Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

ACCOUNTING **0452/23**

Paper 2 **October/November 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 **19** printed pages and **1** blank page.

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CAMBRIDGE International Examinations

1 Paul Chew is a trader. He made the following entries in his cash book in September 2015.

Paul Chew
Cash Book for September 2015

Sept		Discount $	Cash $	Bank $	Sept		Discount $	Cash $	Bank $
1	Balances b/d		30	117	4	W Law (dishonoured cheque)			90
11	Bank		70		11	Cash			70
27	Sales		20	560	19	General expenses		80	
30	Yeung & Co	3		267	24	K Tan	13		507

REQUIRED

(a) (i) Suggest **one** reason why the cheque on 4 September was dishonoured.

View solution

.....

..... [1]

(ii) Explain the entry on 11 September.

.....

.....

..... [2]

(iii) Explain the entry on 27 September.

.....

.....

..... [1]

(iv) Calculate the percentage of the discount on 24 September.

.....

.....

..... [1]

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(v) State how the total of the discount column on the debit side of the cash book would be entered in the ledger on 30 September.

.....

..... [2]

(vi) Calculate the bank balance on 30 September.

.....

.....

..... [1]

On 30 September 2015 Paul Chew's bank statement showed an overdrawn balance of $43.

On comparing the bank statement and the cash book it was found that the bank had not recorded the transactions shown in the cash book on the following dates:

24 September
27 September
30 September

REQUIRED

(b) Prepare a bank reconciliation statement at 30 September 2015.

View solution

Paul Chew
Bank Reconciliation Statement at 30 September 2015

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.....

..... [5]

Paul Chew sells goods on credit terms to Kim Chan.

REQUIRED

(c) Complete the table to name the business document and the books of prime (original) entry for **each** of the following transactions.

View solution

If the document is **not** recorded in a book of prime (original) entry write "No entry".

The first transaction has been completed as an example.

	Document	Paul Chew's book of prime (original) entry	Kim Chan's book of prime (original) entry
Paul Chew received payment from Kim Chan	*Cheque*	*Cash book*	*Cash book*
Paul Chew sold goods on credit to Kim Chan			
Kim Chan notified Paul Chew of an overcharge			
Paul Chew notified Kim Chan that he agreed the overcharge			
Paul Chew sent Kim Chan a summary of the month's transactions			

[12]

[Total: 25]

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2 Ishmael Makumbo runs a general store. His financial year ends on 31 August.

He sublets part of his premises for an annual rent of $8400, payable quarterly in advance.

On 1 September 2014 the tenant owed $2100.

Ishmael Makumbo received cheques for rent as follows:

	$
2 September 2014	4200
3 January 2015	2100
4 May 2015	2100

REQUIRED

(a) Prepare the rent receivable account for the year ended 31 August 2015.

View solution

Balance the account and bring down the balance on 1 September 2015.

Ishmael Makumbo
Rent receivable account

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

[6]

(b) State the section of Ishmael Makumbo's statement of financial position at 31 August 2015 in which the balance of the rent receivable account would appear.

View solution

Give a reason for your answer.

Section of statement of financial position ..... [1]

Reason .....

..... [1]

On 1 September 2014 Ishmael Makumbo owed $274 for motor expenses. He paid this by cheque on 7 September 2014.

On 1 February 2015 Ishmael Makumbo paid $96 in cash for motor expenses.

On 30 August 2015 Ishmael Makumbo received an invoice for motor expenses, $113. He paid this invoice in September 2015.

REQUIRED

View solution

(c) Prepare the motor expenses account for the year ended 31 August 2015.

Balance the account and bring down the balance on 1 September 2015.

Ishmael Makumbo
Motor expenses account

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

[6]

During the year ended 31 August 2015 Ishmael Makumbo took goods, cost $300, for his own use. This was not entered in the accounting records.

The telephone expenses for the year ended 31 August 2015 amounted to $432. It was estimated that one quarter of this was for Ishmael's personal use. No adjustment had been made for this.

REQUIRED

View solution

(d) Prepare the journal entries Ishmael Makumbo would make to record the above. Narratives **are** required.

Ishmael Makumbo
Journal

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

[6]

[Total: 20]

3 Sally Rickard is a trader. Despite having little knowledge of book-keeping, she decided to prepare a trial balance at the end of her financial year on 31 October 2015. The trial balance she prepared was as follows.

	$	$
Revenue	160 400	
Purchases		99 300
Wages	27 000	
Motor expenses	1 600	
General expenses	7 250	
Premises at cost	80 000	
Equipment and fixtures at cost	10 000	
Motor vehicle at cost	13 930	
Provision for depreciation of equipment and fixtures		1 050
Provision for depreciation of motor vehicle		5 750
Trade receivables	26 800	
Provision for doubtful debts	670	
Trade payables		8 150
Cash	350	
Bank overdraft		4 810
Loan from AB Loans		10 000
Drawings		12 500
Capital (balancing figure)		186 440
	328 000	328 000

Inventory 1 November 2014 $7100
Inventory 31 October 2015 $8300

In addition to the obvious errors in the trial balance, the following errors were also discovered.

1 General expenses paid in cash, $150, had not been recorded.

2 Motor expenses, $430, had been debited to the motor vehicles account.

3 A cheque, $260, received from a credit customer had been credited to the bank account and debited to the customer's account.

REQUIRED

(a) For **each** of the items 1-3 state the type of error that was made.

View solution

Error 1 .....

Error 2 .....

Error 3 ..... [3]

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(b) Prepare a corrected trial balance at 31 October 2015.

View solution

Sally Rickard
Corrected Trial Balance at 31 October 2015

	Debit $	Credit $
Revenue	……..	……..
Purchases	……..	……..
Wages	……..	……..
Motor expenses	……..	……..
General expenses	……..	……..
Premises at cost	……..	……..
Equipment and fixtures at cost	……..	……..
Motor vehicle at cost	……..	……..
Provision for depreciation of equipment and fixtures	……..	……..
Provision for depreciation of motor vehicle	……..	……..
Trade receivables	……..	……..
Provision for doubtful debts	……..	……..
Trade payables	……..	……..
Cash	……..	……..
Bank overdraft	……..	……..
Loan from AB Loans	……..	……..
Drawings	……..	……..
Capital	……..	……..
……..	……..	……..
……..	……..	……..

[13]

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After the trial balance was corrected, Sally Rickard attempted to prepare an income statement to calculate her profit for the year, but made some errors.

REQUIRED

(c) Complete the table, by placing a tick (✓) in the appropriate column, to show how **correcting each** of the following errors would affect the profit for the year.

View solution

Name the accounting principle being applied.

The first one has been completed as an example.

	Effect on profit		Accounting principle
	Increase	Decrease	
The depreciation charge had been calculated at a lower rate than in previous years.		✓	*Consistency*
An amount owing by a credit customer should have been written off.			
General expenses included rates which were prepaid until 31 December 2015.			
Goods invoiced and despatched to a customer were not recorded as the customer did not receive them until 3 November 2015.			
No record had been made of goods taken for personal use.			

[8]

[Total: 24]

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4 Sanchi and Syed Mirza are in partnership, sharing profits and losses equally.

Their summarised income statement for the year ended 31 July 2015 was as follows.

	$	$
Revenue		45 000
Cost of sales		
Opening inventory	5 500	
Purchases	33 500	
	39 000	
Closing inventory	6 500	32 500
Gross profit		12 500
Expenses		3 500
Profit for the year		9 000

REQUIRED

(a) (i) State the formula for the calculation of the rate of inventory turnover.

View solution

.....

..... [1]

(ii) Calculate the rate of inventory turnover.

View solution

The calculation should be correct to **two** decimal places.

.....

.....

..... [2]

(iii) Suggest **two** reasons why the rate of inventory turnover is lower than it was in the previous year.

1 .....

.....

2 .....

..... [2]

View solution

(b) (i) State the basis on which inventory should be valued.

View solution

.....

..... [1]

(ii) Name the accounting principle which is being applied when inventory is valued on this basis.

..... [1]

After the preparation of the appropriation account for the year ended 31 July 2015, Sanchi and Syed Mirza updated their capital and current accounts.

View solution

At 31 July 2015 the partners' accounts were as follows.

Capital accounts

Date	Details	Sanchi $	Syed $	Date	Details	Sanchi $	Syed $
				2014			
				1 Aug	Balance b/d	20 000	60 000
				2015			
				1 Feb	Current a/c	10 000	

Current accounts

Date	Details	Sanchi $	Syed $	Date	Details	Sanchi $	Syed $
2015				2014			
1 Feb	Capital a/c	10 000		1 Aug	Balance b/d	16 000	4 000
31 Jul	Drawings	14 000	6 000	2015			
				31 Jul	Profit share	4 500	4 500

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REQUIRED

(c) Prepare an extract from the statement of financial position at 31 July 2015 to show the total funds provided by the partners.

View solution

Extract from Statement of Financial Position at 31 July 2015

	Sanchi Mirza $	Syed Mirza $	Total $
Capital account	……	……	……
Current account	……	……	……
	……	……	……

[5]

(d) (i) State the formula for the calculation of the return on capital employed (ROCE).

View solution

.....

..... [1]

(ii) Calculate the return on capital employed (ROCE), using your answer to **(c)** and the profit for the year.

The calculation should be correct to **two** decimal places.

.....

.....

..... [2]

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

.....

..... [1]

(e) (i) Suggest **two** reasons why Syed Mirza would like to have interest on capital included in the partnership agreement.

1 .....

.....

2 .....

..... [2]

(ii) Suggest **one** reason why Syed Mirza would like to have interest on drawings included in the partnership agreement.

.....

..... [1]

(iii) Suggest **one** reason why Sanchi Mirza would like to have partner's salary included in the partnership agreement.

.....

..... [1]

On 31 July 2015 the trade payables amounted to $4100. The period of credit allowed is 30 days.

The purchases for the year ended 31 July 2015 were:

	$
Cash purchases	2 500
Credit purchases	31 000

View solution

REQUIRED

(f) **(i)** State the formula for the calculation of the payment period for trade payables.

View solution

.....

.....

..... [1]

(ii) Calculate the payment period for trade payables.

View solution

Round up your answer to the next whole day.

.....

.....

..... [2]

(iii) Comment on the payment period for trade payables.

View solution

.....

.....

.....

..... [2]

The period of credit allowed to trade receivables is 30 days. The collection period was 55 days.

REQUIRED

(g) Suggest **two** ways how this may affect the liquidity of Sanchi and Syed Mirza.

View solution

1 .....

.....

2 .....

..... [2]

[Total: 27]

5 The treasurer of the Hills Road Youth Club provided the following information at the end of the financial year on 31 October 2015.

1 Receipts during the year

	$
Subscriptions	6180
Sale of refreshments	3100

2 Payments during the year

	$
Purchase of refreshments	2650
Purchase of equipment	2000
Repairs to equipment	220
Insurance for 15 months to 31 January 2016	1350
Rent of premises for 11 months to 30 September 2015	1430
General expenses	2540

3 Other information

	1 November 2014 $	31 October 2015 $
Subscriptions paid in advance	450	270
Subscriptions accrued	360	-
Inventory of refreshments	280	310
Equipment at valuation	6000	6800

There were no sales of equipment during the year.

REQUIRED

(a) Calculate the subscriptions for the year ended 31 October 2015.

View solution

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.....

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.....

.....

..... [5]

(b) Prepare the refreshments income statement for the year ended 31 October 2015.

View solution

Hills Road Youth Club
Refreshments Income Statement for the year ended 31 October 2015

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

[5]

Question 5(c) is on the next page.

(c) Prepare the income and expenditure account for the year ended 31 October 2015.

View solution

Hills Road Youth Club
Income and Expenditure Account for the year ended 31 October 2015

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

[9]

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(d) Suggest **two** reasons why the surplus or deficit shown in the income and expenditure account is not equal to the bank balance.

1 .....

.....

2 .....

..... [2]

(e) Explain why a club does not distribute a surplus to its members.

View solution

.....

.....

..... [2]

(f) State how a club's accumulated fund arises.

View solution

.....

.....

..... [1]

[Total: 24]

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