

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

	CANDIDATE NAME		
. —	CENTRE NUMBER	CANDIDATE	
* 7 4 7 1	ACCOUNTING Paper 1		0452/12 May/June 2010
3 3 2 9 8 8		wer on the Question Paper. aterials are required.	1 hour 45 minutes

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 a soft pencil for any diagrams or graphs.

Do not use staples, paper clips, highlighters, 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.
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 The businesses mentioned in this Question Paper are fictitious.
 1

 At the end of the examination, fasten all your work securely together.
 1

 The number of marks is given in brackets [] at the end of each question or part question.
 2

 3
 4

 6
 6

This document consists of 18 printed pages and 2 blank pages.



Total

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 (\checkmark) in the box to indicate the correct answer.

1 (a) Businesses use financial records to prepare financial statements (final accounts).

Which record is used in the preparation of the balance sheet?

- A bank statement
- B cash book
- **C** purchases journal
- D sales journal
- (b) Which documents received by a business are used to write up the purchases returns journal?
 - A credit notes
 - B debit notes
 - C statements
 - D sales invoices
- (c) A business keeps a petty cash book with an imprest amount of \$300. During September the following transactions take place:

	\$
imprest restored on 1 September	100
petty cash drawn from bank on 15 September	150
expenses paid from petty cash	400

What amount will be required to restore the imprest on 30 September?

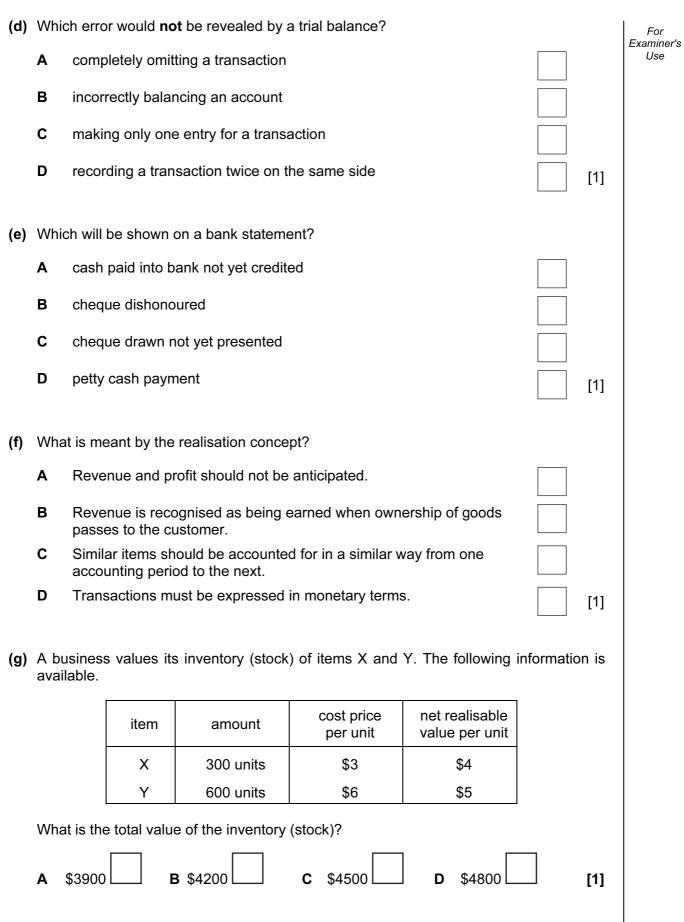


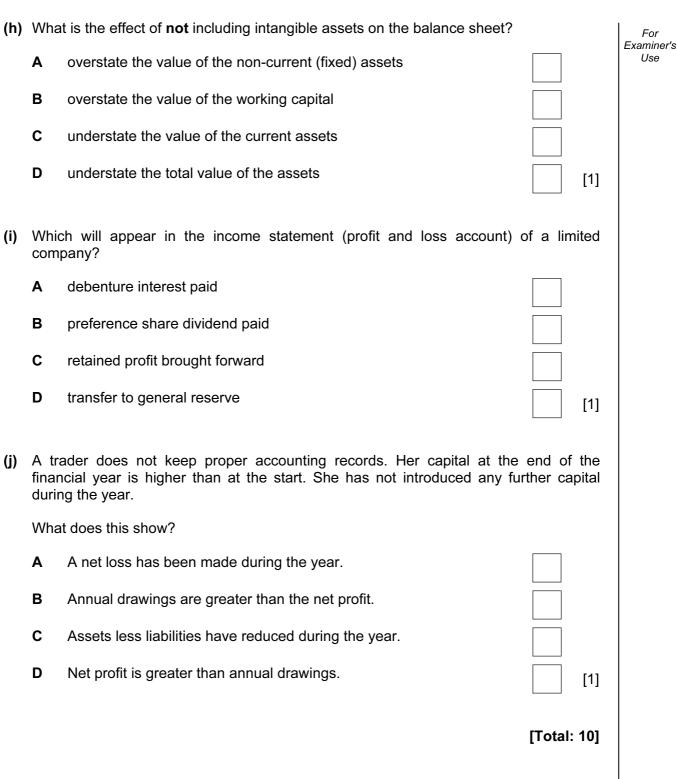


2

[1]

[1]





2 (a) Give two ratios used to measure the profitability of a business.

(i)	
(ii)	
	[2]
	[~]

(b) In the table below, place a tick (✓) under the correct heading to show whether the item is a current asset or a current liability:

	Current asset	Current liability
Inventory (stock)		
Trade payables (creditors)		
Other receivables (prepayments)		

[3]

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(c) In the table below, place a tick (\checkmark) to show where an entry for a dishonoured cheque would be made in the cash book.

	Bank column	Cash column
Debit side		
Credit side		

[1]

(d) Name the final account in which discount allowed should be shown.

[1]

(e) Imran buys a new machine but the cost is entered in the repairs account. Name the type of error which has been made.

[1]

(f) State which accounting principle is being followed when a business makes a provision for a doubtful debt. Examiner's [1] (g) Whangi's business had credit purchases for the year ended 31 March 2010 of \$45 500, and carriage inwards of \$2500. His inventory (stock) at 1 April 2009 was \$4000 and at 31 March 2010 was \$5600. His trade payables (creditors) at 31 March 2010 were \$3750. (i) Calculate his rate of inventory (stock) turnover. Give your answer to two decimal places. Show all your workings. [4] (ii) Calculate his payment period for trade payables (creditors) in days. Give your answer to the nearest whole day. Show all your workings. [4]

For

Use

(h) Hooper's financial year ended on 31 March 2010. He paid wages for the year of \$32 800.

He had wages outstanding as follows:

	\$
at 1 April 2009	300
at 31 March 2010	450

Write up the wages account in his ledger for the year ended 31 March 2010. Show the amount transferred to the income statement (profit and loss account).

Hooper Wages account

[5]

[Total: 22]

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[2]

- 8
- 3 Arthur and Nancy formed a partnership on 1 May 2009 to start a business selling furniture. Their partnership agreement states:
 - 1 Interest on capital is to be allowed at 3% per annum.
 - 2 Salary of \$15 000 per annum is to be paid to Arthur.
 - 3 Interest is to be charged on drawings at 4% per annum on total drawings.
 - 4 Arthur and Nancy are to share the balance of profits or losses in the ratio 2:3.

The initial capital introduced on 1 May 2009 was:

Arthur	\$30 000
Nancy	\$40 000

The partners' drawings for the year ended 30 April 2010 were:

Arthur	\$35 000
Nancy	\$15 000

The net profit of the partnership for the year ended 30 April 2010 was \$89 000.

REQUIRED

(a) Calculate the interest on capital paid to each partner for the year ended 30 April 2010.

Show all your workings.

(i) Arthur

.....

(ii) Nancy

[2]

(b)		culate the interest on drawings charged to each partner for the year ended April 2010.	For Examiner's Use
	Sho	ow all your workings.	
	(i)	Arthur	
	(ii)	[2] Nancy	
	(")	Nancy	
		[2]	
(c)		ow how the balance of the net profit for the year ended 30 April 2010 was divided ween Arthur and Nancy. Show all your workings.	
		[7]	

- (d) Write up Arthur's current account for the year ended 30 April 2010.
 - Arthur Current account

[6]

(e) Arthur thinks that the partners should reduce the rate of interest charged on their drawings.

Show, by placing a tick (\checkmark) in the table below, the effect this would have on his total earnings from the partnership:

Increase	
Reduce	
Unchanged	

[2]

[Total: 23]

4 The following summary list of balances was taken from the books of Deali, a sole trader, on 31 March 2010.

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	\$	
Revenue (sales)	125 000	
Inventory (stock)	14 500	
Ordinary goods purchased (Purchases)	76 000	
Bank (overdraft)	2 300	Cr
Equipment	9 000	
Trade receivables (debtors)	1 700	
Trade payables (creditors)	2 800	
Expenses	37 500	
Capital	15 500	
Drawings	8 000	

REQUIRED

(a) Give one reason for preparing a trial balance.

[1]
[1]

(b) Prepare Deali's trial balance at 31 March 2010.

Show any difference you find as a balance on a suspense account.

Deali Trial Balance at 31 March 2010

After the trial balance had been prepared, it was found that an error had been made in the books of account. Sales of \$1100 had been entered in the cash book but not posted to the ledger.

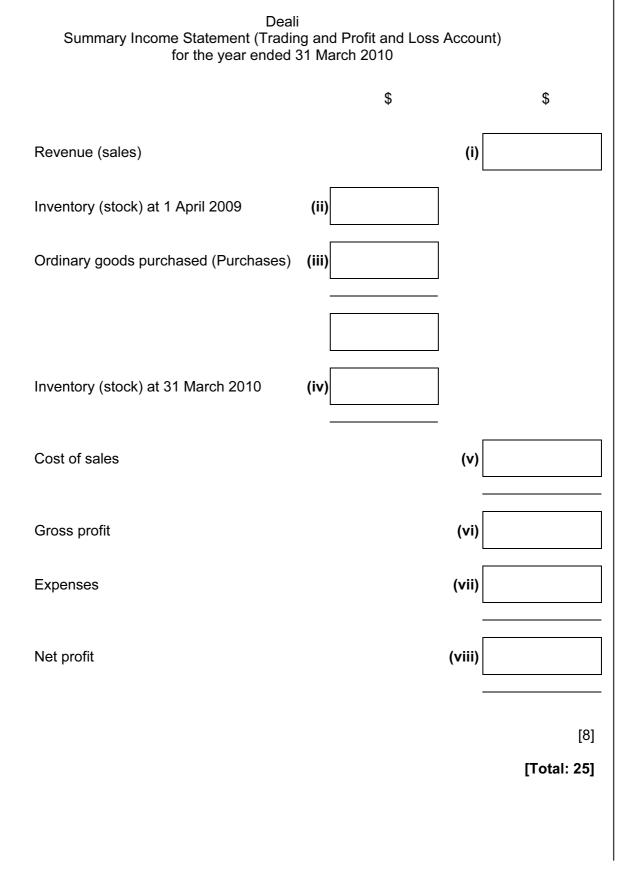
REQUIRED

(c) Show the journal entry, with narrative, to correct this error.

Date	Dr \$	Cr \$
	<u>.</u>	

(d) Deali had inventory (stock) of \$18 000 at 31 March 2010.

Assuming that the journal entry in part **(c)** has been posted, complete Deali's summary income statement (trading and profit and loss account) for the year ended 31 March 2010.



Umtali sells goods on credit and his terms are for settlement within 30 days.

At 31 March 2010 the total of his trade receivables (debtors) was \$12 600 and included the following:

Date	Customer	Amount \$
10 January 2010	Veeku	300.00
31 January 2010	Wlanda	550.00

At 31 March 2010 Umtali decided to:

- 1 write off the balances owed by Veeku and Wlanda as bad debts.
- 2 set up a provision for doubtful debts of 4% of the remaining balance of trade receivables (debtors). He had not previously made such a provision.

REQUIRED

5

(b) Show the journal entry to write off the bad debts. A narrative is **not** required.

Date	Dr \$	Cr \$

[4]

15

(c) Calculate the amount of the provision for doubtful debts at 31 March 2010.

[3]

(d) Show the journal entry to create the provision for doubtful debts. A narrative is **not** required.

Dr \$	Cr \$

(e) Assuming that the journal entries in part (d) above are posted, write up the bad debts account and the provision for doubtful debts account in Umtali's ledger below for the year ended 31 March 2010.

Show the transfer to the income statement (profit and loss account) and bring down any balances at 1 April 2010.

(i)	Umtali Bad debts account	
	[2]	
(ii)	Umtali Provision for doubtful debts account	
	[2]	

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[4]

- (f) On 15 April 2010, Veeku paid the outstanding amount on his account in full.Write up the bad debts recovered account for the month of April 2010.
 - Umtali Bad debts recovered account

[2] [Total: 21]

6 Accounting statements can be used for decision-making purposes.

REQUIRED

- (a) Give two examples of interested parties, other than the owner or shareholders, who may use accounting statements for decision-making purposes.
 - (i) _____
 - (ii) [4]
- (b) Selkirk Ltd decides to extend and improve their factory building. Show by placing a tick (✓) in the table below which items of expenditure should be treated as capital and which as revenue.

	Capital	Revenue
New factory extension		
Repainting old factory		
Architect's fees for designing extension		
New plant and equipment for extension		

[4]

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The cost of the new factory extension is \$30 000 and the architect's fees are 10% of this amount.

The cost of the new plant and equipment is \$6000.

Selkirk Ltd decides to depreciate all the costs of the new factory extension on the straight line basis over its useful life of 20 years. The factory extension is not expected to have any residual value after this time.

The company decides to depreciate the new plant and equipment on the straight line basis over its useful life of four years. The plant is expected to have a residual value of \$800 after that time.

REQUIRED

(c) (i) Calculate the depreciation charge for a full year for the new factory extension.

Show all your workings.

[4]

	(ii)	Calculate the depreciation change for a full year for the new plant and equipment.	For Examiner's Use
		[3]	
(d)		not usual to charge depreciation on land. Suggest two reasons why depreciation uld not be charged on land.	
	(i)		
	(ii)		
	•••••	[4]	
		[Total: 19]	

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