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| Centre Number | Candidate Number | Name |
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CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

0452/03

Paper 3

May/June 2003

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 in the spaces provided on the Question Paper.
You may use a soft pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

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.

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 | |

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

This document consists of **15** printed pages and **1** blank page.



1 Ian Selkirk is a sole trader who maintains a full set of accounting records. He divides his ledger into three sections – general ledger, purchases ledger and sales ledger.

(a) State and explain **one** advantage of dividing the ledger into these three sections.

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[2]

(b) Name **two** accounts which would appear in the general ledger.

(i)
 (ii)[2]

(c) Ian Selkirk prepares control accounts for his purchases and sales ledgers at the end of each month.

On 1 April 2003 the balances brought down on the control accounts were –

| | |
|----------------------------------|-------------|
| | \$ |
| Purchases Ledger Control account | 1960 credit |
| Sales Ledger Control account | 1750 debit |
| Sales Ledger Control account | 100 credit |

Totals of the journals for April 2003 were –

| | |
|---------------------------|------|
| | \$ |
| Purchases Journal | 4190 |
| Sales Journal | 5150 |
| Purchases Returns Journal | 135 |
| Sales Returns Journal | 270 |

The Cash Book for April 2003 showed –

| | |
|---|------|
| | \$ |
| Cheques received from debtors | 4990 |
| Cheques paid to creditors | 3830 |
| Cheque paid to debtor in respect of overpayment | 100 |
| Discount allowed | 110 |
| Discount received | 180 |

The journal entries for April 2003 showed –

| | |
|-----------------------|----|
| | \$ |
| Bad debts written off | 74 |

Prepare Ian Selkirk's Purchases Ledger Control account and Sales Ledger Control account for the month of April 2003. Bring down the balances on 1 May 2003.

- 2 The following trial balance was extracted from the books of Amir Sadiq as at 31 March 2003.

| | \$ | \$ |
|--|--------|--------|
| Capital | | 33000 |
| Drawings | 2500 | |
| Buildings at cost | 20000 | |
| Fixtures and equipment at valuation | 3400 | |
| Motor vehicles at cost | 8000 | |
| Provision for depreciation of motor vehicles | | 3250 |
| Provision for doubtful debts | | 200 |
| Debtors | 7500 | |
| Creditors | | 6700 |
| Bank overdraft | | 2880 |
| Motor vehicle expenses | 1240 | |
| General expenses | 2030 | |
| Wages | 11940 | |
| Insurance | 1470 | |
| Carriage inwards | 700 | |
| Discount received | | 250 |
| Sales | | 92100 |
| Purchases | 68500 | |
| Sales returns | 1200 | |
| Stock 1 April 2002 | 9900 | |
| | 138380 | 138380 |

Additional information

- At 31 March 2003:
 - Stock was valued at \$10200.
 - Wages outstanding amounted to \$1080.
 - Insurance prepaid amounted to \$210.
- During the year ended 31 March 2003 Amir took goods costing \$300 for his own use. No entries had been made in the accounting records.
- The provision for doubtful debts is to be maintained at 2% of the debtors.
- Motor vehicles are to be depreciated at 20% per annum using the reducing balance method.
- Fixtures and equipment were valued at \$2800 on 31 March 2003. No fixtures and equipment were bought or sold during the year ended 31 March 2003.

(b) Calculate, correct to **two** decimal places, Amir's rate of stock turnover for the year ended 31 March 2003. Show your workings.

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.....[2]

(c) (i) Explain what is meant by the going concern principle.

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.....[2]

(ii) On what basis should stock be valued when the going concern principle is applied?

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.....[1]

- 3 (a) On 31 January 2003 Mary, a trader, obtained a statement from her bank and compared it with the bank account in her cash book.

The bank balance shown in the cash book was an overdraft of \$1780. This differed from the balance shown on the bank statement because –

1. a cheque for \$270 payable to David had not yet been presented for payment
2. cash paid into the bank amounting to \$800 had not yet been credited to Mary's account.

Prepare a bank reconciliation statement to show the balance which appeared on the bank statement on 31 January 2003.

Mary

Bank Reconciliation Statement as at 31 January 2003

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[4]

- (b) The following balances were extracted from the books of Mary on 31 January 2003 –

| | |
|--------------------------|--------|
| | \$ |
| Machinery | 26 000 |
| Fixtures | 8 500 |
| Stock | 6 600 |
| Debtors | 5 400 |
| Creditors | 4 620 |
| Insurance prepaid | 120 |
| Rent received in advance | 160 |
| Bank overdraft | 1 780 |
| Cash | 240 |
| General expenses accrued | 700 |
| Long term loan | 15 000 |
| Capital | 24 600 |

- (i) Select the relevant figures and calculate Mary's working capital on 31 January 2003.

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[5]

- (ii) Calculate, correct to **two** decimal places, Mary's current ratio and quick ratio at 31 January 2003. Show your workings.

1. Current ratio

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[2]

2. Quick ratio

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[2]

(c) (i) State and explain **two** disadvantages to a business of having insufficient working capital.

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.....[4]

(ii) State **two** ways in which a business could increase its working capital.

1

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2

.....[4]

4 Suzi Iyambo is a sole trader whose financial year ends on 31 January.

(a) The following account appears in Suzi's ledger.

John Karunda account

| | \$ | | \$ |
|---------------------------------|------|-----------------|------|
| 2002 | | 2002 | |
| Apr 1 Sales | 1000 | Apr 30 Bank | 1000 |
| May 6 Bank (dishonoured cheque) | 1000 | Dec 1 Cash | 850 |
| | 2000 | 2003 | |
| | | Jan 3 Bad debts | 150 |
| | | | 2000 |

For candidates who are not familiar with the layout of the account shown above, an alternative presentation is provided.

John Karunda account

| | Dr \$ | Cr \$ | Balance \$ |
|---------------------------------|----------|----------|---------------|
| 2002 | | | |
| Apr 1 Sales | 1000 | | 1000 |
| 30 Bank | | 1000 | 0 |
| May 6 Bank (dishonoured cheque) | 1000 | | 1000 |
| Dec 1 Cash | | 850 | 150 |
| 2003 | | | |
| Jan 3 Bad debts | | 150 | 0 |

Explain **each** entry in John Karunda's account as it appears in Suzi Iyambo's ledger.

April 1 Sales

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April 30 Bank

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May 6 Bank (dishonoured cheque)

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December 1 Cash

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.....
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January 3 Bad debts

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.....[10]

(b) Suzi maintains a provision for doubtful debts. On 1 February 2002 there was a credit balance of \$900 on the provision for doubtful debts account.

At 31 January 2003 Suzi's debtors owed \$40000, and she decided to maintain the provision for doubtful debts at 2% of the debtors.

Write up the Provision for Doubtful Debts account in Suzi's ledger for the year ended 31 January 2003.

Provision for Doubtful Debts account

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.....[6]

(c) State **four** ways in which Suzi Iyambo could reduce the risk of bad debts.

(i)
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(ii)
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(iii)
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(iv)
.....[4]

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- 5 The Cobbydale Sports Club was formed on 1 May 2002.

The treasurer produced the following information for the year ended 30 April 2003.

Receipts and Payments Account for the year ended 30 April 2003

| | | | |
|------------------------------|-------|---------------------------|-------|
| Receipts | \$ | Payments | \$ |
| Subscriptions | 6800 | General expenses | 1430 |
| Sale of tickets for open day | 3250 | Insurance | 670 |
| Loan from a member | 1000 | Purchase of equipment | 3500 |
| | | Expenses of open day | 1950 |
| | | Rent of premises | 2420 |
| | | Balance 30 April 2003 c/d | 1080 |
| | <hr/> | | <hr/> |
| | 11050 | | 11050 |
| | <hr/> | | <hr/> |
| Balance 1 May 2003 b/d | 1080 | | |

Additional notes –

1. At 30 April 2003

| | |
|--|-----|
| | \$ |
| Subscriptions due from members amounted to | 300 |
| Rent due amounted to | 220 |

2. The equipment is expected to have a useful life of 6 years after which time its scrap value is expected to be \$200. Depreciation is to be provided using the straight line (equal instalment) method. A full year's depreciation is charged in the year of purchase.
- (a) Prepare the Income and Expenditure Account of the Cobbydale Sports Club for the year ended 30 April 2003.

