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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

9213503537

ACCOUNTING **0452/03**

Paper 3 **October/November 2007**

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.
You may use a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
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.

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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

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1 John Paihia, a trader, maintains a petty cash book using the imprest system.

REQUIRED

(a) Explain what is meant by the imprest system in relation to petty cash books.

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..... [2]

John Paihia's imprest amount is $300. His transactions for the month of September 2007 were as follows:

			$
Sept	1	Balance brought down	48
	1	Petty cash restored to imprest amount	?
	6	Bought postage stamps	15
	11	Paid to Paul Ahipara, a creditor	95
	19	Paid cleaner	24
	23	Paid travelling expenses	9
	25	Bought office stationery	72
	29	Received cash refund from stationery supplier for overcharge	6

REQUIRED

(b) Enter the above transactions in John Paihia's petty cash book on the page opposite.

Balance the book on 30 September 2007 and carry down the balance.

Make the entry on 1 October 2007 to restore the petty cash to the imprest amount.

[14]

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John Paihia – Petty Cash Book

Total Received	Date	Details	Total Paid	Postages and stationery	Travelling expenses	Cleaning	Ledger accounts
$			$	$	$	$	$

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(c) Explain to John Paihia how the double entry is completed for the items recorded in the analysis columns of the petty cash book.

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..... [4]

[Total: 20]

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Question 2 is on the next page

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2 Mark Sekota started trading as Red Barn Manufacturing on 1 September 2004. The business makes wooden barns which are supplied in sections for customers to construct to their own designs.

Mark Sekota provides the following information:

	At 1 September 2006	At 31 August 2007
	$	$
Stocks – Raw materials	43 500	37 000
Work in progress	21 400	15 800
Finished goods	142 100	163 500

For the year ended 31 August 2007

	$
Sales of finished goods	2 249 400
Purchases of raw materials	576 000
Direct factory wages	473 600
Indirect factory wages	197 600
Factory general expenses	335 500

The factory machinery is being depreciated using the reducing balance method at 20% per annum. The machinery originally cost $250 000 and the accumulated depreciation at 1 September 2006 was $90 000.

REQUIRED

(a) Explain to Mark Sekota why it is important that his stocks are valued at the lower of cost and net realisable value.

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..... [2]

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(b) Prepare the manufacturing account of Red Barn Manufacturing for the year ended 31 August 2007.

Red Barn Manufacturing
Manufacturing Account for the year ended 31 August 2007

[11]

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(c) Prepare the trading account of Red Barn Manufacturing for the year ended 31 August 2007.

Red Barn Manufacturing
Trading Account for the year ended 31 August 2007

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..... [5]

Mark Sekota is concerned that his rate of stock turnover of finished goods is slower than it was in the previous financial year.

REQUIRED

(d) Using your answer to **(c)** calculate, correct to two decimal places, the rate of stock turnover of finished goods. **Show your workings**.

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..... [2]

(e) State **two** ways in which the rate of stock turnover of finished goods may be improved.

(i) .....

.....

(ii) .....

..... [2]

[Total: 22]

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Question 3 is on the next page

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3 The treasurer of Al Shuhada Music Club provided the following list of balances appearing in the books on 1 October 2006:

	$
Premises at cost	32 000
Musical instruments at valuation	9 800
Subscriptions prepaid by members	350
Subscriptions owing by members	150
Bank overdraft	1 620
Property tax owing	400

A summary of the cash book for the year ended 30 September 2007 shows:

	$		$
Subscriptions	9 550	Bank balance 1 October 2006	1 620
Ticket sales for concerts	3 000	New musical instruments	750
		Property tax	3 130
		Expenses of staging concerts	2 730
		Insurance	1 780
		General expenses	5 820

The following information is also available:

1 On 30 September 2007

property tax prepaid amounted to $240;

the musical instruments were valued at $8700.

2 A bank statement received on 30 September 2007 showed that bank charges amounted to $210. This had not been recorded in the Club's accounting records.

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REQUIRED

(a) Prepare the income and expenditure account of Al Shuhada Music Club for the year ended 30 September 2007.

Al Shuhada Music Club
Income and Expenditure Account for the year ended 30 September 2007

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[9]

(b) Select **one** of the items appearing in the summary of the cash book which should **not** be included in the income and expenditure account and explain **why** it does not appear.

Item .....

Explanation .....

.....

[2]

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(c) Prepare the balance sheet of Al Shuhada Music Club at 30 September 2007.

Al Shuhada Music Club
Balance Sheet at 30 September 2007

[8]

[Total: 19]

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Question 4 is on the next page

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4 Ann and Fay are in partnership. They share profits and losses 3 : 2. On 1 October 2007 Ann's capital was $30 000 and Fay's was $15 000.

They invited Kim to join the partnership and to be responsible for the day-to-day running of the business.

Kim decided to join the partnership on 1 October 2007. She agreed to contribute $10 000 as capital, to be paid into the business bank account, and a computer system valued at $1000. Ann, Fay and Kim agreed to share profits and losses 5 : 3 : 2.

REQUIRED

(a) State **one disadvantage** to Ann and Fay of Kim joining the partnership.

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..... [1]

(b) (i) Explain why, **in addition to** agreeing the profit-sharing ratio, Ann, Fay and Kim should draw up a partnership agreement.

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..... [2]

(ii) Suggest **one** item which Ann would particularly want to include in the partnership agreement.

..... [1]

(iii) Suggest **one** item Kim would particularly want to include in the partnership agreement.

..... [1]

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On 1 October 2007 goodwill was valued at $17 000 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.

REQUIRED

(c) Prepare the following accounts in the ledger of the partnership on 1 October 2007.

(i) Goodwill account

(ii) Capital accounts of Ann, Fay and Kim

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 2 October 2007. Where three column running balance accounts are used the balance column should be updated after each entry.

(i) Goodwill account

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(ii) Capital accounts

[12]

[Total: 22]

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5 Jones Shilango is a trader. He provides the following information for the year ended 31 July 2007.

	$
Sales	72 000
Purchases	54 400
Stock 1 August 2006	5 200
Stock 31 July 2007	4 900

Expenses were 15 % of sales.

REQUIRED

(a) (i) Calculate to two decimal places, the percentage of gross profit to sales. **Show your workings**.

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..... [2]

(ii) State **two** ways in which the percentage of gross profit to sales could be improved.

1 .....

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2 .....

..... [2]

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(b) (i) Calculate to two decimal places the percentage of net profit to sales. **Show your workings**.

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..... [2]

(ii) State **two** ways in which the percentage of net profit to sales could be improved.

1 .....

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2 .....

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Jones Shilango's accountant advises him that it is necessary to make decisions in relation to accounting policies.

REQUIRED

(c) (i) State which accounting policy is described in the following statement.

"It must be recognised that a financial report can only be compared with reports for other periods if similarities and differences can be identified."

..... [1]

(ii) Explain the meaning of the accounting term "reliability".

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..... [2]

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In addition to Jones Shilango, the owner, other people are also interested in the final accounts of Jones Shilango's business.

REQUIRED

(d) List **three** business people (excluding the owner) who would be interested in Jones Shilango's final accounts.

In each case state **one** reason why the person would be interested in the accounts.

(i) Business person .....

Reason for their interest .....

.....

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(ii) Business person .....

Reason for their interest .....

.....

.....

(iii) Business person .....

Reason for their interest .....

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..... [6]

[Total: 17]

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