Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

ACCOUNTING **0452/12**

Paper 1 **October/November 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.

© UCLES 2018

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)** Profit is only recorded in the financial statements when legal title passes between buyer and seller.

View solution

Which accounting principle is being applied?

A consistency ☐

B going concern ☐

C prudence ☐

D realisation ☐ [1]

(b) David and Bashir are in partnership. David made a loan to the partnership.

View solution

What is the double entry to record this transaction?

	account debited	account credited
A	bank	David capital
B	bank	David loan
C	David loan	David capital
D	David loan	David current

☐ ☐ ☐ ☐ [1]

(c) Which statement about debentures is **not** correct?

View solution

A Debentures have a fixed rate of interest. ☐

B Debenture interest must be paid regardless of profit made. ☐

C Debentures are a non-current liability. ☐

D Debentures carry voting rights. ☐ [1]

© UCLES 2018

(d) Marvin provided the following information.

View solution

	$
revenue for the year	10 000
percentage of gross profit to revenue	40%
percentage of profit to revenue	15%

What were the expenses for the year?

A $1500 ☐

B $2500 ☐

C $6000 ☐

D $8500 ☐ [1]

(e) Matthias provided the following summary from his financial statements.

View solution

	$
Non-current assets	67 400
Current assets	48 700
Non-current liabilities	29 100
Current liabilities	8 000

What was the capital employed?

A $11 600 ☐

B $40 700 ☐

C $79 000 ☐

D $108 100 ☐ [1]

(f) In Alice's books an invoice received from Cait was credited to Kate's account.

View solution

Which type of error has been made?

A commission ☐

B compensating ☐

C original entry ☐

D principle ☐ [1]

(g) What does the term 'limited liability' mean in relation to a company?

View solution

A A company can only issue a limited number of shares. ☐

B A company can only pay a fixed amount of dividends. ☐

C Shareholders are not at risk of losing personal possessions. ☐

D Shareholders' liability is not limited to the amount paid for their shares. ☐ [1]

(h) Pia sells two products, X and Y. She provided the following information about her inventory at the year end.

View solution

Product	Cost $	Selling price $
X	1750	1850
Y	924	858

What was the total value of inventory to be included in the financial statements?

A $2608 ☐

B $2674 ☐

C $2708 ☐

D $2774 ☐ [1]

(i) What is the role of a book-keeper?

View solution

A to advise on business plans ☐

B to analyse the profit or loss for the period ☐

C to maintain records of financial transactions ☐

D to prepare financial statements ☐ [1]

(j) Baljit paid rent, $2700, in advance for the three months ended 31 March 2018.

View solution

He adjusted his financial statements for the year ended 31 January 2018 for rent prepaid.

Which effect did this have on the total expenses for the year?

A decrease by $900 ☐

B decrease by $1800 ☐

C increase by $900 ☐

D increase by $1800 ☐ [1]

[Total: 10]

© UCLES 2018

2 Jennifer started in business on 1 June 2018 with the following assets and liabilities.

	$
Delivery van	15 000
Fixtures and fittings	2 700
Inventory	6 200
Cash	1 500
Loan from Amina	5 000

REQUIRED

(a) Prepare Jennifer's opening journal entry on 1 June 2018. A narrative **is** required.

View solution

Jennifer
Journal

Date		Debit $	Credit $
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[5]

(b) State the purpose of a narrative in a journal entry.

View solution

.....

..... [1]

(c) State **two** uses of the general journal **in addition to** the recording of opening entries of a business.

1 .....

.....

2 .....

..... [2]

Jennifer's cousin, John, is also a trader. He started his business on 1 October 2018. He introduced capital of $30 000, of which he paid $25 000 into the business bank account.

View solution

The table shows the account balances following transactions that have taken place.

	1 October 2018	2 October 2018	3 October 2018	4 October 2018
	$	$	$	$
Assets				
Office equipment		1 500	1 500	1 500
Motor vehicle			10 000	10 000
Bank	25 000	25 000	25 000	25 000
Cash	5 000	3 500	3 500	2 500
Liabilities				
Payables			10 000	10 000
Capital	30 000	30 000	30 000	29 000

REQUIRED

View solution

(d) State for **each** date the transaction which has taken place.

The first transaction has been completed as an example.

1 October 2018

John introduced capital of which some was banked and some kept in cash.

.....

.....

2 October 2018

.....

.....

3 October 2018

.....

.....

4 October 2018

.....

..... [6]

(e) State the accounting principle which John applied when recording **all** these transactions.

..... [1]

(f) State the meaning of

View solution

(i) assets .....

.....

(ii) liabilities .....

.....

(iii) capital .....

..... [3]

(g) Explain what is meant by a 'statement of financial position'.

View solution

.....

.....

.....

..... [2]

[Total: 20]

3 Saul prepared the following trial balance at 31 March 2018 which contains errors.

	$	$
Motor vehicle at net book value	38 000	
Revenue	109 000	
Purchases		80 230
Inventory		5 100
Bank overdraft	13 900	
Cash in hand	1 500	
Drawings		6 500
Discount allowed		720
Other operating expenses	9 350	
Wages and salaries	16 500	
Capital		35 000
Difference		60 700
	188 250	188 250

REQUIRED

(a) Prepare a corrected trial balance at 31 March 2018.

View solution

Saul
Corrected Trial Balance at 31 March 2018

	Debit $	Credit $
Motor vehicle at net book value		
Revenue		
Purchases		
Inventory		
Bank overdraft		
Cash in hand		
Drawings		
Discount allowed		
Other operating expenses		
Wages and salaries		
Capital		

[7]

© UCLES 2018

From 1 April 2018, Saul decided to make sales and purchases on credit.
He maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

(b) State what is meant by a 'book of prime (original) entry'.

View solution

.....

..... [1]

(c) Complete the table to name the book of prime (original) entry which Saul uses to obtain information when preparing his control accounts.
The first one has been completed as an example.

	Book of prime (original) entry
Purchases	*Purchases Journal*
Cash and cheques received from credit customers	
Bad debts written off	
Discount received from credit suppliers	
Sales returns	
Interest charged by credit suppliers	

[5]

View solution

Saul provided the following information for the month ended 30 June 2018.

2018		$
June 1	Sales ledger debit balances	16 420
	Sales ledger credit balances	390
30	Credit sales	39 800
	Sales returns	2 700
	Cash and cheques received from credit customers	36 350
	Bad debt written off	340
	Sales ledger balance set off against purchases ledger balance	760
	Discount allowed	?
	Interest charged to credit customers on overdue accounts	175
July 1	Sales ledger debit balances	15 485
	Sales ledger credit balances	200

© UCLES 2018

REQUIRED

(d) Prepare the sales ledger control account for the month of June 2018.
Insert the figure for discount allowed.
Balance the account and bring down the balances on 1 July 2018.

View solution

Saul
Sales ledger control account

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

[10]

(e) State **two** benefits of maintaining a sales ledger control account.

View solution

1 .....

.....

2 .....

..... [2]

[Total: 25]

© UCLES 2018

4 Most businesses have receipts and payments which include both capital and revenue items.

REQUIRED

(a) Complete the table by inserting a tick (✓) to show how **each** item should be classified. The first one has been completed as an example.

View solution

	Capital expenditure	Revenue expenditure	Capital receipt	Revenue receipt
Motor vehicle repairs		✓		
Legal fees on purchase of office building				
Purchase of goods for resale				
Insurance of plant and equipment				
Proceeds of sale of fixtures at net book value				
Discount received from supplier				

[5]

Ahmed is a wholesaler. He provided the following draft income statement for the year ended 30 September 2018, which **contains errors**.

Ahmed
Draft Income Statement for the year ended 30 September 2018

	$	$
Revenue		75 000
Proceeds from sale of motor vehicle		2 600
		77 600
Opening inventory	8 500	
Purchases	52 200	
	60 700	
Closing inventory	(7 300)	
Cost of sales		(53 400)
Gross profit		24 200
Expenses		(12 900)
Profit for the year		11 300

Additional information

1 Purchases included $15 000 for new plant and equipment.

2 The motor vehicle was sold at net book value. No entry had been made in the motor vehicles account.

© UCLES 2018

REQUIRED

(b) Complete the following table by inserting a tick (✓) to show the effect of **correcting** the errors on **each** of the following items.

View solution

	Increase	Decrease
Plant and equipment		
Motor vehicle		

[2]

(c) Complete the statement to calculate the corrected **gross** profit for the year ended 30 September 2018.

View solution

Ahmed
Statement of corrected gross profit for the year ended 30 September 2018

	Increase $	Decrease $	$
Draft gross profit			24 200
Corrected gross profit			

[3]

Ahmed's brother, Khalid, also has a business. His financial year ends on 31 March. Khalid provided the following information.

1 April 2017:

	$
Office equipment:	
cost	9000
provision for depreciation	3600

Khalid provides depreciation on the office equipment at 20% 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 sale.

On 31 March 2018 Khalid sold office equipment which had been purchased on 1 April 2016 at a cost of $1500. Sales proceeds, $1100, were received by cheque.

On the same day Khalid purchased new office equipment, costing $2500.

© UCLES 2018

REQUIRED

(d) Prepare the provision for depreciation account for office equipment for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

View solution

Khalid
Provision for depreciation account for office equipment

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

[5]

(e) Prepare the office equipment disposal account.

View solution

Khalid
Office equipment disposal account

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

[4]

© UCLES 2018

(f) Prepare an extract from Khalid's statement of financial position at 31 March 2018 to show the office equipment.

View solution

Khalid
Extract from Statement of Financial Position at 31 March 2018

.....

.....

.....

.....

..... [3]

(g) Name the accounting principle applied when charging depreciation.

..... [1]

[Total: 23]

View solution

5 TP Limited manufactures toys.

REQUIRED

(a) Complete the table by inserting a tick (✓) to show how **each** type of manufacturing cost should be classified. The first one has been completed as an example.

View solution

	Direct material	Direct labour	Factory overhead
Purchase of plastic toy parts	✓		
Rent of factory			
Wages of machine operator			
Purchase of packaging			
Wages of supervisor			

[4]

(b) State how prime cost is calculated.

View solution

.....

..... [2]

TP Limited provided the following information.

	$
Inventory on 1 June 2017	
Raw materials	18 000
Work in progress	5 750
Finished goods	27 200
For the year ended 31 May 2018	
Purchases of raw material	323 000
Factory wages	98 000
Factory overheads	125 000
Purchases of finished goods	28 900
Revenue	836 000
Inventory on 31 May 2018	
Raw materials	22 100
Work in progress	6 820
Finished goods	30 100

© UCLES 2018

REQUIRED

(c) Prepare the manufacturing account for the year ended 31 May 2018.

View solution

TP Limited
Manufacturing Account for the year ended 31 May 2018

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

[6]

© UCLES 2018

(d) Prepare the income statement (trading account section) for the year ended 31 May 2018.

View solution

TP Limited
Income Statement (Trading Account section) for the year ended 31 May 2018

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

[4]

(e) State **two** reasons why TP Limited purchases finished goods.

View solution

1 .....

.....

2 .....

.....[2]

© UCLES 2018

(f) Name the accounting principle applied when valuing inventory.

..... [1]

TP Limited's inventory turnover was 19.78 times for the year ended 31 May 2018 and 25.24 times for the previous year.

View solution

REQUIRED

(g) Suggest **two** reasons why the rate of inventory turnover is lower than the previous year.

1 .....

.....

2 .....

..... [2]

The directors of TP Limited compared their rate of inventory turnover with that of GH Limited, a bakery. GH Limited has a rate of inventory turnover of 53.41 times.

View solution

REQUIRED

(h) Suggest **two** reasons why GH Limited has a higher rate of inventory turnover than TP Limited.

1 .....

.....

2 .....

..... [2]

[Total: 23]

View solution

6 CC Club provides sporting facilities and also runs a café for its members. The receipts and payments account for the year ended 30 September 2018 is as follows.

CC Club
Receipts and Payments Account for the year ended 30 September 2018

		$			$
2017			2018		
Oct 1	Balance b/d	13 125	Sep 30	Rent	4 000
2018				Purchases of food for café	2 300
Sep 30	Subscriptions	24 500		General expenses	6 870
	Receipts from café	4 145		Purchase of sports equipment	7 600
	Competition entry fees	1 550		Wages of club staff	6 900
				Wages of café staff	1 800
				Competition prizes	500
				Balance c/d	13 350
		43 320			43 320
Oct 1	Balance b/d	13 350			

Additional information.

1 Café inventory

	$
1 October 2017	200
30 September 2018	185

2 Subscriptions in arrears

	$
1 October 2017	750
30 September 2018	650

3 Sports equipment was valued at $37 400 on 1 October 2017 and $36 750 on 30 September 2018.

4 At 30 September 2018, rent paid in advance was $500 and general expenses owing were $320.

© UCLES 2018

REQUIRED

(a) Calculate the profit of the club café for the year ended 30 September 2018.

View solution

.....

.....

.....

.....

.....

.....

.....

..... [4]

(b) Prepare CC Club's income and expenditure account for the year ended 30 September 2018.

View solution

CC Club
Income and Expenditure Account for the year ended 30 September 2018

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

[9]

(c) State **three** differences between a receipts and payments account and an income and expenditure account.

1 .....

.....

.....

2 .....

.....

.....

3 .....

.....

..... [3]

View solution

CC Club wishes to improve the profit earned by the café.

REQUIRED

View solution

(d) Suggest **three** ways the club could improve its café profit.

1 .....

.....

2 .....

.....

3 .....

..... [3]

[Total: 19]

© UCLES 2018

BLANK PAGE

© UCLES 2018

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2018