



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE
NAME

CENTRE
NUMBER

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

CANDIDATE
NUMBER

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

* 4 2 2 0 8 8 0 0 2 2 *

ACCOUNTING

0452/22

Paper 2

October/November 2011

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 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.

| For Examiner's Use | |
|--------------------|--|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| Total | |

This document consists of **18** printed pages and **2** blank pages.



- 1 Grace Ngema is a trader. Her financial year ends on 31 August.

The bank columns of her cash book for the month of August 2011 were as follows:

Cash Book (bank columns only)

| | | \$ | | | \$ |
|-------|-------------|-------------|--------|-----------------|-------------|
| 2011 | | | 2011 | | |
| Aug 1 | Balance b/d | 54 | Aug 4 | Equipment | 1300 |
| 11 | Paul Nlovu | 117 | 17 | Jane Abbasi | 129 |
| 30 | Sales | 490 | 28 | Omega Supply Co | 284 |
| 31 | Balance c/d | <u>1052</u> | | | |
| | | <u>1713</u> | | | <u>1713</u> |
| | | | Sept 1 | Balance b/d | 1052 |

Grace Ngema's business bank statement for August 2011 was as follows:

Bank Statement at 31 August 2011

| | | Debit | Credit | Balance |
|-------|---------------------------------|-------|--------|---------|
| | | \$ | \$ | \$ |
| 2011 | | | | |
| Aug 1 | Balance | | 154 | 154 Cr |
| 2 | Rent received (credit transfer) | | 200 | 354 Cr |
| 7 | ABC Insurance Co | 50 | | 304 Cr |
| 10 | Equipment | 1300 | | 996 Dr |
| 18 | Paul Nlovu | | 117 | 879 Dr |
| 22 | Jane Abbasi | 129 | | 1008 Dr |
| 30 | Bank charges | 39 | | 1047 Dr |

The following errors were discovered.

- 1 The cash book balance brought forward on 1 August 2011 should have been \$154.
- 2 The bank has debited \$50 for an insurance premium to Grace Ngema's business account instead of her personal account.

Grace Ngema’s bank overdraft has increased during the year ended 31 August 2011. She is concerned that this is affecting the rate at which she pays her suppliers.

For
Examiner's
Use

Grace Ngema’s purchases for the year ended 31 August 2011 were as follows.

| | |
|------------------|--------|
| | \$ |
| Credit purchases | 15 500 |
| Cash purchases | 4 800 |

Her credit suppliers allow her one month in which to pay their accounts.

On 31 August 2011 Grace Ngema owed her credit suppliers \$1790.

REQUIRED

(c) Calculate the payment period for trade payables. Your answer should be rounded up to the next whole day. Show your workings.

.....

.....

.....

..... [2]

(d) State and explain whether you think that the credit suppliers will regard the payment period as satisfactory.

Will they be satisfied?

Explanation

.....

..... [3]

(e) State **two** possible advantages to Grace Ngema of paying her credit suppliers before the due date.

(i)

.....

(ii)

..... [2]

- (f) State **one** possible disadvantage to Grace Ngema of paying her credit suppliers before the due date.

.....

 [1]

Grace Ngema maintains a petty cash book for recording small cash payments. She uses the imprest system.

REQUIRED

- (g) Explain what is meant by the imprest system in relation to a petty cash book.

.....

 [2]

- (h) Grace Ngema wrote up her petty cash book for the month of August 2011. For **each** of the following items in the petty cash book, state where the double entry was made.

The first one has been completed as an example.

| | | Debit or credit | Name of account |
|-------|------------------------------------------------------------------|-----------------|--------------------------------|
| (i) | Total of sundry expenses column | <i>Debit</i> | <i>Sundry expenses account</i> |
| (ii) | Cash received to restore the imprest | | |
| (iii) | Cash received from employee for cost of personal telephone calls | | |

[4]

[Total: 29]

2 The financial year of Oasis Trading Co Ltd ends on 31 August.

The following trial balance was prepared **after** the preparation of the income statement for the year ended 31 August 2011.

| | | |
|--------------------------------------------------|----------------|----------------|
| | \$ | \$ |
| Non-current assets at cost | 230 000 | |
| Provision for depreciation on non-current assets | | 69 000 |
| Inventory | 36 500 | |
| Trade payables | | 17 950 |
| Trade receivables | 18 400 | |
| Provision for doubtful debts | | 368 |
| Petty cash | 100 | |
| Bank | | 8 942 |
| 4% Debentures | | 20 000 |
| Issued share capital - 5% Preference shares | | 40 000 |
| Ordinary shares | | 100 000 |
| General reserve | | 9 000 |
| Retained profit 1 September 2010 | | 4 000 |
| Profit for the year ended 31 August 2011 | | 15 740 |
| | <u>285 000</u> | <u>285 000</u> |

The directors of Oasis Trading Co Ltd have appropriated the profit for the year ended 31 August 2011 as follows:

| | | |
|------------------------------------------------------|--------------|--------------|
| | \$ | \$ |
| Profit for the year before preference share dividend | | 15 740 |
| Proposed preference share dividend | | <u>2 000</u> |
| Profit for the year after preference share dividend | | 13 740 |
| Transfer to general reserve | 3 000 | |
| Proposed ordinary share dividend | <u>6 000</u> | <u>9 000</u> |
| Profit to be retained in the year | | <u>4 740</u> |

REQUIRED

(a) Prepare the balance sheet of Oasis Trading Co Ltd at 31 August 2011.

The proposed dividends should be included in the balance sheet.

Oasis Trading Co Ltd needs \$100 000 for the purchase of new premises. It was decided to:

For
Examiner's
Use

- 1 Increase the preference share capital to \$60 000 by the issue of additional 5% preference shares of \$1 each.
- 2 Increase the ordinary share capital to \$150 000 by the issue of additional ordinary shares of \$0.50 each.

REQUIRED

(b) State the total amount that Oasis Trading Co Ltd could raise by issuing additional shares.

.....

.....

..... [2]

(c) (i) State **one** other source from which Oasis Trading Co Ltd could obtain the rest of the money required.

..... [1]

(ii) State **one** disadvantage of raising funds in this way.

.....

..... [1]

The directors of Oasis Trading Co Ltd are considering paying an interim dividend on the ordinary shares during the financial year ending 31 August 2012.

REQUIRED

(d) State whether such an interim dividend would be included in **each** of the following. Give a reason for your answers.

(i) Appropriation account for the year ending 31 August 2012

.....

.....

..... [2]

(ii) Balance sheet at 31 August 2012

.....
.....
..... [2]

[Total: 22]

*For
Examiner's
Use*

- 3 Tarek El Mekawi is a trader in household goods. He maintains a full set of accounting records. His financial year ends on 31 October.

On 27 October 2011 Tarek El Mekawi received an invoice from Computek for \$390. This included \$360 for a new computer for business use and \$30 for repairs to an existing computer.

REQUIRED

- (a) Prepare a journal entry to record the above transaction. A narrative **is** required.

Journal

| | Debit \$ | Credit \$ |
|-------|-------------|--------------|
| | | |
| | | |
| | | |
| | | |
| | | |

[4]

- (b) Explain how the principle of duality has been applied in recording this transaction.

.....

.....

.....

.....

[2]

- (c) On 29 October 2011 Tarek El Mekawi took goods costing \$400 for his own use.

Prepare a journal entry to record the above transaction. A narrative **is** required.

Journal

For
Examiner's
Use

| | Debit \$ | Credit \$ |
|-------|-------------|--------------|
| | | |
| | | |
| | | |
| | | |

[3]

- (d) Explain how the principle of business entity has been applied in recording this transaction.

.....

.....

.....

.....

[2]

- (e) On 31 October 2011 Tarek El Mekawi decided to create a provision for doubtful debts of \$200.

Prepare a journal entry to record the above transaction. A narrative **is** required.

Journal

| | Debit \$ | Credit \$ |
|-------|-------------|--------------|
| | | |
| | | |
| | | |
| | | |

[3]

(f) Explain how the principle of prudence has been applied in recording this transaction.

.....

.....

.....

..... [2]

(g) Suggest **two** ways in which Tarek El Mekawi could reduce the risk of bad debts.

(i)

.....

(ii)

..... [2]

(h) After the preparation of the financial statements for the year ended 31 October 2011 it was found that the provision for doubtful debts had been completely omitted.

For **each** item in the following table, place a tick (✓) under the correct heading to indicate the effect of **correcting** this error.

| | | Increase | Decrease | No effect |
|-------|-------------------------------------------|----------|----------|-----------|
| (i) | Total expenses for the year | | | |
| (ii) | Profit for the year | | | |
| (iii) | Closing credit balance on capital account | | | |
| (iv) | Amount owing by trade receivables | | | |

[4]

[Total: 22]

Question 4 is on the next page.

- 4 The financial year of the Deira Road Sailing Club ends on 30 September.

In addition to providing sailing facilities for members, the Club also has a shop selling sailing equipment.

The treasurer of the Deira Road Sailing Club produced the following receipts and payments account for the year ended 30 September 2011.

| Receipts | | \$ | Payments | | \$ |
|----------|-----------------------------------|---------------|----------|------------------------------|---------------|
| 2011 | | | 2010 | | |
| Sept 30 | Subscriptions | 3 060 | Oct 1 | Balance b/d | 2 840 |
| | Receipts from shop sales | 5 492 | 2011 | | |
| | Sailing competition entrance fees | 586 | Sept 30 | | |
| | Balance c/d | 3 694 | | Purchases of shop supplies | 3 150 |
| | | | | Sailing competition expenses | 292 |
| | | | | Wages – shop assistant | 480 |
| | | | | sailing tutor | 940 |
| | | | | Rent | 2 600 |
| | | | | General expenses | 230 |
| | | | | Insurance | 800 |
| | | | | Equipment | 1 500 |
| | | <u>12 832</u> | | | <u>12 832</u> |
| | | | 2011 | | |
| | | | Oct 1 | Balance b/d | 3 694 |

Additional information:

- | 1 | At 1 October 2010 | At 30 September 2011 |
|----------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Shop inventory | 270 | 310 |
| Insurance prepaid | 190 | 200 |
| General expenses accrued | - | 26 |
| Trade payables for shop supplies | - | 340 |
| Subscriptions accrued | 450 | - |
| Subscriptions prepaid | - | 360 |
- 2 On 1 October 2010, the Club owned equipment costing \$4400. All equipment held at the year end is to be depreciated at 20% per annum on cost.
- 3 One quarter of the rent relates to the shop.

For
Examiner's
Use

Question 5 is on the next page

- 5 Kuljit Singh is a trader who does not maintain a full set of double entry accounting records. All purchases and sales are made on credit terms.

Kuljit Singh provided the following information:

| | |
|---------------------------------|------|
| | \$ |
| At 1 August 2010 | |
| Amounts owing by customers | 7450 |
| Amounts owing to suppliers | 4390 |
| For the year ended 31 July 2011 | |
| Cheques received from customers | 7995 |
| Cheques paid to suppliers | 3920 |
| Discounts received | 80 |
| Discounts allowed | 205 |
| Bad debts written off | 180 |
| At 31 July 2011 | |
| Amounts owing by customers | 8020 |
| Amounts owing to suppliers | 5550 |

REQUIRED

- (a) Explain **two** advantages of maintaining accounting records using the double entry method.

(i)

.....

.....

(ii)

.....

..... [4]

REQUIRED

- (c) Explain why inventory should be included in financial statements at the lower of cost and net realisable value.

.....

.....

.....

..... [2]

- (d) Kuljit Singh included the inventory at cost price in his financial statements for **each** of the years ended 31 July 2010 and 31 July 2011.

Complete the table below to show the effect of this on **each** of the following items.

The first one has been completed as an example.

| | | overstated | understated | no effect |
|-------|----------------------------------------------|------------|-------------|-----------|
| | | \$ | \$ | |
| (i) | net profit for the year ended 31 July 2010 | ✓ 250 | - - | - |
| (ii) | capital employed at 31 July 2010 | | | |
| (iii) | gross profit for the year ended 31 July 2011 | | | |
| (iv) | current assets at 31 July 2011 | | | |

[6]

[Total: 23]

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.

University of 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.