

Centre Number	Candidate Number	Name
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CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

0452/02

Paper 2

May/June 2003

1 hour 30 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 in the spaces provided on the Question Paper.
You may use a soft pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
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.
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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

This document consists of **12** printed pages.



1 (a) State **one** example of a current liability.

.....[1]

(b) State the effect on net profit if opening stock is overvalued.

.....[1]

(c) State **one** purpose for which the Journal may be used.

.....[1]

(d) For **each** of the three items place **one** tick (✓) in the correct box to show where it appears in a partnership's final accounts.

	Profit and Loss Account	Profit and Loss Appropriation Account
1 Interest on partners' drawings		
2 Interest on a loan from a partner		
3 Interest on partners' capitals		

[3]

(e) Cherie owns a clothing store

For **each** of the three items shown below, place **one** tick (✓) in the correct box.

	Revenue expenditure	Capital expenditure
1 Sales assistant's wages		
2 New showroom fittings		
3 Cost of installing the new fittings		

[3]

(f) Complete the following sentence.

"A **debit** balance on a ledger account is either an or an"

[2]

- (g) A business paid \$20000 for a new machine on 1 January 2001. Depreciation was charged on the machine at the rate of 30% using the reducing balance method.

Calculate the machine's net book value on 31 December 2002.

Show your workings.

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.....[4]

- (h) In which section of a Balance Sheet does rent received in advance appear?
.....[1]

- (i) Name the system of petty cash in which the petty cashier begins each new accounting period with the same amount of petty cash.
.....[1]

- (j) A sale on credit to Smith was entered on the debit side of Smythe's account in the seller's ledger.
Name this type of error.
.....[1]

- (k) Charlie bought an existing business for \$200000. The value of the business as shown by the Balance Sheet was \$175000.
Suggest **one** reason why Charlie was prepared to pay more for the business than the value of its net assets.
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.....[1]

- 2 Danbi Wyske runs her business from rented premises. The following balances were extracted from her books on 30 April 2003.

	\$
Stock 1 May 2002	4 000
Sales	80 000
Purchases	62 000
Debtors	10 000
Creditors	9 000
Electricity paid	3 000
General expenses	7 000
Cash at bank	5 000
Drawings	8 000
Rent and insurance paid	6 000
Equipment at cost	45 000
Provision for depreciation of equipment	16 000
Capital	?

3 Andy Mann owns a general store. His Trading and Profit and Loss Account for the year ended 31 March 2003 is shown below. Some words and figures are missing.

(a) In each of the boxes (i) to (vi) enter the missing word(s) or figure.

<u>Andy Mann</u>			
<u>Trading and Profit and Loss Account for the year ended 31 March 2003</u>			
	\$	\$	\$
Sales			200 000
Less Cost of goods sold			
Opening stock		(i) <input style="width: 50px;" type="text"/>	
Purchases	120 000		
Less (ii) <input style="width: 100px;" type="text"/>	2 000	118 000	
		130 000	
Less (iii) <input style="width: 100px;" type="text"/>		10 000	120 000
Gross Profit			80 000
Add Rent received			(iv) <input style="width: 50px;" type="text"/>
Discount (v) <input style="width: 100px;" type="text"/>			3 000
			88 000
Less Wages		12 000	
Insurance		3 000	
General expenses		28 000	
Depreciation		(vi) <input style="width: 50px;" type="text"/>	58 000
Net Profit			30 000

[6]

(b) Calculate Andy's net profit as a percentage of his sales for the year. Show your workings.

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.....[2]

- 3 (c) On 31 March 2003 Andy's capital was \$200 000. He also had a long-term loan from his bank of \$50 000.

Calculate Andy's net profit as a percentage of the capital employed in his business.

Show your workings.

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.....[3]

- (d) Give **two** reasons why it is important for Andy to know his net profit as a percentage of the capital employed.

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.....[4]

- 4 Karl is a sole trader who keeps full double entry accounting records including Sales, Purchases and Nominal Ledgers.

On 1 April 2003, balances in Karl's books included the following.

	\$
Debit balances brought forward from 31 March 2003	
Cash	200
Bank	2500
Debtor's accounts (in the Sales Ledger)	
M Fynne	200
J Bildt	1500
Creditor's accounts (in the Purchases Ledger)	
S Ghalli	615
T Daktyl	830

Karl's transactions for the month of April 2003 included the following.

April 4	M Fynne paid the amount he owed by cheque after deducting cash discount of \$10.	
6	Cash was withdrawn from bank for office use	300
8	Paid S Ghalli by cheque after deducting cash discount of \$15.	
10	Paid wages in cash.	250
14	J Bildt paid the amount he owed by cheque, deducting cash discount, \$40.	
17	Cash was withdrawn from bank for office use.	400
21	Paid T Daktyl by cheque after deducting cash discount of \$30.	
25	Paid wages in cash.	350
28	Cash sales.	800
30	Cash was paid into bank.	500

- (a) Enter the above transactions in Karl's cash book on the page opposite (the cash and bank balances on 1 April 2003 have been entered for you).

Balance the cash and bank accounts at 30 April 2003 and bring down the balances on 1 May 2003.

[21]

Karl

Cash Book

Date		Discount	Cash	Bank	Date		Discount	Cash	Bank
2003		\$	\$	\$	2003		\$	\$	\$
April	1		200	2500	April				

4 (b) Total the discounts columns in the cash book.

Make the entries required in the discounts accounts on 30 April 2003 in Karl's nominal ledger below.

Karl
Nominal Ledger

Discounts Allowed account

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Discounts Received account

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.....[4]

- 5 Carrie Okie, a sole trader, does not keep full accounting records but supplied the following information about her business.

	At 1 April 2002	At 31 March 2003
	\$	\$
Fixed assets	50 000	75 000
Current assets	20 000	30 000
Current liabilities	15 000	20 000

- (a) Prepare a Balance Sheet for Carrie as at 1 April 2002.

Balance Sheet as at 1 April 2002

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You have the following additional information.

- (1) Carrie's drawings for the year ended 31 March 2003 were \$10000.
- (2) Fixed assets at 31 March 2003 are to be depreciated by 20%.

- (b)** Use the above information to prepare a Balance Sheet for Carrie as at 31 March 2003, showing her profit or loss for the year ended on that date.

Balance Sheet as at 31 March 2003

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.....[10]

- (c)** Explain how Carrie observes the accounting principle of prudence by providing for the depreciation of her fixed assets.

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.....[2]