



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE
NAME

CENTRE
NUMBER

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ACCOUNTING

0452/21

Paper 2

May/June 2012

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 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.
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.

| For Examiner's Use | |
|--------------------|--|
| 1 | |
| 2 | |
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| 5 | |
| Total | |

This document consists of **20** printed pages.

* 2 3 5 0 0 7 0 4 9 1 *

- 1 Stewart Hanson is a sole trader who maintains a full set of accounting records including a three-column cash book.

REQUIRED

- (a) Explain why the cash book is both a book of prime (original) entry and also part of the double entry system.

.....

.....

.....

..... [2]

On 1 January 2012 Stewart Hanson had the following debit balances in his cash book:

| | |
|------|------|
| | \$ |
| Cash | 100 |
| Bank | 1942 |

Stewart Hanson's transactions for the month of January 2012 included the following:

- Jan 3 Paid Paul Yim \$398 by cheque in full settlement of his account of \$410
- 8 Purchased office equipment, \$1795, and paid by cheque
- 13 Withdrew \$250, by cheque, to pay personal motor expenses
- 20 A cheque received in December 2011 for \$115 from Sue West was dishonoured and returned by the bank
- 28 Cash sales, \$1970
- 30 Paid all the remaining cash into the bank except \$50

REQUIRED

- (b) Enter the above transactions in Stewart Hanson's cash book on the page opposite.

Balance the cash book at 31 January 2012 and bring down the balances on 1 February 2012.

[10]

Stewart Hanson
Cash Book

| Date | Details | Discount allowed \$ | Cash \$ | Bank \$ | Date | Details | Discount received \$ | Cash \$ | Bank \$ |
|-------|---------|---------------------------|------------|------------|-------|---------|----------------------------|------------|------------|
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(c) Stewart Hanson's bank statement for January 2012 showed that his bank account was overdrawn for most of the month.

(i) Explain why this overdraft occurred.

.....

 [2]

(ii) Explain how the overdraft could have been prevented.

.....

 [2]

(d) Explain how the business entity principle has been applied in the treatment of the personal motor expenses.

.....

 [2]

(e) On 20 March 2012 Stewart Hanson decided to write off \$115 owed by Sue West as a bad debt.

Prepare the journal entry Stewart Hanson would make to record this. A narrative is required.

Journal

| | Debit \$ | Credit \$ |
|-------|-------------|--------------|
| | | |
| | | |
| | | |
| | | |

[3]

(f) On 14 May 2012 Stewart Hanson received a cheque for \$115 from Sue West.

Name the ledger accounts in which Stewart Hanson would record this transaction.

*For
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Use*

| Account debited | Account credited |
|-----------------|------------------|
| | |

[2]

(g) Suggest **two** ways in which Stewart Hanson could reduce the risk of bad debts in the future.

(i)

.....

(ii)

.....

[2]

[Total: 25]

- 2 Fatima Ayub is a trader. She maintains a full set of accounting records and prepares control accounts for her sales ledger and purchases ledger at the end of every month.

REQUIRED

- (a) State **two** reasons why Fatima Ayub prepares control accounts.

(i)

.....

(ii)

..... [2]

- (b) Explain why the information for the preparation of a purchases ledger control account is obtained from the books of prime (original) entry and not from the purchases ledger accounts.

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..... [2]

Fatima Ayub provided the following information.

| | | |
|----------|---|------|
| | | \$ |
| April 1 | Debit balances in purchases ledger | 38 |
| | Credit balances in purchases ledger | 4260 |
| April 30 | Totals for the month | |
| | Cheques received from credit customers | 5340 |
| | Cheques paid to credit suppliers | 3705 |
| | Credit purchases | 6680 |
| | Cash purchases | 355 |
| | Returns by credit customers | 235 |
| | Returns to credit suppliers | 243 |
| | Discount allowed | 127 |
| | Discount received | 95 |
| | Interest charged by supplier on overdue account | 11 |
| | Contra entry | 320 |
| May 1 | Debit balances in purchases ledger | 22 |
| | Credit balances in purchases ledger | ? |

REQUIRED

- (c) Select the relevant figures and prepare Fatima Ayub's purchases ledger control account for the month ended 30 April 2012.

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Where a traditional "T" account is used it should be balanced and the balances brought down on 1 May 2012.

Where a three-column running balance account is used the balance column should be updated after each entry.

Fatima Ayub
Purchases ledger control account

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..... [12]

- (d) State **two** reasons why it is possible to have a debit balance brought down on a purchases ledger control account.
 - (i)
 -
 - (ii)
 -
- [2]

(e) Explain the meaning of a contra entry in connection with control accounts and explain why such an entry may be necessary.

*For
Examiner's
Use*

.....

.....

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..... [2]

[Total: 20]

Question 3 is on the next page

- 3 Mark Mutanda is a business consultant. His financial year ends on 31 January. He provided the following information on 31 January 2012.

| | \$ |
|--|---------|
| Income from clients | 82 100 |
| Insurance | 5 630 |
| Wages and salaries | 33 000 |
| Rent received | 2 600 |
| Rates paid | 5 200 |
| Provision for doubtful debts 1 February 2011 | 154 |
| Loan interest paid | 900 |
| Office expenses | 17 177 |
| Cash drawings | 16 000 |
| Capital 1 February 2011 | 200 000 |

Additional information

- 1 On 31 January 2012 insurance prepaid amounted to \$2320 and wages of \$3200 are to be accrued.
- 2 The rent received covers a period of 13 months to 28 February 2012.
- 3 The office expenses includes \$214 for Mark Mutanda's home telephone bill.
- 4 A 10-year loan of \$20 000 was received on 1 February 2011. Interest is charged at 6% per annum.
- 5 The provision for doubtful debts is maintained at 2% of the trade receivables. On 31 January 2012 the trade receivables totalled \$6800.
- 6 Fixtures and fittings cost \$5250. They are depreciated at 10% per annum on the straight line method.
- 7 Office equipment was valued at \$1900 on 1 February 2011. Additional office equipment costing \$600 was purchased during the year. There were no sales of office equipment during the year. On 31 January 2012 the office equipment was valued at \$2100.

(b) Write up the capital account of Mark Mutanda for the year ended 31 January 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 May 2012.

Where a three-column running balance account is used the balance column should be updated after each entry.

Mark Mutanda
Capital account

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..... [6]

(c) Calculate the return on capital employed (ROCE) for Mark Mutanda.

Use the total capital employed on 1 February 2011.

Show your workings and give your answer to **two** decimal places.

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..... [3]

(d) Explain the importance of the return on capital employed (ROCE).

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..... [2]

(e) The return on capital employed (ROCE) is lower than it was in the previous year. Suggest **one** reason for this.

.....

.....

..... [2]

[Total: 31]

*For
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Question 4 is on the next page

- 4 The Dhavari Sports Club was formed some years ago. After the preparation of the income and expenditure account for the year ended 31 March 2012 the following balances remained on the books.

| | \$ |
|---|--------|
| Accumulated fund at 1 April 2011 | 60 000 |
| Premises at cost | 70 000 |
| Sports equipment at valuation at 1 April 2011 | 13 000 |
| Bank overdraft | 1 400 |
| Inventory of club shop | 8 500 |
| Trade payables for shop supplies | 4 300 |
| Subscriptions owing by members | 1 500 |
| Loan repayable 1 January 2015 | 10 000 |
| Surplus for the year | 17 400 |

The following errors were then discovered:

- 1 Petty cash, \$200, had been omitted from the list of balances.
- 2 The equipment should have been revalued on 31 March 2012. The estimated value at that date was \$11 600.
- 3 The bank statement for January 2012 showed bank charges of \$150. These had not been entered in the accounting records.
- 4 No adjustment had been made for insurance prepaid at 31 March 2012, amounting to \$300.
- 5 The income and expenditure account included subscriptions, \$600, which relate to the following financial year.
- 6 The total of the expenditure in the income and expenditure account had been overcast by \$100.

REQUIRED

- (a) Explain how the accumulated fund of the Dhavari Sports Club has arisen.

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..... [2]

(b) Calculate the corrected surplus for the year ended 31 March 2012.

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..... [6]

(c) Suggest **two** reasons why the Dhavari Sports Club's bank balance is not equal to the surplus for the year.

(i)
.....
.....

(ii)
.....
..... [4]

- 5 Tania Yousaf sells office equipment. She values her inventory at the lower of cost and net realisable value.

REQUIRED

- (a) Explain the meaning of the term “cost”.

.....

 [2]

- (b) Explain the meaning of the term “net realisable value”.

.....

 [2]

- (c) Explain how valuing inventory at the lower of cost and net realisable value is an application of the principle of prudence.

.....

 [2]

- (d) After the preparation of her financial statements for the year ended 31 December 2011, Tania Yousaf discovered that the closing inventory had been overvalued by \$400.

Complete the table below to show the effect of this.

The first one has been completed as an example.

| | | overstated | understated | no effect |
|-------|--|------------|-------------|-----------|
| (i) | gross profit for the year ended 31 December 2011 | ✓ | | |
| (ii) | profit for the year ended 31 December 2012 | | | |
| (iii) | credit balance on capital account on 1 January 2013 | | | |

[4]

After correcting the financial statements, Tania Yousaf provided the following information:

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| | | |
|---|--------|--|
| | \$ | |
| Revenue for the year ended 31 December 2011 | 87 000 | |
| Inventory at 1 January 2011 | 6 000 | |
| Inventory at 31 December 2011 | 7 400 | |
| | | |
| Gross profit margin | 20% | |

REQUIRED

(e) Calculate the rate of inventory turnover.

Show your workings and give your answer to **two** decimal places.

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..... [3]

(f) The rate of inventory turnover was better in 2011 than in 2010. Suggest **one** reason for this.

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..... [2]

(g) State **one** factor that Tania Yousaf should consider before comparing the results of her business with those of another business.

.....

..... [1]

(h) State **two** reasons why Tania Yousaf is interested in the financial statements of her credit customers.

(i)
.....

(ii)
..... [2]

(i) State **one** reason why **each** of the following business people are interested in Tania Yousaf's financial statements.

(i) Employee

.....
.....

(ii) Bank manager

.....
..... [2]

[Total: 20]

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