arrears | 200 | |
| Amount due to suppliers for shop goods | 350 | |
| Inventory of shop | 710 | |
| Sports equipment at valuation | 3 600 | |
| During the year ended 31 March 2016 | | |
| Subscriptions received | 10 100 | |
| Receipts from shop sales | 3 550 | |
| Payments to suppliers for shop goods | 2 800 | |
| Payment for purchases of new sports equipment | 3 920 | |
| Rent paid for sports ground | 2 400 | |
| Wages of football coach paid | 2 750 | |
| Other operating expenses paid | 1 880 | |
| At 31 March 2016 | | |
| Bank balance | ? | |
| Subscriptions in arrears | 100 | |
| Amount due to suppliers for shop goods | 510 | |
| Inventory of shop | 560 | |
| Sports equipment at valuation | 5 920 | |

**REQUIRED**

**(a)** Calculate the closing balance on the receipts and payments account for the year ended 31 March 2016.

.....

.....

.....

.....

.....

.....

.....

.....[4]

**(b)** Prepare the subscriptions account for the year ended 31 March 2016. Bring down the balance on 1 April 2016.

Cambridge Club
Subscriptions account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[5]

**(c)** Calculate the shop profit for the year ended 31 March 2016.

.....

.....

.....

.....

.....

.....

.....[6]

**(d)** Prepare the income and expenditure account for the year ended 31 March 2016.

Cambridge Club
Income and Expenditure Account for the year ended 31 March 2016

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |

[8]

The committee of the Cambridge Club were disappointed with the profit earned by the shop.

**REQUIRED**

**(e)** Suggest **two** ways in which the shop profit could be increased.

.....

.....

.....

.....[2]

**[Total: 25]**

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