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

Paper 1 **October/November 2016**

**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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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.

View solution

**1** **(a)** Amber sells goods on credit to Bashir.

Which statement is correct about a credit note?

**A** It is sent by Amber when Bashir buys goods. ☐

**B** It is sent by Amber when Bashir returns goods. ☐

**C** It is sent by Bashir when he buys goods. ☐

**D** It is sent by Bashir when he returns goods. ☐ [1]

View solution

**(b)** Antony decided to write off $300 owed by Mariam. He debited Mariam's account and credited the provision for doubtful debts account, both with $300.

Which entries are needed to correct the error?

| | Debit entry | | Credit entry | |
|---|---|---|---|---|
| **A** | Bad debts | $300 | Mariam | $300 |
| **B** | Bad debts<br>Provision for doubtful debts | $300<br>$300 | Mariam | $600 |
| **C** | Provision for doubtful debts | $300 | Bad debts | $300 |
| **D** | Provision for doubtful debts | $600 | Bad debts<br>Mariam | $300<br>$300 |

☐ [1]

View solution

**(c)** Jack's bank statement showed a credit balance of $600 on 30 June. It contained bank charges, $20, which did not appear in the cash book. Cheques, $150, issued by Jack did not appear on the bank statement.

Which value for bank appeared in Jack's statement of financial position on 30 June?

**A** $450 current asset ☐

**B** $580 current asset ☐

**C** $620 current liability ☐

**D** $750 current liability ☐ [1]

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**(d)** A sales ledger control account showed the following entries.

View solution

| | $ |
|---|---|
| opening balance | 100 |
| closing balance | 180 |
| sales | 2000 |
| receipts | 1750 |

What is the missing entry?

**A** discount allowed $170 ☐

**B** discount allowed $330 ☐

**C** discount received $170 ☐

**D** discount received $330 ☐ [1]

**(e)** During 2015 John made a payment of $1200 for insurance for the 12 months to 30 September 2016.

View solution

Which amount appeared in John's statement of financial position at 30 June 2016?

**A** $300 current asset ☐

**B** $300 current liability ☐

**C** $900 current asset ☐

**D** $900 current liability ☐ [1]

**(f)** A retailer has an item of inventory which cost $60 and which is on sale at $50.

View solution

How does the retailer value this item in his statement of financial position?

**A** at cost price, to allow for losses as early as possible ☐

**B** at cost price, to avoid recognising profit before it is earned ☐

**C** at selling price, to allow for losses as early as possible ☐

**D** at selling price, to avoid recognising profit before it is earned ☐ [1]

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**(g)** A statement of financial position showed non-current assets, current assets, current liabilities and non-current liabilities.

View solution

What equals owner's capital?

**A** current assets – current liabilities ☐

**B** non-current assets ☐

**C** total assets – current liabilities ☐

**D** total assets – total liabilities ☐ [1]

**(h)** Which statement is true about dividends paid on ordinary shares?

View solution

**A** They appear in the appropriation account and are paid to partners. ☐

**B** They appear in the income statement and are paid to partners. ☐

**C** They appear in the statement of changes in equity and are paid to members of a company. ☐

**D** They appear in the statement of financial position and are paid to members of a company. ☐ [1]

**(i)** A club has 200 members paying an annual subscription of $50. It provided the following information.

View solution

| | $ |
|---|---|
| subscriptions received | 9800 |
| new equipment purchased | 1120 |
| depreciation of equipment | 850 |
| other running costs | 8280 |

What was the surplus for the year?

**A** $400 ☐

**B** $600 ☐

**C** $670 ☐

**D** $870 ☐ [1]

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**(j)** Elzevir had been in business for only four months when a fire destroyed all of his inventory. In that period his sales were $1200. He paid $820 to suppliers and a supplier's invoice for $70 was unpaid. His cost of sales was $800.

View solution

What was the cost of the inventory which was destroyed?

**A** $50 ☐

**B** $90 ☐

**C** $310 ☐

**D** $380 ☐ [1]

**[Total: 10]**

**Question 2 is on the next page.**

**2** **(a)** Name the accounting principle which assumes that a business will continue to operate indefinitely.

.....[1]

**(b)** State **one** reason why a book-keeper prepares a trial balance.

View solution

.....

.....[1]

**(c)** Name the account which is opened when a trial balance does not agree.

View solution

.....[1]

**(d)** Complete the following table and indicate with a tick (✓) whether **each** item would appear on the debit side or the credit side of a trial balance.

View solution

| | Debit side | Credit side |
|---|---|---|
| Capital | | |
| Cash | | |
| Drawings | | |
| Rent paid | | |
| Sales returns | | |
| Bank overdraft | | |
| Machinery | | |
| Discount received | | |
| Provision for depreciation | | |
| Bad debts | | |

[5]

**(e)** State **one** reason why a trader's ledger might be divided into different sections.

View solution

.....

.....

.....[1]

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**(f)** Complete the following table, naming the ledger in which **each** account appears. The first one has been completed as an example.

View solution

| Account | Ledger |
|---|---|
| Insurance | *Nominal/general* |
| Sales | |
| Discount allowed | |
| Philip, a credit customer | |
| Purchases | |
| Amit, a credit supplier | |

[5]

**(g)** State **one** reason why **each** type of discount may be given.

View solution

**(i)** Trade discount

.....

.....[1]

**(ii)** Cash discount

View solution

.....

.....[1]

**(h)** Name the type of discount which is recorded in the books of account.

.....[1]

Karen is a retailer of car parts. She took goods for her own use. She also transferred her computer to the business.

View solution

**REQUIRED**

**(i)** State how these transactions were recorded in Karen's books of account of the business.

View solution

| | debit entry | credit entry |
|---|---|---|
| Goods taken | | |
| Computer transferred | | |

[4]

**(j)** Name the accounting principle Karen applied in recording these transactions.

.....[1]

View solution

**(k)** Name **two** interested parties who might wish to look at Karen's business financial statements. In **each** case give a reason why they might be interested.

View solution

| | Interested party | Reason |
|---|---|---|
| 1 | | |
| 2 | | |

[4]

**(l)** State the meaning of the accounting objective of relevance.

View solution

.....

.....[1]

**[Total: 27]**

**Question 3 is on the next page.**

**3** **(a)** State what is meant by an asset.

View solution

.....

.....[1]

**(b)** State the difference between a non-current asset and a current asset.

View solution

.....

.....

.....

.....[2]

**(c)** State what is meant by a liability.

View solution

.....

.....[1]

**(d)** State the difference between a non-current liability and a current liability.

View solution

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.....

.....

.....[2]

Malorie is in business as a baker.

**REQUIRED**

**(e)** **(i)** Suggest **one** item Malorie would include in her non-current assets.

View solution

.....[1]

**(ii)** Suggest **one** item Malorie might include in her inventory.

.....[1]

View solution

Malorie provided the following information.

| | 30 June 2015 | | 30 June 2016 | |
|---|---|---|---|---|
| | $ | | $ | |
| Bank | 400 | debit | 1300 | credit |
| Trade receivables | 850 | | 1400 | |
| Trade payables | 750 | | 700 | |
| Inventory | 550 | | ? | |
| Current ratio | ? | | 1.2 : 1 | |

**REQUIRED**

**(f)** Calculate:

View solution

**(i)** Malorie's current ratio at 30 June 2015 (to **one** decimal place)

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.....

.....[3]

**(ii)** Malorie's inventory at 30 June 2016

View solution

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.....

.....[3]

**(g)** Suggest **two** possible reasons for the change in Malorie's bank balance.

View solution

1 .....

2 .....[2]

**[Total: 16]**

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**4** Grindle is a trader. He provided the following information for his business.

1 Fixtures and fittings at cost were:

| | $ |
|---|---|
| 1 January 2015 | 17 200 |
| 31 December 2015 | 17 600 |

2 On 1 March 2015 new fixtures and fittings, cost $3600, were bought on credit from Bill.

3 On 1 August 2015 some fixtures and fittings, which were bought in 2014, were sold.

**REQUIRED**

**(a)** Prepare the fixtures and fittings account for the year ended 31 December 2015. Show the transfer to the disposal account. Bring down the balance on 1 January 2016.

View solution

Grindle
Fixtures and fittings account

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

[6]

Grindle also provided the following information.

Fixtures and fittings are depreciated at the rate of 10% per annum on the straight line (equal instalment) basis. A full year's depreciation is charged in the year of purchase and none in the year of disposal.

**REQUIRED**

**(b)** Calculate the depreciation charge for the year ended 31 December 2015.

View solution

.....

.....

.....[2]

**(c)** Prepare the provision for depreciation of fixtures and fittings account for the year ended 31 December 2015. Bring down the balance on 1 January 2016.

View solution

Grindle
Provision for depreciation of fixtures and fittings account

| Date | Details | $ | Date 2015 | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | Jan 1 | Balance b/d | 5800 |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |

[4]

**(d)** State whether the purchase of the fixtures and fittings was capital expenditure or revenue expenditure.

.....[1]

**(e)** State the effect this purchase had on Grindle's capital.

View solution

.....[1]

**(f)** Complete the following table by placing a tick (✓) in the correct box to indicate the effect of depreciation charge on Grindle's capital.

View solution

| Increase | Decrease |
|---|---|
| | |

[1]

**[Total: 15]**

**5** **(a)** State what is meant by a direct cost.

View solution

.....

.....[1]

**(b)** Give **two** examples of a direct cost of a clothing manufacturer.

View solution

Example 1 .....

Example 2 .....[2]

**(c)** Give **one** example of an indirect production cost.

.....[1]

Mistry Clothing provided the following information for the year ended 30 June 2016.

View solution

| | $ |
|---|---|
| Revenue | 203 220 |
| Prime cost | 89 000 |
| Factory overheads | 21 600 |
| Selling and distribution expenses | 20 760 |
| Administration expenses | 31 760 |
| Purchases of finished goods | 36 200 |
| Opening inventory of finished goods | 8 800 |
| Closing inventory of finished goods | 19 700 |
| Increase in work in progress | 100 |
| Finished goods taken by the owner for personal use | 320 |

**REQUIRED**

**(d)** **(i)** Calculate the cost of production for the year ended 30 June 2016.

View solution

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.....

.....[3]

**(ii)** Prepare Mistry Clothing's income statement for the year ended 30 June 2016.

View solution

Mistry Clothing
Income Statement for the year ended 30 June 2016

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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[9]

**(e)** State **one** reason why Mistry Clothing purchases finished goods.

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.....[1]

View solution

**(f)** Calculate, to **two** decimal places, the rate of inventory turnover (in times) for the year.

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.....[3]

**(g)** Suggest **two** reasons why inventory turnover has fallen from the previous year.

View solution

1 .....

.....

2 .....

.....[2]

**[Total: 22]**

**6** Amina and Doreen formed a partnership on 1 January 2016, buying and selling calculators. On that date they each paid $5000 into the business bank account.

Amina also brought in a delivery vehicle valued at $8100 to the partnership and Doreen brought in fixtures and fittings valued at $4800.

The partnership agreement stated that profits and losses would be shared in the ratio 2:1.

Depreciation was to be provided on a monthly basis, at the rate of 20% per annum for the delivery vehicle and 10% per annum for the fixtures and fittings.

In the first month of trading they had the following transactions.

Jan 1 Paid 3 months' rent totalling $2700, by cheque

2 Bought 1000 calculators for $4 each from Bertie on credit

6 Sold 800 calculators for cash for $10 each, keeping $100 in hand and banking the remaining cash

13 Sold 50 calculators for $10 each to Charlie on credit

20 Paid Bertie by cheque, deducting 3% discount for prompt payment

31 Paid wages for the month, $800, by credit transfer

**REQUIRED**

**(a)** Prepare the cash book (bank columns only) for the month of January 2016. Bring down the balance on 1 February 2016.

View solution

Amina and Doreen
Cash book (bank columns)

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

[6]

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**(b) (i)** Calculate the gross profit for the month ended 31 January 2016.

View solution

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.....[4]

**(ii)** Calculate the profit for the month of January 2016.

View solution

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.....[7]

**(c)** Prepare the statement of financial position of the partnership at 31 January 2016. Show the partners' capital and current accounts.

View solution

Amina and Doreen
Statement of Financial Position at 31 January 2016

| | $ | $ | $ |
|---|---|---|---|
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
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[13]

**[Total: 30]**

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