



**Cambridge International Examinations**  
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**ACCOUNTING**

**0452/23**

Paper 2

**May/June 2016**

**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 **19** printed pages and **1** blank page.

2

- 1 Carol is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is \$100. All payments below \$50 are made from petty cash.

REQUIRED

(a) State **two** reasons for maintaining a petty cash book.

- 1 .....  
.....  
2 .....  
..... [2]

Carol had the following transactions during April 2016.

- April 1 Petty cash imprest restored from the business bank account.  
4 Purchased tea and coffee for office staff, \$11.  
9 Paid K Mzolo’s account of \$450, by cheque, after deducting a cash discount of 2%.  
16 Bought stationery, \$25.  
19 Paid taxi fare, \$8.  
20 Received a cheque from B Mamba in settlement of his account of \$920, less 2½% cash discount.  
23 Paid T Nhete, a credit supplier, \$38.  
28 Cash sales, \$2970.  
29 Paid all the cash in the main cash account, except \$100, into the bank account.

REQUIRED

(b) Record the above transactions in the following books which appear on pages **3** and **4**.

- (i) Petty cash book [9]  
(ii) Three column cash book [10]

Balance **each** book and bring down the balances on 1 May 2016. [Total: 21]

(i)  
Carol  
Petty Cash Book

| Total received                                                                                  | Date                                                                                             | Details                                                                                                    | Total paid                                                                                | Postage & stationery                                                                      | General expenses                                                                          | Ledger accounts                                                                           |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| \$ 23<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... | 2016<br>April 1<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... | Balance      b/d<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... | \$ .....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... | \$ .....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... | \$ .....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... | \$ .....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>.....<br>..... |

[illegible]

**5**

**2** Aneela started a business on 1 March 2015. She did not maintain a full set of accounting records.

All purchases and sales were made on credit terms. All payments were made by cheque and all money received was banked.

Aneela was able to provide the following information.

\$

On 1 March 2015

|                    |        |
|--------------------|--------|
| Capital introduced | 45 000 |
|--------------------|--------|

|                                 |        |
|---------------------------------|--------|
| Business start-up loan received | 10 000 |
|---------------------------------|--------|

During the year ended 29 February 2016

|                              |        |
|------------------------------|--------|
| Non-current assets purchased | 20 500 |
|------------------------------|--------|

|                  |        |
|------------------|--------|
| Credit purchases | 70 150 |
|------------------|--------|

|                                        |        |
|----------------------------------------|--------|
| Cheques received from credit customers | 61 230 |
|----------------------------------------|--------|

|                       |       |
|-----------------------|-------|
| Cash discount allowed | 1 570 |
|-----------------------|-------|

|                        |       |
|------------------------|-------|
| Cash discount received | 1 860 |
|------------------------|-------|

|                             |       |
|-----------------------------|-------|
| Returns to credit suppliers | 1 110 |
|-----------------------------|-------|

|                             |      |
|-----------------------------|------|
| Returns by credit customers | 2070 |
|-----------------------------|------|

|                       |     |
|-----------------------|-----|
| Bad debts written off | 260 |
|-----------------------|-----|

On 29 February 2016

|                                  |        |
|----------------------------------|--------|
| Amount owing by credit customers | 16 190 |
|----------------------------------|--------|

|                                  |       |
|----------------------------------|-------|
| Amount owing to credit suppliers | 7 040 |
|----------------------------------|-------|

|              |       |
|--------------|-------|
| Cash at bank | 16970 |
|--------------|-------|

## REQUIRED

**(a)** Calculate the credit sales for the year ended 29 February 2016.

[6]

[5]

- Aneela  
Bank account

[illegible]

**[Total: 18]**

- 3 Abid and Faiz are partners. They operate a secretarial agency. Their financial year ends on 31 March.

In addition to the capital invested, Abid made a 10-year loan to the business on 31 March 2016.

**REQUIRED**

- (a) State **one** advantage of being a partner rather than a sole trader.

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

- (b) State **one** disadvantage of being a partner rather than a sole trader.

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

- (c) State **one** reason why a partner may make a loan to the business rather than investing additional capital.

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

- (d) State **two** reasons why it is important for the partnership to have an adequate amount of working capital.

1 .....  
.....  
2 .....  
.....[2]

Abid and Faiz share profits and losses in the ratio of 2 : 1.

The balances on their accounts on 1 April 2015 were:

|                 | Abid      | Faiz       |
|-----------------|-----------|------------|
|                 | \$        | \$         |
| Capital account | 80 000    | 55 000     |
| Current account | 110 debit | 800 credit |

During the year ended 31 March 2016 the partners made the following drawings:

|       |       |
|-------|-------|
| Abid  | Faiz  |
| \$    | \$    |
| 6 000 | 7 000 |

## 8

The following is an extract from the profit and loss appropriation account for the year ended 31 March 2016.

| Abid and Faiz                                                          |      |              |              |
|------------------------------------------------------------------------|------|--------------|--------------|
| Profit and Loss Appropriation Account for the year ended 31 March 2016 |      |              |              |
|                                                                        |      | \$           | \$           |
| Profit for the year                                                    |      |              | 13 170       |
| Interest on drawings                                                   | Abid | 120          |              |
|                                                                        | Faiz | <u>140</u>   | <u>260</u>   |
|                                                                        |      |              | 13 430       |
| Interest on capital                                                    | Abid | 2 400        |              |
|                                                                        | Faiz | <u>1 650</u> |              |
|                                                                        |      | 4 050        |              |
| Salary                                                                 | Faiz | <u>5 000</u> | <u>9 050</u> |
| Profit available for distribution                                      |      |              | 4 380        |

The following additional information is available on 31 March 2016.

|                                      | \$           |
|--------------------------------------|--------------|
| Fixtures and equipment at book value | 104 000      |
| Motor vehicles at book value         | 28 520       |
| Trade payables                       | 11 900       |
| Other payables                       | 160          |
| Trade receivables                    | 19 320       |
| Bank                                 | 16 080 debit |
| Loan from Abid                       | 20 000       |

**REQUIRED**

- (e) Prepare the statement of financial position at 31 March 2016.

The details of the partners' current accounts may be shown within the statement or as a separate calculation in the space provided.

You may use this space for the partners' current accounts

[13]

**10**

- (f) Calculate the return on capital employed (ROCE). Use the capital employed from the statement of financial position and the profit for the year of \$13 170.

The calculation should be correct to **two** decimal places. Show your workings.

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

- (g) Explain the importance of return on capital employed (ROCE).

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

**[Total: 22]**

**Question 4 is on the next page.**

## 12

## 4 Yasmin opened a garment factory on 1 May 2015.

She provided the following information.

|                                        | \$      |
|----------------------------------------|---------|
| On 1 May 2015                          |         |
| Cost of factory machinery              | 35 000  |
| Cost of office furniture and equipment | 8 500   |
| Cost of tools                          | 1 000   |
| For the year ended 30 April 2016       |         |
| Revenue                                | 113 640 |
| Purchases of raw materials             | 28 600  |
| Carriage on raw materials              | 1 500   |
| Purchases of finished goods            | 15 700  |
| Wages and salaries                     |         |
| Factory operatives                     | 32 300  |
| Factory supervisors                    | 11 860  |
| Office and sales staff                 | 33 150  |
| General expenses                       |         |
| Factory                                | 3 340   |
| Office                                 | 1 960   |
| Rates                                  | 6 000   |
| At 30 April 2016                       |         |
| Inventory                              |         |
| Raw materials                          | 3 150   |
| Work in progress                       | 2 920   |
| Finished goods                         | 6 800   |
| Value of tools                         | 830     |

## Additional information

- 1 The rates are to be apportioned  $\frac{3}{4}$  to the factory and  $\frac{1}{4}$  to the office.
- 2 No additional non-current assets were purchased during the year.
- 3 The factory machinery is to be depreciated at 20% per annum on cost.
- 4 The office furniture and equipment is to be depreciated at 15% per annum on cost.
- 5 The tools are to be revalued at the end of each financial year.



14

- (b) (i) Calculate the cost of sales for the year ended 30 April 2016.

.....

.....

.....

.....

.....[4]

- (ii) Calculate the gross profit for the year ended 30 April 2016.

.....

.....

.....[1]

- (c) (i) Calculate the percentage of gross profit to revenue.

The calculation should be correct to **two** decimal places. Show your workings.

.....

.....

.....[2]

- (ii) Suggest **two** ways in which Yasmin could increase the percentage of gross profit to revenue.

1 .....

.....

2 .....

.....[2]

**[Total: 22]**

15

- 5 Paul is a trader. He maintains a full set of accounting records. His ledger is divided into a sales ledger, a purchases ledger and a nominal (general) ledger.

**REQUIRED**

- (a) State **one** advantage of dividing the ledger into these three sections.

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

- (b) Name the ledger in which **each** of the following accounts would appear.

- (i) J Smithson, a credit supplier, account ..... ledger  
 (ii) Sales returns account ..... ledger  
 (iii) Discount allowed account ..... ledger [3]

Paul's financial year ends on 31 December.

He maintains one combined account for rent and rates.

On 1 January 2015 three months' rates, totalling \$900, were prepaid. On the same date four months' rent, totalling \$3200, was prepaid.

The following transactions took place during the year ended 31 December 2015.

April 1 Paid rates by cheque, \$3960, for 12 months to 31 March 2016.

May 1 Paid rent by cheque, \$4800, for 6 months to 31 October 2015.

REQUIRED

- (c) Complete the rent and rates account for the year ended 31 December 2015.  
Balance the account and bring down the balances on 1 January 2016.

Paul  
Rent and rates account

| Date  | Details     | \$    | Date  | Details | \$    |
|-------|-------------|-------|-------|---------|-------|
| 2015  |             |       |       |         |       |
| Jan 1 | Balance b/d |       | ..... | .....   | ..... |
|       | Rates 900   |       |       |         |       |
|       | Rent 3200   | 4100  | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |
| ..... | .....       | ..... | ..... | .....   | ..... |

[7]

Paul always values his inventory at the lower of cost and net realisable value.

REQUIRED

- (d) Explain why Paul should continue his policy of including inventory in his financial statements at the lower of cost and net realisable value.

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

## 17

After the preparation of the income statement for the year ended 31 December 2015 it was discovered that the inventory on 31 December 2014 had been valued at net realisable value which was higher than the cost price.

**REQUIRED**

(e) Complete the following table to indicate the effect of this error.

Place a tick (✓) under the correct heading to indicate the **effect** of this error on **each** item.

|                                                      | overstated | understated | no effect |
|------------------------------------------------------|------------|-------------|-----------|
| Profit for the year ended<br>31 December 2014        |            |             |           |
| Profit for the year ended<br>31 December 2015        |            |             |           |
| Cost of sales for the year ended<br>31 December 2015 |            |             |           |
| Current assets at<br>31 December 2014                |            |             |           |
| Current assets at<br>31 December 2015                |            |             |           |

[5]

**[Total: 18]**

## 18

- 6 David is a trader. The totals of his trial balance prepared on 31 January 2016 did not balance. The difference was entered in a suspense account and draft financial statements were prepared.

The following information was extracted from the draft income statement for the year ended 31 January 2016.

|                     | \$     |
|---------------------|--------|
| Cost of sales       | 59 600 |
| Gross profit        | 15 800 |
| Profit for the year | 3 500  |

**REQUIRED**

- (a) (i) Calculate the percentage of profit for the year to revenue.

The calculation should be correct to **two** decimal places. Show your workings.

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

- (ii) Suggest **two** reasons why the percentage of profit for the year to revenue is lower than the previous year.

1 .....  
 .....  
 2 .....  
 .....[2]

The following errors were later discovered.

- 1 No record had been made of office expenses paid in cash, \$114.
- 2 A page total in the sales journal, \$45 400, had been incorrectly carried forward as \$44 500.
- 3 Discount allowed, \$300, was incorrectly recorded as discount received.
- 4 Sales returns, \$814, had been correctly recorded in the customer's account, but credited to the purchases returns account.
- 5 The provision for doubtful debts of \$120 should have been increased to \$144.

REQUIRED

(b) Prepare journal entries to correct **errors 1 and 2**. Narratives **are** required.

David  
Journal

|       | Debit<br>\$ | Credit<br>\$ |
|-------|-------------|--------------|
| ..... | .....       | .....        |
| ..... | .....       | .....        |
| ..... | .....       | .....        |
| ..... | .....       | .....        |
| ..... | .....       | .....        |
| ..... | .....       | .....        |
| ..... | .....       | .....        |
| ..... | .....       | .....        |

[6]

(c) Complete the following statement to show the effect on the profit for the year of **correcting errors 1–5**. Calculate the corrected profit for the year.

The first correction has been completed as an example.

David  
Statement of corrected profit for the year ended 31 January 2016

|                                        |                             |                             |            |
|----------------------------------------|-----------------------------|-----------------------------|------------|
| Profit for the year before corrections |                             |                             | \$<br>3500 |
|                                        | Increase<br>in profit<br>\$ | Decrease<br>in profit<br>\$ |            |
| Error 1                                |                             | 114                         |            |
| Error 2                                | .....                       | .....                       |            |
| Error 3                                | .....                       | .....                       |            |
| Error 4                                | .....                       | .....                       |            |
| Error 5                                | .....                       | .....                       |            |
| Corrected profit for the year          | .....                       | .....                       | .....      |

[9]

[Total: 19]

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