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## ACCOUNTING

0452/23

Paper 2 Structured Written Paper

October/November 2022

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 **20** pages. Any blank pages are indicated.



- 1 Anika owns property which she rents out to university students. She has made a consistent profit for each year she has been in business. Her trial balance at 31 August 2022 was as follows.

|  | Debit<br>\$    | Credit<br>\$   |
|--|----------------|----------------|
| Capital  |                | 400 000        |
| Rent receivable                                  |                | 162 000        |
| General expenses                                 | 26 500         |                |
| Bank   | 39 400         |                |
| Rates  | 38 200         |                |
| Insurance  | 12 400         |                |
| Repairs  | 32 000         |                |
| Drawings   | 18 500         |                |
| Non-current assets at cost                       |                |                |
| Premises   | 418 000        |                |
| Fittings   | 90 000         |                |
| Provision for depreciation of non-current assets |                |                |
| Premises   |                | 42 000         |
| Fittings   |                | 71 000         |
|  | <u>675 000</u> | <u>675 000</u> |

#### Additional information

- 1 At 31 August 2022, rent received of \$8100 has been paid in advance.
- 2 At 31 August 2022, general expenses of \$1300 have been paid in advance and rates of \$3400 were owing.
- 3 The insurance includes \$1800 paid for the 15 month period ending 30 November 2022.
- 4 Expenditure of \$9000 for new fittings has been recorded in repairs.
- 5 Depreciation is to be provided as follows:
 

|          |  |
|----------|--|
| Premises | by equal instalments on cost each year over a 50 year period |
| Fittings | 20% per annum by the reducing balance method                 |

A full year's depreciation is charged on fittings during the year of purchase.

**REQUIRED**

**(a)** Prepare the income statement of Anika for the year ended 31 August 2022.

Anika  
Income Statement for the year ended 31 August 2022

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

Workings:

(b) Prepare the capital account for the year ended 31 August 2022 showing the balance brought down at 1 September 2022.

Anika  
Capital account

| Date  | Details | \$    | Date  | Details | \$    |
|-------|---------|-------|-------|---------|-------|
| ..... | .....   | ..... | ..... | .....   | ..... |
| ..... | .....   | ..... | ..... | .....   | ..... |
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[3]

Anika plans to buy more property to rent out. She will need additional capital for this. She has savings earning 3% per annum which she could use for the additional capital. Alternatively, she could invite Janos, a builder, to provide the capital and join her to form a partnership.

**REQUIRED**

(c) Advise Anika on her plans and whether she should provide her own additional capital or form a partnership with Janos. Justify your answer.

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[5]



- 2 Rasheed started a business on 1 October 2021. He maintains a petty cash book in the business. A monthly imprest of \$100 is restored on the first day of each month.

**REQUIRED**

- (a) State **two** advantages of maintaining a petty cash book.

1 .....

.....

2 .....

..... [2]

Rasheed's transactions for the month of September 2022 were as follows.

|             |  |    |
|-------------|--|----|
|             |  | \$ |
| September 2 | Paid taxi fare                           | 12 |
| 7           | Paid purchases ledger account of Crystal | 16 |
| 13          | Bought postage stamps                    | 10 |
| 18          | Paid purchases ledger account of Kalpa   | 15 |
| 25          | Paid bus fare                            | 5  |
| 29          | Paid cleaner                             | 28 |

**REQUIRED**

- (b) Complete Rasheed's petty cash book for the month of September 2022 on the next page.

Balance the petty cash book and bring down the balance on 1 October 2022. Clearly show the amount required to restore the imprest.

[8]

Rasheed – Petty Cash Book

| Total Received \$ | Date        | 2022 | Details | Total paid \$ | Travel \$ | Postage \$ | Cleaning \$ | Ledger accounts \$ |
|-------------------|-------------|------|---------|---------------|-----------|------------|-------------|--------------------|
| 100               | September 1 |      | Cash    |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
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|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
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|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |
|                   |             |      |         |               |           |            |             |                    |

- (c) Record the entries which would be made in the following accounts in September 2022. It is **not** necessary to total or balance the accounts.

Rasheed  
Postage account

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

Purchases ledger  
Crystal account

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

[2]

At the end of his first year in business Rasheed had a closing inventory of \$8600.

**REQUIRED**

- (d) Prepare the inventory account at 30 September 2022. Balance the account and bring down the balance on 1 October 2022.

Rasheed  
Inventory account

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

[2]



(e) At the end of his first year in business Rasheed would like to compare his financial performance with other businesses. Explain to Rasheed **three** problems of inter-firm comparison.

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[6]

[Total: 20]

- 3 The following balances have been taken from the accounts of RB, a trader.

|                       | 1 April 2021 | 31 March 2022 |
|-----------------------|--------------|---------------|
|                       | \$           | \$            |
| Insurance             | 2500 prepaid | 850 prepaid   |
| Commission receivable | 700 owing    | 630 owing     |

The following transactions relate to the year ended 31 March 2022. All receipts and payments were through the bank account.

|                       |        |
|-----------------------|--------|
|                       | \$     |
| Insurance paid        | 15 300 |
| Insurance refund      | 600    |
| Commission receivable | 7 200  |

### REQUIRED

- (a) Prepare the following ledger accounts for the year ended 31 March 2022. Balance the accounts and bring down the balances on 1 April 2022.

RB  
Insurance account

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

## Commission receivable account

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

[8]

- (b) Prepare the entries for insurance and commission receivable in RB's statement of financial position at 31 March 2022.

RB

Extract from statement of financial position at 31 March 2022

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..... [2]

- (c) Explain why the matching principle is important in the preparation of RB's income statement.

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..... [3]

RB has arranged with his suppliers to receive a 25% trade discount off list price and a 2% cash discount. The cash discount is only for payments made within 10 days.

On 5 March 2022 RB received an invoice from JP for the supply of goods with a list price of \$3000. The invoice was paid on 13 March 2022.

### REQUIRED

(d) Calculate each of the following:

(i) the trade discount

.....  
 ..... [1]

(ii) the cash discount

.....  
 ..... [1]

(iii) the amount paid to the supplier JP

.....  
 ..... [1]

(e) Complete the table below indicating with a tick (✓) the effect of **each** type of discount on gross profit and profit for the year.

Discount allowed

|                     | increase | decrease | no effect |
|---------------------|----------|----------|-----------|
| gross profit        |          |          |           |
| profit for the year |          |          |           |

Discount received

|                     | increase | decrease | no effect |
|---------------------|----------|----------|-----------|
| gross profit        |          |          |           |
| profit for the year |          |          |           |

[4]

[Total: 20]

- 4 The following information is taken from the statement of financial position of C Limited at 1 September 2021.

|                                 |         |
|---------------------------------|---------|
|                                 | \$      |
| 5% Debentures (2024)            | 60 000  |
| Equity                          |         |
| Ordinary share capital (\$0.50) | 240 000 |
| General reserve                 | 36 000  |
| Retained earnings               | 22 000  |

During the year ended 31 August 2022:

A final dividend payment of \$12 000 was made for the year ended 31 August 2021.

An interim dividend payment of \$0.02 per share was made for the year ended 31 August 2022.

A transfer of \$11 000 was made to general reserve.

At 31 August 2022 the company proposed a final dividend of \$10 000 for the year ended 31 August 2022.

The revenue for the year ended 31 August 2022 was \$310 000 and the profit (before debenture interest) was \$23 000.

### REQUIRED

- (a) Prepare the statement for the changes in equity for the year ended 31 August 2022.

C Limited  
Statement of Changes in Equity for the year ended 31 August 2022

| Details | Share capital<br>\$ | General reserve<br>\$ | Retained earnings<br>\$ | Total<br>\$ |
|---------|---------------------|-----------------------|-------------------------|-------------|
| .....   | .....               | .....                 | .....                   | .....       |
| .....   | .....               | .....                 | .....                   | .....       |
| .....   | .....               | .....                 | .....                   | .....       |
| .....   | .....               | .....                 | .....                   | .....       |
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| .....   | .....               | .....                 | .....                   | .....       |
| .....   | .....               | .....                 | .....                   | .....       |
| .....   | .....               | .....                 | .....                   | .....       |
| .....   | .....               | .....                 | .....                   | .....       |

[7]

(b) Calculate to **two** decimal places the return on capital employed for the year ended 31 August 2022. (Use closing capital employed).

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..... [4]

(c) (i) Calculate to **two** decimal places the profit margin for the year.

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..... [2]

(ii) Suggest **two** ways in which the profit margin could be improved.

1 .....  
.....  
2 .....  
..... [2]



- 5 NT started in business on 1 September 2020. All sales are on credit and payment is required from customers within 25 days.

On 5 May 2021, LW a trade receivable was declared bankrupt and a debt of \$600 was written off as irrecoverable at that date.

**REQUIRED**

- (a) Prepare a journal entry to write off the amount owed by LW. A narrative **is** required.

NT  
General Journal

| Date  | Details | Debit<br>\$ | Credit<br>\$ |
|-------|---------|-------------|--------------|
| ..... | .....   | .....       | .....        |
| ..... | .....   | .....       | .....        |
| ..... | .....   | .....       | .....        |
| ..... | .....   | .....       | .....        |

[3]

In addition to the irrecoverable debt of LW, other irrecoverable debts of \$4100 were written off during the year ended 31 August 2021. Trade receivables at 31 August 2021 were \$91 500 and NT decided to create a provision for doubtful debts of 5% of trade receivables.

**REQUIRED**

- (b) Prepare an extract from the expenses section of NT’s income statement for the year ended 31 August 2021.

NT  
Extract from income statement for the year ended 31 August 2021

|  |
|--|
|  |
|  |
|  |
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|  |

[2]



- (c) Prepare an extract from the assets section of NT's statement of financial position at 31 August 2021.

NT

Extract from statement of financial position at 31 August 2021

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..... [2]

During the financial year ended 31 August 2022, PB a trade receivable who owed \$7000 had been declared bankrupt. On 17 July 2022, NT received payment of \$2500 by cheque in final settlement of the debt. The remainder of the debt was written off as irrecoverable.

Other irrecoverable debts of \$8400 were written off at 31 August 2022. The remaining trade receivables at 31 August 2022 were \$110000 and NT decided to maintain the provision for doubtful debts at 5% of trade receivables.

### REQUIRED

- (d) Prepare the following ledger accounts for the year ended 31 August 2022. Bring down the balance on 1 September 2022, where appropriate.

NT ledger accounts

PB account

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

Irrecoverable debts account

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

Provision for doubtful debts account

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

[8]

NT is concerned at the increase in irrecoverable debts during the second year of business. To reduce irrecoverable debts, he is planning to introduce one of the two following options.

Option 1: To charge interest on all debts not paid within his standard terms of payment of 25 days.

Option 2: To stop supplies to all customers who do not pay within his standard terms of payment of 25 days.

**(e)** Advise NT on which option he should introduce. Justify your answer.

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[Total: 20]

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