



Cambridge International Examinations

Cambridge International General Certificate of Secondary Education

CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

ACCOUNTING

0452/23

Paper 2

October/November 2014

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.



1 Peter Pickard maintains a petty cash book. The monthly imprest of \$250 is restored on the last day of the month.

REQUIRED

(a)	State two reasons for maintaining a petty cash book.	
	1	
	2	[2]
(b)	Explain the imprest system of petty cash.	
		[2]
(c)	State one advantage of the imprest system of petty cash.	
		 [1]

The entries in Peter Pickard's petty cash book for August 2014 were as follows.

Peter Pickard Petty Cash Book

Total Received	Date	Details	Total Paid	Postage	Cleaning	Sundries	Ledger Accounts
\$	2014		\$	\$	\$	\$	\$
250	Aug 1	Balance b/d					
	4	Window cleaner	25		25		
	10	Stamps	30	30			
	16	B Smith	36				36
	21	Donation to charity	15			15	
	29	Office cleaner	83		83		
	31	W Jones	18				18

		31	w Jones			18							18	
RE	QUIRED													
(d)	Calculate h	ow n	nuch the p	etty ca	shier	will re	eceiv	e on 31	August	201	14 to rest	tore tl	ne impres	st.
				•••••	•••••			•••••	•••••	•••••				[1]
(e)	Complete 31 August 2			table	to s	show	the	double	entry	to	restore	the	imprest	on
			Debit							(Credit			
														[2]
(f)	State how cleaning co			-	-		on 3	1 Augus	t 2014	for	the item	s rec	orded in	the
			•••••						•••••					[1]

(g)	State how the double entry is completed on 31 August 2014 for the items recorded in t ledger accounts column of the petty cash book.	the
		[2]

Additional Information

Peter Pickard's transactions for August 2014 included the following.

- Aug 5 Sold goods on credit to S Bower, list price \$1480, less 20% trade discount
 - 13 Sold goods on credit to C Brooke, list price \$1340, less 15% trade discount
 - 19 S Bower returned goods, list price \$160, purchased on 5 August

REQUIRED

(h) Make the necessary entries in Peter Pickard's sales journal, sales returns journal, sales ledger and nominal (general) ledger for the month of August 2014.

It is **not** necessary to balance the accounts.

Peter Pickard Sales Journal

Date	Details	\$ \$

Sales Returns Journal

Date	Details	\$ \$

Sales Ledger S Bower account

Date	Details	\$ Date	Details	\$

C Brooke account

Date	Details	\$ Date	Details	\$

[1]

[2]

[2]

Nominal (General) Ledger Sales account

Date	Details	\$ Date	Details	\$

[1]

Sales Returns account

Date	Details	\$ Date	Details	\$

[1]

Additional Information

Peter Pickard sells on both cash and credit terms. He allows his credit customers a period of 30 days in which to pay their accounts.

The sales for the year ended 31 August 2014 were:

Cash sales 4 100 Credit sales 29 600

On 31 August 2014 the trade receivables amounted to \$2340.

REQUIRED

(i)	Calculate the collection period for trade receivables. Your answer should be rounded up to the next whole day.
	יביו
	[2]
(j)	State whether Peter Pickard would be satisfied with the collection period for trade receivables.
	[1]
(k)	Explain how Peter Pickard's payment period for trade payables may be affected by the collection period for trade receivables.
	[2]

[Total: 26]

2	Alina Tan is a trader. She maintains a full set of accounting records. Her financial year ends on 31 October. She has written off a number of bad debts during the year.
	REQUIRED
	(a) Suggest two ways in which Alina Tan could reduce the possibility of bad debts.

1		
2		
	[2	2]

On 30 October 2014 Alina Tan wrote off \$66 which had been outstanding from Yeung for 2 years.

REQUIRED

(b) Prepare a journal entry to record this transaction. A narrative is required.

Alina Tan Journal

Debit \$	Credit \$

[3]

Additional Information

Alina Tan maintains a provision for doubtful debts at 3% of her trade receivables at the end of each year.

On 1 November 2013 the provision for doubtful debts was \$450. On 31 October 2014 the trade receivables amounted to \$13 500.

REQUIRED

(c)	Explain the term 'provision for doubtful debts'.	
		[2]

	8			
(d)	Name two accounting principles which are applied w maintained.	hen a provisi	on for doubtful	debts is
	1			
	2			[2]
(e)	Prepare a journal entry on 31 October to record the ac debts. A narrative is required	djustment to th	ne provision fo	r doubtful
	Alina Tan Journal			
		Debit \$	Credit \$	
				[3]
(f)	Explain the term 'bad debt recovered'.			
				[2]

(g)	Explain the following terms.
	Capital expenditure
	Revenue expenditure
	Capital receipts
	Revenue receipts
	[4]

On 31 October 2014 Alina Tan discovered that an item of capital expenditure had been recorded as revenue expenditure.

REQUIRED

(h) Complete the following table by putting a tick (\checkmark) in the correct columns to indicate the effect of this error on the non-current assets and the profit for the year.

	ent assets rch 2014	profit for the year ended 31 March 2014					
Overstated	Understated	Overstated	Understated				

[2]

[Total: 20]

3	(a)	State two	advantages	of being a	partner	rather t	han a	sole trade	٠r
J	\u ,	Claic two	advantages	or being a	partition	ratifici t	nan a	JOIC HAGE	,ı .

1	
2	
	[2

Shahid and Hamza Hussain are in partnership as gardeners. Their financial year ends on 31 July.

They provided the following information on 31 July 2014.

	\$
Equipment at valuation 1 August 2013	2 900
Equipment purchased during year	1 150
Motor vehicles at cost	25 000
Provision for depreciation of motor vehicles 31 July 2013	9 000
Receipts from customers	76 400
Wages	41 600
Insurance	1 232
General expenses	3 090

Additional information

- 1 The wages include \$1500 for work done in Shahid's private garden.
- 2 On 31 July 2014 general expenses accrued amounted to \$94.
- 3 The insurance represents cover for 14 months to 30 September 2014.
- 4 The motor vehicles are being depreciated at 20% per annum on the reducing (diminishing) balance method.
- 5 The equipment was valued at \$3150 on 31 July 2014.

REQUIRED

(b)	Prepare	the	income	statement	of	Shahid	and	Hamza	Hussain	for	the	year	ended
	31 July 2	2014.											

Income Statement for the year ended 31 July 2014
[14]
[11]

Additional Information

The partnership agreement of Shahid and Hamza Hussain provides for: Interest on capital at 5% per annum Interest on drawings at 3% per annum An annual salary of \$9000 per annum for Shahid Hussain Sharing of residual profits and losses equally

On 1 August 2013 the balances on the partners' capital and current accounts were as follows.

	Shahid Hussain \$	Hamza Hussain \$
Capital account	80 000	60 000
Current account	2 340 Cr	1 960 Dr

On 1 February 2014 Shahid Hussain withdrew \$20 000 of his capital from the business.

Drawings and interest on drawings for the year ended 31 July 2014 were as follows.

	Shahid	Hamza
	Hussain	Hussain
	\$	\$
Drawings	10 000	8 000
Interest on drawings	300	240

REQUIRED

(c)	Prepare the profit and loss appropriation account of Shahid and Hamza Hussain for the year
	ended 31 July 2014.

Start with the profit for the year calculated in (b)

Shahid and Hamza Hussain Profit and Loss Appropriation Account for the year ended 31 July 2014
[7]

(d)	Prepare the current account of Hamza Hussain for the year ended 31 July 2014. Balance the account and bring down the balance on 1 August 2014.			
	Hamza Hussain Current account			

[Total: 25]

Question 4 is on the next page.

Grace Mhando started a business on 1 October 2013. She did not maintain a full set of accounting records.

All goods are bought and sold on credit terms.

She provided the following information.

	\$
For the year ended 30 September 2014	
Payments to credit suppliers	31 600
Receipts from credit customers	35 100
Discount allowed to credit customers	900
Returns to credit suppliers	2 100
Bad debts written off	100
Interest charged by credit supplier on overdue account	40
Carriage inwards	1 090
On 30 September 2014	
Amount owed to credit suppliers	1 990
Amount owed by credit customers	3 950
REQUIRED	

(a)	Calculate the credit purchases for the year ended 30 September 2014.
	[6]

(b)	Calculate the credit sales for the year ended 30 September 2014.
	[6]
Gra 20%	ce Mhando did not value her inventory on 30 September 2014. Her gross profit margin was
RE	QUIRED
(c)	Calculate the value of the inventory on 30 September 2014 by means of an income statement (trading account section).
	Grace Mhando Income Statement (Trading Account Section) for the year ended 30 September 2014
	[7]
	[/]

(d)		two reasons why Grace Mhando's credit suppliers would be interested in her financial ments.
	1	
	2	
		[2]
(e)		e two other business people who would be interested in Grace Mhando's financial ments.
	1	
	2	[2]
		[Total: 23]

5	The fina	ancial v	ear of	Zilani	Limited	ends	on 30	Septembe	er.
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The following information is available.

	\$	\$
For the year ended 30 September 2014		
Revenue (sales)		480 000
Cost of sales		310 000
Expenses		94 000
On 30 September 2014		
Capital employed		635 000
Inventory	30 800	
Trade receivables	<u>56 000</u>	86 800
Trade payables	51 500	
Bank overdraft	15 300	
Short term loan	<u>5 000</u>	71 800

R

RE	QUIRED
(a)	Calculate the percentage of gross profit to revenue (sales).
	The calculation should be correct to two decimal places.
	[2]
The	e percentage of gross profit to revenue (sales) is lower than in 2013.
(b)	Suggest two reasons why it is lower.
	1
	2
	[2]

(c)	Calculate the percentage of profit for the year to revenue (sales).	
	The calculation should be correct to two decimal places.	
		[2]
(d)	Suggest two ways in which the percentage of profit for the year to revenue (sales) could improved.	be
	1	••••
	2	
		[2]
(e)	Calculate the return on capital employed (ROCE).	
	The calculation should be correct to two decimal places.	
		[2]
(f)	Explain the importance of the return on capital employed (ROCE) to Zilani Limited.	
		••••
		[2]

(g)	Calculate the current ratio.
	The calculation should be correct to two decimal places.
	[2]
(h)	Calculate the quick (acid test) ratio.
	The calculation should be correct to two decimal places.
	[2]
(i)	Explain why the quick (acid test) ratio is more reliable than the current ratio as an indicator of liquidity.
	[2]

Question 5(j) and (k) are on the next page.

(j) Complete the table by placing a tick (\checkmark) in the correct column to show how **each** of the following transactions would affect the working capital of Zilani Limited.

	Increase	Decrease	No effect
Issue of additional shares			
Cheque paid to credit supplier			
Repayment of long term loan			
Purchase of goods on credit			
Sale of unused non-current asset			
Cheque paid for repairs to non-current asset			

(k)	Sug	gest two problems Zilani Limited may encounter if its working capital is inadequate.
	1	
	2	

[Total: 26]

[2]

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