



**Cambridge International Examinations**  
Cambridge International General Certificate of Secondary Education

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**ACCOUNTING**

**0452/13**

Paper 1

**May/June 2018**

**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)** Jim supplies Debbie with goods on credit.

Which business document might Debbie send to Jim?

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

**(b)** What would be recorded in the general journal?

- |                               |                          |     |
|-------------------------------|--------------------------|-----|
| <b>A</b> bad debt written off | <input type="checkbox"/> |     |
| <b>B</b> cash sale of goods   | <input type="checkbox"/> |     |
| <b>C</b> credit sale of goods | <input type="checkbox"/> |     |
| <b>D</b> returns outwards     | <input type="checkbox"/> | [1] |

**(c)** Which item is **not** included as part of the calculation of net realisable value when valuing inventory?

- |                                                    |                          |     |
|----------------------------------------------------|--------------------------|-----|
| <b>A</b> carriage inwards                          | <input type="checkbox"/> |     |
| <b>B</b> cost of completing the goods              | <input type="checkbox"/> |     |
| <b>C</b> estimated receipts from sale of the goods | <input type="checkbox"/> |     |
| <b>D</b> selling expenses                          | <input type="checkbox"/> | [1] |

**(d)** How does a manufacturing business calculate the production cost of completed goods?

- |                                                                                               |                          |     |
|-----------------------------------------------------------------------------------------------|--------------------------|-----|
| <b>A</b> prime cost + factory overheads + opening work in progress – closing work in progress | <input type="checkbox"/> |     |
| <b>B</b> prime cost + factory overheads – opening work in progress + closing work in progress | <input type="checkbox"/> |     |
| <b>C</b> prime cost – factory overheads + opening work in progress – closing work in progress | <input type="checkbox"/> |     |
| <b>D</b> prime cost – factory overheads – opening work in progress + closing work in progress | <input type="checkbox"/> | [1] |

3

- (e) Anastasia purchased equipment, \$28 000, on 1 January 2016. Her depreciation policy is to use the reducing (diminishing) balance method at the rate of 20% per annum.

What was the net book value of the equipment on 31 December 2017?

- |          |          |                          |     |
|----------|----------|--------------------------|-----|
| <b>A</b> | \$10 080 | <input type="checkbox"/> |     |
| <b>B</b> | \$11 200 | <input type="checkbox"/> |     |
| <b>C</b> | \$16 800 | <input type="checkbox"/> |     |
| <b>D</b> | \$17 920 | <input type="checkbox"/> | [1] |

- (f) Which is an item of capital expenditure?

- |          |                                   |                          |     |
|----------|-----------------------------------|--------------------------|-----|
| <b>A</b> | annual redecoration of offices    | <input type="checkbox"/> |     |
| <b>B</b> | buildings insurance               | <input type="checkbox"/> |     |
| <b>C</b> | legal fees on purchase of factory | <input type="checkbox"/> |     |
| <b>D</b> | repairs to machinery              | <input type="checkbox"/> | [1] |

- (g) Where will interest on drawings be recorded?

- |          |                                        |                          |     |
|----------|----------------------------------------|--------------------------|-----|
| <b>A</b> | credited to partners' capital accounts | <input type="checkbox"/> |     |
| <b>B</b> | credited to partners' current accounts | <input type="checkbox"/> |     |
| <b>C</b> | debited to partners' capital accounts  | <input type="checkbox"/> |     |
| <b>D</b> | debited to partners' current accounts  | <input type="checkbox"/> | [1] |

- (h) B Limited provided the following details at 30 April 2018.

|                                         |         |
|-----------------------------------------|---------|
|                                         | \$      |
| profit for the year ended 30 April 2018 | 72 500  |
| ordinary share dividends paid           | 15 000  |
| transfer to general reserve             | 5 000   |
| retained earnings at 30 April 2018      | 285 000 |

What were retained earnings at the beginning of the financial year?

- |          |           |                          |     |
|----------|-----------|--------------------------|-----|
| <b>A</b> | \$227 500 | <input type="checkbox"/> |     |
| <b>B</b> | \$232 500 | <input type="checkbox"/> |     |
| <b>C</b> | \$337 500 | <input type="checkbox"/> |     |
| <b>D</b> | \$342 500 | <input type="checkbox"/> | [1] |

4

(i) What does the going concern principle mean?

- A** Non-current assets must be shown at expected sales value.
- B** Revenue is recognised when ownership of goods passes to the customer.
- C** The business will continue to operate for the foreseeable future.
- D** The financial statements should always use the same accounting principles.

☐☐☐☐

[1]

(j) On 31 March 2018 Sasha had trade receivables of \$95 000. She wrote off a bad debt, \$750, and made a provision for doubtful debts of 2% of trade receivables.

What was the figure for net trade receivables in the statement of financial position at 31 March 2018?

- A** \$92 350
- B** \$92 365
- C** \$93 115
- D** \$94 250

☐☐☐☐

[1]

[Total: 10]

- 2 Mary keeps a full set of accounting records including books of prime (original) entry.

**REQUIRED**

- (a) State **two** reasons why Mary uses books of prime (original) entry.

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

On 1 November 2017 the balance in Mary's cash book (bank columns) was \$838 overdrawn. Mary banks all cash sales at the end of each week.

Mary had the following transactions during November.

- 1 Sold goods, \$220, for cash
- 2 Returned goods costing \$440, bought on credit from Jane
- 3 Purchased a motor vehicle on credit, \$12 400, including road tax of \$300, from Speedy Motors
- 4 Received a cheque from Tan, a credit customer, in settlement of an invoice for \$400 after deduction of 2% cash discount
- 5 Took goods for own use, \$120

**REQUIRED**

- (b) Name the book of prime (original) entry where **each** of the transactions 1, 2 and 3 would be recorded.

1.....  
 2.....  
 3.....[3]

6

- (c) Complete the following table to show how **each** transaction was recorded by Mary. The first one has been completed as an example.

|   | Account(s) debited | \$         | Account(s) credited | \$         |
|---|--------------------|------------|---------------------|------------|
| 1 | <i>Cash</i>        | <i>220</i> | <i>Sales</i>        | <i>220</i> |
| 2 |                    |            |                     |            |
| 3 |                    |            |                     |            |
| 4 |                    |            |                     |            |
| 5 |                    |            |                     |            |

[10]

- (d) Calculate the bank balance at 30 November 2017.

.....

.....

.....

.....

.....[3]

- (e) Name the ledger in which Mary maintains:

- (i) Tan's account

.....[1]

- (ii) Motor vehicles account

.....[1]

[Total: 20]

3 Kumu purchases goods for resale on both cash and credit terms.

Kumu’s credit suppliers allow 30 days for payment of invoices.

Kumu provided the following information for the year ended 30 April 2018.

|                                                                 |         |
|-----------------------------------------------------------------|---------|
|                                                                 | \$      |
| Trade payables 1 May 2017                                       | 19 800  |
| Trade payables 30 April 2018                                    | 22 200  |
| Discount allowed                                                | 480     |
| Discount received                                               | 330     |
| Interest charged by suppliers                                   | 122     |
| Credit purchases                                                | 180 870 |
| Cash purchases                                                  | 26 400  |
| Sales ledger balances set off against purchases ledger balances | 400     |

REQUIRED

(a) Select the relevant items and prepare the purchases ledger control account for the year ended 30 April 2018. Insert the amount paid to credit suppliers.

Kumu  
Purchases ledger control account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[8]

(b) State the formula for calculating the trade payables payment period.

.....

.....[1]

- (c) Calculate the trade payables payment period for the year ended 30 April 2018. Round up your answer to the next whole day.

.....

.....

.....

.....[2]

- (d) State whether Kumu's suppliers would be satisfied with her trade payables payment period. Give a reason for your answer.

Satisfied? .....

Reason .....

.....

.....[2]

- (e) State **two** problems Kumu may face if her trade payables payment period is unsatisfactory.

1.....

.....

2.....

.....[2]

Kumu provided the following information for the year ended 30 April 2018.

|                            |         |
|----------------------------|---------|
|                            | \$      |
| Cost of sales              | 205 000 |
| Gross profit               | 92 250  |
| Inventory at 30 April 2018 | 35 000  |

#### REQUIRED

- (f) Calculate the percentage mark-up Kumu has applied.

.....

.....

.....

.....[2]

**(g)** Calculate the value of inventory at 1 May 2017.

[3]

**(h)** State the formula for the rate of inventory turnover.

.....[1]

(i) Calculate Kumu's rate of inventory turnover for the year ended 30 April 2018. The calculation should be correct to **two** decimal places.

.....[2]

[Total: 23]

4 Chandra is a driving instructor. His pupils pay for their lessons in advance.

**REQUIRED**

(a) Complete the following sentences by selecting the correct word.

The first sentence has been completed as an example. The correct word should be selected as shown in the example.

|   |                                                                                                                                                                                                                      |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | The motor vehicles account has a (debit/credit) balance in a trial balance.                                                                                                                                          |
| 2 | A year end accrual is an amount (earned/owing) for an expense incurred in the (current/previous) financial period. It will be included in the statement of financial position as a current (asset/liability).        |
| 3 | Accrued income is an amount (earned/owing) by the business which will be received in the (current/next) financial period. It will be included in the statement of financial position as a current (asset/liability). |

[6]

Chandra started business on 1 February 2017. He charges \$20 per lesson. Pupils must pay for 10 lessons in advance.

Total receipts for lessons for the year ended 31 January 2018 amounted to \$20 200.

On 31 January 2018, Chandra’s records showed that the following pupils had not received the full set of lessons paid for.

|       |                            |
|-------|----------------------------|
|       | Number of<br>lessons given |
| Joe   | 6                          |
| Adam  | 4                          |
| Billy | 8                          |

**REQUIRED**

(b) Calculate the amount Chandra had received in advance for driving lesson fees at 31 January 2018.

.....

.....

.....

.....

.....[3]

## 11

- (c) Calculate the amount of driving lesson fee income which Chandra included in his income statement for the year ended 31 January 2018.

.....

.....

.....

.....[2]

- (d) Explain why Chandra's income earned is not the same as the total receipts for lessons.

.....

.....

.....

.....[2]

Chandra calculated a draft profit of \$8760 for the year ended 31 January 2018. The following errors were later discovered.

- 1 Advertising expenses owing at the year-end had been overstated by \$100.
- 2 Interest payable on a 6% bank loan of \$10 000 had been omitted. The loan was taken on 1 February 2017.
- 3 Cost of petrol, \$89, for Chandra's personal use had been recorded as a business expense.
- 4 Motor vehicle repairs, \$210, had been recorded as motor insurance.

**REQUIRED**

- (e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the No Effect column.

Chandra  
Statement of corrected profit for the year ended 31 January 2018

|                  | No Effect | Increase<br>\$ | Decrease<br>\$ | \$   |
|------------------|-----------|----------------|----------------|------|
| Draft profit     |           |                |                | 8760 |
| Error 1          |           |                |                |      |
| Error 2          |           |                |                |      |
| Error 3          |           |                |                |      |
| Error 4          |           |                |                |      |
|                  |           |                |                |      |
| Corrected profit |           |                |                |      |

[6]

**12**

- (f) Name the accounting principle being applied when correctly dealing with the transaction in error 3. Give a reason for your answer.

Accounting principle .....

Reason .....

.....[2]

Chandra wishes to compare his business results with those of LQ Limited, a large chain of driving schools.

**REQUIRED**

- (g) Suggest **two** reasons why Chandra may have difficulty comparing his business results with those of LQ Limited.

1 .....

.....

.....

2 .....

.....

.....[2]

[Total: 23]

PLEASE TURN OVER

14

- 5 WB Sports Club has 250 members. The annual subscription is \$20. The club provided the following information.

|                                                            |      |
|------------------------------------------------------------|------|
|                                                            | \$   |
| Subscriptions received in advance on 1 April 2017          | 120  |
| Subscriptions received during the year ended 31 March 2018 | 4740 |
| Subscriptions in arrears on 31 March 2018                  | 140  |

REQUIRED

- (a) Prepare the subscriptions account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

WB Sports Club  
Subscriptions account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[5]

WB Sports Club also provided the following information.

|                                                |           |
|------------------------------------------------|-----------|
| On 1 April 2017                                | \$        |
| Balance at bank (as per cash book)             | 960 debit |
| During the year ended 31 March 2018            |           |
| Rent paid                                      | 2000      |
| Entry fees received for gymnastics competition | 900       |
| Cost of prizes for gymnastics competition      | 220       |
| General expenses                               | 682       |
| Insurance paid                                 | 430       |
| Donations received                             | 350       |
| Purchase of sports equipment                   | 2760      |

REQUIRED

- (b) Prepare the receipts and payments account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

WB Sports Club  
Receipts and Payments Account for the year ended 31 March 2018

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |

[10]

|                                             |        |
|---------------------------------------------|--------|
|                                             | \$     |
| Accumulated fund at 1 April 2017            | 15 563 |
| Sports equipment at valuation 31 March 2018 | 15 760 |
| Rent paid in advance                        | 500    |
| General expenses owing                      | 127    |

**(c)** Prepare the statement of financial position of WB Sports Club at 31 March 2018.

[illegible]

17

(d) State how the accumulated fund of WB Sports Club has arisen.

.....

.....

.....

.....[2]

[Total: 24]

- 6** Siegfried is a sole trader who does not maintain a complete set of double entry records. He has provided the following information.

|                   | 1 January<br>2017 | 31 December<br>2017 |
|-------------------|-------------------|---------------------|
|                   | \$                | \$                  |
| Equipment at cost | 18 000            | 18 000              |
| Inventory         | 2 415             | 2 934               |
| Trade receivables | 1 930             | 2 042               |
| Trade payables    | 1 210             | 1 455               |
| Bank              | —                 | 209                 |
| Bank overdraft    | 835               | —                   |
| Accrued expenses  | —                 | 98                  |
| Prepaid rent      | —                 | 120                 |
| Capital           | 20 300            | ?                   |

On 31 December 2017, Siegfried brought his own motor vehicle into the business, valued at \$5500. He decided to write off trade receivables, \$100, and to start depreciating equipment by 20% per annum.

## REQUIRED

- (a)** Calculate Siegfried's capital at 31 December 2017 after making the necessary adjustments.

[7]

During the year ended 31 December 2017, Siegfried’s cash drawings were \$2700.

**REQUIRED**

**(b)** Calculate the profit made by Siegfried for the year ended 31 December 2017.

.....

.....

.....

.....

.....

.....

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.....

.....

.....[5]

**(c)** State what is measured by the return on capital employed (ROCE).

.....

.....[1]

**(d)** State the formula for the calculation of the ROCE.

.....

.....[1]

**(e)** Calculate Siegfried’s return on capital employed for the year ended 31 December 2017. Use the **opening** capital in your calculation which should be correct to **two** decimal places.

.....

.....

.....

.....[2]

Siegfried knows that he sold the same number of units and had applied the same mark-up in the year ended 31 December 2017 as he did in the previous year, but made a lower profit for the year.

### REQUIRED

- (f) Suggest **one** reason why Siegfried made a lower profit for the year for the year ended 31 December 2017 than the previous year.

.....

.....

.....[1]

- (g) State **three** benefits to Siegfried of maintaining a full set of double entry records.

1.....

.....

2.....

.....

3.....

.....[3]

[Total: 20]

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