



Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

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ACCOUNTING

0452/02

Paper 2

For Examination from 2014

SPECIMEN PAPER

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 in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

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 17 printed pages and 1 blank page.

1 Raminder and Vijay Singh formed a partnership and drew up a partnership agreement.

(a) State **two** advantages of being in partnership rather than being a sole trader.

1

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2

..... [2]

(b) State why, in addition to agreeing the profit-sharing ratio, partners should draw up a partnership agreement.

.....

..... [1]

On 1 April 2011 the balances of the partners' current accounts were as follows.

	\$	
Raminder Singh	4 660	debit
Vijay Singh	1 820	credit

During the year ended 31 March 2012 the partners made the following drawings.

	\$
Raminder Singh	21 000
Vijay Singh	28 000

The following information was extracted from the profit and loss appropriation account for the year ended 31 March 2012.

		\$	\$
Profit for the year			58 040
Interest charged on drawings –	Raminder	840	
	Vijay	<u>1 120</u>	1 960
Interest allowed on capital –	Raminder	6 000	
	Vijay	<u>3 000</u>	9 000
Partner's salary –	Vijay		20 000

Profits and losses are shared equally.

(c) (i) Calculate the profit available for distribution between the partners.

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..... [2]

(ii) Calculate each partner’s share of the profit available for distribution.

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..... [1]

(iii) Prepare the partners’ current accounts as they would appear in the ledger for the year ended 31 March 2012. Bring down the balances on 1 April 2012.

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..... [9]

On 1 April 2012 the credit balances on the partners' capital accounts were as follows.

	\$
Raminder Singh	200 000
Vijay Singh	100 000

On 1 April 2012 Raminder transferred the balance on his current account to his capital account. He also withdrew \$45 000 of his capital from the business bank account.

On 30 April 2012 Vijay paid an amount into the business bank account so that his capital was equal to Raminder's.

(d) Prepare the partners' capital accounts as they would appear in the ledger for the month of April 2012. Bring down the balances on 1 May 2012.

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[6]

[Total: 21]

2 Zeema Jumbe is a trader. Her financial year ends on 31 January.

She provided the following information.

2011		\$
1 February	Insurance prepaid for 2 months to 31 March	440
1 April	Paid insurance premium for 12 months by cheque	3000

(a) Write up the insurance account as it would appear in Zeema Jumbe's ledger for the year ended 31 January 2012. Bring down the balance on 1 February 2012.

Zeema Jumbe
Insurance account

Date	Details	\$	Date	Details	\$
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[6]

The totals of Zeema Jumbe’s trial balance on 31 January 2012 failed to agree. The difference was a shortage on the credit side of \$350. This was entered in a suspense account.

The following errors were later discovered.

- 1 A cheque, \$540, paid to A Zaheer had been debited to the account of A Zahir.
- 2 The balance of the petty cash book, \$50, had been omitted from the trial balance.
- 3 Rent received, \$250, had been debited to the rent paid account.
- 4 No entry had been made for goods costing \$385 taken by Zeema Jumbe for her own use.

(b) Prepare the entries in Zeema Jumbe’s journal to correct the above errors.

Narratives are **not** required.

Zeema Jumbe
Journal

	Debit \$	Credit \$
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(c) Make the necessary entries in the suspense account in Zeema Jumbe’s ledger.

Start with the balance arising from the difference on the trial balance. The account should be balanced or totalled as necessary.

Zeema Jumbe
Suspense account

Date	Details	\$	Date	Details	\$
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[5]

(d) Using your answer to (c), state whether you consider that all the errors on Zeema Jumbe’s books have been discovered. Give a reason for your answer.

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..... [2]

(e) Select **one** of the errors 1–4 on the previous page which has **not** been corrected by an entry in the suspense account. Explain why an entry in the suspense account was not necessary.

Error

Explanation

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..... [2]

[Total: 23]

3 The financial year of the El Darb Sports Club ends on 31 December.

The El Darb Sports Club has 200 members who each pay an annual subscription of \$20.

The treasurer provided the following information relating to the year ended 31 December 2011.

At 1 January 2011

10 members had not paid their subscription for the year ended 31 December 2010.

3 members had paid their subscription in advance for the year ended 31 December 2011.

During the year ended 31 December 2011 subscriptions received were as follows:

	\$
For the year ended 31 December 2010	200
For the year ended 31 December 2011	3 800
For the year ending 31 December 2012	<u>80</u>
Total subscriptions received	<u>4 080</u>

At 31 December 2011 a number of members had not paid their subscription for the financial year ended on that date.

(a) Prepare the subscriptions account as it would appear in the ledger of the El Darb Sports Club for the year ended 31 December 2011. Show the amount transferred to the income and expenditure account. Bring down the balances on 1 January 2012.

El Darb Sports Club
Subscriptions account

Date	Details	\$	Date	Details	\$
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[10]

In addition to providing sporting facilities for the members, the El Darb Sports Club also has a shop selling sports goods to members and their guests.

All goods are sold for cash and all purchases are made on credit terms.

The treasurer provided the following information relating to the El Darb Sports Club shop for the year ended 31 December 2011.

	\$
At 1 January 2011	
Inventory	990
Amount owing to suppliers	282
During the year ended 31 December 2011	
Shop takings	7280
Cheques paid to suppliers	2990
Wages of part-time shop assistant	2500
At 31 December 2011	
Inventory	835
Amount owing to suppliers	397
For the year ended 31 December 2011	
Depreciation of shop fixtures	200

(b) Calculate, **by means of a total trade payables' account**, the purchases for the year ended 31 December 2011.

El Darb Sports Club
Total Trade Payables account

Date	Details	\$	Date	Details	\$
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[4]

- (c) Prepare the shop income statement of the El Darb Sports Club for the year ended 31 December 2011.

El Darb Sports Club
Shop Income Statement for the year ended 31 December 2011

	\$	\$
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[7]

- (d) Suggest **two** ways in which the profitability of the El Darb Sports Club shop could be improved.

1 [2]

2 [2]

[Total: 23]

4 Robbie Macbeth is a trader. His financial year ends on 31 March.

The following account appeared in his sales ledger.

Hauraki Stores Limited account					
2011		\$			\$
Apr 1	Balance b/d	550	May 31	Cash	539
Jun 1	Sales	200		Discount	11
Aug 10	Bank (dishonoured cheque)	200	Jul 31	Bank	200
		950	2012		
			Mar 1	Bad debts	200
					950

(a) Explain **each** of the entries in the account of Hauraki Stores Limited as it appears in the ledger of Robbie Macbeth. State where the double entry for each transaction would be made.

The first one has been completed as an example.

2011					
April 1	Balance \$550				
	Explanation	<i>This is the amount owed by Hauraki Stores Limited to Robbie Macbeth.</i>			
		<i>Credit Hauraki Stores Limited account for the year ended</i>			
	Double entry	<i>31 March</i>			
		<i>2011.</i>			
May 31	Cash \$539				
	Explanation			
				
	Double entry			
May 31	Discount				
	Explanation			
				
	Double entry			
June 1	Sales				
	Explanation			
				
	Double entry			
July 31	Bank				
	Explanation			
				
	Double entry			

August 10 Bank (dishonoured cheque)
 Explanation

.....

Double entry

2012
 March 1 Bad debts
 Explanation

.....

Double entry [12]

On 10 March 2012 Robbie Macbeth received a cheque, \$50, from Opua Drive Traders, whose account had been written off in June 2010.

(b) Prepare a journal entry, including a narrative, to record the receipt of \$50 from Opua Drive Traders.

Robbie Macbeth
 Journal

	Debit \$	Credit \$
.....
.....
.....
.....

[3]

Robbie Macbeth maintains a provision for doubtful debts at 3% of trade receivables.

On 1 April 2011 the provision for doubtful debts account had a credit balance of \$1410.

On 31 March 2012 the trade receivables totalled \$41 000.

- (c) Write up the provision for doubtful debts account as it would appear in Robbie Macbeth's ledger. Bring down the balance on 1 April 2012.

Robbie Macbeth
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
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[6]

- (d) Explain how Robbie Macbeth is applying **each** of the following accounting principles by maintaining a provision for doubtful debts.

- (i) Prudence

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

- (ii) Accruals (Matching)

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

[Total: 25]

- 5 Marie Mutunda is a sole trader. Her financial year ends on 31 December. She provided the following information.

For the year ended 31 December 2011

	\$	\$
Sales – cash	115 000	
credit	<u>275 000</u>	390 000
Purchases – cash	5 000	
credit	<u>465 000</u>	470 000

At 31 December 2011

Trade receivables	29 000
Trade payables	40 000
Inventory	34 000
Bank	7 000 debit
Non-current assets	180 000

Marie Mutunda decides to compare her position with that at the end of the previous financial year.

- (a) Complete the table on the following page to show the ratios for Marie Mutunda's business for the year ended 31 December 2011. You may use the space below for your workings.

Calculations should be correct to **two** decimal places for (i) and (ii) and should be rounded up to the next whole day for (iii) and (iv).

Use the space below for your workings.

Workings

Place the ratios you have calculated into the table below.

	Ratio	Year ended 31 December 2010	Year ended 31 December 2011
(i)	Current ratio	2.25:1	
(ii)	Quick ratio	0.75:1	
(iii)	Collection period for trade receivables	30 days	days
(iv)	Payment period for trade payables	24 days	days

[8]

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

.....

 [3]

(ii) State and explain whether Marie Mutunda will be satisfied with the change in the quick ratio.

Will she be satisfied?

Explanation

..... [3]

(c) (i) State and explain whether Marie Mutunda will be satisfied with the change in the collection period for trade receivables.

Will she be satisfied?

Explanation

..... [3]

(ii) Explain how the change in the collection period for trade receivables may have affected the payment period for trade payables.

.....

 [2]

(iii) Marie Mutunda’s credit suppliers allow her a credit period of 21 days.

Explain **two** disadvantages to Marie Mutunda of **not** paying the credit suppliers within the set period.

- 1
-
- 2
- [2]

Marie Mutunda would like to compare her results with those of other businesses.

She is aware that even comparing with a business of a similar size dealing in similar goods can produce misleading results.

(d) List **three** things Marie Mutunda should consider when comparing her results with those of a similar business.

- 1
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- 2
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- 3
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- [3]

In addition to Marie Mutunda, the owner, other people are also interested in the financial statements (final accounts) of Marie Mutunda's business.

- (e) List **two** parties (excluding the owner) who would be interested in Marie Mutunda's financial statements.

In each case state **one** reason for that person's interest.

Business person

Reason for their interest

.....

.....

Business person

Reason for their interest

.....

..... [4]

[Total: 28]

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