UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER					

3357371763

ACCOUNTING **0452/21**

Paper 2 **May/June 2010**

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 a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, 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 the 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.

For Examiner's Use	
1	
2	
3	
4	
5	
6	
Total	

This document consists of **17** printed pages and **3** blank pages.

For Examiner's Use

1 Sara Iqbal is a trader. Her financial year ends on 31 January.

Sara Iqbal maintains a petty cash book using the imprest system. The monthly imprest of $100 is restored on the first day of each month.

The entries in Sara Iqbal's petty cash book for February 2010 were as follows.

Sara Iqbal
Petty Cash Book

Total Received	Date	Details	Total Paid	Office Expenses	Travelling Expenses	Cleaning	Ledger Accounts
$	2010		$	$	$	$	$
100	Feb 1	Balance b/d					
	5	Taxi fare	9		9		
	12	Stationery	13	13			
	16	N Jones	21				21
	18	Train fare	2		2		
	21	Cleaning	25			25	
	26	W Smith	18				18

REQUIRED

(a) State **two** reasons why Sara Iqbal maintains a petty cash book.

1 ....

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2 ....

.... [2]

(b) Explain what is meant by the imprest system in relation to petty cash books.

....

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.... [2]

(c) State **one** advantage of the imprest system.

....

.... [1]

For Examiner's Use

(d) Calculate how much the petty cashier will receive on 1 March to restore the imprest.

....

.... [1]

(e) **(i)** State how the double entry is completed on 28 February for the items recorded in the travelling expenses column of the petty cash book.

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.... [2]

(ii) State how the double entry is completed on 28 February for the items recorded in the ledger accounts column of the petty cash book.

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.... [4]

(f) Sara Iqbal has been advised that she should depreciate her non-current (fixed) assets each year and should apply the accounting principle of consistency.

State **two** reasons why Sara Iqbal should depreciate her non-current (fixed) assets.

1 ....

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2 ....

.... [2]

(g) Explain the principle of consistency.

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.... [2]

On 1 February 2010 Sara Iqbal purchased equipment costing $8000. The equipment is expected to have a useful life of 3 years. Its estimated scrap value is $500.

For Examiner's Use

REQUIRED

(h) (i) Calculate the amount of depreciation for **each** of the **three** years ending 31 January 2011, 2012 and 2013, using the straight line (equal instalment) method of depreciation. Ledger accounts are **not** required.

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.... [3]

(ii) Calculate the amount of depreciation for **each** of the **three** years ending 31 January 2011, 2012 and 2013, using the reducing (diminishing) balance method at 60% per annum. Ledger accounts are **not** required.

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.... [3]

[Total: 22]

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Question 2 is on the next page.

For Examiner's Use

2 Ahmed Zaki manufactures office furniture. His financial year ends on 30 April.

REQUIRED

(a) Explain why it is necessary for Ahmed Zaki to prepare a manufacturing account at the end of his financial year.

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.... [2]

(b) During the year ended 30 April 2010 Ahmed Zaki purchased some finished goods from another manufacturer.

Suggest **two** reasons why Ahmed Zaki purchased these goods rather than manufacturing them himself.

1 ....

....

2 ....

.... [2]

Ahmed Zaki provided the following information:

	At 1 May 2009	At 30 April 2010
	$	$
Inventory (stock) – raw material	33 400	35 230
Stock – work in progress	14 200	13 900

For the year ended 30 April 2010

	$
Purchases of raw materials	408 160
Direct factory wages	325 270
Indirect factory wages	130 200
Factory general expenses	198 280

Additional information on 30 April 2010:

1 Indirect factory wages accrued amounted to $1520.

2 Factory general expenses include prepaid insurance, $400.

3 On 1 May 2009 the factory machinery was valued at $162 000.
Additional machinery costing $19 500 was purchased during the year.
There were no sales of machinery during the year.
On 30 April 2010 the factory machinery was valued at $150 000.

For Examiner's Use

REQUIRED

(c) Prepare the manufacturing account of Ahmed Zaki for the year ended 30 April 2010.

Ahmed Zaki
Manufacturing Account for the year ended 30 April 2010

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.... [13]

[Total: 17]

3 Shilpa Gandhi is a trader. Her financial year ends on 31 January.

On 31 January 2010, the balances in her books included the following:

	$
Bad debts written off	210
Trade receivables (trade debtors)	15 530

On 31 January 2010, Shilpa Gandhi decided to:

1 write off $90 owed by K Singh;

2 create a provision for doubtful debts of 2½% of the remaining trade receivables (trade debtors).

REQUIRED

(a) Calculate the amount of the provision for doubtful debts.

Show your workings.

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.... [2]

(b) Prepare the entries in Shilpa Gandhi's journal to record the following transactions.

For Examiner's Use

(i) Writing off the bad debt.

(ii) Transferring the balance of the bad debts account to the income statement (profit and loss account).

(iii) Creating the provision for doubtful debts.

Narratives **are** required.

Journal

		Debit $	Credit $
(i)	....	....	....
	....	....	....
	....	....	....
	....	....	....
(ii)	....	....	....
	....	....	....
	....	....	....
	....	....	....
(iii)	....	....	....
	....	....	....
	....	....	....
	....	....	....

[9]

(c) Prepare a relevant extract from Shilpa Gandhi's balance sheet at 31 January 2010.

For Examiner's Use

Shilpa Gandhi
Extract from Balance Sheet at 31 January 2010

Current Assets

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.... [2]

Shilpa Gandhi deals in two types of inventory (stock).

She provided the following information about her inventory (stock) on 31 January 2010.

Type	Number of units	Cost per unit $	Selling price per unit $
A B	360 520	22 14	24 12

The following additional information is available at 31 January 2010.

Carriage inwards of $1 per unit was charged on Type A. This is **not** included in the above figures.

40 units of Type B were found to be damaged and had to be destroyed.

REQUIRED

(d) Calculate the total value of Shilpa Gandhi's inventory (stock) on 31 January 2010.

Show your workings.

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.... [5]

(e) Name the accounting principle you have applied in **(d)** above when valuing Shilpa Gandhi's inventory (stock).

....[1]

[Total: 19]

For Examiner's Use

4 Helmut Lang is a trader. All his sales and purchases are made on credit terms.

He provided the following information for the year ended 30 April 2010.

	$
Revenue (sales)	430 500
Inventory (stock) 1 March 2009	25 200
Inventory (stock) 30 April 2010	28 000
Ordinary goods purchased (Purchases)	347 200

REQUIRED

(a) Explain the meaning of **each** of the following terms.

(i) Mark-up

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.... [1]

(ii) Margin

....

.... [1]

(b) **(i)** Calculate the percentage mark-up.

Show your workings.

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.... [4]

(ii) Calculate the percentage margin.

Show your workings.

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.... [2]

(c) Suggest **two** ways in which Helmut Lang could improve his profit margin.

1 ....

2 .... [2]

Helmut Lang provided the following information at 30 April 2010.

	$
Inventory (stock)	28 000
Trade receivables (trade debtors)	36 300
Trade payables (trade creditors)	29 600
Petty cash	100
Bank overdraft	13 200

REQUIRED

(d) Calculate the current ratio. The calculation should be correct to **two** decimal places.

Show your workings.

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.... [3]

(e) Calculate the quick ratio. The calculation should be correct to **two** decimal places.

Show your workings.

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.... [3]

Helmut Lang's quick ratio at 30 April 2009 was 1.25:1.

For Examiner's Use

REQUIRED

(f) State and explain whether you think that Helmut Lang will be satisfied with the change in the quick ratio.

Will he be satisfied?..

Explanation ....

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.... [3]

(g) In the table below place a tick (✓) under the correct heading to show how **each** of the following transactions would affect Helmut Lang's working capital.

The first one has been completed as an example.

	transaction	effect on working capital		
		increase	decrease	no effect
(i)	introduction of further capital	✓		
(ii)	payment of creditor in cash			
(iii)	repayment of long term loan			

[2]

[Total: 21]

For Examiner's Use

5 Ellis Ltd was formed some years ago. It raised funds from the issue of preference shares, ordinary shares and debentures.

REQUIRED

(a) Explain **two** features of **each** of the following.

(i) Preference shares

1 ....

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2 ....

.... [4]

(ii) Ordinary shares

1 ....

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2 ....

.... [4]

Ellis Ltd has an authorised share capital consisting of 200 000 5% preference shares of $1 each and 800 000 ordinary shares of $0.50 each.

Half of the preference shares and 600 000 of the ordinary shares have been issued. The company has also issued $100 000 4% debentures.

On 1 April 2009 the balance on the profit and loss account brought forward was $10 000.

After the appropriations the profit retained for the year ended 31 March 2010 was $5000.

For Examiner's Use

REQUIRED

(b) Prepare a relevant extract from the balance sheet of Ellis Ltd at 31 March 2010 to show the issued capital and reserves.

Ellis Ltd
Extract from Balance Sheet at 31 March 2010

Capital and Reserves

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....

.... [6]

On 31 March 2010 the directors proposed to pay the preference share dividend and to pay an ordinary share dividend of $0.05 per share.

On 31 March 2010 one year's interest on debentures was accrued.

REQUIRED

(c) Prepare a relevant extract from the current liabilities section of the balance sheet of Ellis Ltd at 31 March 2010.

Ellis Ltd
Extract from Balance Sheet at 31 March 2010

Current Liabilities

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.... [6]

[Total: 20]

6 Ben and Jane Mwanga are in partnership.

They have agreed the following:

Interest is to be allowed on capital at 6% per annum
Interest is to be charged on drawings at 4% per annum
Jane is to receive an annual salary of $10 000
Profits and losses are to be shared in proportion to their capitals
Ben would invest $50 000 and Jane would invest $30 000 as capital

REQUIRED

(a) Explain why an agreement should be drawn up when a partnership is formed.

....

.... [2]

(b) Explain why the partnership agreement of Ben and Jane Mwanga included clauses on **each** of the following:

(i) interest on drawings

....

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.... [2]

(ii) partner's salary for Jane

....

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.... [2]

For the year ended 31 March 2010, the partnership earned a profit for the year (net profit) of $12 000.

For Examiner's Use

Drawings during the year ended 31 March 2010 were:

	$
Ben Mwanga	8 000
Jane Mwanga	15 000

REQUIRED

(c) Prepare the profit and loss appropriation account of Ben and Jane Mwanga for the year ended 31 March 2010.

Ben and Jane Mwanga
Profit and Loss Appropriation Account for the year ended 31 March 2010

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.... [8]

After the preparation of the financial statements (final accounts) for the year ended 31 March 2010 the following errors were discovered.

For Examiner's Use

1 The sales account had been undercast by $1000.

2 No entry had been made for bank charges, $30.

3 New equipment, $5000, had been debited to the motor vehicles account.

4 Repairs to premises, $50, had been debited to the premises account.

REQUIRED

(d) Prepare a statement to show the effect of correcting errors 1–4 on the original profit for the year (net profit) and calculate the corrected net profit.

If the error does not affect the profit for the year (net profit) write "No effect".

The first correction has been completed as an example.

Ben and Jane Mwanga

Statement of corrected profit for the year ended 31 March 2010

	Increase in profit	Decrease in profit	
			$
Profit for the year (net profit) before corrections			12 000
	$	$	
Error 1	1000		
2			
3			
4			
	______	______	
	______	______	______
Corrected profit for the year			______

[7]

[Total: 21]

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