Cambridge IGCSE

Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

6697883569

ACCOUNTING **0452/13**

Paper 1 **May/June 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 **22** printed pages and **2** blank pages.

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There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** 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 invoice for the purchase of goods on credit, $980, was incorrectly recorded in the purchases journal as $890.

Which type of error was made?

A commission

B complete reversal

C original entry

D principle [1]

(b) Which accounts would appear in a purchases ledger?

1 carriage inwards

2 purchases

3 purchases returns

4 Sadie, a credit supplier

A 1, 2 and 3

B 2 and 3 only

C 2 only

D 4 only [1]

(c) Bingwa purchased premises costing $85 000 in February 2018. Identical premises to those owned by Bingwa were sold in April 2019 for $98 000. No adjustment was made in Bingwa's accounting records in April 2019.

Which accounting principle did Bingwa apply?

A business entity

B materiality

C money measurement

D realisation [1]

(d) Jason provided the following information.

	$
non-current assets	103 650
inventory	4 960
insurance prepaid	130
trade payables	5 380
petty cash	100
rent receivable prepaid	240
bank overdraft	2 900
trade receivables	5 120

How much was Jason's capital?

A $105 440

B $105 920

C $105 960

D $111 240 [1]

(e) On 1 February Ahmed purchased goods on credit from Zaffar. He returned these goods on 8 February.

How did Zaffar record the transaction of 8 February?

	account debited	account credited
A	Ahmed	purchases returns
B	Ahmed	sales returns
C	purchases returns	Ahmed
D	sales returns	Ahmed

[1]

(f) Athena is both a customer and a supplier of Heidi. Athena's account in Heidi's sales ledger showed a debit balance of $340 and her account in Heidi's purchases ledger showed a credit balance of $260.

A contra between the two accounts was agreed.

Which entry would Heidi make in her sales ledger control account?

A credit $80

B credit $260

C debit $80

D debit $260 [1]

(g) An advertising expenses account had a credit balance of $100 on 1 January 2018.
During the year ended 31 December 2018 advertising expenses paid totalled $2830.
This included $45 for the following financial year.

Which journal entry is required to transfer the advertising expenses to the income statement on 31 December 2018?

		debit $	credit $
A	advertising expenses income statement	2685	 2685
B	advertising expenses income statement	2885	 2885
C	income statement advertising expenses	2685	 2685
D	income statement advertising expenses	2885	 2885

[1]

(h) How is mark-up calculated?

A $\frac{\text{cost of sales}}{\text{gross profit}}$

B $\frac{\text{gross profit}}{\text{cost of sales}}$

C $\frac{\text{gross profit}}{\text{revenue}}$

D $\frac{\text{revenue}}{\text{gross profit}}$ [1]

(i) On 1 May 2018 Ben's capital was $47 600.

During the year ended 30 April 2019 he introduced his personal motor vehicle, $12 500, into the business. His drawings during the year ended 30 April 2019 were $7500.

On 30 April 2019 Ben's capital was $51 250.

What was Ben's profit or loss for the year?

A loss $1350

B loss $8650

C profit $1350

D profit $8650 [1]

(j) Amber updated her cash book after receiving her bank statement. The updated cash book balance was an overdraft of $250.

The bank statement did not include cheques not presented, $96, and amounts not credited, $183.

What was the balance shown on the bank statement?

A $163 credit

B $163 debit

C $337 credit

D $337 debit [1]

[Total: 10]

2 Nabil owns a food store. He purchases goods on credit terms and sells on cash terms.
Nabil's financial year ends on 31 March.

Nabil's receipts and payments during the year ended 31 March 2019 included both capital and revenue items.

REQUIRED

(a) State whether **each** of the following represents capital expenditure, revenue expenditure, a capital receipt or a revenue receipt.

The first one has been completed as an example.

Payment of annual insurance premium	*revenue expenditure*
Purchases of goods for resale	....
Proceeds of sale of old shop fittings at book value	....
Cost of new shop fittings	....
Delivery charge on new shop fittings	....
Cash sales	....
Loan from bank	....

[6]

(b) Complete the table by stating the double entry needed to record **each** of the following transactions which took place in March 2019.

transaction	account(s) debited	$	account(s) credited	$
Nabil transferred his private motor vehicle, $18000, to the business.				
Purchased stationery, $44, on credit from Tahir.				
Paid office cash, $490, into the business bank account.				
Settled Vijay's account of $200 by bank transfer after deducting 2% cash discount.				

[9]

Nabil prepares a trial balance at the end of each financial year.

REQUIRED

(c) Complete the table by placing a tick (✓) in the correct column to indicate where the balance of **each** of the accounts would appear in Nabil's trial balance on 31 March 2019.

The first one has been completed as an example.

	debit column	credit column
rent and rates	✓	
capital		
motor vehicle at cost		
motor expenses		
purchases returns		
discount received		
Tarek, a credit supplier		
insurance		
bank overdraft		
operating expenses		
5-year bank loan		
drawings		
carriage outwards		

[6]

[Total: 21]

3 Hamila is a trader. Her financial year ends on 28 February. All goods are bought and sold on credit terms.

Hamila provided the following information for February 2019.

2019

February	1	Safiya, a credit customer, owed $320
	12	Safiya paid the balance due on 1 February by cheque
	16	Safiya purchased goods on credit, list price $250, less 20% trade discount
	18	The bank returned Safiya's cheque because of insufficient funds in the account
	24	Safiya paid $400 in cash
	27	The balance of Safiya's account was written off as irrecoverable

REQUIRED

(a) Prepare the account of Safiya as it would appear in Hamila's ledger for the month of February 2019.

Hamila
Safiya account

Date 2019	Details	$	Date 2019	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

[6]

(b) Complete the bad debts account in Hamila's ledger for the month of February 2019. Close the account by making an appropriate year-end transfer.

Hamila
Bad debts account

Date 2019	Details	$	Date 2019	Details	$
Feb 27	*Total to date*	*674*	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

[2]

Hamila maintains a provision for doubtful debts. The following account appeared in Hamila's ledger.

Hamila
Provision for doubtful debts account

Date 2019	Details	$	Date 2018	Details	$
Feb 28	Income statement	130	Mar 1	Balance b/d	1500
	Balance c/d	1370			
		1500			1500

REQUIRED

(c) (i) 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 March 2018 Balance b/d

Explanation ....

....

....

Name of account ....

Debit or credit ....

28 February 2019 Balance c/d

Explanation ....

....

....

Name of account ....

Debit or credit ....

[4]

(ii) Explain the following entry in the provision for doubtful debts account.

28 February 2019 Income statement

....

....

.... [2]

(d) Explain how Hamila is applying the principle of prudence by maintaining a provision for doubtful debts.

....

....

....

.... [2]

(e) Explain how Hamila is applying the principle of accruals (matching) by maintaining a provision for doubtful debts.

....

....

....

.... [2]

(f) Suggest **two** ways in which Hamila could reduce the possibility of bad debts.

1 ....

2 ....

[2]

[Total: 20]

PLEASE TURN OVER

4 Sam's financial year ends on 31 December.

On 1 November 2017 he sold old office equipment for $1900.

The equipment had been purchased on 1 April 2015 for $4000 and had been depreciated using the reducing (diminishing) balance method at 20% per annum. A full year's depreciation was charged in the year of purchase, but no depreciation was to be charged in the year of disposal.

REQUIRED

(a) Calculate the profit or loss on disposal of the office equipment.

....

....

....

....

....

....

.... [5]

On 1 January 2018 Sam purchased new office equipment costing $8000 on credit from C Limited.

(b) Prepare a journal entry to record this purchase.

A narrative **is** required.

Sam
General Journal

Date	Details	Debit $	Credit $
2018			
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....

[3]

The new office equipment was expected to be used for 5 years and have a residual value of $2000.

Sam was undecided about which method of depreciation to use for the new office equipment.

REQUIRED

(c) (i) Calculate the annual depreciation on the new office equipment using the straight-line (equal instalment) method.

....

....

....

.... [2]

(ii) Calculate the depreciation for the **first year** on the new office equipment using the reducing (diminishing) balance method at 20% per annum.

....

....

....

.... [1]

Sam decided to use the reducing (diminishing) balance method of depreciation.

REQUIRED

(d) Prepare a journal entry to record the transfer to the income statement of the depreciation on office equipment for the year ended 31 December 2018.

A narrative **is** required.

Sam
General Journal

Date	Details	Debit $	Credit $
2018			
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....

[3]

Sam’s book-keeper started to maintain a petty cash book on 1 April 2019. On that date $150 was placed in the petty cash box. This was to be the monthly imprest which was to be restored on the first day of each month.

At the end of April 2019 Sam discovered that only a few entries had been made in the petty cash book for the month.

The following information about the petty cash transactions for April 2019 is available.

2019			$
April	11	Received refund from cleaner for overpayment in March	5
	18	Paid Kelly, a credit supplier	35
	21	Bought printer paper	23
	30	Paid cleaner	56

REQUIRED

(e) Complete the entries for the transactions on 3 April and 6 April in the petty cash book on the page opposite.

Enter the transactions for 11 April to 30 April in the petty cash book.

Balance the petty cash book on 30 April and bring down the balance on 1 May 2019.

Show the restoration of the imprest on 1 May 2019. [10]

[Total: 24]

The petty cash book is printed on the next page

Sam – Petty Cash Book

Total received $	Date 2019	Details	Total paid $	Office expenses $	Travel $	Cleaning $	Ledger accounts $
150	*April 1*	*Cash*	....	....	....	....	....
....	*3*	*Taxi fare*	*12*	....	....	....	....
....	*6*	*Parcel post*	*3*	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....

5 Mostafa and Salma are partners in a wholesale business. Their financial year ends on 30 April.

When they started the business they drew up a partnership agreement. The terms of the agreement included the following.

interest to be allowed on capital at 5% per annum
interest to be charged on drawings at 6%
Mostafa to be entitled to an annual salary of $12 000
residual profits and losses to be shared in the ratio of 3 : 2.

The partners provided the following information.

At 1 May 2018

	Mostafa	Salma
	$	$
Capital account	45 000	25 000
Current account	3 250 credit	1 920 debit

On 1 February 2019 the partners agreed that Mostafa's salary should be increased to $15 000 per annum.

For the year ended 30 April 2019

	Mostafa	Salma
	$	$
Drawings	10 000	8 000

The profit for the year ended 30 April 2019 was $14 820.

REQUIRED

(a) Suggest **one** reason why interest on capital was included in the partnership agreement.

....

.... [1]

(b) Suggest **one** reason why interest on drawings was included in the partnership agreement.

....

.... [1]

(c) Suggest **one** reason why a salary for Mostafa was included in the partnership agreement.

....

.... [1]

(d) Prepare the profit and loss appropriation account for the year ended 30 April 2019.

Mostafa and Salma
Profit and Loss Appropriation Account for the year ended 30 April 2019

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

[8]

(e) Complete the current account of Mostafa for the year ended 30 April 2019. Balance the account and bring down the balance on 1 May 2019.

Mostafa and Salma
Mostafa Current account

Date	Details	$	Date	Details	$
....	....	....	*2018* *May 1*	*Balance b/d*	*3250*
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

[5]

[Total: 16]

6 S Limited was formed on 1 May 2018. On that date the company issued ordinary shares and 5% debentures.

At the end of the financial year on 30 April 2019 the following financial statements were prepared:
Income statement
Statement of changes in equity
Statement of financial position

REQUIRED

(a) Name the financial statement in which **each** of the following items would appear.
Some items may appear in more than one statement.
If the item does not appear in any of the financial statements write 'No entry'.

The first one has been completed as an example.

	financial statement
Wages accrued at 30 April 2019	*Income statement* *Statement of financial position*
Ordinary share capital	
Creation of general reserve	
Payment of interim ordinary share dividend on 31 October 2018	
Proposed ordinary share dividend at 30 April 2019	
Debenture interest accrued on 30 April 2019	

[8]

The directors of S Limited wish to raise funds for expansion. They are undecided whether to issue additional ordinary shares or additional 5% debentures.

REQUIRED

(b) Complete the table by placing a tick (✓) in the correct column to indicate whether **each** statement is true or false.

The first one has been completed as an example.

	true	false
debenture holders receive interest	✓	
debenture holders receive a variable rate of interest		
debentures are usually included in the non-current liabilities section of the statement of financial position		
debentures have a prior claim in the event of the company being wound up		
debenture holders are entitled to vote at the annual general meeting		
debentures are often secured on the non-current assets of the company		

[5]

(c) Suggest **two** ways in which the ordinary shareholders may be affected if the directors decide to raise funds from an issue of debentures.

1 ....

....

2 ....

....

[2]

The directors of S Limited are concerned about the working capital of the company at the end of the first year of trading.

The following information is available at 30 April 2019.

	$
Inventory	27 400
Trade payables	28 700
Trade receivables	25 200
Bank overdraft	10 800

REQUIRED

(d) Calculate the current ratio.

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

....

....

.... [2]

(e) Calculate the quick ratio.

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

....

....

.... [2]

(f) Explain why the quick ratio is more reliable than the current ratio as an indicator of liquidity.

....

....

....

.... [2]

(g) Complete the table by placing a tick (✓) in the correct column to show how **each** of the following would affect the working capital of S Limited.

	increase	decrease	no effect
issue additional debentures			
pay operating expenses by cheque			
sell goods for cash instead of on credit			
delay paying credit suppliers			
sell unused non-current assets			
reduce credit period for credit customers			

[6]

(h) Suggest **two** problems the directors of S Limited may encounter if the working capital is inadequate.

1 ....

....

2 ....

....
[2]

[Total: 29]

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