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**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.

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



**2**

- 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]

[illegible]

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

| STATEMENT OF ACCOUNT                   |             |             |                |               |
|----------------------------------------|-------------|-------------|----------------|---------------|
| Shahid Ayub<br>44 Narrow Lane, Anytown |             |             |                |               |
| Mariam Soliman<br>The Avenue<br>Weston |             |             | 31 August 2015 |               |
| Date                                   | Reference   | Debit<br>\$ | Credit<br>\$   | Balance<br>\$ |
| 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]

5

(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 | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[6]

[Total: 23]

## 6

- 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

- 1 At 31 July 2015
  - Insurance prepaid amounted to \$300
  - Commission receivable of \$250 was outstanding
  - Fees from clients of \$3400 was outstanding.
- 2 Grace Zindi lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.
- 3 On 31 July 2015 Grace Zindi decided to create a provision for doubtful debts of 1% of the amount owed by clients.
- 4 The motor vehicles are being depreciated by 20% per annum on the reducing (diminishing) balance method.
- 5 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]

8

(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 | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[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]

## 10

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 | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

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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.....

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[4]

[Total: 25]

## 12

- 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>   |
|                                                       |                     |  | 114 150        |
| Balance                                               |                     |  | <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.

[illegible]

14

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]

15

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

.....

.....

.....

.....

.....

.....

..... [5]

Question 5(b) is on the next page.

## 16

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 <b>two</b> decimal places |
|               |                                     |

| Quick ratio |                                     |
|-------------|-------------------------------------|
| Workings    | Answer to <b>two</b> decimal places |
|             |                                     |

| Return on capital employed (ROCE) |                                     |
|-----------------------------------|-------------------------------------|
| Workings                          | Answer to <b>two</b> decimal places |
|                                   |                                     |

[6]



17

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 .....

**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.

.....

.....

.....

..... [2]

[Total: 22]

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