Cambridge IGCSE

**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

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**ACCOUNTING** **0452/13**

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.

View solution

**1** **(a)** What is the purpose of accounting?

**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]

View solution

**(b)** Where is discount received shown?

**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]

View solution

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

| | $ |
|---|---|
| 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]

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**(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 | $ |
|---|---|---|---|---|---|
| …… | …… | …… | …… | …… | …… |
| …… | …… | …… | …… | …… | …… |
| …… | …… | …… | …… | …… | …… |
| …… | …… | …… | …… | …… | …… |
| …… | …… | …… | …… | …… | …… |
| …… | …… | …… | …… | …… | …… |

[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

**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

[4]

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

View solution

[4]

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

View solution

.....

.....

.....

..... [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.

View solution

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.

View solution

.....

..... [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]

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**(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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| …… | …….. | …….. |
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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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