

Centre Number	Candidate Number	Name
---------------	------------------	------

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

**ACCOUNTING**

**0452/03**

Paper 3

May/June 2004

**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	
<b>Total</b>	

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 (a) Ruth is a trader. Her financial year ends on 31 March. She provides the following information.

2003		\$
April 1	Insurance prepaid for 3 months to 30 June 2004 amounted to	60
July 1	Paid insurance premium for 12 months to 30 June 2004 by cheque	264

Prepare the Insurance account as it would appear in Ruth's ledger for the year ended 31 March 2004. Show clearly the amount transferred to the Profit and Loss Account.

*Insurance account*

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[6]

- (b) (i) In connection with journal entries, explain what is meant by the term 'narrative'.

.....

.....[1]

- (ii) Explain why a narrative should be shown as part of a journal entry.

.....

.....

.....[2]

Ruth provides the following information.

- 1. Ruth took goods costing \$60 for her own use.
- 2. An invoice was received from PJ Motors for \$15600. This included \$600 for repairs to a motor vehicle and \$15000 for the purchase of an additional motor vehicle.
- 3. It was discovered that the purchase of stationery, \$20, had been debited to the purchases account. This error should now be corrected.

Prepare the necessary journal entries to record the above. Narratives are required.

**(c)** *Journal*

	Debit \$	Credit \$

[10]

[Total: 19]

- 2 The Playground Company makes equipment for children's playgrounds. It was formed on 1 January 2003 by Ismail Nasser.

The following information was extracted from the books at the end of the first financial year.

	\$
Sales	151 400
Purchases of raw materials	48 500
Direct factory wages	26 900
Indirect factory wages	18 400
Factory general expenses	4 930
Factory fuel and power	4 700

At 31 December 2003 the following additional information was provided.

- |   | \$   |
|---|------|
| 1. Fuel and power accrued amounted to   | 150  |
| 2. Direct factory wages accrued amounted to   | 650  |
| 3. Stocks were valued at – raw material   | 2700 |
| work in progress  | 1920 |
| finished goods  | 4910 |
| 4. Factory machinery was valued at \$19550. It had been purchased for \$21000 on 1 January 2003. There were no other purchases or sales of machinery during the year. |      |
- (a) Prepare the Manufacturing Account of the Playground Company for the year ended 31 December 2003.

*Playground Company*  
*Manufacturing Account for the year ended 31 December 2003*

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....[12]

- (b) Prepare the Trading Account of the Playground Company for the year ended 31 December 2003.

*Playground Company*  
*Trading Account for the year ended 31 December 2003*

.....

.....

.....

.....

.....

.....

.....

.....

.....[5]

- (c) Ismail is considering the possibility of having two departments in his business. One department would deal with the sale of equipment to school and playgroups, and the other department would deal with sales to the general public.

State **two** reasons why it would be useful for Ismail to know the results of **each** department separately.

1. ....

.....

2. ....

.....[2]

**[Total: 19]**

3 (a) When is it necessary to open a suspense account?

.....[1]

(b) On checking his sales ledger, a trader found the following errors had been made.

1. Cash received from Tarek El Sayed was correctly entered in the cash book but had been credited to the account of Tarek El Sherif.
2. A cheque received from Susan Zafar was correctly entered in the cash book but had been debited to Susan Zafar's account.

Only one of the above errors will require a correcting entry in the suspense account. State which one and give a reason for your answer.

.....  
.....  
.....[3]

(c) Mary Manake is a sole trader. She has very little knowledge of bookkeeping, but attempted to prepare a trial balance and a set of final accounts.

The Balance Sheet she prepared is shown on the following page.

*Balance Sheet as at 30 April 2004*

	\$
Fixed assets at cost	40 000
Depreciation on fixed assets	<u>8 000</u>
	32 000
Stock	8 500
Debtors	<u>6 100</u>
	<u>46 600</u>
Capital at 1 May 2003	34 000
Net profit for the year	<u>8 440</u>
	42 440
Drawings	<u>7 300</u>
	35 140
Creditors	5 200
Bank overdraft	<u>2 010</u>
	42 350
Suspense account (difference on trial balance)	<u>4 250</u>
	<u>46 600</u>

When the books were checked the following matters were discovered.

1. No adjustment has been made for expenses prepaid at 30 April 2004 amounting to \$30.
2. The bank statement received on 30 April 2004 showed that the bank had debited the business's bank account with \$70 for interest charged on the overdraft. No adjustment has been made for this in Mary Manake's books.
3. The total of the discount received column in the cash book, amounting to \$150, has not been transferred to the discount received account in the ledger. Because of this, discount received does not appear in either the trial balance or the Profit and Loss Account.
4. Fixed assets costing \$5000 had been sold during the year ended 30 April 2004. Depreciation of \$500 had been provided up to the date of sale. The amount received for the assets, \$4100, had been correctly entered in the cash book, but no other entries had been made.

Taking the above items into account, prepare a corrected Balance Sheet for Mary Manake as at 30 April 2004.

The Balance Sheet should be shown using a suitable form of presentation, showing the different types of assets and liabilities, and the working capital. The calculation of the corrected net profit should also be shown, either within the Balance Sheet, or as a separate calculation.





4 (a) State **one** reason why a business maintains a provision for doubtful debts.

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

(b) On 1 April 2003 Hashmi, a trader, had a provision for doubtful debts amounting to \$250.

The following transactions took place during the year ended 31 March 2004.

2003

- May 1 Sold goods, \$100, on credit to Ahmed
- July 31 Received a cheque for \$80 from Ahmed
- Sept 1 Received \$50 in cash from Zaki whose account had been written off in November 2002

2004

- Jan 31 The amount owing by Ahmed was written off as a bad debt
- Mar 31 The provision for doubtful debts was reduced to \$200

Write up the following accounts in Hashmi's ledger for the year ended 31 March 2004.

- (i) Ahmed account
- (ii) Bad debts account
- (iii) Bad debts recovered account
- (iv) Provision for doubtful debts account

(i) *Ahmed account*

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

(ii) *Bad debts account*

.....  
.....  
.....  
.....  
.....

(iii)

*Bad debts recovered account*

.....

.....

.....

.....

.....

.....

(iv)

*Provision for doubtful debts account*

.....

.....

.....

.....

.....

.....

.....[12]

(c) Nangolo is a trader. His financial year ends on 31 December.

State, giving a reason, what entries (if any) Nangolo should make in his accounting records in **each** of the following situations.

(i) On 31 December 2003 Zanetti, a debtor, owes \$24 for goods purchased on credit in 2002. Nangolo has been unable to find Zanetti.

.....  
.....  
.....

(ii) On 31 December 2003 Lim, a debtor, owes \$390 for goods purchased on credit in November 2003. The period of credit allowed is 1 month. Lim has informed Nangolo that he is unlikely to pay the amount due before February 2004.

.....  
.....  
.....

(iii) On 31 December 2003 Nangolo examines his sales ledger and decides that he is unlikely to receive \$280 of the total amount owing to him.

.....  
.....  
.....[6]

**[Total: 20]**

**BLANK PAGE**

**QUESTION 5 IS ON THE FOLLOWING PAGE**

5 (a) Explain the meaning of the following accounting terms.

(i) Margin

.....  
 .....  
 .....

(ii) Mark-up

.....  
 .....  
 .....[4]

(b) Zakari is a trader. He provides the following information for the year ended 31 January 2004.

	\$	\$	\$
Sales – cash			24 000
credit			66 000
Cost of sales –			
Opening stock		25 000	
Purchases – cash	18 000		
credit	<u>52 000</u>	<u>70 000</u>	
		95 000	
Closing stock		<u>30 200</u>	64 800
Running expenses			14 400
Debtors at 31 January 2004			6 300
Creditors at 31 January 2004			5 700

Zakari decides to compare his results with those for the previous financial year.

(i) Complete the following table to show the ratios for Zakari's business for the year ended 31 January 2004. You may use the space below for your workings.

Workings
----------

Place the ratios you have calculated into the box below.

Ratio	Year ended 31 January 2003	Year ended 31 January 2004
Gross profit as a percentage of sales	25 %	%
Net profit as a percentage of sales	10 %	%
Collection period for debtors	28 days	days
Payment period for creditors	35 days	days

[6]

(ii) For **each** ratio suggest **two** possible reasons which could account for the change in the ratio between 31 January 2003 and 31 January 2004.

Gross profit as a percentage of sales

1. ....
2. ....

Net profit as a percentage of sales

1. ....
2. ....

Collection period for debtors

1. ....
2. ....

Payment period for creditors

1. ....
2. ....[8]

(c) Name **three** business people who would be interested in the final accounts of Zakari.

In each case state **one** reason **why** that person would be interested in Zakari's final accounts.

(i) .....  
.....  
.....

(ii) .....  
.....  
.....

(iii) .....  
.....  
.....[6]

[Total: 24]