Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER		CANDIDATE NUMBER	

6560420424

ACCOUNTING **0452/22**

Paper 2 **October/November 2017**

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 **20** printed pages.

DC (RCL (KM)) 136499/4

CAMBRIDGE
International Examinations

[Turn over

1 Saffie is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is $150. All payments below $100 are made from petty cash.

Saffie had the following transactions in September 2017.

September	1	Petty cash imprest restored from the business bank account
	3	Paid taxi fare, $12
	7	Paid $461 by cheque for repairs to office machinery
	11	Purchased office stationery, $64
	15	A cheque for $210 received from SL Stores in August was dishonoured by the bank
	21	Paid Faariqa, a credit supplier, $29
	26	Received a cheque from Thushari, $392, in settlement of the amount due less 2% cash discount
	28	Cash sales, $4840, of which $4800 was immediately paid into the bank
	29	Paid Sopitha's account of $480 after deducting a cash discount of 2½%
	30	Paid postage, $22

REQUIRED

(a) Record the above transactions in the following books which appear on the next two pages. Balance each book and bring down the balances on 1 October 2017.

(i) Petty cash book [9]

(ii) Cash book [10]

Saffie
Petty Cash Book

Total received $	Date	Details	Total paid $	Travel $	Postage and stationery $	Ledger accounts $
	2017					
63	*Sept 1*	*Balance b/d*	....	....	....	....
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[Turn over

Saffie
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2017		$	$	$	*2017*		$	$	$
Sept 1	*Balance b/d*	....	*120*	....	*Sept 1*	*Balance b/d*	....	....	*3841*
....	....	....	....	....	....	....	....	....	....
....	....	....	....	....	....	....	....	....	....
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On 30 September 2017 Saffie's bank statement showed an overdraft of $4649. She compared the cash book with her bank statement and found that the bank had not recorded the transactions shown in the cash book on the following dates.

September 26
28
29

In addition, the bank had debited Saffie's business bank account with $50 which should have been debited to her personal bank account.

REQUIRED

(b) Prepare a bank reconciliation statement at 30 September 2017.

Saffie
Bank Reconciliation Statement at 30 September 2017

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....[6]

[Total: 25]

2 Mustafa opened a garment factory on 1 August 2016.

On that date he purchased the following non-current assets.

	$
Premises	210 000
Factory machinery	92 000
Office fixtures and equipment	29 800
Loose tools	19 600

Mustafa decided to revalue the loose tools at the end of each financial year and also decided that no depreciation would be charged on premises. The other non-current assets are to be depreciated using the straight line (equal instalment) method of depreciation at the following rates.

Factory machinery at 20% per annum
Office fixtures and equipment at 15% per annum

During his first year of trading, Mustafa purchased raw materials costing $447 400 (of which $1800 were returned to the supplier) and finished goods costing $22 200. His sales of finished goods amounted to $998 500.

Mustafa made the following payments during the year ended 31 July 2017.

	$
Wages – factory operatives	287 400
factory supervisors	101 150
office staff	75 790
General expenses	13 400
Rates and insurance	12 600
Carriage inwards	2 590
Carriage outwards	2 180

At 31 July 2017	$
Inventories were valued at	
Raw materials	62 200
Work in progress	38 200
Finished goods	69 700
Loose tools were valued at	18 100
Wages of factory operatives accrued	3 760

The general expenses are to be apportioned ¾ to the factory and ¼ to the office.

The rates and insurance are to be apportioned ⅔ to the factory and ⅓ to the office.

REQUIRED

(a) Prepare the manufacturing account for the year ended 31 July 2017.

Mustafa
Manufacturing Account for the year ended 31 July 2017

	$	$
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[13]

(b) Calculate the cost of sales for the year ended 31 July 2017.

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.... [4]

Mustafa wants to expand his business and needs to obtain long-term funds to finance this. He decided to apply for a 10-year bank loan.

REQUIRED

(c) Suggest **one** disadvantage of raising funds by means of a bank loan.

....

....[1]

(d) Suggest **two** other ways of raising long-term funds.

1 ....

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2 ....

.... [2]

[Total: 20]

Question 3 is on the next page.

3 Zikri is a retailer. His financial year ends on 31 August.

Ashley pays Zikri a commission on goods purchased from Ashley by Zikri's customers. The commission is paid quarterly in arrears.

Zikri provided the following information:

	$
Commission outstanding on 1 September 2016	495
Cheques received	
4 September 2016	495
3 December 2016	515
5 March 2017	374
2 June 2017	404
Commission outstanding on 31 August 2017	392

REQUIRED

(a) Prepare the commission receivable account in the ledger of Zikri for the year ended 31 August 2017. Balance the account and bring down the balance on 1 September 2017.

Zikri
Commission receivable account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
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[6]

On 1 January 2017 Zikri rented premises at an annual rent of $9600, payable six-monthly in advance.

Rent was paid by cheque on 1 January 2017 and 1 July 2017.

REQUIRED

(b) Prepare the rent account in the ledger of Zikri for the year ended 31 August 2017. Balance the account and bring down the balance on 1 September 2017.

Zikri
Rent account

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

[4]

The following account appeared in Zikri's ledger.

Stationery account

Date	Details	$	Date	Details	$
2016			2017		
Sept 1	Balance b/d	84	July 31	Drawings	15
2017					
Feb 8	XY Limited	212			

On 31 August 2017 the inventory of stationery was valued at $76.

REQUIRED

(c) Explain **each** entry in the stationery account.

State where the double entry for each transaction would be made.

Balance b/d 1 September 2016

Explanation ....

....

Double entry ....

XY Limited 8 February 2017

Explanation ....

....

Double entry ....

Drawings 31 July 2017

Explanation ....

....

Double entry .... [6]

(d) Calculate the amount which would be transferred from the stationery account to the income statement on 31 August 2017.

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.... [1]

(e) Name the section of the statement of financial position at 31 August 2017 in which the balance of the stationery account should be included.

.... [1]

After the preparation of Zikri's financial statements for the year ended 31 August 2017 some errors were discovered.

REQUIRED

(f) Complete the following table to indicate the **effect** of **each** error on the gross profit and the profit for the year. Where the error does not affect the profits write No Effect.

The first one has been completed as an example.

Error	Effect on gross profit	Effect on profit for the year
General expenses omitted from income statement	*No Effect*	*Overstated*
Opening inventory over-valued		
Wages account over-added		
Sales returns omitted from income statement		
Carriage inwards included in the expenses in the income statement		
Purchases returns added to the purchases		

[10]

[Total: 28]

4 Rashida is a wholesaler. Her financial year ends on 30 September. She provided the following information.

	$
At 1 October 2016	
Fixtures and fittings at cost	65 000
Provision for depreciation of fixtures and fittings	23 500
Office equipment at valuation	21 000
Inventory	37 150
Trade receivables	34 800
During the year ended 30 September 2017	
Revenue	572 000
Purchases	455 900
Returns by customers	1 840
Returns to suppliers	2 750
Payments by cheque	
Carriage inwards	6 940
Wages	74 200
General expenses	1 300
Rates and insurance	2 800
Loan interest	400
Office equipment	2 800

Additional information

1 Inventory at 30 September 2017 was valued at $41 160.

2 A loan of $20 000 was received on 1 April 2017. Interest is charged at 6% per annum.

3 Rashida lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.

4 The fixtures and fittings are being depreciated at the rate of 20% per annum using the reducing (diminishing) balance method.

5 The office equipment is revalued at the end of each financial year. The value at 30 September 2017 was $20 600.

6 The trade receivables include $300 which should be written off. A provision for doubtful debts of 2% of the remaining amount should be created.

REQUIRED

(a) Prepare the income statement for the year ended 30 September 2017.

Rashida
Income Statement for the year ended 30 September 2017

	$	$	$
....	....	....	....
....	....	....	....
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[14]

(b) Explain how the accruals (matching) principle has been applied in the preparation of the income statement. Support your answer by reference to **one** of the items in your answer to **(a)**.

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.... [2]

(c) Explain how the business entity principle has been applied in the preparation of the income statement. Support your answer by reference to **one** of the items in your answer to **(a)**.

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.... [2]

Rashida was disappointed with the performance of her business in the year ended 30 September 2017 and decided to compare her financial statements with those of another business.

REQUIRED

(d) Explain **two** factors Rashida should consider when comparing her financial statements with those of another business.

1 ....

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2 ....

....

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[4]

[Total: 22]

5 Ben opened a retail store on 1 April 2017. He introduced the following into the business.

	$	
Inventory	15 200	
Shop fittings	14 300	
Cash	17 900	(of which $17 400 was paid into a business bank account)

On the same day, Ben received a business start-up loan of $15 000 which was paid into the business bank account. Interest at 5% per annum was payable at six-monthly intervals.

REQUIRED

(a) Prepare the opening journal entry. A narrative is **not** required.

Ben
Journal

	Debit $	Credit $
....	....	....
....	....	....
....	....	....
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....	....	....

[5]

The following transactions took place in September 2017.

September 3 Invoice received from EF Limited for office equipment, $1900

28 Goods taken by Ben for personal use, $430

REQUIRED

(b) Prepare journal entries to record these transactions. Narratives **are** required.

Ben
Journal

	Debit $	Credit $
....	....	....
....	....	....
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[6]

(c) Explain **each** of the following terms and give **one** example of each.

Capital expenditure

Explanation ....

....

Example ....

Revenue expenditure

Explanation ....

....

Example ....

Revenue receipts

Explanation ....

....

Example ....
[6]

Question 5(d) is on the next page.

On 30 September 2017 Ben calculated his profit for his first six months of trading. The following errors were then discovered.

Error 1 $500 received from the sale of old shop fittings (book value $550) was debited to the cash account and credited to the sales account. No other entries were made to record this disposal.

Error 2 6 months' loan interest was treated as part-repayment of the loan.

Error 3 The shop fittings account was debited with $1450. Of this $1300 was for new shop fittings and the balance was for repairs.

REQUIRED

(d) Complete the following table to indicate the **effect** of **each** of the errors. The first one has been completed as an example.

	Effect on assets		Effect on liabilities		Effect on profit	
	Overstated $	Understated $	Overstated $	Understated $	Overstated $	Understated $
Error 1	550	–	–	–	450	–
Error 2						
Error 3						

[8]

[Total: 25]

