UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

ACCOUNTING 0452/02

Paper 2

May/June 2006

1 hour 30 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 rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

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.

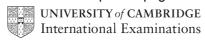
At the end of the examination, fasten all your work securely together.

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 11 printed pages and 1 blank page.

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1	(a)	In which book of prime (original) entry should di be recorded?	iscount all	owed and o	discount receiv	ed
						[1]
	(b)	Which accounting principle is being applied when expense?	n an adjus	stment is ma	ade for a prepa	aid
						[1]
	(c)	In which section of the balance sheet will a provis	sion for de _l	oreciation b		[4]
						[1]
	(d)	Explain what is meant by an error of omission.				
						••••
						[1]
	(e)	In the following table, place a tick (\checkmark) under the c	orrect hea	ding for eac	ch item.	
			Income	Expense		
		Discount received				
		Carriage outwards				
		Interest on bank deposit				
		Bad debts written off				
					•	[4]
	(f)	In a partnership Appropriation Account, name to deducted from, net profit before the partners' sha				or
		(i)				
		(ii)				[2]

(g)	Sta	te what is meant by working capital.
		[2]
(h)	Fra	nk maintains his petty cash on the imprest system. He keeps a balance of \$200.
	At t \$12	he end of April the balance in hand is \$65 and there are vouchers for expenditure of 5.
	(i)	How much will Frank draw from the bank to restore his petty cash balance?
		[1]
	(ii)	Suggest one reason for the difference in the petty cash balance.
		[2]
(i)	(i)	State what is meant by the quick ratio.
		[2]
	(ii)	Explain why this is a useful accounting ratio.
		[2]

[Total: 19]

2 Loretti started a business on 1 April 2006. On that day he introduced the following into the business:

Stock \$12 000, office furniture \$1500, and cash \$2500, of which \$200 was kept on hand for petty cash and the balance, \$2300, was paid into a business bank account.

On the same day his cousin Hassan paid \$3000 into the business bank account as a loan to the business.

REQUIRED

(a) Show the opening journal entry to record these transactions. A narrative is **not** required.

Loretti Journal		
	Dr \$	Cr \$

Loretti decided to keep his petty cash book on the imprest system. In the month of April 2006 he paid the following expenses from his cash balance.

		\$
3 April	Stationery	35
8 April	Refreshments	40
13 April	Cleaning	50
20 April	Travelling	20

On 1 May he withdrew the appropriate amount from the bank to restore the imprest amount.

REQUIRED

(b) Write up Loretti's petty cash book, on the page opposite, for the month of April and show the amount transferred from the bank on 1 May.

[8]

Loretti – Petty Cash Book

Date	Details	Total received	Date	Details	Total paid		
		\$			\$	\$ \$	\$ \$

[8] [Total: 16]

3 Hilota has a business supplying spare parts for cars. His financial year ends on 31 March. At 31 March 2006 his accounts showed the following balances:

	\$
Fixed assets at cost	22 000
Provision for depreciation	9 300
Stock (at 1 April 2005)	3 200
Balance at bank (Dr)	1 550
Sales	56 500
Sales returns	500
Purchases	34 200
Carriage outwards	950
Rent	4 000
Wages	7 200
General expenses	2 600
Capital	20 000
Drawings	9 600

REQUIRED

(a) Prepare Hilota's Trial Balance at 31 March 2006.

Hilota
Trial Balance at 31 March 2006

Dr \$	Cr \$
Ф	Ф

[12]

Hilota has stock on hand at 31 March 2006 amounting to \$3800.

REQUIRED

(b) From the information above and in part (a), prepare Hilota's Trading Account for the year ended 31 March 2006.

Hilota
Trading Account for the year ended 31 March 2006

(c) (i)	Calculate Hilota's gross profit percentage for the year, to two decimal places.

(ii)	On the basis that Hilota had no sales returns in the period, calculate his revise gross profit percentage to two decimal places.	∌d
	[. 3]

[Total: 25]

			9	
(a)	Complete the following	owing sentence:		
	"Stock is valued a	at the	of	and
				33
	•••••			······································
Rud	i buys and sells e	ngineering parts. The fo	ollowing information a	bout his stock is availa
	Part number	Units in stock at 30 April 2006	Cost per unit	Selling price per u
	A005	250	1.30	1.95
	B017	600	2.00	1.80
	C060	150	2.50	3.50

[Total: 17]

[2]

5 Rajit has a business making furniture. After preparing his Trading and Profit and Loss Account for the year ended 31 December 2005, a summary of his trial balance shows the following items:

	\$
Fixed assets at cost	62 500
Provision for depreciation	12 500
Current assets	47 000
Current liabilities	19 000
Capital account at 1 January 2005	74 000
Drawings	9 000
Profit for the year	13 000

REQUIRED

(a) Prepare Rajit's Balance Sheet at 31 December 2005.

Rajit Balance Sheet at 31 December 2005
[10]

(b)	Calculate to two decimal places Rajit's return on his capital employed. Use the capit at 1 January 2005.	:al
		•••
		•••
	[3]

[Total: 13]

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