Cambridge IGCSE

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

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

*7548336443*

**ACCOUNTING** **0452/23**

Paper 2 **May/June 2019**

**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.



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**1** Annabel is a wholesaler. She maintains a three column cash book.

The following transactions took place in April 2019.

April 8 Received a cheque from Ellie in full settlement of her account of $450 after deducting 2% cash discount

15 Paid Ed $468 by bank transfer to settle his account after deducting $2\frac{1}{2}$% cash discount

21 Received a cheque from Caleb, $310

25 Withdrew cash from bank for business use, $200

27 Paid operating expenses in cash, $296

Annabel received her bank statement for April 2019.

The following items appeared on her bank statement but had not been recorded in her accounting records.

1 The cheque received from Caleb on 21 April had been dishonoured.

2 Carly, a credit customer, had paid $294 by credit transfer to settle her account of $300.

3 Bank charges for the month amounted to $82.

**REQUIRED**

**(a)** Complete Annabel's cash book on the page opposite.
Balance the cash book and bring down the balances on 1 May 2019. [13]

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Annabel
Cash Book

| Date | Details | Discount allowed | Cash | Bank | Date | Details | Discount received | Cash | Bank |
|---|---|---|---|---|---|---|---|---|---|
| *2019* | | $ | $ | $ | *2019* | | $ | $ | $ |
| *April 1* | *Balance b/d* | ..... | *150* | ..... | *April 1* | *Balance b/d* | ..... | ..... | *988* |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |



[Turn over

Annabel purchases goods on credit from Ed. They exchanged various business documents during April 2019.

**REQUIRED**

**(b)** Name the person who issued **each** of the following documents.

| document | person issuing the document |
|---|---|
| invoice | ..... |
| debit note | ..... |
| credit note | ..... |
| statement of account | ..... |

[4]

**(c)** Explain the difference between a debit note and a credit note.

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.....[4]

**(d)** State **one** purpose of issuing a statement of account.

.....

.....[1]

[Total: 22]

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**PLEASE TURN OVER**

**2** The financial year of the NS Musical Society ends on 31 January.

On 31 January 2019 it was confirmed that the treasurer had disappeared and had taken some money belonging to the NS Musical Society.

The new treasurer was able to provide the following information relating to the financial year ended 31 January 2019.

The Society has 60 members. The annual subscription is $50.

| | $ |
|---|---|
| On 1 February 2018 | |
| Subscriptions accrued | 100 |
| Subscriptions prepaid | 250 |
| Bank overdraft | 780 |
| Musical instruments at book value | 3600 |
| During the year ended 31 January 2019 | |
| Payment of rates of premises covering 10 months to 30 November 2018 | 2000 |
| Payment of insurance for 14 months to 31 March 2019 | 700 |
| Receipts from sales of concert tickets | 2560 |
| Concert expenses paid | 1610 |
| Proceeds of sale of old musical instruments (book value $120) | 100 |
| Cost of musical instruments purchased (Half of this amount was paid immediately and the balance was payable in February 2019) | 2100 |
| At 31 January 2019 | |
| Bank overdraft | 2430 |
| Subscriptions prepaid | 200 |

Musical instruments are depreciated at 10% per annum based on the value of instruments owned at the end of each financial year.

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**REQUIRED**

**(a)** Prepare the subscriptions account for the year ended 31 January 2019 to show the subscriptions received during the year.
Balance the account and bring down the balance on 1 February 2019.

NS Musical Society
Subscriptions account

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

[7]

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**[Turn over**

**(b)** Prepare the receipts and payments account for the year ended 31 January 2019 to calculate the amount of money which is missing from Society funds.
Balance the account and bring down the balance on 1 February 2019.

NS Musical Society
Receipts and Payments Account for the year ended 31 January 2019

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

[11]

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**(c)** Complete the following table to show the amount which would appear in the income and expenditure account for the year ended 31 January 2019 for **each** item.

| Item | $ |
|---|---|
| Concert | ..... |
| Rates | ..... |
| Insurance | ..... |
| Depreciation of musical instruments | ..... |
| Sale of musical instruments | ..... |

[6]

Workings

A member of the committee of the NS Musical Society has expressed concern about the bank overdraft and has proposed that the annual subscription should be increased by $10.

**REQUIRED**

**(d)** Discuss the implications of increasing the annual subscription by $10.

.....

.....

.....

.....

.....

.....[3]

[Total: 27]

**3** Jamal opened a toy factory on 1 March 2018.

On that date he purchased the following non-current assets.

| | $ |
|---|---|
| Premises | 100 000 |
| Factory machinery | 44 000 |
| Loose tools for factory | 1 650 |
| Office fixtures and fittings | 15 450 |

Jamal decided on the following depreciation policy.

1 No depreciation would be charged on premises.

2 Factory machinery and office fixtures and fittings would be depreciated by 20% per annum using the straight line (equal instalment) method of depreciation.

3 Loose tools would be revalued at the end of each financial year.

Jamal provided the following information.

| | $ |
|---|---|
| For the year ended 28 February 2019 | |
| Purchases of raw materials | 45 680 |
| Purchases of finished goods | 12 400 |
| Purchase returns of raw materials | 1 030 |
| Carriage on raw materials | 3 240 |
| Direct factory wages | 29 750 |
| Indirect factory wages | 18 750 |
| Office and sales staff wages | 25 360 |
| Operating expenses | 8 250 |
| Insurance (for 16 months to 30 June 2019) | 3 200 |
| Sales returns | 2 250 |
| Revenue | ? |
| At 28 February 2019 | |
| Inventory of raw materials | 4 150 |
| Inventory of work in progress | 3 310 |
| Inventory of finished goods | 8 900 |
| Loose tools at valuation | 1 320 |
| Direct factory wages accrued | 3 040 |
| Operating expenses accrued | 550 |

The operating expenses and the insurance are to be apportioned 75% to the factory and 25% to the office.

Jamal's mark-up is 25%.

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**REQUIRED**

**(a)** Prepare the manufacturing account for the year ended 28 February 2019.

Jamal
Manufacturing Account for the year ended 28 February 2019

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

[15]

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**[Turn over**

**(b)** Prepare the income statement (trading section) for the year ended 28 February 2019 to show the revenue, cost of sales and gross profit for the year.

Jamal
Income Statement (Trading section) for the year ended 28 February 2019

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

[7]

After the preparation of the financial statements for the year ended 28 February 2019 it was discovered that some errors had been made.

**REQUIRED**

**(c)** Complete the following table to indicate the **effect** of **each** of the errors.
The first one has been completed as an example.

| Error | effect on cost of production | effect on gross profit | effect on profit for the year |
|---|---|---|---|
| Returns of finished goods to the supplier, $1200, were omitted | *no effect* | *understated* | *understated* |
| Operating expenses accrued were $850 not $550 | ..... | ..... | ..... |
| Salesman's commission, $1850, had been included in indirect factory wages | ..... | ..... | ..... |

[6]

[Total: 28]

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**PLEASE TURN OVER**

**4** Shen is a retailer of men's clothes. His financial year ends on 31 January.

The annual rates of Shen's shop are $960. On 1 February 2018 Shen owed rates, $240. He paid rates by bank transfer on the following dates.

| | | $ |
|---|---|---|
| 2018 | | |
| March | 31 | 640 |
| October | 31 | 720 |

Shen receives a commission from Wang, who owns a shoe shop, on goods purchased by Shen's customers.

Shen provided the following information.

| | | | $ |
|---|---|---|---|
| 2018 | | | |
| February | 1 | Commission outstanding | 210 |
| March | 1 | Commission received by bank transfer | 210 |
| August | 31 | Commission received in cash | 95 |
| 2019 | | | |
| January | 31 | Commission outstanding | 114 |

**REQUIRED**

**(a)** Prepare the following accounts in the ledger of Shen for the year ended 31 January 2019. Balance the accounts and bring down the balances on 1 February 2019.

Shen
Rates account

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

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Commission receivable account

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

[9]

Shen's rate of inventory turnover for the year ended 31 January 2018 was 11.50 times.

He provided the following information for the year ended 31 January 2019.

| | $ |
|---|---|
| Revenue | 25 850 |
| Gross profit | 5 150 |
| Inventory 1 February 2018 | 1 890 |
| Inventory 31 January 2019 | 2 040 |

**REQUIRED**

**(b)** Calculate the rate of inventory turnover for the year ended 31 January 2019. The calculation should be correct to **two** decimal places.

.....

.....

.....

.....

.....[3]

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**[Turn over**

**(c)** State whether Shen would be satisfied with the change in the rate of inventory turnover. Give a reason for your answer.

Satisfied? .....

Reason .....

.....[2]

**(d)** Suggest **two** ways in which Shen could improve the rate of inventory turnover.

1.....

.....

2.....

.....[2]

**(e)** Suggest **two** reasons why Shen always values his inventory at the lower of cost and net realisable value.

1.....

.....

2.....

.....[2]

After the preparation of the income statement for the year ended 31 January 2019 Shen discovered that the inventory at 31 January 2019 had been overstated.

**REQUIRED**

**(f)** Complete the table by placing a tick (✓) in the correct column to indicate whether **each** item would be overstated or understated as a result of the error.

The first one has been completed as an example.

| | overstated | understated |
|---|---|---|
| current assets at 31 January 2019 | ✓ | |
| gross profit for the year ended 31 January 2019 | | |
| capital at 31 January 2019 | | |
| cost of sales for the year ending 31 January 2020 | | |
| profit for the year ending 31 January 2020 | | |

[4]

[Total: 22]

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**5** Myra is a trader. Her financial year ends on 31 December.

Myra provided the following information.

| | $ |
|---|---|
| For the year ended 31 December 2018 | |
| Sales (all on credit) | 118 000 |
| Purchases (all on credit) | 94 000 |
| Cost of sales | 94 350 |
| Profit for the year before interest | 14 100 |
| Profit for the year after interest | 9 900 |
| At 31 December 2018 | |
| Non-current assets at book value | 266 000 |
| Inventory | 8 500 |
| Trade receivables | 7 250 |
| Bank overdraft | 4 150 |
| Trade payables | 6 600 |

Myra allows her credit customers 14 days credit. The trade receivables collection period calculated at 31 December 2017 was 18 days.

Myra is allowed 28 days credit by her credit suppliers. The trade payables payment period calculated at 31 December 2017 was 30 days.

**REQUIRED**

**(a) (i)** Calculate the trade receivables collection period for the year ended 31 December 2018. Round up your answer to the next whole day.

.....

.....

.....

.....[2]

**(ii)** Suggest **two** ways in which the trade receivables collection period may be improved.

1 .....

.....

2 .....

.....[2]

**(b)** **(i)** Calculate the trade payables payment period for the year ended 31 December 2018. Round up your answer to the next whole day.

.....

.....

.....

.....[2]

**(ii)** Suggest **two** ways in which the change in the trade payables payment period may affect Myra.

1 .....

.....

2 .....

.....[2]

**(c)** Calculate the following to **two** decimal places.

**(i)** Percentage of gross profit to revenue (gross profit margin)

.....

.....

.....

.....[2]

**(ii)** Profit for the year to revenue (net profit margin)

.....

.....

.....

.....[2]

**(iii)** Return on capital employed (ROCE)

.....

.....

.....

.....[2]

Myra's brother, Raj, also has a business.

After he prepared his draft financial statements for the year ended 31 March 2019 the following errors were discovered.

1 The total cost of an advertising campaign, $900, which covered a period of 15 months to 30 June 2019, had been charged to the income statement.

2 Discount allowed, $1200, had been recorded as discount received.

3 Depreciation on office equipment for the year ended 31 March 2019 had been calculated at 10% per annum using the reducing (diminishing) balance method instead of the straight line (equal instalment) method. On 1 April 2018 the cost of the office equipment was $15 000 and the accumulated depreciation was $3000.

**REQUIRED**

**(d)** Complete the following statement to show the effect on the draft profit for the year of **correcting** errors 1–3. Calculate the corrected profit for the year.

Raj

Statement of corrected profit for the year ended 31 March 2019

| | Increase in profit $ | Decrease in profit $ | $ |
|---|---|---|---|
| Draft profit for the year before corrections | | | 8550 |
| Error 1 | ..... | ..... | |
| Error 2 | ..... | ..... | |
| Error 3 | ..... | ..... | |
| Corrected profit for the year | | | |

[7]

[Total: 21]

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