Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

ACCOUNTING **0452/22**

Paper 2 **May/June 2015**

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

MODIFIED LANGUAGE

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 **20** printed pages.

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CAMBRIDGE International Examinations

1 Nyasha Chingono is a trader. She maintains a full set of accounting records. She buys goods on credit.

On 1 April 2015 Nyasha Chingono owed John Moyo $560.

The following transactions took place in April 2015.

April 3 Bought goods on credit from Wholesalers Limited, $358

12 Bought goods on credit from John Moyo, list price $480, subject to a trade discount of 25%

18 Returned goods to John Moyo, list price $160

27 Paid John Moyo, by cheque, the balance owing on 1 April, subject to a cash discount of 2½%

REQUIRED

(a) Prepare the purchases journal and the purchases returns journal for April 2015.

View solution

Total **each** journal and indicate the ledger account to which the total would be transferred.

Nyasha Chingono
Purchases journal

Date	Details	$	$
……..	……..……	……..	…….
……..	……..……	……..	…….
……..	……..……	……..	…….
……..	……..……	……..	…….
……..	……..……	……..	…….

Purchases returns journal

Date	Details	$	$
……..	……..……	……..	…….
……..	……..……	……..	…….
……..	……..……	……..	…….
…….	……..……	…….	…….
…….	……..……	…….	…….

[5]

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(b) Prepare the following accounts in Nyasha Chingono's ledger for the month of April 2015.

View solution

It is **not** necessary to balance any of the accounts.

Nyasha Chingono
John Moyo account

Date	Details	$	Date	Details	$
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….

Purchases account

Date	Details	$	Date	Details	$
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….

Purchases returns account

Date	Details	$	Date	Details	$
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….

[7]

(c) State **one** advantage and **one** disadvantage of paying credit suppliers before the due date.

Advantage .....

.....

Disadvantage .....

..... [2]

View solution

Nyasha Chingono prepared the following sales ledger control account on 30 April 2015.

Nyasha Chingono
Sales ledger control account

Date	Details	$	Date	Details	$
2015			2015		
April 1	Balance b/d	750	April 30	Sales returns	60
30	Sales	990		Bank	637
	Interest charged	10		Discount	13
				Bad debts	120
				Contra	120
				Balance c/d	800
		1750			1750
2015					
May 1	Balance b/d	800			

REQUIRED

View solution

(d) Explain the following entries in the control account.
State the source of information for each item.

The first one has been completed as an example.

1 Sales

Explanation *The total goods sold on credit in the month*

Source of information *Sales journal*

2 Sales returns

Explanation .....

.....

.....

Source of information .....

3 Contra

Explanation .....

.....

.....

Source of information .....

4 Interest charged

Explanation .....

.....

.....

Source of information .....

[6]

(e) Suggest **two** ways Nyasha Chingono could reduce the risk of bad debts.

View solution

1 .....

.....

2 .....

..... [2]

Nyasha Chingono allows her credit customers 14 days credit.

The total credit sales for the year ended 30 April 2015 were $12 600.

REQUIRED

(f) Calculate the collection period for trade receivables, using the closing balance on the sales ledger control account.

Round up your answer to the next whole day.

View solution

.....

.....

.....

..... [2]

(g) State whether Nyasha Chingono would be satisfied with the collection period for trade receivables.

..... [1]

View solution

(h) Suggest **two** ways Nyasha Chingono could improve the collection period for trade receivables.

1 .....

.....

2 .....

..... [2]

[Total: 27]

View solution

2 **(a)** State **two** reasons why a trader should reconcile the cash book balance with the balance shown on the bank statement at the end of each month.

1 .....

.....

2 .....

..... [2]

On 31 January 2015 David Jones balanced his cash book and brought down a debit balance of $114 on 1 February. The bank statement showed a credit balance of $154 on 31 January 2015.

A comparison of the cash book and the bank statement revealed the following.

View solution

		$
1	Items appearing only in the cash book	
	Cash from sales paid into the bank on 28 January	235
	Cheque paid to M Sharp, a credit supplier	490
2	Items appearing only on the bank statement	
	Bank charges	62
	Cheque received from K Taylor, a credit customer, dishonoured	143
	Insurance premium paid by standing order	40
	Interest on deposit account paid directly into the bank	130
3	The total of the debit side of the cash book had been overcast	100

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REQUIRED

View solution

(b) Update the cash book of David Jones.
Bring down the updated bank balance on 1 February 2015.

David Jones
Cash book (bank columns only)

Date	Details	$	Date	Details	$
2015 Feb 1	Balance b/d	114	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….
……	……..……	…….	……	……..……	…….

[6]

(c) Prepare a bank reconciliation statement for David Jones at 31 January 2015.

View solution

David Jones
Bank Reconciliation Statement at 31 January 2015

	$
……	……
……	……
……	……
……	……
……	……
……	……
……	……
……	……

[6]

(d) **(i)** State whether the cash book balance **or** the bank statement balance should be shown in David Jones' statement of financial position at 31 January 2015.

.....

(ii) Give a reason for your answer in **(i)**.

View solution

.....

.....

..... [3]

(e) State **two** reasons why David Jones' bank manager would be interested in his financial statements.

1 .....

.....

2 .....

..... [2]

[Total: 19]

View solution

3 Akhtar Hussain is a trader. He maintains a full set of accounting records. His financial year ends on 31 March.

Akhtar Hussain provided the following information at 31 March 2015.

1 The inventory was valued at $4150.

2 $54 owed by XY Limited is to be written off as a bad debt.

3 The provision for doubtful debts is to be reduced to $1010.

4 A machine was sold on 1 March. The amount received was recorded, but no other entries were made. The machine originally cost $3000 and had been depreciated by $2250.

5 The remaining machine cost $5000 and is to be depreciated at 25% per annum using the straight line method.

REQUIRED

(a) Record this information in the following accounts in Akhtar Hussain's ledger at 31 March 2015.

View solution

Close the accounts by balancing or by making a transfer to an appropriate account.

Some entries have already been made in the accounts during the year.

Akhtar Hussain
Inventory account

Date	Details	$	Date	Details	$
2014 April 1	Balance b/d	3560	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

Bad debts account

Date	Details	$	Date	Details	$
2015 Jan 10	ABC Stores	136	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

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Provision for doubtful debts account

Date	Details	$	Date	Details	$
……	……..…..……	…….	2014 April 1	Balance b/d	1130
……	……..…..……	…….	……	……...……	…….
…….	……...……	…….	…….	……...……	…….
…….	……...……	…….	…….	……...……	…….
……	……...……	…….	…….	……..…..……	…….

Provision for depreciation of machinery account

Date	Details	$	Date	Details	$
……	……..…..……	…….	2014 April 1	Balance b/d	4500
……	……..…..……	…….	……	……...……	…….
…….	……...……	…….	…….	……...……	…….
…….	……...……	…….	…….	……...……	…….
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Disposal of machinery account

Date	Details	$	Date	Details	$
……	……..…..……	…….	2015 March 1	Bank	550
……	……..…..……	…….	……	……...……	…….
…….	……...……	…….	…….	……...……	…….
…….	……...……	…….	…….	……...……	…….
……	……...……	…….	…….	……..…..……	…….

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Drawings account

Date	Details	$	Date	Details	$
2015 Feb 1	Bank	1000	……	……	……
……	……	……	……	……	……
……	……	……	……	……	……

[17]

On 30 March 2015 Akhtar Hussain received an invoice for $9360 from PJ Autos Limited. This included $360 for repairs to a motor vehicle. The remainder was the cost of a new motor vehicle.

REQUIRED

(b) Prepare a journal entry to record this transaction. A narrative **is** required.

View solution

Akhtar Hussain
Journal

	Debit $	Credit $
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……

[3]

(c) State the meaning of the following terms.

View solution

Capital expenditure

.....

.....

Revenue expenditure

.....

..... [2]

On 31 March 2015 Akhtar Hussain discovered that an item of revenue expenditure had been recorded as capital expenditure.

REQUIRED

(d) Complete the following table by putting a tick (✓) in the correct column to indicate the effect of this error on the non-current assets **and** the profit for the year.

View solution

	overstated	understated
non-current assets at 31 March 2015		
profit for the year ended 31 March 2015		

[2]

[Total: 24]

4 Rania Gharib is a trader. Her financial year ends on 31 January.

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

Rania Gharib provided the following information.

1

	At 1 February 2014	At 31 January 2015
	$	$
Inventory	4 700	3 150
Fixtures and fittings at valuation	6 900	7 300
Trade payables	2 950	3 720

		$
2	Payments during the year ended 31 January 2015	
	Credit suppliers	40 120
	Wages	9 520
	Rent and rates	5 200
	Insurance for 14 months to 31 March 2015	840
	Fixtures and fittings	1 100
3	Amounts received during the year ended 31 January 2015	
	Cash from sales	63 660
4	Cash discounts received from credit suppliers	820

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REQUIRED

(a) Prepare the income statement for the year ended 31 January 2015.

View solution

Rania Gharib
Income Statement for the year ended 31 January 2015

	$	$
……	……..	……..
……	…….	…….
……	…….	…….
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……	…….	…….
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……	…….	…….
……	…….	…….
……	…….	…….
……	…….	…….

[13]

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(b) Calculate the rate of inventory turnover. The calculation should be correct to **two** decimal places.

.....

.....

..... [3]

(c) Suggest **two** reasons why the rate of inventory turnover has improved.

View solution

1 .....

2 ..... [2]

(d) Explain what is measured by the return on capital employed (ROCE).

View solution

.....

.....

.....

..... [2]

(e) Calculate the return on capital employed (ROCE), using the profit for the year in **(a)** and the capital employed of $83 000. The calculation should be correct to **two** decimal places.

.....

.....

..... [2]

(f) Suggest **one** reason why the return on capital employed is higher than it was in the previous year.

.....

..... [1]

View solution

After the preparation of the income statement for the year ended 31 January 2015, it was discovered that the opening inventory had been overvalued by $250.

REQUIRED

(g) Complete the following table to show the effect of this.

View solution

The first one has been completed as an example.

	overstated	understated	no effect
gross profit for the year ended 31 January 2014	✓		
credit balance on capital account on 1 February 2014			
gross profit for the year ended 31 January 2015			
profit for the year ended 31 January 2015			
current assets at 31 January 2015			

[4]

[Total: 27]

5 Craven Limited provided the following information at the start of the financial year on 1 April 2014.

	$
Ordinary share capital	200 000
General reserve	17 000
Retained earnings	9 000

During the year ended 31 March 2015 the following took place.

1 The company made a profit for the year of $43 000.

2 A dividend of $16 000 was paid on the ordinary shares.

3 A transfer of $15 000 was made to general reserve.

REQUIRED

(a) Complete the following statement of changes in equity for the year ended 31 March 2015.

View solution

Craven Limited
Statement of Changes in Equity for the year ended 31 March 2015

Details	Share capital $	General reserve $	Retained earnings $	Total $
On 1 April 2014	200 000	17 000	9 000	226 000
Profit for the year	.....	.....	.....	.....
Dividend paid	.....	.....	.....	.....
Transfer to general reserve	.....	.....	.....	.....
On 31 March 2015	.....	.....	.....	.....

[4]

Craven Limited provided the following information at 31 March 2015.

	$
Premises at cost	179 000
Fixtures and equipment at book value	54 000
Motor vehicles at book value	22 500
5% Debentures	15 000
Inventory at 31 March 2015	26 525
Trade payables	26 375
Trade receivables	21 000
Provision for doubtful debts	525
Bank overdraft	8 125

REQUIRED

(b) Prepare a statement of financial position at 31 March 2015.

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Craven Limited
Statement of Financial Position at 31 March 2015

View solution

	$	$
.....	.....	.....
.....	.....	.....
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.....	.....	.....
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[13]

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Craven Limited wants to raise funds for expansion. It is considering either issuing more ordinary shares or more debentures.

REQUIRED

(c) State **two** features of ordinary shares.

View solution

1 .....

.....

2 .....

..... [2]

(d) State **two** features of debentures.

View solution

1 .....

.....

2 .....

..... [2]

(e) State **two** ways the issue of debentures may affect the ordinary shareholders.

View solution

1 .....

.....

2 .....

..... [2]

[Total: 23]

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