



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE
NAME

CENTRE
NUMBER

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ACCOUNTING

0452/03

Paper 3

October/November 2008

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 the 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 | |

This document consists of **19** printed pages and **1** blank page.



- 1 Paul Russell is a trader who maintains a full set of accounting records. He divides his ledger into three specialist areas - sales (debtors) ledger, purchases (creditors) ledger and nominal (general) ledger.

REQUIRED

- (a) State **one** advantage of dividing the ledger into these three areas.

.....
 [1]

- (b) Name the ledger in which **each** of the following accounts would appear.

- (i) purchases account
- (ii) sales returns account
- (iii) Sally Opuia (a customer) account [3]

On 1 August 2008 Paul Russell's creditors included Paihia Traders who were owed \$950 and Awanui Wholesalers who were owed \$630. Paul's transactions for August 2008 included the following:

- August 3 Purchased goods on credit from Paihia Traders, \$360, less 25% trade discount.
- 12 Returned goods to Paihia Traders. These were purchased on 3 August, list price \$80.
- 18 Paid Paihia Traders the amount due on 1 August, by cheque, after deducting 2% cash discount.
- 22 Awanui Wholesalers sent Paul a statement charging him \$15 interest, as the account was overdue.
- 29 Paid Awanui Wholesalers the total amount owing on that date, by cheque.

REQUIRED

- (c) Write up the accounts of Paihia Traders and Awanui Wholesalers as they should appear in Paul Russell's ledger for the month of August 2008.

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 1 September 2008. Where three column running balance accounts are used the balance column should be up-dated after each entry.

- (e) State and explain whether you think that the creditors will regard Paul Russell's payment period as satisfactory.

Will the creditors be satisfied?

Explanation

..... [2]

- (f) State **one** possible advantage to Paul Russell of paying his creditors before the due date.

.....

..... [1]

- (g) State **one** possible disadvantage to Paul Russell of paying his creditors before the due date.

.....

..... [1]

[Total: 19]

- 2 Michael Ong started a business on 1 July 2007. He had very little knowledge of bookkeeping, but attempted to prepare a set of final accounts at the end of his first year of trading.

The final accounts Michael prepared, containing errors, are shown below.

| Trading and Profit and Loss Account | | |
|--|---------------|---------------|
| | \$ | \$ |
| Sales of goods | 80 000 | |
| Sale of motor vehicle (AB 246) at book value | <u>2 000</u> | 82 000 |
| Purchases of goods | 60 000 | |
| Purchase of new motor vehicle (CD 357) | <u>8 000</u> | |
| | 68 000 | |
| Closing stock of goods | <u>12 000</u> | <u>56 000</u> |
| Gross profit | | 26 000 |
| General expenses | 10 800 | |
| Bad debts | <u>200</u> | <u>11 000</u> |
| Net profit | | <u>15 000</u> |

Balance Sheet

| | \$ |
|----------------------------|---------------|
| Equipment | 2 000 |
| Bank | 1 000 |
| Debtors | 7 000 |
| Closing stock of goods | 12 000 |
| Purchases of stationery | 200 |
| Commission received | <u>500</u> |
| | <u>22 700</u> |
| Creditors | 17 000 |
| Capital (balancing figure) | <u>5 700</u> |
| | <u>22 700</u> |

REQUIRED

- (a) (i) Explain the difference between capital expenditure and revenue expenditure.

.....

.....

.....

..... [2]

REQUIRED

- (c) State **one** reason why it is necessary to open a suspense account when the totals of a trial balance fail to agree.

.....
 [1]

The following errors were later discovered:

- 1 Goods returned to J Chan, \$20, had been incorrectly entered in the account of J Chua, another supplier.
- 2 A cheque for the sale of equipment, \$400, had been debited to the bank account, but no other entry had been made.
- 3 Goods for Michael's own use, \$100, had been debited to both the purchases account and the drawings account.
- 4 On 15 September 2008, \$50 had been received from W Lee. This amount was incorrectly debited to the bad debts account and credited to W Lee's account. W Lee's account had been written off as a bad debt on 30 June 2008.

REQUIRED

- (d) Complete the following table to show the entries required to correct the above errors.

The first one has been completed as an example.

| | account(s) to be debited | \$ | account(s) to be credited | \$ |
|----------|--------------------------|-----------|---------------------------|-----------|
| 1 | <i>J Chan</i> | <i>20</i> | <i>J Chua</i> | <i>20</i> |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |

[8]

[Total: 18]

3 Suzan Hamouda has been in business for two years but has not maintained a full set of accounting records. All purchases and sales are made on credit terms.

Suzan Hamouda is able to provide the following information:

| | |
|--------------------------------------|--------|
| | \$ |
| At 1 October 2007 | |
| amounts owing by customers | 5 000 |
| amounts owing to suppliers | 4 500 |
| For the year ended 30 September 2008 | |
| cheques received from customers | 58 114 |
| cheques paid to suppliers | 45 930 |
| discounts received | 470 |
| discounts allowed | 1 186 |
| bad debts written off | 900 |
| At 30 September 2008 | |
| amounts owing by customers | 4 800 |
| amounts owing to suppliers | 5 200 |

REQUIRED

(a) Calculate Suzan Hamouda's credit sales and credit purchases for the year ended 30 September 2008.

Your answer may be in the form of ledger accounts or calculations.

(i) Credit sales

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[6]

(ii) Credit purchases

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.....

..... [5]

Suzan sells all her goods at a mark-up of 20 %.

REQUIRED

(b) Explain the difference between mark-up and margin.

.....

.....

.....

..... [2]

- 4 Maria Maziya is a trader. Her bookkeeper provided the following cash book for the first two weeks of October 2008.

| 2008 | | | 2008 | | | | |
|--------------------|-----------|------------|-------------|--------------------|----------|------------|-------------|
| | Disc. | Cash | Bank | | Disc. | Cash | Bank |
| | \$ | \$ | \$ | | \$ | \$ | \$ |
| Oct 1 Balance b/d | | | 200 | Oct 1 Balance b/d | | | 3620 |
| 9 Sales | | | 20 1840 | 3 Stationery | | 30 | |
| 11 Oshoek Traders | 11 | | 539 | 4 B Ngwenya | | | 160 |
| 13 Cash | | | 120 | (Dishonoured) | | | |
| 14 Balance c/d | | | 1515 | 13 Bank | | 120 | |
| | | | | 14 Mlawula Stores | 6 | | 234 |
| | | | | Balance c/d | | 70 | |
| | <u>11</u> | <u>220</u> | <u>4014</u> | | <u>6</u> | <u>220</u> | <u>4014</u> |
| Oct 15 Balance b/d | | | 70 | Oct 15 Balance b/d | | | 1515 |

REQUIRED

- (a) (i) Explain **each** of the following entries shown in the cash book. State where the double entry for each transaction would be found. The first one has been completed as an example.

- 1 3 October Stationery

Explanation Stationery costing \$30 has been purchased for cash

.....

Double entry Debit stationery account

- 2 4 October B Ngwenya

Explanation

.....

Double entry [2]

- 3 9 October Sales

Explanation

.....

Double entry [2]

(ii) Explain the entries on 13 October.

.....

.....

..... [2]

(iii) In relation to the \$6 cash discount on 14 October –

State whether Maria has allowed or received this discount.

..... [1]

State what percentage of cash discount this represents.

.....

..... [1]

(iv) Explain the significance of **each** of the balances shown on 15 October.

Balance of \$70

.....

Balance of \$1515

..... [2]

(v) Explain what entries are made in the ledger in respect of the totals of the discount columns.

Total of column on debit side of \$11

.....

Total of column on credit side of \$6

..... [2]

On 1 October 2008, in addition to the balances shown in the cash book, Maria Maziya had the following current assets and current liabilities.

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| | |
|-----------|------|
| | \$ |
| Stock | 5020 |
| Debtors | 4710 |
| Creditors | 3280 |

REQUIRED

(b) Calculate Maria Maziya's working capital. Show your workings.

.....

.....

.....

..... [2]

(c) State **two** ways in which Maria Maziya could increase her working capital.

1

.....

2

..... [2]

(d) State **two** disadvantages to Maria Maziya of having insufficient working capital.

1

.....

2

..... [2]

Maria Maziya's financial year ends on 30 September.

Her return on capital employed (ROCE) for the financial year ended 30 September 2007 was 19.50 %.

Maria Maziya's net profit for the year ended 30 September 2008 was \$6465. On 30 September 2008 her capital employed was \$41 100.

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Use

(e) Calculate, to **two** decimal places, the return on capital employed (ROCE) for the year ended 30 September 2008. Show your workings.

.....

.....

..... [1]

(f) State and explain whether you think Maria Maziya will be satisfied with the change in the return on capital employed (ROCE).

(i) Will she be satisfied? [1]

(ii) Explanation [1]

[Total: 21]

- 5 Salim and Rita Jaffer are in partnership. Their financial year ends on 31 July. They share profits and losses equally. It was agreed that a current account and a capital account would be kept for each partner.

The profit and loss account for the year ended 31 July 2008 showed a net profit of \$15 500. The accountant was unable to prepare the balance sheet immediately because of illness.

Salim has very little knowledge of bookkeeping, but attempted to prepare a balance sheet at 31 July 2008. The balance sheet he prepared, containing errors, is shown below.

Balance Sheet at 31 July 2008

| | | |
|---|-----------------|----------------|
| | \$ | \$ |
| Premises at cost | | 95 000 |
| Equipment at book value 1 August 2007 | | 13 000 |
| Stock 31 July 2008 | | 8 200 |
| Debtors | | 6 600 |
| Drawings - Salim Jaffer | 7 700 | |
| Rita Jaffer | <u>6 220</u> | <u>13 920</u> |
| | | <u>136 720</u> |
| Creditors | | 6 800 |
| Provision for doubtful debts | | 330 |
| Net profit for the year | | 15 500 |
| Capital accounts 1 August 2007 - Salim Jaffer | 40 000 | |
| Rita Jaffer | <u>60 000</u> | 100 000 |
| Current accounts 1 August 2007 - Salim Jaffer | 3 400 Cr | |
| Rita Jaffer | <u>6 100 Cr</u> | <u>9 500</u> |
| | | <u>132 130</u> |
| Balancing figure | | <u>4 590</u> |
| | | <u>136 720</u> |

The following matters were then discovered.

- 1 No adjustment had been made in the balance sheet for the following:

| | |
|---------------------------|------|
| | \$ |
| Accrued expenses | 620 |
| Prepaid expenses | 430 |
| Depreciation of equipment | 1500 |

These items had been correctly recorded in the profit and loss account.

- 2 The bank balance had been omitted from the balance sheet. On 31 July 2008 the cash book showed a bank overdraft of \$2900 and the bank statement showed an overdraft of \$2200. All the transactions appearing on the bank statement had been recorded in the cash book.

REQUIRED

- (a) Use the space on page 18 to prepare a corrected balance sheet for Salim and Rita Jaffer at 31 July 2008.

The balance sheet should be shown using a suitable form of presentation, showing the different types of assets and liabilities, the working capital and the capital and current accounts of each partner.

The calculation of the current account balances may either be shown within the balance sheet or as separate calculations.

You may use the space below for your workings. (Your answer should be shown on page 18.)



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Salim Jaffer suggests that it would be easier to maintain only a capital account for each partner instead of both a capital account and a current account.

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REQUIRED

(c) State and explain **one** advantage of maintaining both a capital and a current account for each partner.

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

[Total: 21]

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