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**ACCOUNTING** **0452/11**

Paper 1 **May/June 2018**

**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 **22** printed pages and **2** 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)** For which accounts does the cash book act as a ledger account?

View solution

| | bank | cash | discount allowed | discount received | |
|---|---|---|---|---|---|
| **A** | ✓ | ✓ | ✓ | ✓ | |
| **B** | | ✓ | ✓ | ✓ | |
| **C** | | | ✓ | ✓ | |
| **D** | ✓ | ✓ | | | |

[1]

**(b)** Which statement about the division of the ledger is **not** correct?

View solution

**A** Checking procedures can be introduced.

**B** Fewer entries are needed in the sales and purchases accounts.

**C** It is easier for reference and for locating accounts.

**D** Work can be shared between two or more book-keepers.

[1]

**(c)** Which account may appear as a credit balance in a trial balance?

View solution

**A** carriage outwards

**B** discount received

**C** drawings

**D** inventory

[1]

**(d)** Insurance prepaid, $120, was treated as an accrual in the income statement.

View solution

Which effect did this have on the profit for the year?

**A** overstated $120

**B** overstated $240

**C** understated $120

**D** understated $240

[1]

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**(e)** Goods, $250, sold on credit to Ahmed were credited to Aktar's account.

View solution

What is the correcting journal entry?

| | | debit<br>$ | credit<br>$ | |
|---|---|---|---|---|
| **A** | Ahmed<br>Aktar<br>  Suspense | 250<br>250 | <br><br>500 | ☐ |
| **B** | Ahmed<br>Suspense<br>  Aktar | 250<br>250 | <br><br>500 | ☐ |
| **C** | Aktar<br>  Ahmed<br>  Suspense | 500 | <br>250<br>250 | ☐ |
| **D** | Suspense<br>  Ahmed<br>  Aktar | 500 | <br>250<br>250 | ☐ |

[1]

**(f)** Hassan sells two products, X and Y. He provided the following information on 31 December 2017.

View solution

| product | number of units | cost per unit<br>$ | net realisable value per unit<br>$ |
|---|---|---|---|
| X | 520 | 2.00 | 2.20 |
| Y | 390 | 3.00 | 2.80 |

50 units of product Y were damaged and will have to be destroyed.

What was the total value of Hassan's inventory?

**A** $1992 ☐

**B** $2132 ☐

**C** $2164 ☐

**D** $2314 ☐

[1]

**(g)** What would **not** be included in a statement of changes in equity?

View solution

**A** ordinary share dividend paid which relates to the previous year ☐

**B** ordinary share dividend proposed which relates to the current year ☐

**C** profit for the year ☐

**D** transfer to general reserve ☐

[1]

**(h)** Beth and Carla are in partnership, sharing profits and losses 3:2. They provided the following information at 31 January 2018.

View solution

| | | $ | $ |
|---|---|---|---|
| Profit for the year | | | 42 000 |
| Interest on capital: | Beth | 4 000 | |
| | Carla | 3 000 | 7 000 |
| Salary: Beth | | | 10 000 |

What was the **total** amount credited to Beth's current account on 31 January 2018?

**A** $15 000 ☐

**B** $25 200 ☐

**C** $29 000 ☐

**D** $39 200 ☐

[1]

**(i)** Some members of a sports club had not paid their annual subscriptions at the end of the financial year.

View solution

Where will these unpaid subscriptions be shown in the financial statements?

| | receipts and payments account | income and expenditure account | statement of financial position | |
|---|---|---|---|---|
| **A** | ✓ | ✓ | ✓ | ☐ |
| **B** | ✓ | | ✓ | ☐ |
| **C** | ✓ | ✓ | | ☐ |
| **D** | | ✓ | ✓ | ☐ |

[1]

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**(j)** On 1 April 2017 trade receivables owed $4250 and on 31 March 2018 they owed $3940. During the year $46 750 was received from trade receivables and they returned goods, $1130.

What were the credit sales for the year?

View solution

**A** $46 440 ☐

**B** $47 060 ☐

**C** $47 570 ☐

**D** $48 190 ☐

[1]

[Total: 10]

**2** **(a)** Complete the following table indicating with a tick (✓) the section of a statement of financial position in which **each** item would appear.

View solution

| | non-current assets | current assets | non-current liabilities | current liabilities |
|---|---|---|---|---|
| trade payables | | | | |
| 5-year loan | | | | |
| inventory | | | | |
| loose tools | | | | |
| bank overdraft | | | | |
| rent receivable accrued | | | | |

[3]

**(b)** **(i)** State **one** advantage of being a partner rather than a sole trader.

View solution

.....[1]

**(ii)** State **one** disadvantage of being a partner rather than a sole trader.

View solution

.....[1]

**(c)** Name **three** interested parties (other than the business owner) who may wish to look at the financial statements of a business. For **each** interested party state a reason for their interest.

| interested party | reason for their interest |
|---|---|
| | View solution |
| | |
| | |

[6]

**(d)** State **two** causes of depreciation.

View solution

1.....

2.....[2]

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**(e)** Complete the following table by writing **either** True or False against **each** statement about depreciation.

View solution

| | True or False |
|---|---|
| The depreciation is calculated on the cost price less residual value when the straight line (equal instalment) method is used. | |
| The percentage rate of depreciation decreases each year when the reducing (diminishing) balance method is used. | |
| The provision for depreciation of a non-current asset is deducted from the cost price in the statement of financial position. | |
| A provision for depreciation is a means of providing a fund to purchase a replacement non-current asset. | |

[4]

**(f)** Name **one** accounting objective.

View solution

.....[1]

**(g)** Name the accounting principle described by **each** of the following statements.

View solution

| | Accounting Principle |
|---|---|
| The same accounting treatment is applied to similar items at all times. | |
| Accounting assumes that a business will continue to operate indefinitely. | |
| Transactions are expressed in monetary terms. | |
| Revenue is recognised as earned when ownership of goods passes to the customer. | |

[4]

[Total: 22]

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**3** Amira owns an advertising agency. Her financial year ends on 30 April.

On 1 April 2018 she decided to use a petty cash book with a monthly imprest of $80 which would be restored on the first day of each month.

**REQUIRED**

**(a)** State **one** reason for using a petty cash book.

View solution

.....

.....[1]

**(b)** State **one** advantage of the imprest system of petty cash.

View solution

.....

.....[1]

On 1 April 2018 Amira put $80 cash in the petty cash box.

Her transactions for the month of April 2018 were as follows.

| | | $ |
|---|---|---|
| April 4 | Bought stamps | 3 |
| 7 | Purchased printing paper | 8 |
| 11 | Purchased ink cartridges | 12 |
| 19 | Paid window cleaner | 10 |
| 22 | Paid KK Limited, a trade payable | 35 |
| 29 | Purchased flowers for reception desk | 7 |

**REQUIRED**

**(c)** Enter these transactions in Amira's petty cash book on the page opposite.

View solution

Balance the petty cash book and bring down the balance on 1 May 2018.

[10]

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Amira
Petty Cash Book

| Total received $ | Date | Details | Total paid $ | Postage $ | Computer supplies $ | General expenses $ | Ledger accounts $ |
|---|---|---|---|---|---|---|---|
| *80* | *2018 April 1* | *Cash* | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |

**(d)** Complete the following table to show the double entry to restore the petty cash imprest on 1 May 2018.

View solution

| debit | $ | credit | $ |
|---|---|---|---|
| | | | |

[3]

**(e)** Show the entry which would be made in the computer supplies account in April 2018. It is **not** necessary to close or balance the account.

View solution

Amira
Computer supplies account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[1]

Amira balanced her cash book on 30 April 2018. The bank column showed that she had $17 620 in the bank.

On the same date the bank statement showed a different balance.

**REQUIRED**

**(f)** State **two** reasons for preparing a bank reconciliation statement.

View solution

1.....

.....

2.....

.....[2]

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

| | | $ |
|---|---|---|
| 1 | Items appearing only on the bank statement | |
| | Bank charges | 28 |
| | Dishonoured cheque, Jabir | 153 |
| | Business rates paid by direct debit | 95 |
| 2 | Items appearing only in the cash book | |
| | Cheque received from Shadya | 824 |
| | Cheque paid to Abasi | 1075 |
| 3 | Debit side of cash book was undercast | 100 |

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**REQUIRED**

**(g)** Update the cash book of Amira.

View solution

Bring down the updated balance on 1 May 2018.

Amira
Cash Book (bank columns only)

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| *2018* | | | | | |
| *April 30* | *Balance b/d* | *17620* | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[5]

**(h)** Prepare a bank reconciliation statement for Amira at 30 April 2018 to determine the balance shown on the bank statement.

View solution

Amira
Bank Reconciliation Statement at 30 April 2018

| | $ |
|---|---|
| ..... | ..... |
| ..... | ..... |
| ..... | ..... |
| ..... | ..... |
| ..... | ..... |
| ..... | ..... |
| ..... | ..... |
| ..... | ..... |

[4]

**(i)** State the bank balance which would appear in the statement of financial position on 30 April 2018. Name the section in which it would appear.

View solution

Amount of bank balance $.....

Section of statement of financial position .....[2]

**(j)** Suggest **two** possible reasons why the cheque from Jabir was dishonoured.

View solution

1.....

2.....[2]

[Total: 31]

**PLEASE TURN OVER**

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**4** Harry is a trader in farm machinery. He maintains a full set of accounting records. His financial year ends on 31 March.

Harry made the following entries in his purchases journal and purchases returns journal in March 2018.

Harry
Purchases Journal

| 2018 | | $ | $ |
|---|---|---|---|
| March 15 | AX Limited | | |
| | Goods | 3250 | |
| | Less Trade discount | 650 | 2600 |
| 24 | FM Limited | | |
| | Goods | 1820 | |
| | Less Trade discount | 273 | 1547 |
| 31 | Total for month | | 4147 |

Purchases Returns Journal

| 2018 | | $ | $ |
|---|---|---|---|
| March 17 | AX Limited | | |
| | Goods | 450 | |
| | Less Trade discount | 90 | 360 |
| 28 | FM Limited | | |
| | Goods | 200 | |
| | Less Trade discount | 30 | 170 |
| 31 | Total for month | | 530 |

Harry made the following payments by cheque.

2018
March 4 AX Limited, $2425, in full settlement of the amount due on that date.
30 FM Limited to settle the amount due on that date. No cash discount was received.

**REQUIRED**

**(a)** Enter the transactions for March in the following ledger accounts.

View solution

Close the accounts on 31 March 2018 by balancing or by making a transfer to the income statement.

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

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Harry
AX Limited account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| | | | *2018* | | |
| ..... | ..... | ..... | *Mar 1* | *Balance b/d* | *2500* |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
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| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

FM Limited account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| | | | *2018* | | |
| ..... | ..... | ..... | *Mar 1* | *Balance b/d* | *750* |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

Purchases account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| *2018* | | | | | |
| *Feb 28* | *Total to date* | *43000* | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

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Purchases returns account

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | *2018 Feb 28* | *Total to date* | *5020* |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[12]

**(b)** **(i)** Suggest **one** reason why AX Limited allowed Harry trade discount on his purchases on 15 March 2018.

.....

.....[1]

**(ii)** Calculate the percentage of trade discount AX Limited allowed Harry on his purchases on 15 March 2018.

.....

.....[1]

**(c)** Name the following documents:

View solution

**(i)** the document issued by AX Limited on 15 March 2018

.....[1]

**(ii)** the document issued by Harry on 17 March 2018

View solution

.....[1]

**(iii)** the document which AX Limited may issue on 31 March 2018

.....[1]

[Total: 17]

View solution

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**PLEASE TURN OVER**

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**5** Addae opened a factory making children's clothes on 1 February 2017.

He provided the following information at the end of his first year of trading.

| | | $ |
|---|---|---|
| Purchases of raw materials | | 48 400 |
| Direct factory wages | | 38 800 |
| Indirect factory wages | | 27 140 |
| General factory expenses | | 3 150 |
| Carriage inwards | | 1 950 |
| Factory heat and light | | 1 110 |
| Factory insurance | | 1 860 |
| Inventory at 31 January 2018: | raw materials | 5 150 |
| | work in progress | 7 260 |
| | finished goods | 5 500 |

Factory machinery, $75 000, was purchased on 1 February 2017 and is to be depreciated by 20% per annum.

**REQUIRED**

**(a)** Define and give **one** example of **each** of the following types of inventory in Addae's business.

**(i)** Raw materials

View solution

Definition .....

.....

Example .....[2]

**(ii)** Work in progress

View solution

Definition .....

.....

Example .....[2]

**(iii)** Finished goods

View solution

Definition .....

.....

Example .....[2]

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**(b)** Prepare the manufacturing account for the year ended 31 January 2018.

View solution

Addae
Manufacturing Account for the year ended 31 January 2018

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |

[10]

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The cost of production was higher than Addae expected.

**REQUIRED**

**(c)** Suggest **two** ways in which the cost of production could be reduced apart from purchasing lower quality materials.

1.....

.....

2.....

.....[2]

After the preparation of the manufacturing account, Addae provided the following additional information.

View solution

| | $ |
|---|---|
| Revenue | 179 250 |
| Cost of sales | 119 500 |
| Administration and selling expenses | 34 750 |

**REQUIRED**

**(d)** Calculate the percentage of gross profit to revenue (gross profit margin).
The calculation should be to **two** decimal places.

View solution

.....

.....

.....[2]

**(e)** Calculate the percentage of profit for the year to revenue (net profit margin).
The calculation should be to **two** decimal places.

View solution

.....

.....

.....[2]

**(f)** Suggest **two** ways in which the percentage of profit for the year to revenue could be improved.

1.....

.....

2.....

.....[2]

View solution [Total: 24]

**6** Mai is a trader. At the end of her financial year on 31 March 2018 she opened a suspense account with a debit balance of $650.

**REQUIRED**

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

View solution

1.....

.....

2.....

.....[2]

Mai discovered that some errors had been made in her accounting records.

**REQUIRED**

**(b)** Complete the following table to show the entries required to correct **each** error.

View solution

The first one has been completed as an example.

| error | | entries required to correct the error | | | |
|---|---|---|---|---|---|
| | | debit | | credit | |
| | | account | $ | account | $ |
| 1 | motor expenses, $150, debited to motor vehicles account | *motor expenses* | *150* | *motor vehicles* | *150* |
| 2 | carriage inwards, $120, debited to carriage outwards account | | | | |
| 3 | sales journal overcast by $1000 | | | | |
| 4 | wages, $460, debited to wages account as $640 | | | | |

[6]

**(c)** State whether all the errors in Mai's books have been discovered.
Give a reason for your answer.

View solution

Have all the errors been discovered? .....

Reason

.....

.....

.....[2]

**(d)** Complete the statement to show the effect on the profit for the year of **correcting** errors 1–4.
Where the error does not affect the profit **write** "no effect".

View solution

Mai
Statement of corrected profit for the year ended 31 March 2018

| | | | $ |
|---|---|---|---|
| Profit for the year before corrections | | | 4150 |
| | Increase in profit $ | Decrease in profit $ | |
| Error 1 | ..... | ..... | |
| Error 2 | ..... | ..... | |
| Error 3 | ..... | ..... | |
| Error 4 | ..... | ..... | |
| | _____ | _____ | |
| | _____ | _____ | |
| | | | _____ |
| Corrected profit for the year | | | _____ |

[6]

[Total: 16]

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