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**ACCOUNTING****0452/21**

Paper 2 Structured Written Paper

**October/November 2021****1 hour 45 minutes**

You must answer on the question paper.

No additional materials are needed.

**INSTRUCTIONS**

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

**INFORMATION**

- The total mark for this paper is 100.
- The number of marks for each question or part question is shown in brackets [ ].
- Where you are asked to complete a layout, you may not need all the lines for your answer.

This document has **20** pages.

2

- 1 Shiv is a trader. His financial year ends on 31 August. He does not maintain a full set of accounting records but was able to provide the following information for the year ended 31 August 2021.

Total revenue       \$320 000  
Mark-up               25%

Bank account summary for the year ended 31 August 2021

|                                 | \$             |                            | \$             |
|---------------------------------|----------------|----------------------------|----------------|
| Balance b/d                     | 49 000         | Expenses                   | 34 000         |
| Cash sales                      | 3 700          | Drawings                   | 4 200          |
| Receipts from trade receivables | 312 400        | Payments to trade payables | 257 700        |
|                                 |                | Equipment                  | 16 000         |
|                                 |                | Balance c/d                | 53 200         |
|                                 | <u>365 100</u> |                            | <u>365 100</u> |

Assets and liabilities

|                             | 1 September 2020 | 31 August 2021 |
|-----------------------------|------------------|----------------|
|                             | \$               | \$             |
| Inventory at cost           | 23 500           | ?              |
| Trade receivables           | 22 000           | 25 900         |
| Expenses owing              | –                | 400            |
| Trade payables              | 32 600           | 29 600         |
| Equipment at net book value | –                | 12 800         |
| Premises at cost            | 90 000           | 90 000         |

Shiv had withdrawn \$900 for a family holiday during the year. He had included this in the expenses.

On 31 August 2021 Shiv decided to create a provision for doubtful debts of 3% of trade receivables.

REQUIRED

- (a) Calculate the purchases for the year ended 31 August 2021.

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..... [3]

3

(b) Prepare the income statement for the year ended 31 August 2021. The inventory on 31 August 2021 should be clearly shown within the statement.

Shiv  
Income Statement for the year ended 31 August 2021

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

[11]

(c) Name the accounting principle Shiv should apply when recording the \$900 he had used for a family holiday.

..... [1]

Shiv has always valued his inventory at cost price. He is considering valuing the inventory on 31 August 2021 at selling price as he believes it would result in a higher profit for the year.

## REQUIRED

**(d)** Discuss the implications of Shiv valuing the inventory on 31 August 2021 at selling price.

[5]

[Total: 20]

**PLEASE TURN OVER**

6

- 2 Jas owns a printing business and has recently incurred various expenditures relating to her premises.

**REQUIRED**

- (a) Complete the table by inserting a tick (✓) to show how **each** item of expenditure should be classified. The first one has been completed as an example.

|                                                 | Capital expenditure | Revenue expenditure |
|-------------------------------------------------|---------------------|---------------------|
| Building new extension to warehouse             | ✓                   |                     |
| Rates on new extension                          |                     |                     |
| Carriage costs for roof tiles for new extension |                     |                     |
| Legal costs for new extension                   |                     |                     |
| Repairs to office roof                          |                     |                     |

[4]

7

Jas's business is expanding rapidly and she needs more warehousing space.

Jas can rent an additional warehouse. The rent for the first six months would be \$40 000.

Alternatively, Jas can purchase a warehouse for \$900 000. She can obtain a long-term loan of \$700 000.

## REQUIRED

**(b)** Advise Jas whether she should rent or purchase a warehouse. Justify your answer.

[5]

An extract from Jas’s statement of financial position at 31 December 2019 showed the following:

|          | Cost    | Accumulated depreciation | Net book value |
|----------|---------|--------------------------|----------------|
|          | \$      | \$                       | \$             |
| Fixtures | 115 000 | 77 625                   | 37 375         |

During the year ended 31 December 2020 the following transactions took place.

On 1 January 2020 fixtures, \$30 000, were purchased by cheque.

On 30 June 2020 fixtures were sold for \$6000, which was received by cheque. These fixtures had originally been purchased on 1 January 2018 for \$20 000.

Jas depreciates fixtures on a straight-line basis. She assumes fixtures will have a useful life of four years, at which time the residual value will be 10% of original cost. Depreciation is charged for each part of the year for which the fixtures are owned.

REQUIRED

- (c) Prepare the following accounts for the year ended 31 December 2020. Balance **each** account and bring down the balance on 1 January 2021.

Jas  
Fixtures account

| Date  | Details     | \$      | Date  | Details | \$    |
|-------|-------------|---------|-------|---------|-------|
| 2020  |             |         |       |         |       |
| Jan 1 | Balance b/d | 115 000 | ..... | .....   | ..... |
| ..... | .....       | .....   | ..... | .....   | ..... |
| ..... | .....       | .....   | ..... | .....   | ..... |
| ..... | .....       | .....   | ..... | .....   | ..... |
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| ..... | .....       | .....   | ..... | .....   | ..... |
| ..... | .....       | .....   | ..... | .....   | ..... |

Provision for depreciation of fixtures account

| Date  | Details | \$    | Date          | Details     | \$     |
|-------|---------|-------|---------------|-------------|--------|
| ..... | .....   | ..... | 2020<br>Jan 1 | Balance b/d | 77 625 |
| ..... | .....   | ..... | .....         | .....       | .....  |
| ..... | .....   | ..... | .....         | .....       | .....  |
| ..... | .....   | ..... | .....         | .....       | .....  |
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| ..... | .....   | ..... | .....         | .....       | .....  |
| ..... | .....   | ..... | .....         | .....       | .....  |

[8]

(d) Prepare the fixtures disposal account for the year ended 31 December 2020.

Jas  
Fixtures disposal account

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

[3]

Workings:

**10**

- 3** Anil is a trader. The totals of the trial balance he prepared on 31 December 2020 did not agree. The debits exceeded the credits by \$5140.

The following errors were later discovered.

- 1 The sales account had been undercast by \$7100.
- 2 Sales returns of \$520 had been posted as a credit to the purchases account. The correct entry had been made in the customer's account.
- 3 Bank charges of \$320 had been correctly entered in the cash book, but had not been entered in the bank charges account.
- 4 A cheque refund of \$600 for insurance overpaid had been entered on the wrong side of the bank account and no entry had been made in the insurance account.

REQUIRED

(a) Prepare journal entries to correct errors 1 to 4. Narratives are **not** required.

Anil  
Journal

| Error<br>number | Details | Debit<br>\$ | Credit<br>\$ |
|-----------------|---------|-------------|--------------|
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |
| .....           | .....   | .....       | .....        |

[12]

(b) Complete the suspense account.

Anil  
Suspense account

| Date  | Details | \$    | Date  | Details                            | \$          |
|-------|---------|-------|-------|------------------------------------|-------------|
| ..... | .....   | ..... | ..... | <i>Difference on trial balance</i> | <i>5140</i> |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |
| ..... | .....   | ..... | ..... | .....                              | .....       |

[6]

(c) Name **two** types of error **not** disclosed by a trial balance.

- 1 .....
- 2 .....

[2]

[Total: 20]

**PLEASE TURN OVER**

**14**

- 4** Karishma runs her own business. The balances in her books on 1 October 2020 included the following.

|                     |              |
|---------------------|--------------|
|                     | \$           |
| Insurance account   | 1700 prepaid |
| Electricity account | 1800 owing   |

During the financial year ended 30 September 2021 Karishma made the following payments by cheque.

Insurance payments

|                 |      |
|-----------------|------|
|                 | \$   |
| 7 February 2021 | 3400 |
| 13 August 2021  | 3500 |

Electricity payments

|                 |      |
|-----------------|------|
|                 | \$   |
| 14 October 2020 | 1800 |
| 24 January 2021 | 1800 |
| 26 May 2021     | 1800 |

A refund of \$300 for insurance overpaid was received by bank transfer on 28 February 2021. The insurance paid on 13 August 2021 covered a period of five months to 31 December 2021.

At 30 September 2021, an amount of \$2000 was owing for electricity.

REQUIRED

(a) Prepare the following accounts for the year ended 30 September 2021. Balance the accounts and bring down the balances on 1 October 2021.

Karishma  
Insurance account

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

Electricity account

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

[10]

Karishma is considering changing her electricity supplier. The new supplier has offered Karishma a two-year contract at a fixed monthly amount of \$450 payable by direct debit.

## REQUIRED

- (b)** Advise Karishma whether she should change to the new electricity supplier. Justify your answer with **two** advantages and **two** disadvantages of changing supplier.

..... [5]

On 1 October 2020 Karishma decided to rent out part of her premises to Noor at an annual rent of \$1965.

During the financial year ended 30 September 2021 Noor made the following payments to Karishma by cheque.

|                |     |
|----------------|-----|
|                | \$  |
| 1 October 2020 | 800 |
| 2 March 2021   | 825 |
| 8 August 2021  | 850 |

The amount received on 8 August 2021 included rent of \$510 covering the period 1 October 2021 to 31 December 2021.

REQUIRED

- (c) Prepare the rent receivable account for the year ended 30 September 2021. Balance the account and bring down the balance on 1 October 2021.

Karishma  
Rent receivable account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
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[4]

- (d) Identify the section of the statement of financial position at 30 September 2021 in which the balance on the rent receivable account would appear.

..... [1]

[Total: 20]

5 The financial year of VL Sports Club ends on 31 December. The treasurer provided the following information about receipts and payments for the year ended 31 December 2020.

|                           |        |
|---------------------------|--------|
| Receipts                  | \$     |
| Subscriptions             | 19 200 |
| Competition receipts      | 7 300  |
| Dinner dance ticket sales | 6 500  |
| Payments                  | \$     |
| Competition prizes        | 4 100  |
| Dinner dance costs        | 6 200  |
| Equipment                 | 12 000 |
| General expenses          | 11 500 |

The treasurer also provided the following information.

|                             |                |                  |
|-----------------------------|----------------|------------------|
|                             | 1 January 2020 | 31 December 2020 |
|                             | \$             | \$               |
| Equipment at net book value | 23 000         | 30 000           |
| General expenses owing      | 400            | 500              |
| Subscriptions in arrears    | 700            | 300              |
| Subscriptions in advance    | 1 100          | 900              |

Of the subscriptions in arrears on 1 January 2020 an amount of \$80 had not been paid by 31 December 2020 and is to be written off as irrecoverable.

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 December 2020. Balance the account and bring down the balances on 1 January 2021.

VL Sports Club  
Subscriptions account

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

REQUIRED

(b) Prepare the income and expenditure account for VL Sports Club for the year ended 31 December 2020.

VL Sports Club  
Income and Expenditure Account for the year ended 31 December 2020

|       | \$    | \$    |
|-------|-------|-------|
| ..... | ..... | ..... |
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[9]

The treasurer of VL Sports Club wants to encourage more members to pay their subscriptions in advance by offering a 10% reduction in annual subscription fees.

- (c) Advise the treasurer whether or not VL Sports Club should offer this reduction in annual subscription fees to members who pay in advance. Justify your answer with **one** advantage and **one** disadvantage.

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..... [3]

[Total: 20]

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