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Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

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* 8 3 7 5 9 3 3 5 6 3 7 *



ACCOUNTING

0452/11

Paper 1

October/November 2015

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.

There are 10 parts to Question 1.

For **each** of the parts (a) to (j) below there are four possible answers **A, B, C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Which business document would be sent by a customer to a supplier?

- | | |
|-------------------------------|--------------------------|
| A credit note | <input type="checkbox"/> |
| B debit note | <input type="checkbox"/> |
| C invoice | <input type="checkbox"/> |
| D statement of account | <input type="checkbox"/> |
- [1]

(b) An insurance account shows an amount paid for the year of \$2000 and a prepayment at the end of the year of \$400.

Which entry appears in the insurance account to record the transfer to the income statement?

- | | |
|---------------------------------|--------------------------|
| A credit entry of \$1600 | <input type="checkbox"/> |
| B credit entry of \$2400 | <input type="checkbox"/> |
| C debit entry of \$1600 | <input type="checkbox"/> |
| D debit entry of \$2400 | <input type="checkbox"/> |
- [1]

(c) Where would a dishonoured cheque from a customer be recorded in the books of the supplier?

- | | |
|--|--------------------------|
| A credit side of the purchases ledger control account | <input type="checkbox"/> |
| B credit side of the sales ledger control account | <input type="checkbox"/> |
| C debit side of the purchases ledger control account | <input type="checkbox"/> |
| D debit side of the sales ledger control account | <input type="checkbox"/> |
- [1]

(d) Jamal treats purchases of loose tools as capital expenditure.

On 1 July 2014 his loose tools were valued at \$7100.
On 1 September 2014 he bought new tools costing \$1200.
On 30 June 2015 he valued loose tools at \$6000.

Which amount for loose tools appeared in his income statement for the year ended 30 June 2015?

- | | | | |
|----------|--------|--------------------------|-----|
| A | \$100 | <input type="checkbox"/> | |
| B | \$1100 | <input type="checkbox"/> | |
| C | \$1200 | <input type="checkbox"/> | |
| D | \$2300 | <input type="checkbox"/> | [1] |

(e) The following account appeared in Andrew's ledger.

		Andrew			
		Advertising account			
2015		\$	2014	\$	
30 April	Bank	4000	1 May	Balance b/d	500
			2015		
			30 April	Income statement	2800
				Balance c/d	700
		<u>4000</u>			<u>4000</u>
2015					
1 May	Balance b/d	700			

Which statement is correct?

- | | | | |
|----------|---|--------------------------|-----|
| A | Andrew earned \$2800 from advertising during the year. | <input type="checkbox"/> | |
| B | Andrew had prepaid \$700 for advertising on 1 May 2015. | <input type="checkbox"/> | |
| C | Andrew owed \$700 for advertising on 1 May 2015. | <input type="checkbox"/> | |
| D | Andrew paid \$2800 for advertising during the year. | <input type="checkbox"/> | [1] |

(f) Why does a partnership prepare an appropriation account?

- A to allocate profit for the year to each partner
- B to calculate interest on partners' loans
- C to ensure that drawings are accounted for
- D to record dividends paid and proposed [1]

(g) During the accounting year a limited company had the following transactions.

	\$
ordinary share dividend paid	25 000
interest paid on short term bank loan	3 000
interest paid on debentures (repayable in 2019)	12 000
interest received on bank deposit	5 000

Which amount appeared in the expenses in the income statement?

- A \$10 000
- B \$12 000
- C \$15 000
- D \$35 000 [1]

(h) Why does a sports club prepare the trading account section of an income statement?

- A it has paid staff as well as voluntary workers
- B it operates a café
- C to calculate subscriptions for the year
- D to value the closing inventory [1]

- (i) The rent of a manufacturing business is split 60% factory, 10% offices and 30% showrooms.

Business rent is \$40 000 a year and salesmen's salaries are \$12 000 a year.

How much appears in the manufacturing account for these costs?

A \$24 000

B \$31 200

C \$36 000

D \$46 800

[1]

- (j) Financial statements must be free from error and bias.

Which accounting policy is being applied?

A comparability

B relevance

C reliability

D understandability

[1]

[Total: 10]



2 (a) State what is meant by a book of prime (original) entry.

.....
..... [1]

(b) Name **two** of the books of prime (original) entry which a business may maintain.

1
2 [2]

(c) Complete the following table using a tick (✓) to indicate whether **each** item is an asset, a liability or an expense. The first has been completed as an example.

	asset	liability	expense
fixtures and fittings	✓		
insurance			
bank overdraft			
cash			
trade payable			
wages			
accrued electricity			
increase in provision for doubtful debts			
unpaid commission receivable			

[4]

(d) Name the financial statement in which the following are recorded.

(i) assets

..... [1]

(ii) expenses.

..... [1]

Neel started a business on 1 June. The following transactions took place in June.

- 1 Opened a business bank account with \$8000 of his own money.
- 2 Received a bank loan, \$2000.
- 3 Bought a delivery van, \$5200, from A1 Motors on credit.
- 4 Bought inventory, \$3700, paying by cheque.
- 5 Paid shop rent, \$1000, by standing order.
- 6 Withdrew cash, \$100, to start up an imprest system.

REQUIRED

(e) Complete the following table showing how these transactions were recorded. The first has been completed as an example.

	Debit entry		Credit entry	
		\$		\$
1	<i>Bank account</i>	<i>8000</i>	<i>Capital account</i>	<i>8000</i>
2				
3				
4				
5				
6				

[10]

(f) Calculate the balance on Neel's bank account after these transactions.

.....
.....
.....
.....
.....
.....
.....
.....
..... [3]

[Total: 22]



3 (a) Name **three** types of inventory which might be held by a manufacturing business.

- 1
- 2
- 3 [3]

(b) State how inventory should be valued.

.....
..... [1]

(c) State how Asrul, a retailer, records goods taken for his personal use.

Account debited	Account credited

[2]

(d) Name the accounting principle which Asrul is applying.

..... [1]

(e) State **one** reason why Asrul prepares a bank reconciliation statement.

..... [1]

(f) State what is meant by a bank statement.

.....
..... [1]

(g) Give **one** example of **each** of the following.

- 1 An item in the cash book not in the bank statement

.....

- 2 An item in the bank statement not in the cash book.

..... [2]

[Total: 11]



4 (a) Explain what is meant by the term provision for doubtful debts.

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

On 1 May 2014 Samuel's provision for doubtful debts account showed a balance of \$450. On 30 April 2015 his trade receivables amounted to \$9750. This included a debt of \$250 which had gone bad and should be written off. Samuel provides for doubtful debts at a rate of 4%.

REQUIRED

(b) Prepare Samuel's provision for doubtful debts account. Bring down the balance on 1 May 2015.

Samuel
Provision for doubtful debts account

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

[5]

(c) State where the entry for doubtful debts will appear in the income statement.

..... [1]

(d) Name the **two** accounting principles Samuel is applying by maintaining a provision for doubtful debts account.

1

2 [2]

(e) Name the **two** items in the statement of financial position which might be overstated if Samuel did not maintain a provision for doubtful debts account.

1

2 [2]

[Total: 12]



5 Nzita is a sole trader. His statement of financial position at 31 January 2014 included the following balances.

	\$
Trade receivables	700
Trade payables	400
Inventory	1 100
Equipment at cost	15 700
Provision for depreciation of equipment	4 100
Prepaid rent	250
Bank	2 100 debit

REQUIRED

(a) Calculate Nzita's capital at 31 January 2014.

.....

.....

.....

.....

.....

.....

.....

.....

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.....

.....

.....

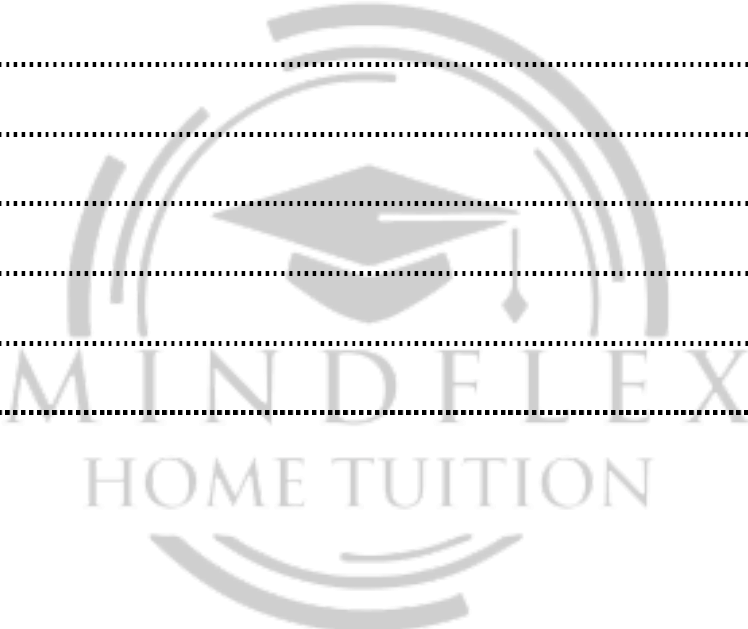
.....

.....

.....

.....

[6]



A summary of Nzita's bank statements showed the following for the year ended 31 January 2015.

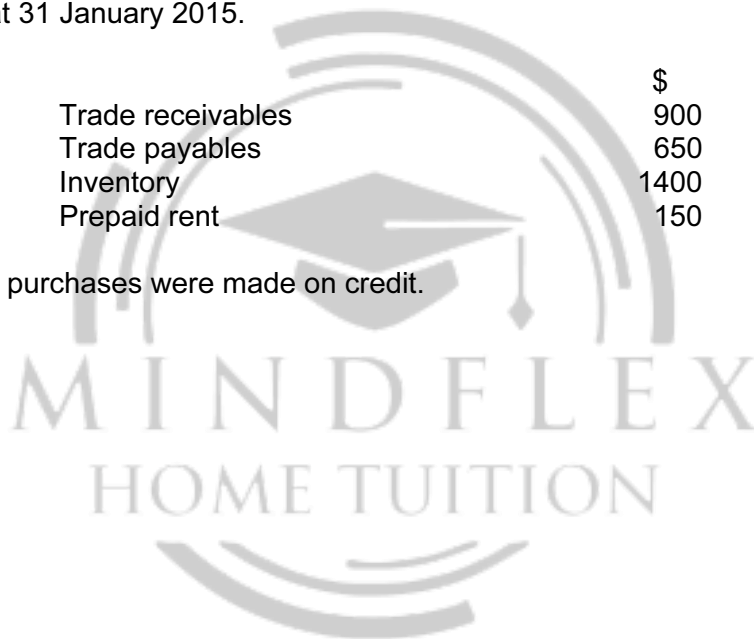
	\$
Receipts from customers	28 900
Payments to suppliers	12 600
Wages	5 200
Rent	3 100
Purchase of new equipment	1 100
Sundry expenses	2 650
Drawings	6 600

Further information is as follows.

- 1 Nzita depreciates his non-current assets at the rate of 10% per annum on the straight line basis. A full year's depreciation is provided in the year of purchase.
- 2 No non-current assets were disposed of during the year.
- 3 Proper books of account were not kept during the year but Nzita provided the following information at 31 January 2015.

	\$
Trade receivables	900
Trade payables	650
Inventory	1400
Prepaid rent	150

- 4 All sales and purchases were made on credit.



REQUIRED

- (b) Prepare the following accounts for the year ended 31 January 2015 to determine the sales and purchases for the year.

Nzita
Total trade receivables account

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

Nzita
Total trade payables account

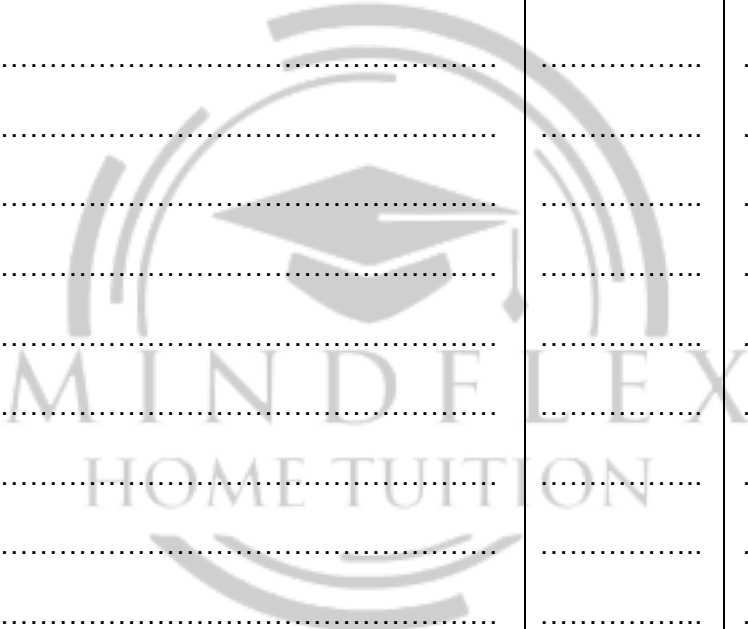
Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....

[8]

(c) Prepare Nzita's income statement for the year ended 31 January 2015.

Nzita
Income Statement for the year ended 31 January 2015

	\$	\$
.....
.....
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.....



[9]

- (d) Prepare an extract from Nzita's statement of financial position at 31 January 2015 showing the capital section.

Nzita
Statement of Financial Position (extract) at 31 January 2015

.....

.....

.....

.....

.....

.....

.....

.....

.....

[4]

- (e) Calculate, to **two** decimal places, Nzita's gross profit margin for the year.

.....

.....

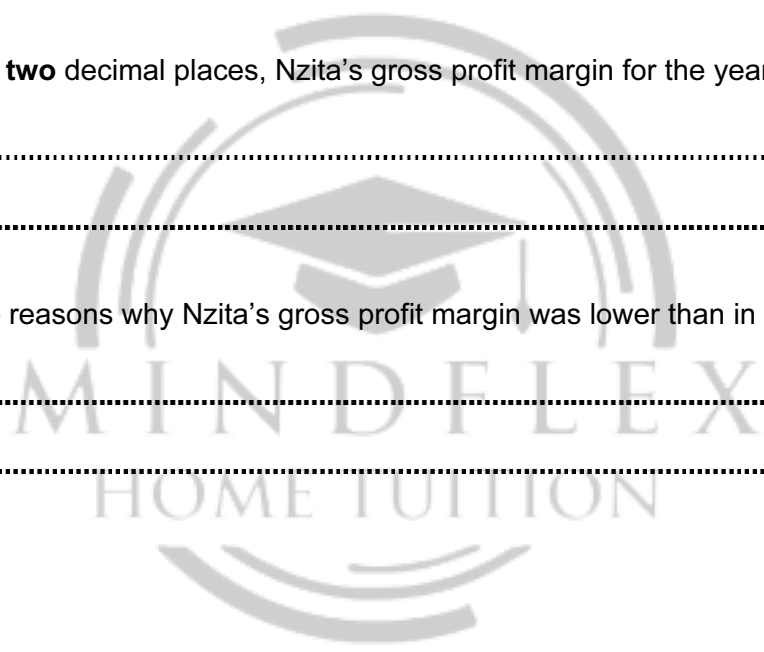
[2]

- (f) Suggest **two** reasons why Nzita's gross profit margin was lower than in the previous year.

1 [2]

2

[Total: 31]



6 (a) Complete the following sentences using the words

- | | | |
|------------|---------|-------------|
| capital | current | non-current |
| overstated | revenue | understated |

..... expenditure relates to the purchase of an asset which will last for more than 12 months.

..... expenditure relates to the day-to-day running costs of the business or the purchase of a asset.

A capital receipt arises when a asset is sold.

If an item of capital expenditure is wrongly recorded as revenue expenditure profit will be

If an item of revenue expenditure is wrongly recorded as capital expenditure profit will be..... [6]

Leroy prepared a trial balance on 30 September 2015 which failed to balance. He opened a suspense account. He then discovered the following errors.

- 1 Discount allowed, \$30, had been posted to the credit side of the discount received account.
- 2 Receipt of cash, \$85, from Yolanda, a credit customer, had been credited to the account of Joanie.
- 3 The total of the sales returns journal, \$110, had been posted as \$100.
- 4 An invoice totalling \$1000 for computer equipment and supplies had included a charge of \$150 for stationery. The total amount had been posted to the office equipment account.

REQUIRED

(b) State which **two** of these errors did **not** affect the balancing of the trial balance and in **each** case name the type of error which had occurred.

Error

Name

Error

Name [4]

(c) Prepare journal entries to correct all **four** errors. Narratives **are** required.

Error number	Details	Debit \$	Credit \$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[13]

Question 6(d) is on the next page.

(d) Prepare the suspense account, showing the original difference on the trial balance.

Leroy
Suspense account

Date	Details	\$	Date	Details	\$
2015 Sept 30	2015 Sept 30	.....	.....
.....
.....
.....
.....

[3]

Leroy had a draft profit for the year of \$5170 **before** the errors were corrected.

REQUIRED

(e) Complete the following table to calculate the correct profit for the year. Where an error has no effect on profit, place a tick (✓) in the No Effect column.

	No Effect	Increase \$	Decrease \$	\$
Draft profit				5170
Error 1				
Error 2				
Error 3				
Error 4				
Corrected profit				

[8]

[Total: 34]

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CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2015 series

0452 ACCOUNTING

0452/11

Paper 1, maximum raw mark 120

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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Page 2	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

- 1 (a) B
- (b) A
- (c) D
- (d) D
- (e) B
- (f) A
- (g) C
- (h) B
- (i) A
- (j) C

(1) each

[10]



Page 3	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

2 (a) The book where transactions (and other entries) are first recorded. (1) [1]

(b) Cash book/petty cash book/sales journal/sales returns journal/purchases journal/purchases returns journal/general journal/returns inwards and returns outwards journals

Any two for (1) mark each [2]

(c)

	asset	liability	expense
fixtures and fittings	✓		
insurance			✓
bank overdraft		✓	
cash	✓		
trade payable		✓	
wages			✓
accrued electricity		✓	
Increase in provision for doubtful debts			✓
Unpaid commission receivable	✓		

(1) Mark for every two correct [4]

(d) Statement of financial position (1) [1]

Income statement (1) [1]

Page 4	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

(e)

	Debit entry			Credit entry		
		\$			\$	
1	Bank account	8 000		Capital account	8 000	
2	Bank account	2 000	(1)	Loan account	2 000	(1)
3	(Delivery) Van account/ Motor vehicles account	5 200	(1)	A1 Motors account	5 200	(1)
4	Purchases account	3 700	(1)	Bank account	3 700	(1)
5	Rent account	1 000	(1)	Bank account	1 000	(1)
6	Petty cash/Cash	100	(1)	Bank account	100	(1)

[10]

(f)

\$	\$	
8 000		
<u>2 000</u>	10 000	(1)
3 700		
1 000		
<u>100</u>	(4 800)	(1)
	<u>5 200</u>	(1) of

[3]

[Total: 22]

Page 5	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

3 (a) Raw materials (1) work in progress (1) finished goods/purchased finished goods (1) [3]

(b) Lower of cost and net realisable value (1) [1]

(c)

Account debited	Account credited
Drawings (1)	Purchases (1)

[2]

(d) Business entity (1) [1]

(e) To check for errors and omissions in his books of account
To check the errors in the bank statement
To identify stale cheques
To identify unpresented cheques
To identify amounts not credited
To calculate the correct bank balance in his cash book
To verify the balance in his cash book
To correct/amend his cash book

Any one for (1) mark [1]

(f) A copy of the customer's account as it appears in the books of the bank (1) [1]

(g) An item in the cash book not in the bank statement

Unpresented cheque/uncredited deposit/book-keeper error
Any one for (1) mark

An item in the bank statement not in the cash book.

Bank charges/bank interest/dishonoured cheque/standing order/credit transfer/direct debit/bank error/dishonoured cheque

Any one for (1) mark [2]

[Total: 11]

Page 6	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

- 4 (a) An estimate (1) of the amount which will be lost (1) when debts go bad (1) which reduces the value of trade receivables (1)
Max 2 [2]

(b)

Samuel
Provision for doubtful debts account

2015	\$	2014	\$
30 April		1 May	
Income statement	70 (1of)	Balance b/d	450 (1)
Balance c/d	<u>380 (1)</u>		—
	<u>450</u>		<u>450</u>
		2015	
		1 May	
		Balance b/d	380 (1of)

+(1) for dates

- [5]
- (c) Below/after gross profit/after trading account/(on credit side) as other income.
Profit and loss section/(debit side) as an expense [1of]
- (d) Accruals/matching (1)
Prudence (1) [2]
- (e) Trade receivables (1)
Capital/profit (1) [2]

[Total: 12]

Page 7	Mark Scheme	Syllabus	Paper
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5 (a)

	\$	
Trade receivables	700	}
Trade payables	(400)	}(1)
Inventory	1 100	(1)
Equipment at cost	15 700	}
Provision for depreciation of equipment	(4 100)	}(1)
Prepaid rent	250	(1)
Bank	2 100	(1)
Capital	<u>15 350</u>	<u>(1of)</u>

[6]

(b)

Nzita
Total trade receivables account

2014	\$		2015	\$	
Feb 1	Balance b/d	700 (1)	Jan 31	Bank/Cash	28 900 (1)
2015				Balance c/d	900
Jan 31	Sales	<u>29 100 (1of)</u>			
		<u>29 800</u>			<u>29 800</u>
2015					
Feb 1	Balance b/d	900 (1of)			

Nzita
Total trade payables account

2015	\$		2014	\$	
Jan 31	Bank/Cash	12 600 (1)	Feb 1	Balance b/d	400 (1)
	Balance c/d	650	2015		
		<u>13 250</u>	Jan 31	Purchases	<u>12 850 (1of)</u>
					<u>13 250</u>
			2015		
			Feb 1	Balance b/d	650 (1of)

[8]

Page 8	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

(c)

Nzita
Income Statement for the year ended 31 January 2015

	\$	\$
Sales/Revenue		29 100 (1of)
Inventory 1 Feb 2014	1 100	
Purchases	<u>12 850</u> (1of)	
	13 950	
Inventory 31 January 2015	<u>1 400</u> (1 for both)	
Cost of sales		<u>12 550</u>
Gross profit		16 550 (1of)
Rent 3100 (1) + (250–150) (1)	3 200	
Wages	5 200	
Sundry expenses	2 650	
Depreciation of equipment	<u>1 680</u> (1)	
		<u>12 730</u>
Profit for the year + 1 for IAS terminology		<u>3 820</u> (1of)

[9]

(d)

Nzita
Statement of Financial Position (extract) at 31 January 2015

	\$
Capital at 1 Feb 2014	15 350 (1of)
Profit for the year	3 820 (1of)
	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/> 19 170
Drawings	6 600 (1)
Capital at 31 January 2015	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <u>12 570</u> (1of)

[4]

Page 9	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

(e) $16\,550/29\,100$ (1of) $\times 100 = 56.87\%$ (1of) [2]

- (f) Lower selling prices
Introduction of trade discount
Sales promotions
Higher purchases prices not passed on to customers
Change in mix of goods sold
Higher cost of sales

Any two (1of) each

[2]

[Total: 31]



Page 10	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	11

- 6 (a) Capital (1)
Revenue (1)
Current (1)
Non-current (1)
Understated (1)
Overstated (1) [6]

(b)

Error 2 (1)	Error of commission (1)
Error 4 (1)	Error of principle (1)

[4]

(c)

Error		Debit \$	Credit \$
1	Discount allowed Discount received Suspense Correction of misposting of discounts (1)	30 (1) 30 (1)	60 (1)
2	Joanie Yolanda Correction of misposting of receipt of cash (1)	85 (1)	85 (1)
3	Sales returns Suspense Correction of misposting of sales returns journal total (1)	10 (1)	10 (1)
4	Stationery Office equipment Correction of revenue expenditure treated as capital expenditure (1)	150 (1)	150 (1)

[13]

Page 11	Mark Scheme	Syllabus	Paper
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(d) Leroy
Suspense account

2015		\$	2015		\$		
Sept 30	Balance b/d	70	(1of)	Sept 30	Discount allowed and received	60	(1of)
					Sales returns	10	(1of)
		<u>70</u>				<u>70</u>	

[3]

(e)

	No effect	Increase \$	Decrease \$	\$
Draft profit				5 170
Error 1			60 (2)	
Error 2	✓ (1)			
Error 3			10 (2)	
Error 4			150 (2)	
Corrected profit				4 950 (1)OF

Marks with figures: 1 for figure, 1 for direction

[8]

[Total: 34]



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* 8 2 5 3 4 6 9 9 2 9 *

ACCOUNTING

0452/21

Paper 2

October/November 2015

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.
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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 **18** printed pages and **2** blank pages.

- 1 Shahid Ayub is a trader who maintains a full set of accounting records including a three column cash book.

On 1 August 2015 Shahid Ayub had the following balances in his cash book:

	\$
Cash	50
Bank overdraft	7150

Shahid Ayub's transactions for August 2015 included the following.

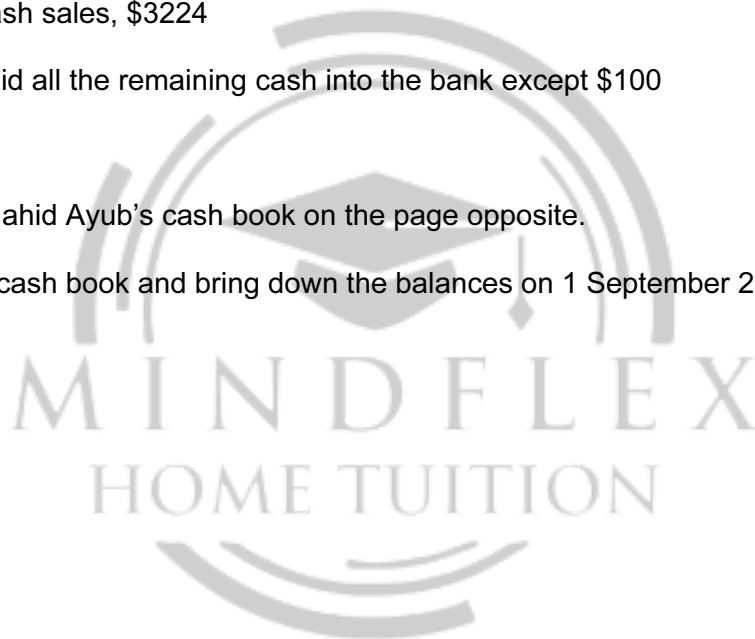
- August 9 A cheque received in July for \$362 from El Nil Supply Company was dishonoured by the bank
- 18 Paid \$54 by cheque for fuel of private motor vehicle
- 24 Received a cheque from Mariam Soliman to settle her debt of \$520, less 2½% cash discount
- 30 Cash sales, \$3224
- 31 Paid all the remaining cash into the bank except \$100

REQUIRED

- (a) Complete Shahid Ayub's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 September 2015.

[9]



Shahid Ayub - Cash Book

Bank	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Cash	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Discount received	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Details		.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Date		.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Bank	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Cash	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Discount allowed	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Details		.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Date		.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

The following incomplete statement of account was available on 31 August 2015.

STATEMENT OF ACCOUNT Shahid Ayub 44 Narrow Lane, Anytown				
Mariam Soliman The Avenue Weston			31 August 2015	
Date	Reference	Debit \$	Credit \$	Balance \$
2015				
August 1	Balance due			520
9	Goods	340		860
13	Returns		24	?
24	Payment		507	?
	Discount		13	?

REQUIRED

(b) (i) Calculate the balance due on 31 August.

..... [1]

(ii) State the name of the trader who owes the balance at 31 August.

..... [1]

(c) State the business document and the book of prime (original) entry Shahid Ayub would use to record the following transactions which appear on the statement of account.

Transaction	Document	Book of prime (original) entry
August 9 Goods
13 Returns
24 Payment

[6]

(d) Prepare the account of Shahid Ayub as it would appear in the ledger of Mariam Soliman.

Balance the account and bring down the balance on 1 September 2015.

Mariam Soliman
Shahid Ayub account

Date	Details	\$	Date	Details	\$
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[6]

[Total: 23]



- 2 Grace Zindi runs a secretarial agency. Her financial year ends on 31 July.

She provided the following information on 31 July 2015.

	\$
Capital 1 August 2014	85 000
Cash drawings	15 500
Fees from clients	28 500
Wages	21 600
Rates and insurance	3 900
General expenses	990
Heat and light	710
Commission receivable	7 600
Motor vehicles at cost 1 August 2014	12 500
Provision for depreciation of motor vehicles 1 August 2014	4 500
Office equipment at valuation 1 August 2014	11 400

Additional information

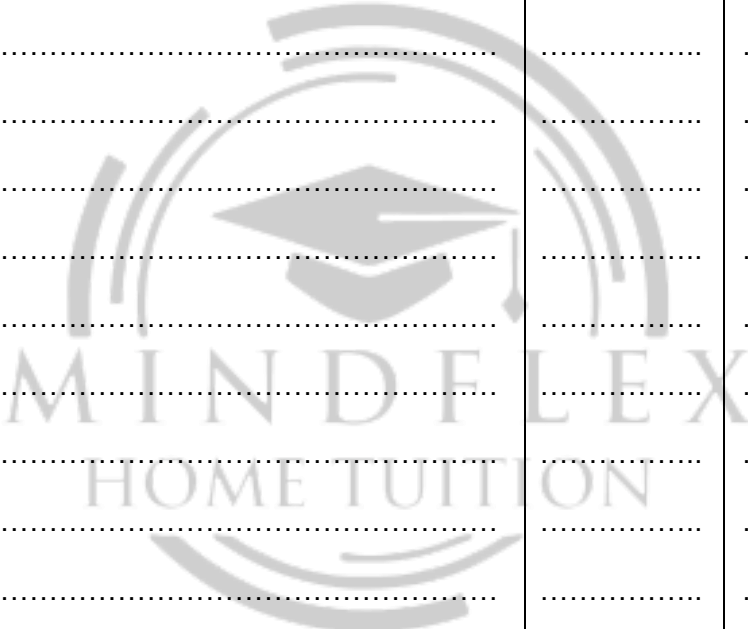
- At 31 July 2015
 - Insurance prepaid amounted to \$300
 - Commission receivable of \$250 was outstanding
 - Fees from clients of \$3400 was outstanding.
- Grace Zindi lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.
- On 31 July 2015 Grace Zindi decided to create a provision for doubtful debts of 1% of the amount owed by clients.
- The motor vehicles are being depreciated by 20% per annum on the reducing (diminishing) balance method.
- The office equipment was valued at \$14 500 on 31 July 2015. Additional office equipment costing \$6900 was purchased during the year. No office equipment was disposed of during the year.

REQUIRED

(a) Prepare Grace Zindi's income statement for the year ended 31 July 2015.

Grace Zindi
Income Statement for the year ended 31 July 2015

	\$	\$
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[16]

(b) Prepare the capital account for Grace Zindi for the year ended 31 July 2015.

Balance the account and bring down the balance on 1 August 2015.

Grace Zindi
Capital account

Date	Details	\$	Date	Details	\$
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[6]

(c) State the meaning of the accruals (matching) principle. Give **one** example of how this principle was applied in the preparation of the income statement in (a).

Meaning

.....

.....

Example

.....

[2]

(d) State the meaning of the business entity principle. Give **one** example of how this principle was applied in the preparation of the income statement in (a).

Meaning

.....

.....

Example

.....

[2]

[Total: 26]

3 (a) State **two** causes of depreciation of non-current assets.

- 1
- 2 [2]

(b) Explain the straight line method of depreciation.

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

(c) Explain the reducing (diminishing) balance method of depreciation.

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

(d) Explain how charging depreciation is an example of the application of the principle of prudence.

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

(e) Name **one** other accounting principle which is applied when charging depreciation.

..... [1]

On 1 October 2013 Natasha Salim started a business altering and mending clothes. On that date she purchased a machine, \$4000, paying by cheque.

On 1 January 2014 she purchased another machine, \$6000, on credit from ABC Machines.

She decided to depreciate the machines using the reducing (diminishing) balance method at 20% per annum. A whole year's depreciation was to be charged in the year of purchase, but no depreciation in the year of sale.

On 1 February 2015 Natasha Salim decided that the machine purchased on 1 October 2013 was no longer required. She sold it for \$2100, cash.

REQUIRED

(f) Prepare the following accounts in the ledger of Natasha Salim for **each** of the two years ended 30 September 2014 and 30 September 2015.

Balance the accounts and bring down the balances on 1 October 2014 and 1 October 2015.

Natasha Salim
Machinery account

Date	Details	\$	Date	Details	\$
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Provision for depreciation of machinery account

Date	Details	\$	Date	Details	\$
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[12]

(g) Calculate the profit or loss on the disposal of the machine on 1 February 2015.



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[4]

[Total: 25]

- 4 Moses and Tobias Iyambo are in partnership. Their financial year ends on 31 October. They share profits and losses equally. A capital and a current account are maintained for each partner.

Despite having little accounting knowledge, Tobias prepared the following statement of financial position on 31 October 2015.

Statement of Financial Position 31 October 2015

	\$	\$
Premises at cost		80 000
Fixtures and equipment at book value 1 September 2014		24 800
Inventory		6 950
Trade receivables		5 200
Bank		1 500
Drawings – M Iyambo	8 000	
T Iyambo	<u>5 500</u>	<u>13 500</u>
		<u>131 950</u>
Trade payables		8 520
Provision for doubtful debts		130
Capital account 1 September 2014 – M Iyambo	65 000	
T Iyambo	<u>35 000</u>	100 000
Current account 1 September 2014 – M Iyambo	Debit 2 000	
T Iyambo	Credit <u>3 500</u>	<u>5 500</u>
Balance		<u>114 150</u>
		<u>17 800</u>
		<u>131 950</u>

The following matters were then discovered.

- 1 The income statement included adjustments for the following which should have been included in the statement of financial position:

	\$
Depreciation for the year on fixtures and equipment	3100
Expenses accrued	1130

- 2 Bank charges, \$70, had been correctly recorded in the income statement but had not been entered in the cash book.
- 3 Cash in hand, \$500, had not been included in the statement of financial position.
- 4 Profit for the year was \$18 000.

REQUIRED

- (a) Prepare a corrected statement of financial position at 31 October 2015 showing the different types of assets and liabilities, and the capital and current accounts of each partner.

The calculation of the current account balances may be shown within the statement of financial position or as separate calculations in the space provided.

You may use the space below for your workings.

[16]

(b) State **two** items which Moses and Tobias Iyambo could have included in their partnership agreement in addition to profit-sharing ratios.

1
2 [2]

(c) State **two** ways in which Moses and Tobias Iyambo could obtain long-term funds to finance expansion of the business.

1
2 [2]

(d) Complete the following table by placing a tick (✓) in the correct column to show how **each** of the following transactions would affect the working capital of Moses and Tobias Iyambo.

	Increase	Decrease	No effect
Selling surplus equipment			
Delay paying credit suppliers			
Paying surplus cash into bank			
Writing off a bad debt			

[4]

[Total: 24]

5 Kelbrook Limited provided the following information.

- 1 The issued share capital consists of 180 000 ordinary shares of \$0.50 each.
- 2 On 1 October 2014:

General reserve	\$4000
Retained earnings	\$5500
- 3 The profit for the year ended 30 September 2015 was \$9000.
\$2000 of this was transferred to the general reserve.
An interim dividend of \$4500 was paid during the year.
No dividends were proposed at the end of the year.

REQUIRED

- (a) Prepare the equity and reserves section of the statement of financial position at 30 September 2015.

Kelbrook Limited
Extract from Statement of Financial Position at 30 September 2015

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[5]

Question 5(b) is on the next page.

Kelbrook Limited provided the following information at 30 September 2015.

	\$
Non-current assets at book value	102 200
Bank overdraft	6 100
Inventory	5 100
Trade receivables	8 500
Trade payables	4 300
Other payables	1 400

REQUIRED

(b) Complete the following table.

Current ratio	
Workings	Answer to two decimal places

Quick ratio	
Workings	Answer to two decimal places

Return on capital employed (ROCE)	
Workings	Answer to two decimal places

[6]

The ratios calculated at 30 September 2014 were:

Current ratio	2.51 : 1
Quick ratio	1.57 : 1
Return on capital employed (ROCE)	12.55%

REQUIRED

(c) Comment on the change in the current ratio.

.....

.....

.....

..... [2]

(d) Suggest **one** reason for the change in the quick ratio.

.....

..... [1]

(e) Suggest **two** ways to improve the return on capital employed (ROCE).

1 [2]

2 [2]

Question 5(f) is on the next page.

Kelbrook Limited provided the following information for the year ended 30 September 2015.

	\$
Credit sales	45 000
Cash sales	5 000

Credit customers are allowed 60 days credit.

REQUIRED

- (f) (i) Calculate the collection period for trade receivables. Round up your answer to the next whole day.

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

- (ii) Comment on the collection period for trade receivables.

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

Kelbrook Limited is allowed 30 days credit by their credit suppliers. For the year ended 30 September 2015 the payment period was 52 days.

REQUIRED

- (g) Comment on the payment period for trade payables.

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

[Total: 22]

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Cambridge International General Certificate of Secondary Education

MARK SCHEME for the October/November 2015 series

0452 ACCOUNTING

0452/21

Paper 2, maximum raw mark 120

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Page 2	Mark Scheme	Syllabus	Paper
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1 (a)

Shahid Ayub
Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
2015		\$	\$	\$	2015		\$	\$	\$
Aug 1	Balance b/d (1)		50		Aug 1	Balance b/d			7150
24	Mariam Soliman (1)	13		507	9	El Nil Supply Company (dis cheque) (1)			362
30	Sales (1)		3224		18	Drawings (1)			54
31	Cash c (1)OF			3174	31	Bank c (1)		3174	
	Balance c/d			3885		Balance c/d		100	
		13	3274	7566				3274	7566
2015					2015				
Sept 1	Balance b/d		100 (1)		Sept 1	Balance b/d			3885 (1)OF

+ (1) dates

[9]

Page 3	Mark Scheme	Syllabus	Paper
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(b) (i) \$316 (1)

(ii) Mariam Soliman (1)

[2]

(c)

Transaction	Document	Book of prime (original) entry
August 9 Goods	Sales invoice (1)	Sales Journal (1)
13 Returns	Credit note (1)	Sales Returns Journal (1)
24 Payment	Cheque (OR Paying in book) (1)	Cash book (1)

[6]

(d)

Mariam Soliman
Shahid Ayub Account

	\$		\$
2015		2015	
Aug 13 Returns	24 (1)	Aug 1 Balance b/d	520
24 Bank/Cash	507 (1)	9 Purchases	340 (1)
Discount	13 (1)		
31 Balance c/d	316		
	860		860
		2015	
		Sept 1 Balance b/d	316 (1)O/F

Three column running balance presentation acceptable

+(1) for dates

[6]

[Total: 23]

Page 4	Mark Scheme	Syllabus	Paper
	Cambridge IGCSE – October/November 2015	0452	21

2 (a)

Grace Zindi
Income Statement for the year ended 31 July 2015

	\$	\$
Income from Clients (28 500 (1) + 3400 (1))		31 900
Commission receivable (7600 (1) + 250 (1))		7 850
		<u>39 750</u>
Wages	21 600 (1)	
Rates and Insurance ((3900 (1) – 300 (1)) × ¾ (1))	2 700	
General Expenses	990 (1)	
Heat and Light	710 (1)	
Provision for Doubtful Debts (1% × 3400)	34 (1)	
Depreciation motor vehicles (12 500 – 4500 (1) × 20% (1))	1 600	
Depreciation office equipment (11 400 + 6900 (1) – 14 500 (1))	3 800	
		<u>31 434</u>
Profit for the year		<u>8 316 (1)OF</u>

[16]

(b)

Grace Zindi Capital Account					
\$			\$		
2015			2014		
31 July	Cash/Drawings	15 500 (1)	1 Aug	Balance	85 000 (1)
	Rates & Insurance		2015		
	Drawings	900 (1)	31 July	Profit	8 316 (1)OF
	Balance c/d	<u>76 916</u>			
		<u>93 316</u>			<u>93 316</u>
			2015		
			1 Aug	Balance	76 916 (1)OF

+(1) For dates

Three column running balance presentation acceptable

[6]

(c) Revenue for the year is matched against the costs of the same period (1)

Example

Either Insurance prepaid at year-end was deducted

Or Commission receivable outstanding at year-end was added

Or Amount owing from clients at year-end was added (1)

[2]

(d) The business is treated as being separate from the owner (1)

Example

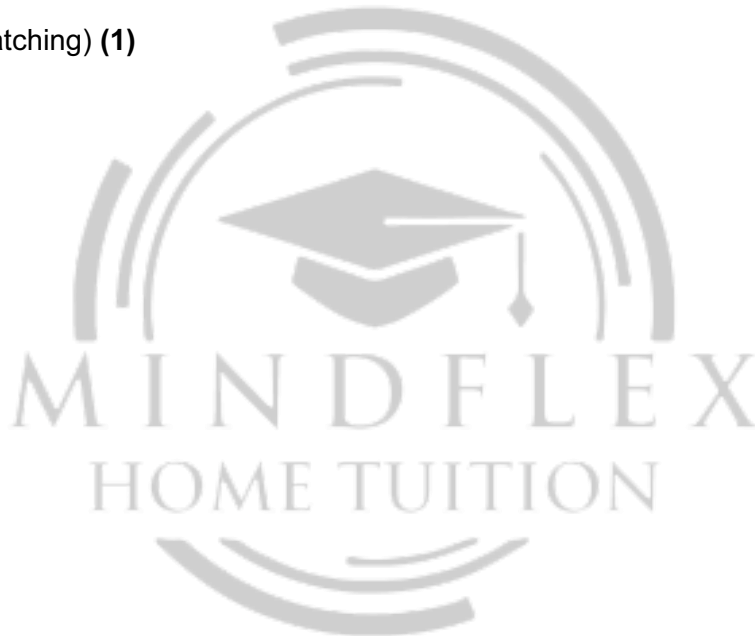
The proportion of rates and insurance relating to the owner's flat was excluded from the business expenses (1)

[2]

[Total: 26]

Page 5	Mark Scheme	Syllabus	Paper
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- 3 (a) Physical deterioration
Economic reasons
Passage of time
Depletion
Any 2 reasons (1) each [2]
- (b) The depreciation is calculated on the net cost price (1) and the same amount is written off each year (1) [2]
- (c) The same percentage is written off each year (1) but it is calculated on the net book value of the asset (1) [2]
- (d) Ensures that non-current assets are shown at more realistic values (1)
Ensures that the profit for the year is not overstated (1) [2]
- (e) Accruals (matching) (1) [1]



Page 6	Mark Scheme	Syllabus	Paper
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(f) (i)

Natasha Salim
Machinery Account

		\$		\$
2013			2014	
Oct 1	Bank	4 000	Sept 30	Balance c/d
2014				10 000
Jan 1	ABC Machines	6 000		
		<u>10 000</u>		<u>10 000</u>
2014			2015	
Oct 1	Balance b/d	10 000	Feb 1	Disposal
		<u>10 000</u>	Sept 30	Balance c/d
				4 000 (1)
				<u>6 000</u>
				10 000
2015				
Oct 1	Balance b/d	6 000		

(ii)

Provisions for depreciation of machinery account

		\$		\$
2014			2014	
Sept 30	Balance c/d	2 000	Sept 30	Income Statement
		<u>2 000</u>		800(1) + 1200 (1)
				<u>2 000</u>
2015			2014	
Feb 1	Disposal	800	Oct 1	Balance b/d
Sept 30	Balance c/d	2 160		2 000 (1)OF
		<u>2 960</u>	2015	
			Sept 30	Income Statement
				960 (1)
				<u>2 960</u>
			2015	
			Oct 1	Balance b/d
				2 160 (1)OF
				(2)CF

Three column running balance presentation acceptable

[12]

(g)

	\$
Proceeds of Sale	2 100
Provision for depreciation	<u>800</u> (1)OF
	2 900
Less Cost Price	<u>4 000</u> (1)
Profit/Loss (1) on disposal	<u>1 100</u> (1)OF

Accept alternative formats

[4]

[Total: 25]

Page 7	Mark Scheme	Syllabus	Paper
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4 (a)

Moses and Tobias Lyambo
Corrected Statement of Financial Position at 31 October 2015

	\$	\$	\$
Assets			
Non-current assets			
Premises at cost			80 000
Fixtures and Equipment at book value (24 80 – 3100)			<u>21 700 (1)</u>
			<u>101 700 (1)</u>
Current Assets			
Inventory			6 950
Trade Receivable		5 200	
Provision for doubtful debts		<u>130 (1)</u>	5 070
Bank (1500 – 70)			1 430 (1)
Cash			<u>500 (1)</u>
			<u>13 950 (1)OF</u>
Total assets			<u>115 650</u>
Capital and liabilities			
	M lyambo	T lyambo	Total
Capital Accounts	<u>65 000</u>	<u>35 000</u>	100 000 (1)
Current Accounts			
Balance	(2 000)	3 500 (1)	
Share of Profit	<u>9 000</u>	<u>9 000</u> (1)	
	7 000	12 500	
Drawings	<u>8 000</u>	<u>5 500</u> (1)	
	<u>1 000 (1)</u>	<u>7 000</u> (1)	6 000 (1)OF
			<u>106 000 (1)OF</u>
Current liabilities			
Trade Payables			8 520
Other Payables			<u>1 130 (1)</u>
			<u>9 650 (1)</u>
Total Liabilities			<u>115 650</u>

Accept current account calculations outside statement

[16]

- (b) Introduce more capital
Obtain long-term loan
Mortgage premises
Or other suitable way
Any two ways (1) each

[2]

Page 8	Mark Scheme	Syllabus	Paper
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- (c) Introduce more capital
Obtain long-term loan
Mortgage premises
Or other suitable way
Any two ways (1) each

[2]

(d)

	Increase	Decrease	No effect
Sale of surplus equipment	✓ (1)		
Delay payment to credit suppliers			✓ (1)
Paying surplus cash into bank			✓ (1)
Writing off a bad debt		✓ (1)	

[4]

[Total: 24]



Page 9	Mark Scheme	Syllabus	Paper
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5 (a)

Kelbrook Limited
Extract from Statement of Financial Position at 30 September 2015

	\$	
Equity and Reserves		
Ordinary Share Capital	90 000	(1)
General Reserve (4000 (1) + 2000 (1))	6 000	
Retained Earnings (5500 (1) + 2500 (1))	8 000	
	104 000	

[5]

(b)

Current ratio	
Workings	Answer to two decimal places
(5100 + 8500) : (6100 + 4300 + 1400) 13 600 : 11 800 (1)	1.15 : 1 (1)

Quick ratio	
Workings	Answer to two decimal places
8500 : (6100 + 4300 + 1400) 8500 : 11 800 (1)	0.72 : 1 (1)

Return on capital employed (ROCE)	
Workings	Answer to two decimal places
$\frac{9000}{90\,000 + 6000 + 8000} \times \frac{100}{1}$ OR $\frac{9000}{102\,200 + 13\,600 - 11\,800} \times \frac{100}{1}$	8.65% (1)

[6]

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- (c) Ratio has fallen
Current assets only just cover the current liabilities
May have problems in meeting debts when they fall due
Is below the generally-accepted “benchmark”
Or other suitable comments based on answer to (b)
Any 2 points (1) each [2]
- (d) Change from positive bank balance to overdraft/increase in overdraft/reduction in bank balance
Increased expenditure on inventory/increase in inventory
Purchase of non-current assets
Repayment of long-term loan
Increase in current liabilities
Decrease in trade receivables
Any 1 reason (1) [1]
- (e) Increase the profit
Reduce the capital employed
Any 2 reasons (1) each [2]
- (f) (i) $\frac{8500}{45000} \times \frac{365}{1} (1) = 69 \text{ days } (1)$ [2]
- (ii) On average credit customers are taking 9 days more than is allowed
This may affect the ability of the business to pay current liabilities
This may affect the ability of the business to take advantage of opportunities when they arise
Or other suitable comments based on answer to (f)(i)
Any 2 points (1) each [2]
- (g) On average are taking 22 days more than is allowed to pay credit suppliers
This may be caused by the credit customers taking too long to pay
May result in further supplies being refused
Or other suitable points
Any 2 points (1) each [2]

[Total: 22]