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Centre Number	Candidate Number	Name

CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING **0452/03**

Paper 3

October/November 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.

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.

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Total	

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

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1 John Kamel is a sole trader whose financial year ends on 31 July.

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

Disposal of Motor Vehicle account

		$			$
2003			2003		
Mar 12	Motor Vehicles	5000	Mar 12	Provision for Depreciation	3000
				XY Garages	1500
			July 31	Profit and Loss	500
		5000			5000

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

Disposal of Motor Vehicle account

		Dr	Cr	Balance
		$	$	$
2003				
Mar 12	Motor Vehicles	5000		5000
	Provision for Depreciation		3000	2000
	XY Garages		1500	500
July 31	Profit and Loss		500	0

Explain **each** entry in the Disposal of Motor Vehicle account as it appears in John Kamel's ledger.

March 12 Motor Vehicles

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March 12 Provision for Depreciation

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March 12 XY Garages

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July 31 Profit and Loss

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(b) On 1 August 2001 John Kamel purchased a machine costing $8600 on credit from Superlooms. He decided to depreciate the machine using the reducing balance method at the rate of 60% per annum.

(i) Write up the Provision for Depreciation of Machinery account in John's ledger for **each** of the **two** years ending 31 July 2002 and 31 July 2003.

Provision for Depreciation of Machinery account

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(ii) When preparing the Profit and Loss Account for the year ended 31 July 2003, John Kamel included depreciation of machinery at 60% of the cost price instead of 60% of the book value of the machinery.

Calculate how this error would affect John's Net Profit for the year ended 31 July 2003. Show your workings.

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2 **(a)** Explain **why** it is necessary for a manufacturing business to prepare a Manufacturing Account in addition to a Trading and Profit and Loss Account.

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(b) Explain **each** of the following terms in connection with a manufacturing business.

(i) Cost of materials consumed

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(ii) Prime cost

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(iii) Production cost

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(c) The financial year of El Sayed Manufacturing Company ends on 31 August. The following information is provided.

Stocks	At 1 September 2002	At 31 August 2003
	$	$
Raw material	7040	6220
Work in progress	810	950
Finished goods	5780	6100

For the year ended 31 August 2003

	$
Sales of finished goods	180500
Purchases of raw materials	43820
Wages – factory operatives	40190
factory supervisors	18400
office and sales staff	37000
General expenses – factory	5340
office	3600
Rates and insurance	7500

Additional information –

1. The factory machinery cost $42000 and the office machinery cost $23000. In each case the annual depreciation charge is 20% on cost.

2. The rates and insurance are to be apportioned - factory 4/5 and office 1/5.

3. On 31 August 2003 wages due were – factory operatives $1170
office staff $600.

Extract the necessary information from the above figures and prepare the Manufacturing Account of El Sayed Manufacturing Company for the year ended 31 August 2003.

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El Sayed Manufacturing Company

Manufacturing Account for the year ended 31 August 2003

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3 Martha Masule is a trader who does not keep a full set of accounting records. Her financial year ends on 31 October. All her purchases and sales are made on credit terms.

(a) On 1 November 2002 Martha's debtors owed her $2850 and on 31 October 2003 they owed $3050.

During the year ended 31 October 2003 Martha received cheques from debtors amounting to $39 050 and allowed them cash discounts totalling $750.

Calculate Martha's sales for the year ended 31 October 2003. Show your workings.

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(b) **(i)** Martha allows her debtors 30 days credit.

Using your answer to **(a)** and the amount owing by debtors on 31 October 2003, calculate the actual collection period for debtors. Show your workings.

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(ii) State whether Martha would regard this ratio as satisfactory.

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(c) (i) During the year ended 31 October 2003 Martha's purchases amounted to $33500 and on 31 October 2003 Martha owed her creditors $5900.

Calculate Martha's payment period for creditors. Show your workings.

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(ii) Martha always delays paying her creditors for as long as possible.

State **two** possible disadvantages to Martha of not paying her creditors promptly.

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(d) On 1 November 2002 Martha had a stock of goods which cost $4200. For the year ended 31 October 2003 –

	$
Purchases	33500
Sales	as calculated in **(a)**

Martha marks up the goods by 25% on cost when calculating the selling price.

Calculate **by means of a Trading Account** the cost of Martha's stock on 31 October 2003.

Martha Masule

Trading Account for the year ended 31 October 2003

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4 **(a)** Explain the term 'Accumulated Fund' in connection with the accounts of a non-trading organisation such as a club.

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(b) The following balances appeared in the books of the Green Jackets Sports Club on 30 September 2002.

	$
Clubhouse	25 000
Equipment	5 400
Subscriptions prepaid by members	1 000
Refreshments stock	1 020
Creditors for refreshments stock	850
Cash	280
Bank overdraft	2 990
Insurance prepaid	190

Calculate the Accumulated Fund of the Green Jackets Sports Club as at 30 September 2002. Show your workings.

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(c) On 1 October 2002 the Green Jackets Sports Club had prepaid insurance amounting to $190.

On 1 December 2002 the Club paid $1200 by cheque for 1 year's insurance to 30 November 2003.

Prepare the Insurance account as it would appear in the ledger of the Green Jackets Sports Club for the year ended 30 September 2003. Show clearly the amount transferred to the Income and Expenditure Account. Bring down the balance on 1 October 2003.

Insurance account

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(d) The Green Jackets Sports Club has 300 members who pay an annual subscription of $200.

The following information is available.

1. On 1 October 2002, 5 members had paid their subscriptions in advance for the financial year ending 30 September 2003.

2. During the year ended 30 September 2003, 280 members paid their annual subscription in full.

3. At 30 September 2003 subscriptions due from 15 members remained unpaid.

Prepare the Subscriptions account as it would appear in the ledger of the Green Jackets Sports Club for the year ended 30 September 2003. Show clearly the amount transferred to the Income and Expenditure Account. Bring down the balance on 1 October 2003.

Subscriptions account

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5 Archer and Bowman are partners.

Their Profit and Loss Account for the year ended 31 August 2003 showed a net profit of $18490.

It was then found that the following errors had been made.

1. No entry had been made for a stock of stationery, $30, on 31 August 2003.

2. The stock of goods for re-sale on 31 August 2003 had been valued at selling price, $8400, instead of cost price, $7000.

3. No entry had been made for depreciation of equipment. The equipment cost $13000 and was estimated to have a scrap value of $1000 after 6 years. All the fixed assets of the partnership are depreciated using the straight line (fixed instalment) method.

4. Discount received of $210 has been included in the expenses instead of the income in the Profit and Loss Account.

5. A provision for doubtful debts is maintained equal to 5% of the debtors at the end of each financial year. On 1 September 2002 the provision was $400. On 31 August 2003 the debtors owed the partnership $8400. No adjustment has been made to the provision for doubtful debts.

(a) Prepare a statement to show the effect of correcting **each** of the errors 1–5 on Archer and Bowman's original net profit. Calculate the corrected net profit. The first one has been completed as an example.

Archer and Bowman

Statement of Corrected Net Profit for the year ended 31 August 2003

	Effect on Net Profit		$
	+	–	
	$	$	
Net Profit before corrections			*18490*
Error 1	*30*		
Error 2			
Error 3			
Error 4			
Error 5			
	_____	_____	
	_____	_____	_____
Corrected Net Profit			_____

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Archer and Bowman's partnership agreement states that

(i) Interest is to be allowed on capital at 5% per annum.

(ii) Interest is to be charged on drawings at 5% per annum.

(iii) Archer is to receive an annual salary of $6000.

(iv) Profits and losses are to be shared equally.

On 3l August 2003 the following balances appeared in the partnership books.

		$
Capital account (at 1 September 2002) –	Archer	40000
	Bowman	80000
Drawings during the year ended 31 August 2003 –	Archer	7000
	Bowman	3000

(b) Using the corrected net profit calculated in **(a)** prepare the Profit and Loss Appropriation Account of Archer and Bowman for the year ended 31 August 2003.

Archer and Bowman

Profit and Loss Appropriation Account for the year ended 31 August 2003

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