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**ACCOUNTING** **0452/23**

Paper 2 Structured Written Paper **October/November 2024**

**1 hour 45 minutes**

You must answer on the question paper.

No additional materials are needed.

**INSTRUCTIONS**

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

**INFORMATION**

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [ ].
- Where you are asked to complete a layout, you may not need all the lines for your answer.

This document has **24** pages. Any blank pages are indicated.

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**1** Jenny runs a small trading business.

Jenny received her bank statement which showed a credit balance of $1367 on 29 February 2024. On the same date her bank column in her cash book showed an overdrawn balance of $1933.

When comparing her bank statement and cash book she found that the following items appeared on her bank statement and not in her cash book:

| February | | $ |
|---|---|---|
| 26 | M Stores, a credit customer, had paid by bank transfer | 1 900 |
| 26 | Interest received | 358 |
| 27 | A cheque previously received from C Stores had been dishonoured | 1 121 |
| 28 | Bank charges | 125 |
| 28 | A direct debit for electricity had been taken | 290 |

The following items appeared in her cash book but not on her bank statement

| February | | $ |
|---|---|---|
| 23 | A cheque paid to B Properties | 1 025 |
| 27 | A payment by credit transfer to pay for rent and insurance | 2 300 |
| 28 | A cheque received from a credit customer Y Traders was paid into the bank | 792 |

Upon investigation, she discovered the following error:

A cheque made payable to D Sports $45 had been recorded in the bank column of her cash book. The cheque had been written from her personal account to pay for her gym membership.

**REQUIRED:**

**(a)** Update the bank column of Jenny's cash book.

View solution

Balance the account and bring down the balance on 1 March 2024.

Jenny
Cash book – bank columns

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

[7]

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**(b)** Prepare a bank reconciliation statement at 29 February 2024.

View solution

Start with the balance from Jenny's bank statement.

Jenny
Bank reconciliation at 29 February 2024

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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[5]

**(c)** Suggest **two** advantages of preparing a bank reconciliation statement.

View solution

1 .....

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2 .....

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..... [2]

**(d)** Explain why a bank overdraft is shown as a debit balance on a bank statement.

View solution

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..... [1]

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Jenny is concerned about her bank overdraft and is considering adding additional capital into the business from her personal funds.

**REQUIRED:**

**(e)** Advise Jenny whether she should contribute additional capital to pay off her bank overdraft. Justify your answer.

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[Total: 20]

View solution

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**Question 2 is on page 6.**

**2** Ali and Sai are in partnership. Their financial year ends on 30 June. Their partnership agreement includes the following items.

Interest on capital is allowed at 6% per annum.

Interest on drawings is charged at 5%.

Sai is entitled to a partnership salary of $10 050 per annum.

Ali and Sai share residual profits and losses in the ratio 3:2.

Ali and Sai have provided the following information:

| | Ali<br>$ | | Sai<br>$ | |
|---|---|---|---|---|
| Drawings for the year ended 30 June 2024 | 11 000 | | 16 000 | |
| Capital at 1 July 2023 | 60 000 | | 40 000 | |
| Current account at 1 July 2023 | 1800 | debit | 250 | credit |

Profit for the year before interest on loan was $42 700.

Ali provided a loan to the partnership of $10 000 at an interest rate of 5% per annum. The interest payment for the year ended 30 June 2024 has been made. The partnership has no other loans.

**REQUIRED:**

**(a)** Prepare the profit and loss appropriation account on page 7 for the year ended 30 June 2024.

View solution

**7**

Ali and Sai
Profit and loss appropriation account for the year ended 30 June 2024

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |

[8]

**(b)** Prepare the capital and current accounts for Sai for the year ended 30 June 2024 and bring down the balances on 1 July 2024.

View solution

Sai
Capital account for the year ended 30 June 2024

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

Sai
Current account for the year ended 30 June 2024

| Date | Details | $ | Date | Details | $ |
|---|---|---|---|---|---|
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... |
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[8]

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**(c)** State **two** disadvantages of operating as a partnership.

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..... [2]

**(d)** Prepare the journal entry to record the payment of interest on the loan provided by Ali. A narrative is **not** required.

| Ali & Sai<br>Journal | | |
|---|---|---|
| Details | Debit<br>$ | Credit<br>$ |
| | | |
| | | |

[2]

[Total: 20]

View solution

**3** Natalie prepared her trial balance at the end of the year 31 March 2024. The totals did not agree and she had to open a suspense account. The debit side of the trial balance was $357 higher than the credit side.

Natalie later discovered the following errors.

1 A bank transfer, $420, received from a credit customer Sarah had been correctly recorded in the bank but no other entry had been made.

2 Natalie contributed a personal vehicle to the business valued at $7000. This had been debited to the capital account and credited to the vehicle maintenance account.

3 Purchases of $270 had been correctly entered in the suppliers account but had been debited as $207 in the purchases account.

4 No entry had been made for general expenses, $126, paid by bank transfer.

5 Cash drawings of $200 had been debited to the cash account and credited to the drawings account.

**REQUIRED:**

**(a)** Prepare the journal entries on page 11 required to correct errors 1 to 5. Narratives are **not** required.



View solution

**11**

Natalie
Journal

| Error number | Details | Debit $ | Credit $ |
|---|---|---|---|
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
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| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... |

[10]

**(b)** Prepare the suspense account at 31 March 2024.

View solution

Natalie
Suspense Account

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

[3]

**(c)** Complete the table by identifying the type of errors that occurred in errors 4 and 5.

| Error Number | Error type |
|---|---|
| Error 4 | |
| Error 5 | |

[2]

**(d)** Complete the table below by placing a tick (✓) in the appropriate column to indicate the effect on the profit for the year **after** correcting each of the errors.

| Error Number | Effect on profit | | |
|---|---|---|---|
| | decrease | increase | no effect |
| Error 1 | | | |
| Error 2 | | | |
| Error 3 | | | |
| Error 4 | | | |
| Error 5 | | | |

[5]

[Total: 20]

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**4** A company has a fleet of delivery vehicles. Information from their statement of financial position at 31 December 2022 shows that the vehicles originally cost $440 000 with accumulated depreciation of $270 000.

The business purchased two additional vehicles costing a total of $70 000 on 1 April 2023 on credit from L Autos.

On 30 November 2023, the business sold one of its vehicles. The vehicle had originally cost $28 000 with accumulated depreciation of $16 800. The vehicle was sold for $10 500 to a local garage who paid by bank transfer.

The business provides for depreciation using the straight-line method at a rate of 20% per annum.

A full year's depreciation is charged in the year of purchase.

No depreciation is charged in the year of disposal.

**REQUIRED:**

**(a)** Calculate the depreciation charge for the year ended 31 December 2023.

View solution

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..... [2]

**(b)** Prepare the company's ledger accounts for the delivery vehicles, provision for depreciation and disposal of delivery vehicles for the year ended 31 December 2023.

View solution

Balance the accounts and bring down the balances on 1 January 2024.

Delivery vehicles account

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

Provision for depreciation of delivery vehicles account

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

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Disposal of delivery vehicles account

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

[10]

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After talking to his accountant, the owner of the company is considering changing the method of depreciation for his delivery vehicles to the reducing balance method but maintaining the rate of depreciation at 20% per annum.

**REQUIRED:**

**(c)** Advise the owner of the company whether he should pursue this course of action. Justify your answer by providing **two** advantages and **two** disadvantages of changing the method of depreciation to the reducing balance method.

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View solution

**(d)** Complete the following table by placing a tick (✓) in the appropriate column to indicate the most suitable method of depreciation for each of the non-current assets.

| Non-current asset | Straight-line | Revaluation | No depreciation |
|---|---|---|---|
| Land | | | |
| Fixtures & fittings | | | |
| Loose tools | | | |

[3]

[Total: 20]

View solution

**5** The following information was provided by G Limited, a manufacturing company, for the year ended 31 March 2024.

| | $ |
|---|---|
| Purchases: | |
| Raw materials | 68 000 |
| Finished goods | 32 413 |
| Wages: | |
| Factory operatives | 183 700 |
| Factory supervisors | 47 200 |
| Administration salaries | 34 925 |
| Factory machinery at cost | 247 000 |
| Provision for depreciation of factory machinery | 51 500 |
| Factory general expenses | 20 250 |
| Rates & insurance | 7 100 |
| Administration expenses | 5 470 |
| Carriage on purchases of finished goods | 2 180 |
| Royalties | 3 240 |

| | 1 April 2023 $ | 31 March 2024 $ |
|---|---|---|
| Inventory: | | |
| Raw materials | 18 200 | 19 280 |
| Work in progress | 23 400 | 22 650 |
| Finished goods | 6 820 | 9 350 |

Additional information

1 Factory machinery is to be depreciated at 15% per annum using the reducing balance method.

2 On 31 March 2024 rates, $620, were owing.

3 Rates and insurance are to be apportioned 60% to the factory and 40% to the office.

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**REQUIRED**

**(a)** Prepare the manufacturing account for the year ended 31 March 2024.

View solution

G Limited
Manufacturing account for the year ended 31 March 2024

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |

[10]

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G Limited apply a standard rate of mark-up of 35%.

**REQUIRED:**

**(b)** Prepare the trading section of the income statement of G Limited for the year ended 31 March 2024.

View solution

G Limited
Income Statement (Trading section) for the year ended 31 March 2024

| | $ | $ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
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| ..... | ..... | ..... |

[5]

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G Limited make all sales on credit and have supplied the following information:

| | Trade receivables turnover (days) | Irrecoverable debts $ |
|---|---|---|
| At 31 March 2024 | 38 | 32 060 |
| At 1 April 2023 | 29 | 19 200 |

The directors of G Limited are worried about the level of debts from credit customers and are considering employing a consultant to review their credit control policy and implement any changes. They would provide training to the existing staff in the new procedures.

The consultant would charge a fee of $14 000 for their services.

**REQUIRED:**

**(c)** Advise G Limited whether to employ the consultant to review their credit control policy. Justify your answer with **two** advantages and **two** disadvantages.

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[Total: 20]

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