Cambridge Assessment International Education

Cambridge IGCSE™

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9752780748

ACCOUNTING **0452/23**

Paper 2 Structured Written Paper **May/June 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 **16** pages. Any blank pages are indicated.

© UCLES 2021

1 Leo maintains a petty cash book using the imprest system. The imprest amount, which is $200, is restored on the first day of each month.

All payments of less than $100 are made from petty cash. All cash receipts of less than $100 are paid into petty cash.

On 1 April 2021 Leo had $48 in his petty cash box. Leo provided the following information for April 2021.

April	1	Restored petty cash imprest from the business bank account
	5	Paid for office cleaning, $21
	7	Paid for train ticket, $13
	13	Paid $72 to Hunter, a trade payable
	18	Paid taxi fare, $14
	25	Received cash, $11, from Conrad, a trade receivable

REQUIRED

(a) Prepare Leo's petty cash book for the month of April 2021, on **page 3**.

Balance the petty cash book and bring down the balance on 1 May 2021.

© UCLES 2021

© UCLES 2021

Leo
Petty Cash Book

Total received $	Date 2021	Details	Total paid $	Travel $	Office expenses $	Ledger accounts $
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

[10]

[Turn over

(b) (i) Name the ledger to which **each** of the following would be posted.

The total of the column for travel expenses .....

The payment to Hunter .....
[2]

(ii) Name the accounting principle which is being applied when figures from the petty cash book are posted to the appropriate ledgers.

..... [1]

Leo received a statement of account from Hunter.

REQUIRED

(c) State **two** purposes of issuing this statement to Leo.

1 .....

.....

2 .....

.....
[2]

Leo is considering making all payments over $50 to trade payables by credit transfer.

REQUIRED

(d) Advise Leo whether he should go ahead with this change. Justify your answer by providing **two** advantages and **two** disadvantages.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 20]

© UCLES 2021

2 Tej is a trader who sells goods on credit. His year end is 28 February.
Tej provided the following information.

		$
At 1 March 2020		
Trade receivables		6250
Other receivables (rent prepaid)		300
For the year ended 28 February 2021		
Rent charge for the year		3900
Cheque payments for rent	30 June 2020	1950
	30 November 2020	2100
At 28 February 2021		
Trade receivables		7000

The provision for doubtful debts was 4% of trade receivables at 1 March 2020 and 6% of trade receivables at 28 February 2021.

REQUIRED

(a) Prepare the rent payable account for the year ended 28 February 2021. Balance the account and bring down the balance on 1 March 2021.

Tej
Rent payable account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[6]

(b) Prepare the provision for doubtful debts account for the year ended 28 February 2021. Balance the account and bring down the balance on 1 March 2021.

Tej
Provision for doubtful debts account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[4]

(c) Name the accounting principle applied when the income statement is adjusted for rent prepaid.

..... [1]

(d) **(i)** Explain how the realisation principle is applied to the recording of Tej's credit sales.

.....

.....

.....

..... [2]

(ii) Explain how the prudence principle is applied to the maintenance of Tej's provision for doubtful debts.

.....

.....

.....

..... [2]

© UCLES 2021

Tej sells to a small number of customers. He has good working relationships with them and they sometimes recommend him to potential customers.

Tej is concerned that his customers are taking a long time to pay him. He is considering charging interest on overdue accounts.

REQUIRED

(e) Advise Tej whether or not he should charge interest on overdue accounts. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 20]

3 The trial balance of HV Limited at 31 March 2021 was as follows.

HV Limited
Trial Balance at 31 March 2021

	Debit	Credit
	$	$
Revenue		145 000
Inventory at 1 April 2020	5820	
Purchases	64900	
Rent and insurance	9280	
Wages	24750	
Operating expenses	8500	
Fittings at cost	200000	
Provision for depreciation of fittings		72000
Trade receivables	12500	
Bank	13765	
Trade payables		6615
4% Debentures (repayable 1 April 2031)		30000
Ordinary share capital		70000
Retained earnings		21500
Dividend paid on ordinary shares	5600	
	345115	345115

Additional information

1 Inventory at 31 March 2021 was valued at $6090.

2 Depreciation on fittings is to be charged at 20% per annum using the reducing balance method.

3 Rent includes a payment of $1800 for the 3 months from 1 March 2021 to 31 May 2021.

4 Accrued wages at 31 March 2021 were $2250.

5 No debenture interest has been paid for the year ended 31 March 2021.

6 No dividends were outstanding at 31 March 2021.

7 $2000 is to be transferred to a general reserve on 31 March 2021.

© UCLES 2021

REQUIRED

(a) Prepare the income statement for HV Limited for the year ended 31 March 2021.

HV Limited
Income Statement for the year ended 31 March 2021

	$	$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[8]

© UCLES 2021

[Turn over

(b) Prepare the statement of changes in equity for HV Limited for the year ended 31 March 2021.

HV Limited
Statement of Changes in Equity for the year ended 31 March 2021

Details	Ordinary Share capital $	General reserve $	Retained earnings $	Total $
On 1 April 2020	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
On 31 March 2021	.....	.....	.....	.....

[5]

(c) Calculate the return on capital employed for the year ended 31 March 2021.
The answer should be correct to **two** decimal places.

.....

.....

..... [3]

(d) State **two** differences between ordinary shares and preference shares.

1 .....

.....

.....

2 .....

.....

.....

[4]

[Total: 20]

© UCLES 2021

4 RIA Music Club owns its premises where it has a shop and a number of music rooms.
Shop sales are for cash and shop purchases are on credit. Mark-up is 20%.
The treasurer provided the following information.

	At 1 January 2020	At 31 December 2020
	$	$
Subscriptions in advance	1 200	1 050
Subscriptions in arrears	5 215	5 830
Total shop trade payables	4 275	4 990
Shop inventory	2 500	2 500
Balance at bank	240	110
For the year to 31 December 2020		
Subscriptions received	36 700	
Shop purchases	34 200	
Shop purchases returns	1 710	
Interest charged on overdue shop trade payables accounts	200	

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.

RIA Music Club
Subscriptions account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[6]

© UCLES 2021

[Turn over

(b) Prepare the total shop trade payables account for the year ended 31 December 2020 to calculate the amount paid to shop trade payables.

RIA Music Club
Total shop trade payables account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[6]

(c) Calculate the revenue from shop sales for the year ended 31 December 2020.

.....

.....

.....

.....

..... [3]

© UCLES 2021

The treasurer is concerned about the decreasing bank balance and the increase in shop trade payables. He is looking into the possibility of renting out part of the club premises to an art society for $400 per month.

REQUIRED

(d) Advise the treasurer whether renting out part of the premises is the most suitable way of improving cash flow or whether other methods may be more suitable. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 20]

5 Kia is a trader.
The totals of the trial balance prepared on 30 April 2021 did not agree and the difference was placed in a suspense account.

Kia later discovered the errors shown in the table in part **(a)**.

REQUIRED

(a) Complete the following table to show the entries required to **correct each** error.
The first one has been completed as an example.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	$	Account	$
Cash drawings, $200, had been omitted from the drawings account.	*Drawings*	*200*	*Suspense*	*200*
A petty cash book payment, $31, to Abel, a supplier, had been recorded in the column for office expenses.	.....	.....	.....	.....
	.....	.....	.....	.....
Sales returns, $105, had been correctly entered in the customer's account but had been credited to the purchases returns account.	.....	.....	.....	.....
	.....	.....	.....	.....
A payment for motor expenses, $72, had been recorded in the motor expenses account as $172.	.....	.....	.....	.....
	.....	.....	.....	.....
A purchase invoice, $102, from Abel, had been debited to Abel's account and credited to the purchases account.	.....	.....	.....	.....
	.....	.....	.....	.....

[9]

© UCLES 2021

(b) Prepare the suspense account. Include the original difference on the trial balance, as a balancing figure.

Kia
Suspense account

Date	Details	$	Date	Details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[5]

(c) The account for Abel in Kia's books showed that Kia owed him $327 **before** the errors were corrected. Calculate the correct amount which Kia owed Abel at 30 April 2021.

.....

.....

.....

..... [3]

Kia has recorded the purchase of a calculator, $5, as an office expense.

REQUIRED

(d) State **three** reasons why Kia did **not** record this as a non-current asset.

1 .....

.....

2 .....

.....

3 .....

.....

[3]

[Total: 20]

© UCLES 2021

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

© UCLES 2021