Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

ACCOUNTING **0452/11**

Paper 1 **May/June 2015**

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 **21** printed pages and **3** blank pages.

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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)** What is the purpose of accounting?

View solution

A to ensure the cash book balance agrees with the bank statement ☐

B to know how long trade receivables take to pay ☐

C to prepare the financial statements of the business ☐

D to write up all the ledger accounts ☐ [1]

(b) Where is discount received shown?

View solution

A credit side of the purchases ledger control account ☐

B debit side of the purchases ledger control account ☐

C credit side of the sales ledger control account ☐

D debit side of the sales ledger control account ☐ [1]

(c) Pedro spent $8410 buying a new vehicle. The invoice showed

View solution

	$
Vehicle	8000
Number plates	50
Insurance for 24 months	360

How much was the capital expenditure?

A $8050 ☐

B $8180 ☐

C $8230 ☐

D $8360 ☐ [1]

(d) Safir bought a machine for $10 000 and depreciated it at the rate of 30% per annum on the reducing (diminishing) balance basis.

View solution

What was the net book value at the end of year 2?

A $4000 ☐

B $4900 ☐

C $5100 ☐

D $6000 ☐ [1]

(e) Albert maintains a provision for doubtful debts account. Where is the closing balance on the account included in the financial statements?

View solution

A as an expense in the income statement ☐

B as a revenue in the income statement ☐

C in the current assets section of the statement of financial position ☐

D in the current liabilities section of the statement of financial position ☐ [1]

(f) Why is inventory valued at net realisable value when this is lower than cost?

View solution

A to calculate the rate of inventory turnover ☐

B to ensure the balancing of the statement of financial position ☐

C to prevent profit being recorded before it is earned ☐

D to recognise losses as soon as they are incurred ☐ [1]

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(g) Abdul started a business by transferring his own vehicle to the business at a valuation of $9000 and introducing a sum of cash.

In the first year of trading profit was $2000. At the end of the first year the balance on his capital account was $51 000.

View solution

How much cash did Abdul introduce?

A $40 000 ☐

B $44 000 ☐

C $58 000 ☐

D $62 000 ☐ [1]

(h) A manufacturing business provided the following information.

View solution

	$
Opening inventory of finished goods	17 000
Closing inventory of finished goods	12 000
Cost of production for the year	100 000
Purchases of finished goods for the year	70 000

What was the cost of sales for the year?

A $75 000 ☐

B $105 000 ☐

C $170 000 ☐

D $175 000 ☐ [1]

(i) Agnes and Brian operate in similar businesses. They provide the following information.

View solution

	Agnes	Brian
Trade receivables collection period	31 days	40 days

Which statement is true?

A Agnes receives money from customers sooner than Brian. ☐

B Agnes pays her suppliers sooner than Brian. ☐

C Brian receives money from customers sooner than Agnes. ☐

D Brian pays his suppliers sooner than Agnes. ☐ [1]

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(j) When is accounting information relevant?

View solution

A when it can be compared with information for other periods ☐

B when it can be understood by the users of the accounts ☐

C when it changes business decisions ☐

D when it is free from error and bias ☐ [1]

[Total: 10]

2 **(a)** Complete the following table. Indicate with a tick (✓) whether each item is an asset or a liability. The first item has been completed as an example.

View solution

	Asset	Liability
Office equipment	✓	
Prepaid rent		
Accrued wages		
Bank loan		
Inventory of goods for resale		
Inventory of stationery for office use		
Amount due to creditor		

[6]

(b) Complete the following sentences using the word 'debit' or 'credit'.

View solution

An asset account has a ..... balance.

A liability account has a ..... balance.

An expense account has a ..... balance.

An income account has a ..... balance. [4]

(c) Give **one** example of an expense account.

View solution

..... [1]

(d) Name the financial statement in which expenses are recorded.

View solution

..... [1]

(e) Complete the following table. Enter the word 'true' or 'false' against each statement. The first has been completed as an example.

View solution

Every transaction has a two fold aspect	*True*
Costs must be matched against related income	
Revenue can be recorded before it is earned	
Staff expertise can be recorded in the financial statements	

[3]

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Lamoudi has an accounting year end of 31 December.

On 1 April 2013 he paid $1200, by cheque, for a year's insurance starting on that date.
On 1 April 2014 he paid $1440, by cheque, for insurance for twelve months to 31 March 2015.

REQUIRED

(f) Prepare Lamoudi's insurance account for the year ended 31 December 2014. Balance the account and bring down the balance on 1 January 2015.

View solution

Lamoudi
Insurance account

Date	Details	$	Date	Details	$
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[5]

(g) State **one** reason why a trader might prepare a trial balance.

View solution

……

…… [1]

Ebenon, a sole trader, extracted the following balances from his books of account on 31 December 2014.

	$
Motor vehicles	38 000
Provision for depreciation of motor vehicles	10 000
Sales	190 000
Purchases	103 000
Rent	4 000
Wages and salaries	41 000
Sundry expenses	6 800
Drawings	23 000
Trade payables	5 000
Trade receivables	7 000
Bank overdraft	1 500
Cash	100
Purchase returns	600
Inventory	12 000
Capital	?

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REQUIRED

(h) Prepare Ebenon's trial balance at 31 December 2014.

View solution

Ebenon
Trial Balance at 31 December 2014

	Debit $	Credit $
Motor vehicles		
Provision for depreciation of motor vehicles		
Sales		
Purchases		
Rent		
Wages and salaries		
Sundry expenses		
Drawings		
Trade payables		
Trade receivables		
Bank overdraft		
Cash		
Purchase returns		
Inventory		
Capital		

[8]

(i) Give the date to which the inventory in the trial balance relates.

..... [1]

[Total: 30]

View solution

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3 **(a)** Name **two** books of prime (original) entry which a trader may keep. In **each** case name a source document for that book. An example has been provided.

View solution

Book of prime (original) entry	Source document
Cash book	*Cheque counterfoil*

[4]

(b) State **one** reason why a trader might use books of prime (original) entry.

View solution

.....

..... [1]

(c) Name the **two** accounts which are posted with the totals from a three column cash book.

View solution

1 .....

2 ..... [2]

Abdoulaye received a cheque from Pierre which was subsequently dishonoured.

REQUIRED

(d) State what is meant by a dishonoured cheque.

View solution

.....

..... [1]

(e) State how Abdoulaye recorded the dishonouring of the cheque.

View solution

Account debited	Account credited

[2]

(f) Name the statement prepared by Abdoulaye to ensure that his bank account is free from error.

..... [1]

View solution

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Abdoulaye has a bank overdraft.

REQUIRED

(g) Explain what is meant by a bank overdraft.

View solution

.....

.....

..... [2]

(h) Complete the following table using a tick (✓) to indicate whether Abdoulaye's cash book and his bank statement have a debit or a credit balance.

View solution

	Debit balance	Credit balance
Cash book		
Bank statement		

[2]

Abdoulaye withdrew $200 from the bank for personal use.

REQUIRED

(i) State how this is recorded in the books of account.

View solution

Account debited	Account credited

[2]

[Total: 17]

4 At 1 February 2014, Green Meadow Limited had the following shares and debentures.

250 000 ordinary shares of $0.50 each
100 000 8% preference shares of $1 each
$50 000 6% debentures (2019)

The following balances were extracted from the books on 31 January 2015.

	$	
Retained earnings	65 000	
Plant and equipment (at book value)	184 000	
Motor vehicles (at book value)	87 000	
Trade payables	43 000	
Trade receivables	57 000	
Inventory	63 000	
Bank	2 000	debit
Long term bank loan (5%) (taken out in 2013)	10 000	

REQUIRED

(a) Prepare the statement of financial position at 31 January 2015.

View solution

Green Meadow Limited
Statement of Financial Position at 31 January 2015

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[10]

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Following additional information is available:

1 Retained earnings at 1 February 2014 were $51 500.
2 The interim ordinary dividend paid during the year was $0.04 per share.
3 The preference dividend was paid on time.

REQUIRED

(b) Calculate the profit for the year ended 31 January 2015.

View solution

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.....

..... [4]

(c) Calculate the profit from operations (profit before interest) for the year ended 31 January 2015.

View solution

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..... [4]

(d) Calculate the return on capital employed (ROCE).

View solution

.....

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.....

..... [4]

(e) State **one** reason why the directors would wish to know the ROCE.

View solution

.....

..... [1]

(f) State why the directors chose to issue debentures rather than issue more ordinary shares.

View solution

.....

.....

..... [1]

[Total: 24]

5 Antoinette provided the following information.

Revenue for the year ended 30 November 2014	$1000
Inventory at 1 December 2013	$60
Inventory at 30 November 2014	$40
Gross profit margin	40%
Net profit margin	15%

REQUIRED

(a) Calculate the following for the year ended 30 November 2014.



Gross profit .....

.....

Cost of sales .....

.....

Purchases .....

.....

.....

Profit for the year .....

.....

Expenses .....

..... [7]

Antoinette's brother, Louis, has a business selling similar type of goods.

His gross profit margin is 40% and his net profit margin is 20%.

REQUIRED

(b) State **one** reason for the difference in the ratios.



.....

..... [1]

(c) Calculate Antoinette's inventory turnover **in days**. Round up your answer to the next whole day.

View solution

.....

.....

.....

..... [4]

(d) Suggest **two** reasons why Louis' inventory turnover is faster than Antoinette's.

View solution

1 .....

2 ..... [2]

(e) State **two** advantages to Antoinette of going into partnership with Louis.

View solution

1 .....

2 ..... [2]

[Total: 16]

6 The Healthy Ways Sports Club provided the following information.

	At 31 December 2013	At 31 December 2014
	$	$
Subscriptions in advance	100	50
Subscriptions in arrears	350	500
Trade payables for café supplies	590	820
Inventory of café supplies	600	800
Sports equipment at valuation	18 700	20 100
Accrued wages for sports club staff	-	300

Receipts and payments during the year ended 31 December 2014

	$
Receipts	
Subscriptions received	19 100
Café receipts	4 900
Payments	
Café supplies	3 710
New sports equipment	4 600
Staff wages – café	1 800
– sports club	7 200
Rent and insurance – sports club	4 800
Sundry expenses – sports club	1 850

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 December 2014. Balance the account and bring down the balances on 1 January 2015.

View solution

Healthy Ways Sports Club
Subscriptions account

Date	Details	$	Date	Details	$
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[6]

(b) Prepare the total trade payables account for the year ended 31 December 2014 to determine the café purchases.

View solution

Healthy Ways Sports Club
Total trade payables account

Date	Details	$	Date	Details	$
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[4]

(c) Prepare the café income statement for the year ended 31 December 2014.

View solution

Healthy Ways Sports Club
Café Income Statement for the year ended 31 December 2014

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[6]

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(d) Prepare the income and expenditure account for the year ended 31 December 2014.

View solution

Healthy Ways Sports Club
Income and Expenditure Account for the year ended 31 December 2014

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[7]

[Total: 23]

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