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ACCOUNTING

0452/11

Paper 1

May/June 2017

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 **19** printed pages and **1** blank page.

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) The total of the discount received column of the cash book, \$80, was posted in error to the credit side of the discount allowed account.

Which entries correct this error?

| | debit account(s) | \$ | credit account(s) | \$ | |
|----------|------------------------------|----------|-------------------------------|----------|--------------------------|
| A | discount allowed | 80 | discount received | 80 | <input type="checkbox"/> |
| B | discount allowed suspense | 80 80 | discount received | 160 | <input type="checkbox"/> |
| C | discount allowed | 160 | discount received suspense | 80 80 | <input type="checkbox"/> |
| D | discount received | 80 | discount allowed | 80 | <input type="checkbox"/> |

[1]

- (b) Which account or statement provides a summary of transactions involving trade receivables?

| | |
|---|--------------------------|
| A bank reconciliation statement | <input type="checkbox"/> |
| B provision for doubtful debts account | <input type="checkbox"/> |
| C sales ledger control account | <input type="checkbox"/> |
| D statement of financial position | <input type="checkbox"/> |

[1]

- (c) Why does a trader compare his cash book with his bank statement?

| | to check for errors in the cash book | to ensure the cash book is up to date | |
|----------|--------------------------------------|---------------------------------------|--------------------------|
| A | no | no | <input type="checkbox"/> |
| B | no | yes | <input type="checkbox"/> |
| C | yes | no | <input type="checkbox"/> |
| D | yes | yes | <input type="checkbox"/> |

[1]

- (d) Asma bought a motor vehicle for \$10 000. She depreciated it at the rate of 10% per annum on cost, calculated monthly.

After 18 months she sold the motor vehicle for \$9200.

What was the profit on disposal?

- A \$200
B \$650
C \$700
D \$1200

[1]

- (e) At the start of the year Basil had paid \$4500 rent in advance. During the year he paid rent, \$12000. At the year end he owed \$1500.

What was Basil's annual expense for rent?

- A \$9000
B \$12000
C \$15000
D \$18000

[1]

- (f) A and B were in partnership. Their current accounts for the year were as follows.

| | A \$ | B \$ | | A \$ | B \$ |
|-------------|---------------|---------------|---------------------|---------------|---------------|
| drawings | 7 500 | 2 500 | balance b/d | 10 200 | 12 000 |
| balance c/d | 11 700 | 17 500 | interest on capital | 2 000 | 1 000 |
| | | | share of profit | 7 000 | 7 000 |
| | <u>19 200</u> | <u>20 000</u> | | <u>19 200</u> | <u>20 000</u> |
| | | | balance b/d | 11 700 | 17 500 |

What was the profit for the year?

- A \$7000
B \$14000
C \$17000
D \$27000

[1]

(g) Who benefits from a company's limited liability?

- A** its credit customers
B its credit suppliers
C its debenture holders
D its shareholders

[1]

(h) The work in progress of a manufacturing business increased during the year.

Which effect does this have?

| | on cost of production | on gross profit |
|----------|-----------------------|-----------------|
| A | decrease | increase |
| B | decrease | no effect |
| C | increase | decrease |
| D | increase | no effect |

[1]

(i) What is meant by mark-up?

- A** gross profit measured as a percentage of cost of sales
B gross profit measured as a percentage of revenue
C profit for the year measured as a percentage of expenses
D profit for the year measured as a percentage of revenue

[1]

(j) Why would a bank manager look at a trader's financial statements?

- A** to calculate how fast trade payables were being paid
B to check if the trader would be able to repay a loan
C to find out if customers will receive continuous supplies
D to know if inventory levels are too high

[1]

[Total: 10]

2 (a) State the accounting equation.

.....[1]

(b) State what is meant by the following terms.

Asset.....

.....

Liability.....

.....

Inventory.....

.....[3]

(c) Name the accounting principle applied when using the double entry system of book-keeping.

.....[1]

(d) State the double entry needed to record **each** of the following in the books of Taha, a trader.

| | debit account | credit account |
|--|---------------|----------------|
| Taha receives a cheque from Michael, a credit customer | | |
| Taha writes off a debt owed by Zoe | | |

[4]

(e) Name the division of Taha’s ledger in which Michael’s account appears.

.....[1]

(f) Complete the following table, indicating with a tick (✓) if **each** statement about an increase in a provision for doubtful debts is true or false. The first one has been completed as an example.

| | true | false |
|--|------|-------|
| it will increase the total of the non-current assets | | ✓ |
| it will increase the total of current assets | | |
| it will decrease cash and bank | | |
| it will require a credit entry in the provision for doubtful debts account | | |
| it will have no effect on profit for the year | | |

[4]

Andy sells furniture on credit. Fred is a credit customer.

REQUIRED

(g) Complete the following invoice.

| | | | |
|------------------------------|--------------------|-----------------------------------|-----------------|
| | | Andy Factory Street Toptown | Invoice no 1001 |
| Fred Shop Road Toptown | | | 22 May 2017 |
| Quantity | Details | Unit price | Amount \$ |
| 20 | Standard chair | \$50 | |
| 10 | Luxury chair | | <u>.....</u> |
| | 10% trade discount | | 1750 |
| | | | <u>.....</u> |
| | | | <u>.....</u> |

[5]

(h) State which value from the invoice is recorded in Fred's account.

\$.....

[1]

(i) Name the document Andy issues if Fred returns any chairs.

.....[1]

(j) State the difference between Andy's business and a service business.

.....

[2]

[Total: 23]

Question 3 is on the next page.

3 Zameer has a financial year end of 28 February.

He extracted the following ledger balances from his books of account on 21 February 2017.

| | |
|--------------|--------------|
| | \$ |
| Purchases | 67 210 debit |
| Rent payable | 6 600 debit |

REQUIRED

(a) State why the purchases account has a debit balance.

.....[1]

Zameer's purchases journal for the week ended 28 February 2017 was as follows:

Zameer
Purchases Journal

| Date | Name | \$ |
|--------|-------|------------|
| Feb 22 | Qasim | 500 |
| 25 | Farid | 270 |
| 27 | Qasim | 190 |
| | | <u>960</u> |

Zameer's cash book recorded a payment, \$1800, made on 25 February by credit transfer. This payment was for rent for the three months ending 30 April 2017.

REQUIRED

(b) Name the type of book of which the cash book and the purchases journal are examples.

.....[1]

- (c) Prepare the following ledger accounts in the books of Zameer. Balance the accounts and where necessary show any balance brought down on 1 March 2017.

Zameer
Purchases account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Rent payable account

| Date | Details | \$ | Date | Details | \$ |
|-------|---------|-------|-------|---------|-------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

[8]

- (d) State whether Zameer’s payments were capital expenditure or revenue expenditure.

Purchases.....

Rent.....

[2]

- (e) (i) Give **one** example of a revenue receipt.

.....

- (ii) Give **one** example of a capital receipt.

..... [2]

[Total: 14]

- 5 JW Limited extracted the following balances from its books of account on 30 April 2017, **after** the gross profit had been calculated.

| | \$ | |
|--|---------|--------|
| Gross profit | 63 000 | |
| Distribution costs | 24 000 | |
| Administrative expenses | 16 000 | |
| Interim dividend paid | 6 000 | |
| Debenture interest | 3 000 | |
| Ordinary shares of \$1 each | 100 000 | |
| General reserve | 50 000 | |
| Retained earnings | ? | |
| Equipment at cost | 260 000 | |
| Provision for depreciation of equipment | 65 000 | |
| Inventory | 33 000 | |
| Trade receivables | 14 000 | |
| Bank | 6 800 | credit |
| Trade payables | 17 500 | |
| 10% Debentures (repayable 2025) | 30 000 | |

REQUIRED

(a) Prepare the trial balance at 30 April 2017. Insert a value for retained earnings.

JW Limited
Trial Balance at 30 April 2017

| | Debit \$ | Credit \$ |
|--|-------------|--------------|
| Gross profit | | |
| Distribution costs | | |
| Administrative expenses | | |
| Interim dividend paid | | |
| Debenture interest | | |
| Ordinary shares of \$1 each | | |
| General reserve | | |
| Retained earnings | | |
| Equipment at cost | | |
| Provision for depreciation of equipment | | |
| Inventory | | |
| Trade receivables | | |
| Bank | | |
| Trade payables | | |
| 10% Debentures (repayable 2025) | | |
| | | |
| | | |
| | | |

[9]

(e) Suggest **two** reasons why JW Limited's return on capital employed (ROCE) is lower than the industry average.

- 1.....
.....
- 2.....
.....[2]

(f) Suggest **three** ways in which JW Limited could increase its return on capital employed (ROCE).

- 1.....
.....
- 2.....
.....
- 3.....
.....[3]

[Total: 30]

- 6 Hi-Jump is a sports club which also runs a shop for the use of members only. It provided the following information.

Hi-Jump
Subscriptions account

| Date | Details | \$ | Date | Details | \$ |
|---------------|--------------------------------|--------------|---------------|-------------|--------------|
| 2016 Jan 1 | Balance b/d | 1160 | 2016 Jan 1 | Balance b/d | 280 |
| Dec 31 | Income and expenditure account | 52905 | Dec 31 | Bank | 52950 |
| | Balance c/d | 395 | | Bad debts | 250 |
| | | | | Balance c/d | 980 |
| | | <u>54460</u> | | | <u>54460</u> |
| 2017 Jan 1 | Balance b/d | 980 | 2017 Jan 1 | Balance b/d | 395 |

REQUIRED

- (a) State what the balance of \$395 on 1 January 2017 represents.

.....[1]

The receipts and payments account of the club was as follows:

Hi-Jump
Receipts and Payments Account for the year ended 31 December 2016

| | \$ | | \$ |
|------------------------|--------------|--------------------|--------------|
| Balance b/d | 6100 | Shop purchases | 15240 |
| Subscriptions received | 52950 | Rent | 12000 |
| Shop sales | 13610 | Club expenses | 34200 |
| | | New club equipment | 5100 |
| | | Balance c/d | 6120 |
| | <u>72660</u> | | <u>72660</u> |

The following additional information was also available.

| | | | |
|---|-----------------------------|-------------------|---------------------|
| 1 | | at 1 January 2016 | at 31 December 2016 |
| | | \$ | \$ |
| | Shop inventory | 440 | 710 |
| | Club equipment at valuation | 17 100 | 19 900 |

- 2 10% of the rent is allocated to the shop.
- 3 All shop sales and all shop purchases are made on a cash basis.

REQUIRED

(b) Complete the following table to show the values of the current assets and current liabilities which would appear in the statement of financial position of the club on 31 December 2016.

| Current assets | \$ |
|---------------------|-------|
| | |
| | |
| | |
| | |
| Current liabilities | \$ |
| | |
| | |
| | |
| | |

[4]

(e) Suggest **two** reasons why the managing committee continues to run the shop despite it making a loss.

1.....

.....

2.....

..... [2]

(f) Explain how the financial statements of the club would be affected if the managing committee decided **not** to charge the shop with its share of the rent.

.....

.....

.....

..... [2]

[Total: 22]

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