Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

ACCOUNTING **0452/23**

Paper 2 **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.

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1 Shiromi is a trader in office equipment. She maintains a full set of accounting records. Shiromi made the following entries in her cash book, purchases journal and purchases returns journal in April 2017.

Shiromi
Cash Book

		Cash	Bank			Discount Received	Cash	Bank
April		$	$	April		$	$	$
1	Balances b/d	90	2954	4	Rent and rates			495
21	Sales	600	6000	10	Motor vehicle			5500
30	Balance c/d		3785	18	Lincy	66		3234
				24	Gail	90		3510
				26	Drawings		150	
				30	Balance c/d		540	
		690	12739			156	690	12739

Shiromi
Purchases Journal

			$	$
April	5	Lincy		
		Goods	4825	
		Less Trade discount	965	3860
	16	Gail		
		Goods	4800	
		Less Trade discount	1200	3600
	30	Total for month		7460

Shiromi
Purchases Returns Journal

			$	$
April	7	Lincy		
		Goods	700	
		Less Trade discount	140	560
	30	Total for month		560

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REQUIRED

(a) Enter the transactions for April in the following ledger accounts. It is **not** necessary to balance or total any of the accounts.

View solution

Shiromi
General Ledger

Rent and rates account

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

Motor vehicle account

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

Sales account

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

Drawings account

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

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Purchases account

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

Purchases returns account

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

Discount received account

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

Purchases Ledger

Lincy account

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

Gail account

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

[13]

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Shiromi's financial year ends on 30 April. She provided the following information.

	At 30 April 2016	At 30 April 2017
Current ratio	1.49 : 1	0.92 : 1

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

REQUIRED

(b) Suggest **two** reasons for the change in the current ratio.

View solution

1 .....

.....

2 .....

..... [2]

(c) Suggest **two** problems Shiromi may encounter because her working capital is inadequate.

View solution

1 .....

.....

2 .....

..... [2]

Shiromi is hoping to increase her working capital and is considering four courses of action.

REQUIRED

(d) Complete the table by placing a tick (✓) in the correct column to show how **each** course of action would affect Shiromi's working capital.

View solution

	Increase	Decrease	No effect
Take out a short-term bank loan			
Repay a long-term bank loan			
Sell goods on credit terms instead of for cash			
Obtain a higher rate of cash discount			

[4]

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Shiromi bought office equipment on credit.

REQUIRED

(e) State why this transaction increased Shiromi's current assets.

View solution

.....

.....

..... [1]

(f) Suggest **two** reasons why Shiromi's return on capital employed (ROCE) was lower on 30 April 2017 than it was on 30 April 2016.

1.....

.....

2.....

..... [2]

[Total: 24]

View solution

2 Waheed is a trader. He maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

(a) Name the book of prime (original) entry which Waheed would use to obtain the following information when preparing his sales ledger control account.

View solution

	Book of prime (original) entry
Discount allowed	
Bad debts	
Contra	
Returns	

[4]

(b) State the meaning of a contra entry in connection with control accounts.
State why Waheed may make such an entry.

View solution

Meaning .....

.....

.....

Reason .....

..... [2]

The sales journal for March 2017 was destroyed, but Waheed was able to provide the following information.

2017		$
March 1	Debit balances in sales ledger	2346
	Credit balances in sales ledger	140
March 31	Totals for the month	
	Cheques received from credit customers	2145
	Cheques paid to credit suppliers	3013
	Cheque received from credit customer (included in the cheques received), later dishonoured	350
	Discount allowed	55
	Discount received	90
	Returns by credit customers	276
	Returns to credit suppliers	198
	Contra entry	182
	Bad debts written off	62
April 1	Debit balances in sales ledger	2670
	Credit balances in sales ledger	86

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REQUIRED

(c) Select the relevant figures and prepare the sales ledger control account for the month of March 2017. Insert a figure for credit sales.

View solution

Balance the account and bring down the balances on 1 April 2017.

Waheed
Sales ledger control account

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

[10]

(d) Suggest **two** reasons why the sales ledger control account had a credit balance on 1 April 2017.

1 .....

.....

2 .....

..... [2]

View solution

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Waheed's financial year ends on 31 March. He provided the following information.

All goods are bought and sold on credit terms. A cash discount is received from credit suppliers if payment is made within 45 days. A cash discount is allowed to credit customers if payment is made within 30 days.

	At 31 March 2016	At 31 March 2017
Trade receivables collection period	33 days	29 days
Trade payables payment period	44 days	46 days

REQUIRED

(e) State whether Waheed would be satisfied with the change in the collection period for trade receivables. Give a reason for your answer.

View solution

Satisfied? .....

Reason .....

..... [2]

(f) State **one** advantage to Waheed's suppliers of the change in the payment period.

View solution

.....

.....

..... [1]

(g) State **one** disadvantage to Waheed's suppliers of the change in the payment period.

View solution

.....

.....

..... [1]

(h) Comment on how a collection period of 29 days and a payment period of 46 days may affect Waheed's liquidity position.

.....

.....

.....

..... [2]

[Total: 24]

View solution

3 The A1 Sports Club was formed some years ago.

The club has 100 members. The annual subscription is $70.

A few years ago the club borrowed $3000 from a member at 3% per annum interest.

In addition to providing sporting facilities, the club also has a café for members. All supplies for the café are purchased on credit terms, and all sales are made for cash.

The following information was available for the year ended 30 April 2017.

	$
At 1 May 2016	
Amount owing to café suppliers	311
Café inventory	298
Loan from member (interest charged at 3% per annum)	3000
Subscriptions in arrears	560
Bank overdraft	3180
Receipts and payments during the year ended 30 April 2017	
Subscriptions for the year ended 30 April 2016	560
for the year ended 30 April 2017	6300
for the year ending 30 April 2018	280
Café sales	?
Payments to café suppliers	3796
Rates of club premises	960
General club expenses	910
Café wages	1040
Loan interest and repayment of half of the loan	1590
Purchase of new sports equipment	4000
Proceeds of sale of old sports equipment (book value $580)	430
At 30 April 2017	
Bank overdraft	2626
Café inventory	216
Subscriptions in arrears	700
Amount owing to café suppliers	393

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REQUIRED

(a) Prepare the receipts and payments account for the year ended 30 April 2017. Insert a figure for receipts from café sales.

View solution

Balance the account and bring down the balance on 1 May 2017.

A1 Sports Club
Receipts and Payments Account for the year ended 30 April 2017

Date	Details	$	Date	Details	$
			2016		
.....	.....	.....	*May 1*	*Balance b/d*	*3180*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....	.....

[12]

(b) Prepare the café income statement for the year ended 30 April 2017.

View solution

A1 Sports Club
Café Income Statement for the year ended 30 April 2017

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
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.....	.....	.....

[8]

(c) State the amount of subscriptions which will appear in the income and expenditure account for the year ended 30 April 2017. Give a reason for your answer.

View solution

Amount $ .....

Reason .....

.....

.....

..... [2]

(d) List **five** items included in the receipts and payments account which will **not** appear in the income and expenditure account for the year ended 30 April 2017.

1 .....

2 .....

3 .....

4 .....

5 ..... [5]

[Total: 27]

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View solution

Question 4 is on the next page.

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4 Virat is a trader. His financial year ends on 31 January. He does not maintain a full set of accounting records. He was able to provide the following information at 1 February 2016.

	$
Premises at cost	58 500
Fixtures and fittings at cost	9 400
Inventory	9 700
Trade payables	7 100
Trade receivables	8 120
Loan from A Singh	15 000
Bank overdraft	5 300

REQUIRED

(a) Calculate Virat's capital at 1 February 2016.

View solution

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..... [1]

During the year ended 31 January 2017:

Virat's drawings amounted to $11 320.
Virat's personal motor vehicle, valued at $15 200, was transferred into the business.
One third of the loan was repaid and it was agreed that the balance should be repaid in 2019.

Virat compared his assets and liabilities on 31 January 2017 with those on 1 February 2016 and found:

Trade payables had increased by 6%
Trade receivables had increased by $3310
Inventory was valued at the selling price of $12 900 after a mark-up of 20%
Bank overdraft had increased by $3100
Cash in hand amounted to $100

On 31 January 2017 it was decided to:

Write off $130 as irrecoverable from the amount owed by trade receivables at that date.
Make a provision for doubtful debts of 2% of the remaining amount.

Provide for depreciation of fixtures and fittings at 20% per annum on cost.

Provide for depreciation of the motor vehicle at 25% on the valuation when transferred into the business.

Maintain the premises at cost.

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REQUIRED

(b) Prepare a statement of affairs at 31 January 2017 showing the **total** capital at that date.

View solution

Virat
Statement of Affairs at 31 January 2017

	$	$	$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
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.....	.....	.....	.....

[14]

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(c) Prepare the capital account of Virat for the year ended 31 January 2017 to show the profit or loss for the year.

View solution

Virat
Capital account

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

[5]

Virat was disappointed with the results of his business for the year ended 31 January 2017. He decided to try to obtain the financial statements of other businesses so that he could compare their results with those of his own business.

REQUIRED

(d) Explain **two** factors Virat should consider when comparing his results with those of another business.

1 .....

.....

.....

2 .....

.....

..... [4]

[Total: 24]

View solution

Question 5 is on the next page.

5 Heng is a wholesaler. He maintains a full set of double entry accounting records.

REQUIRED

(a) Name the accounting principle Heng is applying in his accounting records.

..... [1]

Heng's financial year ends on 31 December. He opened a suspense account on 31 December 2016 and entered a debit balance of $430.

View solution

REQUIRED

(b) State **two** reasons why it was necessary for Heng to open a suspense account.

1 .....

.....

2 .....

..... [2]

Heng discovered that the following errors had been made in his accounting records.

1 Repairs to office equipment, $281, had been correctly entered in the cash book, but had been entered in the office equipment account.

View solution

2 A sales invoice issued to AB Stores had been overcast by $100.

3 The balance of the petty cash book, $150, had not been entered in the trial balance.

4 General expenses, $1120, had been correctly entered in the cash book, but had been entered in the general expenses account as $1210.

5 The total of the discount allowed column in the cash book, $1024, had not been transferred to the discount allowed account in the ledger.

6 A cheque, $2060, paid to AK Suppliers, had been debited in the cash book (which had a positive balance) and credited to the account of AK Suppliers.

7 The total of the purchases returns account, $454, had not been entered in the trial balance.

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REQUIRED

(c) Prepare the suspense account in Heng's ledger to show the required entries. The account should be balanced or totalled as necessary.

View solution

Heng
Suspense account

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

[6]

(d) State whether all the errors in Heng's books have been discovered.

View solution

Give a reason for your answer.

Have all errors been discovered? .....

Reason .....

..... [2]

(e) Complete the table to show the **effect** of **each** of the errors. Where an error has no effect, write 'No effect'.

View solution

The first one has been completed as an example.

Error	Profit for the year $	Non-current assets $	Current assets $	Current liabilities $
1	*281 overstated*	*281 overstated*	*No effect*	*No effect*
2				
3				
4				
5				
6				
7				

[10]

[Total: 21]

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