

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

**ACCOUNTING**

**0452/03**

Paper 3

October/November 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 **16** printed pages.



- 1 (a) State **one** reason why a business uses a purchases journal.

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

- (b) Wakou is a trader. He keeps a full set of accounting records. The books of original (prime) entry show the following transactions for August 2004.

*Purchases Journal*

2004		\$	\$
Aug 4	Mendez		
	Goods	350	
	Trade discount	<u>70</u>	280
19	Perez		
	Goods		<u>115</u>
31	Total for month		<u>395</u>

*Purchases Returns Journal*

2004		\$	\$
Aug 10	Mendez		
	Goods	200	
	Trade discount	<u>40</u>	160
31	Total for month		<u>160</u>

*Cash Book (credit side)*

		Discount Received	Cash	Bank
2004		\$	\$	\$
Aug 16	Mendez	3		117
24	Perez			50
31	Purchases		200	

- (i) Write up the accounts of Mendez and Perez as they would appear in Wakou's purchases (creditors) ledger for the month of August 2004.

*Purchases Ledger  
Mendez account*

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.....

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.....

.....

*Perez account*

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.....[9]

- (ii) Write up the Purchases account and the Purchases returns account as they would appear in Wakou's nominal (general) ledger for the month of August 2004.

*Nominal Ledger  
Purchases account*

.....

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.....

.....

*Purchases returns account*

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.....

.....

.....[3]

(c) Wakou's financial year ends on 30 September.

He provides the following information.

On 1 October 2003 Wakou's capital account showed a credit balance of \$32 000.

On 1 January 2004 Wakou transferred his private motor vehicle to the business at a valuation of \$4500.

During the year ended 30 September 2004 Wakou's drawings amounted to \$9100.

The Profit and Loss Account for the year ended 30 September 2004 showed a net loss of \$1300.

Write up Wakou's Capital account as it would appear in the nominal ledger for the year ended 30 September 2004.

*Wakou Capital account*

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.....[6]

**[Total: 19]**



(b) Calculate, correct to **two** decimal places, Sarah's current ratio and quick ratio at 31 July 2004. Show your workings.

1. Current ratio

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

2. Quick ratio

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

(c) State **two** ways in which Sarah could improve her working capital.

1. ....  
.....  
2. ....  
.....[4]

(d) Sarah decides to compare the results of her first year of trading with those of another business. She obtains the final accounts for the last financial year of the business owned by her two brothers.

Sarah's two brothers formed a partnership on 1 January 2000. They purchased four foodstores in local towns. All the goods are sold on cash terms. The brothers did not wish to take any part in the day-to-day running of the business, so appointed a manager for each store.

State and explain **four** reasons why Sarah should **not** compare her results with those of her brothers' business.

(i) .....

.....

.....

(ii) .....

.....

.....

(iii) .....

.....

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(iv) .....

.....

.....[8]

**[Total: 21]**

3 Abdul Aziz maintains a full set of books of prime (original) entry and prepares a purchases ledger control account and a sales ledger control account at the end of every month.

(a) On 1 September 2004 the balances brought down on Abdul's sales ledger control account were:

	\$
Debit balance	5688
Credit balance	194

He supplied the following information for the month ending 30 September 2004.

	\$
Credit sales	7650
Cash sales	2900
Returns by credit customers	356
Cheques received from credit customers	5430
Cheque received from credit customer (included in the total cheques received) dishonoured by the bank	280
Discounts allowed	264
Provision for doubtful debts at 1 September 2004	300
Bad debts written off	250

Select the relevant figures and prepare Abdul's Sales Ledger Control account for the month ended 30 September 2004. There is only one balance on the account at the end of the month.

*Sales Ledger Control account*

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.....[10]



(b) Select **one** of the items listed in (a) above that should **not** be included in the sales ledger control account and explain why it does not appear.

Item .....

Explanation .....

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

(c) On 1 October 2004 the debit balance brought down on Abdul's sales ledger control account disagreed with the list of balances in the sales ledger by \$280. It is found that the cheque dishonoured by the bank has not been recorded in the personal account of the debtor.

What is the total of the list of balances in the sales ledger?

.....[1]

(d) State where Abdul will obtain the relevant figure for **each** of the following items which appear in his purchases ledger control account.

(i) credit purchases

.....

(ii) discounts received

.....

(iii) refunds from credit suppliers

.....[3]

(e) State **two** advantages to Abdul of preparing control accounts.

1. ....

.....

2. ....

.....[2]

**[Total: 19]**

- 4 The All Star Sports Club was formed on 1 August 2003.

The treasurer produced the following information for the year ended 31 July 2004.

Receipts		Payments	
	\$		\$
Subscriptions	14 600	Sports equipment	9 000
Snack bar sales	10 900	Snack bar supplies	7 850
Barbecue ticket sales	1 400	Barbecue expenses	750
		Staff wages –	
		Snack bar staff	2 100
		General staff	2 430
		Rent	2 160
		Insurance	1 660
		Repairs and maintenance	1 840
		General expenses	1 220

Additional information

1. On 31 July 2004 –

10 members each owed the club \$50 for their subscription for the current year.  
2 members had each paid \$50 subscription for the year ending 31 July 2005.

2. At 31 July 2004 –

	\$
Creditors for snack bar supplies were owed	850
Stock of snack bar supplies was valued at	1 200
Rent prepaid amounted to	80
General expenses accrued amounted to	60

3. The sports equipment is to be depreciated using the straight line (equal instalment) method at 10% p.a. A full year's depreciation is charged in the year of purchase.





- (c) The All Star Sports Club has been given the opportunity to purchase the clubhouse and grounds in 2006. At the end of the first year the club has a bank overdraft of \$2110. The treasurer is worried that the club will not have enough money to pay for the property.

Suggest **two** ways in which the club could raise a large sum of money for this purpose.

1. ....

2. ....[2]

**[Total: 20]**

- 5 Ruth and Lucy Lebengo formed a partnership on 1 October 2003. They share profits and losses 2:1. They agreed that a current account and a capital account would be kept for each partner.

The Profit and Loss Account for the year ended 30 September 2004 showed a net profit of \$12000.

Lucy has very little knowledge of bookkeeping, but attempted to prepare a Balance Sheet as at 30 September 2004. The Balance Sheet she prepared, containing errors, is shown below.

*Balance Sheet as at 30 September 2004*

	\$	\$	\$
Premises at cost			35 000
Motor vehicles at cost		15 000	
Less depreciation		<u>1 500</u>	13 500
Office equipment			3 000
Stock			9 300
Debtors			5 900
			<u>66 700</u>
Capital – Ruth		30 000	
Lucy		<u>20 000</u>	50 000
Net profit		12 000	
Less drawings – Ruth	4 000		
Lucy	<u>4 400</u>	<u>8 400</u>	3 600
Creditors			7 400
Bank overdraft			<u>5 100</u>
			<u>66 100</u>

The following matters were then discovered.

1. No adjustment had been made in the Balance Sheet for the following.

	\$
Depreciation of office equipment	300
Provision for doubtful debts	200

These items had been correctly charged in the Profit and Loss Account.

2. Cash in hand, \$100, had been omitted from the Balance Sheet.
3. The overdraft shown on the bank statement had been entered in the Balance Sheet instead of the overdraft of \$5300 shown in the cash book.



- (b) On 1 October 2004 Ruth and Lucy decided to admit their brother, Paul, to the partnership. Ruth, Lucy and Paul agreed to share profits and losses 2:1:1.

Goodwill was valued at \$9000 on 1 October 2004, but did not appear in the books. The partners agreed that adjustments should be made for Goodwill, but that a Goodwill account was not to be maintained on the books permanently.

Complete the following tables to show what entries are required. It is **not** necessary to prepare the ledger accounts.

- (i) To enter the Goodwill on the books –

account(s) to be debited	\$	account(s) to be credited	\$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

- (ii) To write off the Goodwill –

account(s) to be debited	\$	account(s) to be credited	\$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[7]

[Total: 21]