Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

ACCOUNTING **0452/12**

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 **20** printed 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)** Jim supplies Debbie with goods on credit.

View solution

Which business document might Debbie send to Jim?

A credit note ☐

B debit note ☐

C invoice ☐

D statement of account ☐ [1]

(b) What would be recorded in the general journal?

View solution

A bad debt written off ☐

B cash sale of goods ☐

C credit sale of goods ☐

D returns outwards ☐ [1]

(c) Which item is **not** included as part of the calculation of net realisable value when valuing inventory?

View solution

A carriage inwards ☐

B cost of completing the goods ☐

C estimated receipts from sale of the goods ☐

D selling expenses ☐ [1]

(d) How does a manufacturing business calculate the production cost of completed goods?

View solution

A prime cost + factory overheads + opening work in progress – closing work in progress ☐

B prime cost + factory overheads – opening work in progress + closing work in progress ☐

C prime cost – factory overheads + opening work in progress – closing work in progress ☐

D prime cost – factory overheads – opening work in progress + closing work in progress ☐ [1]

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(e) Anastasia purchased equipment, $28 000, on 1 January 2016. Her depreciation policy is to use the reducing (diminishing) balance method at the rate of 20% per annum.

View solution

What was the net book value of the equipment on 31 December 2017?

A $10 080 ☐

B $11 200 ☐

C $16 800 ☐

D $17 920 ☐ [1]

(f) Which is an item of capital expenditure?

View solution

A annual redecoration of offices ☐

B buildings insurance ☐

C legal fees on purchase of factory ☐

D repairs to machinery ☐ [1]

(g) Where will interest on drawings be recorded?

View solution

A credited to partners' capital accounts ☐

B credited to partners' current accounts ☐

C debited to partners' capital accounts ☐

D debited to partners' current accounts ☐ [1]

(h) B Limited provided the following details at 30 April 2018.

View solution

	$
profit for the year ended 30 April 2018	72 500
ordinary share dividends paid	15 000
transfer to general reserve	5 000
retained earnings at 30 April 2018	285 000

What were retained earnings at the beginning of the financial year?

A $227 500 ☐

B $232 500 ☐

C $337 500 ☐

D $342 500 ☐ [1]

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(i) What does the going concern principle mean?

View solution

A Non-current assets must be shown at expected sales value. ☐

B Revenue is recognised when ownership of goods passes to the customer. ☐

C The business will continue to operate for the foreseeable future. ☐

D The financial statements should always use the same accounting principles. ☐ [1]

(j) On 31 March 2018 Sasha had trade receivables of $95 000. She wrote off a bad debt, $750, and made a provision for doubtful debts of 2% of trade receivables.

What was the figure for net trade receivables in the statement of financial position at 31 March 2018?

View solution

A $92 350 ☐

B $92 365 ☐

C $93 115 ☐

D $94 250 ☐ [1]

[Total: 10]

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2 Mary keeps a full set of accounting records including books of prime (original) entry.

REQUIRED

(a) State **two** reasons why Mary uses books of prime (original) entry.

View solution

1.....

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2.....

.....[2]

On 1 November 2017 the balance in Mary's cash book (bank columns) was $838 overdrawn. Mary banks all cash sales at the end of each week.

Mary had the following transactions during November.

1 Sold goods, $220, for cash

2 Returned goods costing $440, bought on credit from Jane

3 Purchased a motor vehicle on credit, $12 400, including road tax of $300, from Speedy Motors

4 Received a cheque from Tan, a credit customer, in settlement of an invoice for $400 after deduction of 2% cash discount

5 Took goods for own use, $120

REQUIRED

(b) Name the book of prime (original) entry where **each** of the transactions 1, 2 and 3 would be recorded.

1.....

2.....

3.....[3]

View solution

(c) Complete the following table to show how **each** transaction was recorded by Mary. The first one has been completed as an example.

View solution

	Account(s) debited	$	Account(s) credited	$
1	*Cash*	*220*	*Sales*	*220*
2				
3				
4				
5				

[10]

(d) Calculate the bank balance at 30 November 2017.

View solution

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.....[3]

(e) Name the ledger in which Mary maintains:

View solution

(i) Tan's account

.....[1]

(ii) Motor vehicles account

.....[1]

[Total: 20]

View solution

3 Kumu purchases goods for resale on both cash and credit terms.

Kumu's credit suppliers allow 30 days for payment of invoices.

Kumu provided the following information for the year ended 30 April 2018.

	$
Trade payables 1 May 2017	19 800
Trade payables 30 April 2018	22 200
Discount allowed	480
Discount received	330
Interest charged by suppliers	122
Credit purchases	180 870
Cash purchases	26 400
Sales ledger balances set off against purchases ledger balances	400

REQUIRED

(a) Select the relevant items and prepare the purchases ledger control account for the year ended 30 April 2018. Insert the amount paid to credit suppliers.

View solution

Kumu
Purchases ledger control account

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

[8]

(b) State the formula for calculating the trade payables payment period.

View solution

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.....[1]

(c) Calculate the trade payables payment period for the year ended 30 April 2018. Round up your answer to the next whole day.

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.....[2]

(d) State whether Kumu's suppliers would be satisfied with her trade payables payment period. Give a reason for your answer.

Satisfied?.....

Reason .....

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.....[2]

(e) State **two** problems Kumu may face if her trade payables payment period is unsatisfactory.

1.....

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2.....

.....[2]

Kumu provided the following information for the year ended 30 April 2018.

View solution

	$
Cost of sales	205 000
Gross profit	92 250
Inventory at 30 April 2018	35 000

REQUIRED

(f) Calculate the percentage mark-up Kumu has applied.

View solution

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.....[2]

(g) Calculate the value of inventory at 1 May 2017.

View solution

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.....[3]

(h) State the formula for the rate of inventory turnover.

View solution

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.....[1]

(i) Calculate Kumu's rate of inventory turnover for the year ended 30 April 2018. The calculation should be correct to **two** decimal places.

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.....

.....[2]

[Total: 23]

View solution

4 Chandra is a driving instructor. His pupils pay for their lessons in advance.

REQUIRED

(a) Complete the following sentences by selecting the correct word.

The first sentence has been completed as an example. The correct word should be selected as shown in the example.

1	The motor vehicles account has a (debit/~~credit~~) balance in a trial balance.
2	A year end accrual is an amount (earned/owing) for an expense incurred in the (current/previous) financial period. It will be included in the statement of financial position as a current (asset/liability).
3	Accrued income is an amount (earned/owing) by the business which will be received in the (current/next) financial period. It will be included in the statement of financial position as a current (asset/liability).

[6]

Chandra started business on 1 February 2017. He charges $20 per lesson. Pupils must pay for 10 lessons in advance.

View solution

Total receipts for lessons for the year ended 31 January 2018 amounted to $20 200.

On 31 January 2018, Chandra's records showed that the following pupils had not received the full set of lessons paid for.

	Number of lessons given
Joe	6
Adam	4
Billy	8

REQUIRED

(b) Calculate the amount Chandra had received in advance for driving lesson fees at 31 January 2018.

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.....[3]

View solution

(c) Calculate the amount of driving lesson fee income which Chandra included in his income statement for the year ended 31 January 2018.

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.....[2]

(d) Explain why Chandra's income earned is not the same as the total receipts for lessons.

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.....[2]

Chandra calculated a draft profit of $8760 for the year ended 31 January 2018. The following errors were later discovered.

View solution

1 Advertising expenses owing at the year-end had been overstated by $100.

2 Interest payable on a 6% bank loan of $10 000 had been omitted. The loan was taken on 1 February 2017.

3 Cost of petrol, $89, for Chandra's personal use had been recorded as a business expense.

4 Motor vehicle repairs, $210, had been recorded as motor insurance.

REQUIRED

(e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the No Effect column.

View solution

Chandra
Statement of corrected profit for the year ended 31 January 2018

	No Effect	Increase $	Decrease $	$
Draft profit				8760
Error 1				
Error 2				
Error 3				
Error 4				
Corrected profit				

[6]

(f) Name the accounting principle being applied when correctly dealing with the transaction in error 3. Give a reason for your answer.

Accounting principle .....

Reason .....

.....[2]

Chandra wishes to compare his business results with those of LQ Limited, a large chain of driving schools.

View solution

REQUIRED

(g) Suggest **two** reasons why Chandra may have difficulty comparing his business results with those of LQ Limited.

1.....

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2.....

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.....[2]

[Total: 23]

View solution

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5 WB Sports Club has 250 members. The annual subscription is $20. The club provided the following information.

	$
Subscriptions received in advance on 1 April 2017	120
Subscriptions received during the year ended 31 March 2018	4740
Subscriptions in arrears on 31 March 2018	140

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

View solution

WB Sports Club
Subscriptions account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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[5]

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WB Sports Club also provided the following information.

On 1 April 2017	$
Balance at bank (as per cash book)	960 debit
During the year ended 31 March 2018	
Rent paid	2000
Entry fees received for gymnastics competition	900
Cost of prizes for gymnastics competition	220
General expenses	682
Insurance paid	430
Donations received	350
Purchase of sports equipment	2760

REQUIRED

(b) Prepare the receipts and payments account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

View solution

WB Sports Club
Receipts and Payments Account for the year ended 31 March 2018

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
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[10]

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WB Sports Club calculated a surplus for the year of $1568.

The following additional information was provided at 31 March 2018.

	$
Accumulated fund at 1 April 2017	15563
Sports equipment at valuation 31 March 2018	15760
Rent paid in advance	500
General expenses owing	127

REQUIRED

(c) Prepare the statement of financial position of WB Sports Club at 31 March 2018.

View solution

WB Sports Club
Statement of Financial Position at 31 March 2018

	$	$
.....	.....	.....
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[7]

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(d) State how the accumulated fund of WB Sports Club has arisen.

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.....[2]

[Total: 24]

View solution

6 Siegfried is a sole trader who does not maintain a complete set of double entry records. He has provided the following information.

	1 January 2017	31 December 2017
	$	$
Equipment at cost	18000	18000
Inventory	2415	2934
Trade receivables	1930	2042
Trade payables	1210	1455
Bank	–	209
Bank overdraft	835	–
Accrued expenses	–	98
Prepaid rent	–	120
Capital	20300	?

On 31 December 2017, Siegfried brought his own motor vehicle into the business, valued at $5500. He decided to write off trade receivables, $100, and to start depreciating equipment by 20% per annum.

REQUIRED

(a) Calculate Siegfried's capital at 31 December 2017 after making the necessary adjustments.

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.....[7]

During the year ended 31 December 2017, Siegfried's cash drawings were $2700.

View solution

REQUIRED

(b) Calculate the profit made by Siegfried for the year ended 31 December 2017.

View solution

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.....[5]

(c) State what is measured by the return on capital employed (ROCE).

View solution

.....

.....[1]

(d) State the formula for the calculation of the ROCE.

View solution

.....

.....[1]

(e) Calculate Siegfried's return on capital employed for the year ended 31 December 2017. Use the **opening** capital in your calculation which should be correct to **two** decimal places.

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.....[2]

View solution

Siegfried knows that he sold the same number of units and had applied the same mark-up in the year ended 31 December 2017 as he did in the previous year, but made a lower profit for the year.

REQUIRED

(f) Suggest **one** reason why Siegfried made a lower profit for the year for the year ended 31 December 2017 than the previous year.

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.....[1]

(g) State **three** benefits to Siegfried of maintaining a full set of double entry records.

View solution

1.....

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2.....

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3.....

.....[3]

[Total: 20]

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