CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

ACCOUNTING **0452/02**

Paper 2 **For Examination from 2010**

SPECIMEN PAPER

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 a soft pencil for any diagrams or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

This document consists of **18** printed pages.

[Turn over

1 Raminder and Vijay Singh formed a partnership and drew up a partnership agreement.

REQUIRED

(a) State **two** advantages of being in partnership rather than being a sole trader.

(i) ....

....

(ii) ....

.... [2]

(b) State why, in addition to agreeing the profit-sharing ratio, partners should draw up a partnership agreement.

....

.... [1]

On 1 April 2009 the balances of the partners' current accounts were as follows.

	$
Raminder Singh	4 660 debit
Vijay Singh	1 820 credit

During the year ended 31 March 2008 the partners made the following drawings.

	$
Raminder Singh	21 000
Vijay Singh	28 000

The following information was extracted from the profit and loss appropriation account for the year ended 31 March 2010.

		$	$
Net profit for the year			58 040
Interest charged on drawings –	Raminder	840	
	Vijay	1 120	1 960
Interest allowed on capital –	Raminder	6 000	
	Vijay	3 000	9 000
Partner's salary –	Vijay		20 000

Profits and losses are shared equally.

REQUIRED

(c) (i) Calculate the profit available for distribution between the partners.

[2]

(ii) Calculate **each** partner's share of the profit available for distribution.

[1]

(iii) Prepare the partners' current accounts as they would appear in the ledger for the year ended 31 March 2010.

Where traditional "T" accounts are used they should be balanced and the balances brought down on 1 April 2010.

Where three column running balance accounts are used the balance column should be up-dated after each entry.

[9]

On 1 April 2010 the credit balances on the partners' capital accounts were as follows.

	$
Raminder Singh	200 000
Vijay Singh	100 000

On 1 April 2010 Raminder transferred the balance on his current account to his capital account. He also withdrew $45 000 of his capital from the business bank account.

On 30 April 2010 Vijay paid an amount into the business bank account so that his capital was equal to Raminder's.

REQUIRED

(d) Prepare the partners' capital accounts as they would appear in the ledger for the month of April 2010.

Where traditional "T" accounts are used they should be balanced and the balances brought down on 1 May 2010.

Where three column running balance accounts are used the balance column should be up-dated after each entry.

[6]

[Total: 21]

2 Zeema Jumbe is a trader. Her financial year ends on 31 January.

She provided the following information.

2009		$
1 February	Insurance prepaid for 2 months to 31 March	440
1 April	Paid insurance premium for 12 months by cheque	3000

REQUIRED

(a) Write up the insurance account as it would appear in Zeema Jumbe's ledger for the year ended 31 January 2010.

Where a traditional "T" account is used it should be balanced and the balances brought down on 1 February 2010.

Where a three column running balance account is used the balance column should be up-dated after each entry.

Zeema Jumbe
Insurance account

[6]

The totals of Zeema Jumbe's trial balance on 31 January 2010 failed to agree. The difference was a shortage on the credit side of $350. This was entered in a suspense account.

The following errors were later discovered.

1 A cheque, $540, paid to A Zaheer had been debited to the account of A Zahir.

2 The balance of the petty cash book, $50, had been omitted from the trial balance.

3 Rent received, $250, had been debited to the rent paid account.

4 No entry had been made for goods costing $385 taken by Zeema Jumbe for her own use.

REQUIRED

(b) Prepare the entries in Zeema Jumbe's journal to correct the above errors.

Narratives are **not** required.

Zeema Jumbe
Journal

	Debit $	Credit $

[8]

(c) Prepare the suspense account in Zeema Jumbe's ledger to show the required entries. Start with the balance arising from the difference on the trial balance.

Where a traditional "T" account is used it should be balanced or totalled as necessary.

Where a three column running balance account is used the balance column should be up-dated after each entry.

<div align="center">Zeema Jumbe
Suspense account</div>

....

....

....

....

....

.... [5]

(d) Using your answer to **(c)** state whether you consider that all the errors on Zeema Jumbe's books have been discovered. Give a reason for your answer.

....

....

.... [2]

(e) Select **one** of the errors 1–4 above which has **not** been corrected by an entry in the suspense account. Explain why an entry in the suspense account was not necessary.

Error ....

....

Explanation ....

.... [2]

[Total: 23]

3 The financial year of the El Darb Sports Club ends on 31 December.

The El Darb Sports Club has 200 members who each pay an annual subscription of $20.

The treasurer provided information relating to the year ended 31 December 2009.

At 1 January 2009
    10 members had not paid their subscription for the year ended 31 December 2008
    3 members had paid their subscription in advance for the year ended 31 December 2009.

During the year ended 31 December 2009 subscriptions received were as follows:

	$
For the year ended 31 December 2008	200
For the year ended 31 December 2009	3800
For the year ending 31 December 2010	80
Total subscriptions received	4080

At 31 December 2009 a number of members had not paid their subscription for the financial year ended on that date.

REQUIRED

(a) Prepare the subscriptions account as it would appear in the ledger of the El Darb Sports Club for the year ended 31 December 2009.

Show the amount transferred to the income and expenditure account.

Where a traditional "T" account is used it should be balanced and the balances brought down on 1 January 2010.

Where a three column running balance account is used the balance column should be up-dated after each entry.

<div align="center">

El Darb Sports Club
Subscriptions account

</div>

[10]

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In addition to providing sporting facilities for the members, the El Darb Sports Club also has a shop selling sports goods to members and their guests.

All goods are sold for cash and all purchases are made on credit terms.

The treasurer provided the following information relating to the El Darb Sports Club shop for the year ended 31 December 2009.

	$
At 1 January 2009	
Inventory (stock)	990
Amount owing to suppliers	282
During the year ended 31 December 2009	
Shop takings	7280
Cheques paid to suppliers	2990
Wages of part-time shop assistant	2500
At 31 December 2009	
Inventory (stock)	835
Amount owing to suppliers	397
For the year ended 31 December 2009	
Depreciation of shop fixtures	200

REQUIRED

(b) Select the appropriate figures and calculate the purchases for the year ended 31 December 2009.

Your answer may be in the form of a ledger account or a calculation.

....

....

....

....

....

.... [4]

(c) Prepare the shop income statement (shop trading account) of the El Darb Sports Club shop for the year ended 31 December 2009.

El Darb Sports Club

Shop Income Statement (Shop Trading Account) for the year ended 31 December 2009

[7]

(d) Suggest **two** ways in which the profitability of the El Darb Sports Club shop could be improved.

(i)

(ii) [2]

[Total: 23]

4   Robbie Macbeth is a trader. His financial year ends on 31 March.

The following account appeared in his sales ledger.

Hauraki Stores Ltd account

2009		$	2009		$
April 1	Balance b/d	550	May 31	Cash	539
June 1	Sales	200		Discount	11
Aug 10	Bank (dishonoured cheque)	200	July 31	Bank	200
			2008		
			March 1	Bad debts	200
		950			950

For candidates who are not familiar with the layout of the account shown above, an alternative presentation is provided.

Hauraki Stores Ltd

2009		Debit $	Credit $	Balance $
April 1	Balance	550		550 Dr
May 31	Cash		539	11 Dr
	Discount		11	0
June 1	Sales	200		200 Dr
July 31	Bank		200	0
Aug 10	Bank (dishonoured cheque)	200		200 Dr
2010				
March 1	Bad debts		200	0

REQUIRED

(a) Explain **each** of the entries in the account of Hauraki Stores Ltd as it appears in the ledger of Robbie Macbeth. State where the double entry for each transaction would be made.

The first one has been completed as an example.

2009
April 1   Balance $550
         Explanation   *This is the amount owed by Hauraki Stores Ltd to Robbie*

         Macbeth.

         Double entry   *Credit Hauraki Stores Ltd account for the year ended*

         31 March 2009.

May 31   Cash $539
         Explanation   ....

         ....

         Double entry   ....

May 31	Discount Explanation	....
		....
	Double entry	....
June 1	Sales Explanation	....
		....
	Double entry	....
July 31	Bank Explanation	....
		....
	Double entry	....
August 10	Bank (dishonoured cheque)	
	Explanation	....
		....
	Double entry	....
2010 March 1	Bad debts Explanation	....
		....
	Double entry	....

[12]

On 10 March 2010 Robbie Macbeth received a cheque, $50, from Opua Drive Traders, whose account had been written off in June 2008.

REQUIRED

(b) Prepare a journal entry, including a narrative, to record the receipt of $50 from Opua Drive Traders.

Robbie Macbeth
Journal

	Debit $	Credit $

[3]

Robbie Macbeth maintains a provision for doubtful debts at 3% of debtors.

On 1 April 2009 the provision for doubtful debts account had a credit balance of $1410.
On 31 March 2010 the debtors owed $41 000.

REQUIRED

(c) Write up the provision for doubtful debts account as it would appear in Robbie Macbeth's ledger.

Where a traditional "T" account is used it should be balanced and the balances brought down on 1 April 2010.

Where a three column running balance account is used the balance column should be up-dated after each entry.

Robbie Macbeth
Provision for doubtful debts account

[6]

(d) Explain how Robbie Macbeth is applying **each** of the following accounting principles by maintaining a provision for doubtful debts.

(i) Prudence

....

.... [2]

(ii) Matching

....

.... [2]

[Total: 25]

5 Marie Mutunda is a sole trader. Her financial year ends on 31 December. She provided the following information.

For the year ended 31 December 2009

	$	$
Sales – cash	115 000	
credit	<u>275 000</u>	390 000
Purchases – cash	5 000	
credit	<u>465 000</u>	470 000

At 31 December 2009

Trade receivables (debtors)	29 000
Trade payables (creditors)	40 000
Inventory (stock)	34 000
Bank	7 000 debit
Non-current assets (fixed assets)	180 000

Marie Mutunda decides to compare her position with that at the end of the previous financial year.

REQUIRED

(a) Complete the table on the following page to show the ratios for Marie Mutunda's business for the year ended 31 December 2009. You may use the space below for your workings.

Calculations should be correct to **two** decimal places for **(i)** and **(ii)** and should be rounded up to the next whole day for **(iii)** and **(iv)**.

Use the space below for your workings.

Place the ratios you have calculated for **5 (a)** into the table below.

	Ratio	Year ended 31 December 2008	Year ended 31 December 2009
(i)	Current ratio	2.25:1	
(ii)	Quick ratio	0.75 : 1	
(iii)	Collection period for debtors	30 days	days
(iv)	Payment period for creditors	24 days	days

[8]

(b) (i) Explain why the quick ratio is more reliable than the current ratio as an indicator of liquidity.

[3]

(ii) Explain whether Marie Mutunda will be satisfied with the change in the quick ratio.

[3]

(c) (i) State and explain whether you think Marie Mutunda will be satisfied with the change in the debtors' collection period.

Will she be satisfied?

Explanation

[3]

(ii) Explain how the change in the debtors' collection period may have affected the payment period for creditors.

[2]

(iii) Marie Mutunda's creditors allow her a credit period of 21 days.

Explain **two** disadvantages to Marie Mutunda of **not** paying the creditors within the set period.

1 ....

....

2 ....

.... [2]

Marie Mutunda would like to compare her results with those of other businesses.

She is aware that even comparing with a business of a similar size dealing in similar goods can produce misleading results.

REQUIRED

(d) List **four** things Marie Mutunda should consider when comparing her results with those of a similar business.

The first has been completed as an example.

(i) *There may be differences that affect profitability e.g. one business may rent*

premises and the other business may own premises.

(ii) ....

....

....

(iii) ....

....

....

(iv) ....

....

.... [3]

In addition to Marie Mutunda, the owner, other people are also interested in the financial statements (final accounts) of Marie Mutunda's business.

REQUIRED

(e) List **two** business people (excluding the owner) who would be interested in Marie Mutunda's financial statements (final accounts).

In each case state **one** reason for that person's interest.

(i) Business person ....

Reason for their interest ....

....

.... [2]

(ii) Business person ....

Reason for their interest ....

....

.... [2]

[Total: 28]

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