

Candidate Name _____

Centre Number

Candidate
Number

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**International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**ACCOUNTING
PAPER 2**

0452/2

OCTOBER/NOVEMBER SESSION 2002

1 hour 30 minutes

Candidates answer on the question paper.
No additional materials are required.

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided at the top of this page.
Answer **all** questions.

Write your answers in the spaces provided on the question paper.

INFORMATION FOR CANDIDATES

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	

This question paper consists of 12 printed pages.



- 1 (a) Give **one** example of a current asset.

..... [1]

- (b) Name the accounting concept which states that only the financial transactions of the business should be recorded in the business's books.

..... [1]

- (c) Green bought goods on credit from Jones. In Green's ledger, this transaction was entered on the credit side of Jonah's account.

- (i) Name this type of error.

..... [1]

- (ii) Green returned some of the goods to Jones as faulty. Name the document which Green sent to Jones.

..... [1]

- (iii) Name the books of prime (original) entry in which the return of the goods was recorded,

- 1 in Green's books.

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- 2 in Jones's books.

..... [2]

- (d) State the basis on which a business should value its closing stock.

..... [1]

- (e) Name the final account to which the balance of the Carriage Outwards account is transferred at the end of the financial year.

..... [1]

- (f) Joseph owns a photographic business.

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

	Revenue expenditure	Capital expenditure
1 New lighting equipment		
2 Cost of installing new lighting		
3 Repairs to camera and enlarger		

[3]

- (g) For the financial year ended 30 September 2002, a business's Insurance account showed the following.

		\$
1 October 2001	Balance brought down (Dr)	2 000
3 January 2002	Paid premium for 12 months to 31 December 2002	10 000

Calculate the amount of the charge for insurance shown in the Profit and Loss Account for the year ended 30 September 2002. Show your workings.

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..... [4]

- (h) Explain what is meant by a compensating error.

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..... [2]

- (i) On 30 June 2002 the bank balance shown in a trader's cash book was \$3200 (Dr). Amounts paid into his bank account, but not yet entered on the bank statement, totalled \$600. No other amendments were made.

- (i) Calculate the balance shown on the trader's bank statement on 30 June 2002. Show your workings.

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..... [2]

- (ii) In the trader's balance sheet as at 30 June 2002, state the amount that would be entered for 'Bank' under current assets.

..... [1]

- 2 Mai Hemme is a sole trader who buys all her goods for resale on credit. She sells to cash and credit customers.

Mai does not keep full accounting records, but is able to supply the following information for the year ended 30 June 2002.

	<i>At 1 July 2001</i>	<i>At 30 June 2002</i>
	\$	\$
Stock	5 000	7 000
Debtors	6 000	8 000
Creditors	3 000	4 000

Other information for the year is as follows.

	\$
Receipts from debtors	50 000
Payments to creditors	31 000
Cash sales	10 000

- (a) Use the necessary information from the above figures to calculate Mai's sales and purchases for the year ended 30 June 2002.

Show your workings in the spaces provided below.

- (i) Calculation of sales

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(ii) Calculation of purchases

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..... [9]

(b) Using your answer to **(a)** and other information that you have been given, complete Mai's Trading Account below.

Mai Hemme

Trading Account for the year ended 30 June 2002

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..... [5]

(c) Calculate Mai's rate of stock turnover for the year ended 30 June 2002. Show your workings.

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..... [3]

3 The Balance Sheet of Harry Stotl is given below with some words and figures missing.

(a) Enter the missing words and figures in the boxes (i) to (v) on the Balance Sheet.

Balance Sheet as at 30 September 2002

	\$	\$		\$	\$
Fixed Assets at cost (i)					
Less depreciation	18 000	68 000			
Current (iii)					
Stock	16 000				
Trade debtors (v)					
Prepayment	500	22 000			
		90 000			
			Capital		
			at 1 October 2001		68 000
			Add net profit for year (ii)		
					88 000
			Less (iv)		8 000
					80 000
			Current Liabilities		
			Bank overdraft	2 000	
			Trade creditors	8 000	10 000
					90 000

[5]

(b) Calculate, showing your workings,

(i) Harry's current ratio

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..... [2]

(ii) Harry's quick ratio

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..... [3]

(c) (i) Calculate Harry's working capital. Show your workings.

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..... [2]

(ii) Explain **two** effects if a business does **not** have enough working capital.

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..... [4]

4 (a) Explain the reducing (diminishing) balance method of depreciation.

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..... [2]

The financial year of Joe's engineering business ends on 31 August. On 1 September 2001 balances in Joe's ledger included the following.

	\$
Equipment	40 000 (Dr)
Provision for depreciation of equipment	15 000 (Cr)

You are given the following further information.

1. Joe depreciates his equipment at the rate of 10% per annum on cost. Depreciation on new equipment is calculated from the date of purchase.
2. Additional equipment purchases during the year ended 31 August 2002 were:

	\$
1 September 2001	30 000
1 March 2002	20 000

Both purchases were paid for by cheque.

3. There were no sales of equipment during the year.

(b) Make the entries required to record the above transactions in Joe's ledger accounts below.

Equipment account

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Provision for Depreciation of Equipment Account

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(c) Complete the **extract** below to show how Equipment appears in Joe's Balance Sheet as at 31 August 2002.

Extract from Balance Sheet as at 31 August 2002

Fixed Assets	Cost \$	Accumulated depreciation \$	Net book value \$	
Equipment	[3]

(d) Explain how the accounting concept of prudence is observed when Joe provides for the depreciation of his equipment.

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..... [2]

5 Brown and White are in partnership. Their partnership agreement provides that:

1. Partners are entitled to interest on their fixed capitals at 5% per annum.
2. Partners' loans carry interest at 10% per annum.
3. White is to receive a salary of \$4 000 a year.
4. Profits and losses are shared, Brown $\frac{3}{5}$, White $\frac{2}{5}$.

For the financial year ended 30 September 2002, balances in the partnership's books after the Trading Account was prepared included the following.

	Dr \$	Cr \$
Capital accounts, 1 October 2001: Brown		30 000
White		15 000
Fixed assets at cost	40 000	
Gross profit for the year		24 000
Insurance	4 000	
General expenses	4 900	
Discounts allowed and received	1 200	700

You are given the following further information.

- (1) At 30 September 2002:
 - Insurance prepaid was \$1000,
 - General expenses accrued were \$600.
- (2) Depreciation on fixed assets is to be provided at 10% on cost.
- (3) On 1 October 2001 Brown made a loan of \$10 000 to the partnership. No loan interest was paid to Brown in the year ended 30 September 2002.

(a) Prepare (i) the partnership's Profit and Loss Account and (ii) the partnership's Appropriation Account for the year ended 30 September 2002.

(i) *Brown and White
Profit and Loss Account for the year ended 30 September 2002*

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(ii) *Appropriation Account for the year ended 30 September 2002*

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(b) State and explain **one** possible reason why White receives a salary in addition to his share of partnership profits.

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