## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

## ACCOUNTING

Paper 2
May/June 2006

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.
You may use a soft pencil for 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 11 printed pages and 1 blank page.

1 (a) In which book of prime (original) entry should discount allowed and discount received be recorded?
$\qquad$
(b) Which accounting principle is being applied when an adjustment is made for a prepaid expense?
$\qquad$
(c) In which section of the balance sheet will a provision for depreciation be shown?
$\qquad$
(d) Explain what is meant by an error of omission.
$\qquad$
$\qquad$
(e) In the following table, place a tick $(\checkmark)$ under the correct heading for each item.

|  | Income | Expense |
| :--- | :--- | :--- |
| Discount received |  |  |
| Carriage outwards |  |  |
| Interest on bank deposit |  |  |
| Bad debts written off |  |  |

(f) In a partnership Appropriation Account, name two items which may be added to, or deducted from, net profit before the partners' share of profit is calculated.
(i) $\qquad$
(ii)
(g) State what is meant by working capital.

$\qquad$
(h) Frank maintains his petty cash on the imprest system. He keeps a balance of $\$ 200$.

At the end of April the balance in hand is $\$ 65$ and there are vouchers for expenditure of \$125.
(i) How much will Frank draw from the bank to restore his petty cash balance?
(ii) Suggest one reason for the difference in the petty cash balance.
$\qquad$
$\qquad$
$\qquad$
(i) (i) State what is meant by the quick ratio.
$\qquad$
$\qquad$
(ii) Explain why this is a useful accounting ratio.
$\qquad$
$\qquad$
$\qquad$

2 Loretti started a business on 1 April 2006. On that day he introduced the following into the business:

Stock $\$ 12000$, office furniture $\$ 1500$, and cash $\$ 2500$, of which $\$ 200$ was kept on hand for petty cash and the balance, $\$ 2300$, was paid into a business bank account.

On the same day his cousin Hassan paid $\$ 3000$ into the business bank account as a loan to the business.

## REQUIRED

(a) Show the opening journal entry to record these transactions. A narrative is not required.


Loretti decided to keep his petty cash book on the imprest system. In the month of April 2006 he paid the following expenses from his cash balance.

|  |  | $\$$ |
| ---: | :--- | ---: |
| 3 April | Stationery | 35 |
| 8 April | Refreshments | 40 |
| 13 April | Cleaning | 50 |
| 20 April | Travelling | 20 |

On 1 May he withdrew the appropriate amount from the bank to restore the imprest amount.

## REQUIRED

(b) Write up Loretti's petty cash book, on the page opposite, for the month of April and show the amount transferred from the bank on 1 May.
Loretti - Petty Cash Book


3 Hilota has a business supplying spare parts for cars. His financial year ends on 31 March. At 31 March 2006 his accounts showed the following balances:

## \$

Fixed assets at cost 22000
Provision for depreciation 9300
Stock (at 1 April 2005) 3200

## Balance at bank (Dr)

1550
Sales 56500
Sales returns 500
Purchases 34200
Carriage outwards 950
Rent 4000
Wages 7200
General expenses 2600
Capital 20000
Drawings 9600

## REQUIRED

(a) Prepare Hilota's Trial Balance at 31 March 2006.

Hilota
Trial Balance at 31 March 2006


Hilota has stock on hand at 31 March 2006 amounting to $\$ 3800$.

## REQUIRED

(b) From the information above and in part (a), prepare Hilota's Trading Account for the year ended 31 March 2006.

Hilota
Trading Account for the year ended 31 March 2006
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$\qquad$
(c) (i) Calculate Hilota's gross profit percentage for the year, to two decimal places.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
(ii) On the basis that Hilota had no sales returns in the period, calculate his revised gross profit percentage to two decimal places.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

4 (a) Complete the following sentence:
"Stock is valued at the of and
$\qquad$ ."

Rudi buys and sells engineering parts. The following information about his stock is available.

| Part number | Units in stock <br> at 30 April 2006 | Cost per unit <br> $\$$ | Selling price per unit <br> $\$$ |
| :---: | :---: | :---: | :---: |
| A005 | 250 | 1.30 | 1.95 |
| B017 | 600 | 2.00 | 1.80 |
| C060 | 150 | 2.50 | 3.50 |

The stock of part C060 has been delivered in three consignments. Carriage inwards has been charged at $\$ 25$ per consignment.

REQUIRED
(b) Compute the value of stock to be shown in Rudi's Balance Sheet at 30 April 2006.
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$\qquad$
(c) State the accounting principle applied in part (b) above.

5 Rajit has a business making furniture. After preparing his Trading and Profit and Loss Account for the year ended 31 December 2005, a summary of his trial balance shows the following items:

|  | $\$$ |
| :--- | :---: |
| Fixed assets at cost | 62500 |
| Provision for depreciation | 12500 |
| Current assets | 47000 |
| Current liabilities | 19000 |
| Capital account at 1 January 2005 | 74000 |
| Drawings | 9000 |
| Profit for the year | 13000 |

## REQUIRED

(a) Prepare Rajit's Balance Sheet at 31 December 2005.

Rajit
Balance Sheet at 31 December 2005
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$\qquad$
$\qquad$
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$\qquad$
(b) Calculate to two decimal places Rajit's return on his capital employed. Use the capital at 1 January 2005.
$\qquad$
$\qquad$
$\qquad$
$\qquad$

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