Cambridge IGCSE

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Cambridge International General Certificate of Secondary Education

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

ACCOUNTING **0452/23**

Paper 2 **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 **23** printed pages and **1** blank page.

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1 Thato opened a wholesale shoe business on 1 August 2018. He buys and sells on credit terms.

REQUIRED

(a) (i) State the purpose of a debit note received by Thato from Abebe, a credit customer.

View solution

.....

..... [1]

(ii) Complete the following table by placing a tick (✓) to indicate how Thato would record this debit note in the account of Abebe.

View solution

credit Abebe account	debit Abebe account	no entry

[1]

(b) (i) State the purpose of a statement of account issued by Thato to Abebe.

View solution

.....

..... [1]

(ii) State why Thato did **not** record this in his ledger.

View solution

.....

..... [1]

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Thato received the following invoice from Nyack, a credit supplier.

Invoice Nyack Low Road Anytown Thato Lot 14 Industrial Estate Somecity			4 August 2018
		$ per unit	$
100 pairs	Men's shoes assorted sizes and styles	40	4000
50 pairs	Ladies' shoes assorted sizes and styles	45	2250
			6250
	Less 20% trade discount		1250
			5000
	Terms: 2½% discount for payment in 30 days		

REQUIRED

(c) (i) State **one** reason why Nyack allowed Thato trade discount.

..... [1]

(ii) State **one** reason why Nyack offered Thato cash discount.

..... [1]

(iii) Calculate the amount of the cheque Thato gave to Nyack on 31 August 2018 to settle the account.

.....

.....

..... [1]

(iv) Name the ledger in which Thato would maintain Nyack's account.

..... [1]

View solution

In addition to the invoice received from Nyack on 4 August, Thato received the following documents.

August 9 Invoice received from Gaby, a new supplier for goods, $2600 less 20% trade discount.

13 Credit note received from Gaby for goods returned, list price $100.

On 30 August Thato paid Gaby the amount owing by cheque less 2% cash discount.

REQUIRED

(d) Prepare Thato's purchases journal and purchases returns journal for the month of August 2018.

Total **each** journal and indicate the ledger account to which the total would be transferred.

View solution

Thato
Purchases journal

Date	Details	$	$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
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Purchases returns journal

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

[5]

(e) Prepare the following accounts in Thato's ledger for the month of August 2018. It is **not** necessary to balance any of the accounts.

View solution

Thato
Purchases account

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

Purchases returns account

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

Gaby account

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

[6]

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(f) Name the accounting principle which Thato did **not** apply in **each** of the following.

View solution

	Principle
Thato debited the wages account with $400 withdrawn from the bank for personal use.	
Thato revalued his premises by $20 000 when the premises next door were offered for sale for $20 000 more than Thato paid for his.	
Thato credited the sales account with $1000 after a customer promised to purchase shoes, selling price, $1000, next month.	

[3]

[Total: 22]

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2 Sara maintains a petty cash book. The monthly imprest of $120 is restored on the first day of each month.

The entries in Sara's petty cash book for July 2018 were as follows.

Sara
Petty Cash Book

Total received	Date	Details	Total paid	Cleaning	Postages	Sundries	Ledger accounts
$			$	$	$	$	$
42	July 1	Balance b/d					
78		Cash					
	4	Stamps	4		4		
	13	Parcel post	25		25		
	19	Cleaning materials	55	55			
	23	Sabeena (credit supplier)	19				19
	29	Sundry expenses	6			6	
5	30	Refund for faulty cleaning materials					

REQUIRED

(a) State **one** advantage to Sara of maintaining a petty cash book.

View solution

.....

..... [1]

(b) Show the entries which would be made in the cleaning account in July 2018. It is **not** necessary to close or balance the account.

View solution

Sara
Cleaning account

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

[2]

(c) State how the double entry is completed for the item recorded in the ledger accounts column of the petty cash book.

.....

..... [2]

(d) State the double entry for restoring the imprest on 1 August 2018.

View solution

debit		credit	
	$		$
.....	.....	.....	.....

[3]

Sara's financial year ends on 31 July.

Hannah pays Sara a commission on goods purchased from her by Sara's customers. The commission is paid six monthly in arrears.

Sara provided the following information.

2017		$
Aug 1	Commission outstanding	190
3	Cheque received for commission outstanding	190
2018		
Feb 1	Cheque received for commission	200
July 31	Commission outstanding	220

REQUIRED

(e) Complete the commission receivable account for the year ended 31 July 2018. Balance the account and bring down the balance on 1 August 2018.

View solution

Sara
Commission receivable account

Date	Details	$	Date	Details	$
2017					
Aug 1	*Balance b/d*	*190*	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

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Sara maintains one combined account for rates and insurance.

On 1 August 2017 two months' rates, $800, were outstanding and three months' insurance, $570, was prepaid.

During the year ended 31 July 2018 the following payments were made by cheque.

2017		$
Sept 1	Rates for 13 months to 30 June 2018	5200
Nov 1	Insurance for 12 months to 31 October 2018	3400

On 31 July 2018 it was found that $1000 of the insurance paid on 1 November 2017 related to Sara's private house.

REQUIRED

(f) Complete the rates and insurance account for the year ended 31 July 2018. Balance the account and bring down the balances on 1 August 2018.

View solution

Sara
Rates and insurance account

Date	Details	$	Date	Details	$
2017 Aug 1	*Balance (insurance) b/d*	*570*	*2017 Aug 1*	*Balance (rates) b/d*	*800*
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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[8]

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Sara understands that certain objectives must be considered when selecting accounting policies.

REQUIRED

(g) State what is meant by the objective of 'reliability'.

View solution

.....

.....

.....

..... [2]

(h) Name **three other** objectives which should be considered when selecting accounting policies.

View solution

1 .....

2 .....

3 ..... [3]

[Total: 25]

PLEASE TURN OVER

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3 Sadia runs a secretarial agency. Her financial year ends on 30 September.

She provided the following information.

	$
At 1 October 2017	
Office equipment at cost	26 000
Provision for depreciation of office equipment	9 360
Office furniture at valuation	11 100
Rent prepaid to 30 November 2017	190
Fees owing from clients	2 880
Provision for doubtful debts	144
During the year ended 30 September 2018	
Receipts	
Fees from clients	42 100
Payments	
Wages	29 800
Advertising for 15 months to 31 December 2018	3 150
Rent for 12 months to 30 November 2018	1 200
General expenses	1 775
Office furniture	1 450

Additional information

1 At 30 September 2018 fees owing by clients amounted to $3120.

2 Office equipment is depreciated at 20% per annum using the reducing (diminishing) balance method.

3 Office furniture is depreciated using the revaluation method. The office furniture was valued at $11 400 on 30 September 2018.

4 The provision for doubtful debts is to be maintained at the same rate as the previous year.

5 Cash, $3500, taken by Sadia during the year for personal use, was debited to the wages account.

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REQUIRED

(a) Prepare the income statement for the year ended 30 September 2018.

View solution

Sadia
Income Statement for the year ended 30 September 2018

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
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.....	.....	.....
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[13]

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(b) Name **three** items which may appear in the income statement of a trading business but which would **not** appear in Sadia's income statement.

1 .....

2 .....

3 ..... [3]

(c) Suggest **two** reasons why Sadia's bank manager would be interested in her financial statements.

1 .....

.....

2 .....

..... [2]

(d) Name **two other** interested parties who may wish to see Sadia's financial statements.

View solution

1 .....

2 ..... [2]

[Total: 20]

4 Rizwan is a motor trader. His financial year ends on 30 September. On 30 September 2018 Rizwan opened a suspense account.

REQUIRED

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

View solution

1 .....

.....

2 .....

..... [2]

Rizwan later discovered the following errors in his accounting records.

1 Rent received, $560, had been debited to the rent payable account.

2 The purchase of office equipment, $890, had been entered in the purchases account.

3 The balance of the petty cash book, $21, had been omitted from the trial balance.

REQUIRED

(b) Prepare journal entries to correct these errors. Narratives **are** required.

View solution

Rizwan
Journal

		Debit $	Credit $
1	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
2	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
3	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....

[10]

After correcting the errors, Rizwan prepared financial statements for the year ended 30 September 2018.

He provided the following information.

	30 September 2017	2018
Percentage of gross profit to revenue (gross profit margin)	30.88%	33.45%
Percentage of profit to revenue (net profit margin)	15.55%	14.35%
Return on capital employed	6.13%	8.27%

REQUIRED

(c) Suggest **two** reasons for the change in the percentage of gross profit to revenue.

View solution

1 .....

.....

2 .....

..... [2]

(d) State the year in which Rizwan had a better control of his expenses. Give a reason for your answer.

View solution

Year ended 30 September .....

Reason .....

..... [2]

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

View solution

1 .....

.....

2 .....

..... [2]

(f) Suggest **two** reasons for the change in the return on capital employed.

View solution

1 .....

.....

2 .....

..... [2]

[Total: 20]

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PLEASE TURN OVER

5 Mark and Ella are in partnership. Their financial year ends on 31 August.

The partnership agreement provides for interest on capital, interest on drawings and an annual salary for Ella. Profits and losses are shared equally.

A separate capital and current account is maintained for each partner.

The following is an extract from the profit and loss appropriation account of Mark and Ella for the year ended 31 August 2018.

Mark and Ella
Extract from Profit and Loss Appropriation Account for the year ended 31 August 2018

		$	$
Profit for the year			38 600
Interest on drawings	Mark	960	
	Ella	1 280	2 240
			40 840
Interest on capital	Mark	6 000	
	Ella	4 000	
		10 000	
Salary	Ella	15 000	25 000

The following additional information was available at 31 August 2018.

		$
Capital accounts 1 September 2017	Mark	120 000
	Ella	80 000
Current accounts 1 September 2017	Mark	1 800 debit
	Ella	2 000 credit
Drawings	Mark	12 000
	Ella	16 000
Premises at cost		165 000
Fixtures and equipment at book value		24 400
Motor vehicles at book value		14 750
Trade receivables		16 800
Trade payables		19 240
Inventory		14 950
Bank		5 590 credit
Petty cash		150
Provision for doubtful debts		420

View solution

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REQUIRED

(a) Suggest **two** advantages of maintaining both a capital account and a current account for each partner.

1 .....

.....

2 .....

..... [2]

(b) Complete the current accounts of the partners for the year ended 31 August 2018. Balance the accounts and bring down the balances on 1 September 2018.

View solution

Mark and Ella
Current accounts

Date	Detail	Mark $	Ella $	Date	Detail	Mark $	Ella $
2017				*2017*			
Sep 1	*Balance b/d*	*1800*	……	*Sep 1*	*Balance b/d*	……..	*2000*
……	……	……..	……	……	……	……..	……
……	……	……..	……..	……	……	……..	……
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[7]

(c) Prepare the statement of financial position at 31 August 2018.

You may insert the balances on the current accounts prepared in **(b)** as full details of the current accounts are **not** required.

View solution

Mark and Ella
Statement of Financial Position at 31 August 2018

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

[6]

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Ella has proposed that the partnership agreement should be amended so that interest will no longer be charged on drawings.

REQUIRED

(d) Explain why Mark is **not** in agreement with this proposal.

View solution

.....

.....

.....

.....

..... [2]

Mark and Ella are considering inviting their manager, Paul, to join the partnership.

REQUIRED

(e) Suggest **two** factors Paul should consider before accepting the invitation.

View solution

1.....

.....

2.....

..... [2]

[Total: 19]

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6 Josef manufactures computer accessories. His financial year ends on 31 August.

Josef does not have any work in progress.

His mark-up is 20%.

Josef provided the following information for the year ended 31 August 2018.

	$
Prime cost	30 000
Factory overheads	6 500
Cost of production	36 500
Output	1 000 units

REQUIRED

(a) State the meaning of the term 'prime cost'.

View solution

.....

..... [1]

(b) Suggest **two** items which may be included in the factory overheads.

View solution

1 .....

2 ..... [2]

(c) Calculate the gross profit for the year ended 31 August 2018.

View solution

.....

..... [1]

Josef is considering purchasing a new machine costing $15 000. He can invest additional capital of $5000.

REQUIRED

(d) Suggest **two** ways in which Josef could obtain the additional finance required to purchase the machine.

1 .....

2 ..... [2]

View solution

Josef estimated that the purchase of the machine would result in the following:

1 Output would increase by 20%.

2 Prime cost would increase in direct proportion to output.

3 Factory overheads would increase by $1500.

4 Mark-up would have to be reduced to 18% in order to sell all the output.

REQUIRED

(e) Calculate the estimated gross profit for the year if the new machine is purchased.


View solution

.....

.....

.....

.....

.....

.....

.....

..... [4]

(f) State **four** disadvantages to Josef of purchasing the new machine.


View solution

1 .....

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2 .....

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3 .....

.....

4.....

.....

[4]

[Total: 14]

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