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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

ACCOUNTING 0452/03

Paper 3

May/June 2005

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.

For Examiner's Use		
1		
2		
3		
4		
5		
Total		

For Examiner's Use

1 James and Susan Mokobi are in partnership, sharing profits and losses equally. On 1 May 2004 the balances of their current accounts were as follows.

James 400 debit
Susan 2 000 credit

During the year ended 30 April 2005 the partners made the following drawings.

\$
James 6 000
Susan 10 000

The partners prepared the following Profit and Loss Appropriation Account for the year ended 30 April 2005.

James and Susan Mokobi Profit and Loss Appropriation Account for the year ended 30 April 2005

Net Profit	\$	\$	\$ 16 350
Interest on drawings – James Susan		300 <u>500</u>	<u>800</u> 17 150
Interest on capital – James Susan	1 050 <u>600</u>	1 650	
Partner's salary – Susan		<u>7 000</u>	<u>8 650</u>
Profit available for distribution to the partners			8 500

(a) Prepare the partners' current accounts as they would appear in the ledger for the ye ended 30 April 2005.

Where traditional 'T' accounts are used they should be balanced and the balances brought down on 1 May 2005.

Where three column running balance accounts are used the balance column should be up-dated after each entry.
[9]

On 1 May 2005 James and Susan decided to admit their sister Anna to the partners that date the balances on their capital accounts were as follows.

> 35 000 James 20 000 Susan

www.PapaCambridge.com It was agreed that the profits and losses of the new partnership should be shared in the following proportions:

> James 4/6 Susan 1/6 Anna 1/6

Anna paid \$26 000 into the firm's bank account on 1 May 2005.

Goodwill was valued at \$12 000 on 1 May 2005 but did not appear in the books. The partners agreed that the capital accounts should be adjusted for Goodwill on the admission of Anna, but that a Goodwill account was **not** to be maintained on the books.

www.PapaCambridge.com (b) Prepare the capital accounts of James, Susan and Anna as they would appear in ledger immediately after Anna was made a partner. Where traditional 'T' accounts are used they should be balanced and the balances brought down on 2 May 2005. Where three column running balance accounts are used the balance column should be up-dated after each entry.

[Total: 23]

Jane Joda started a business on 1 April 2003. Since that time Jane has not maintain 2 financial records.

REQUIRED

		Way.	
	6	Fo	or iner's
Jan fina	ne Joda started a business on 1 April 2003.	Since that time Jane has not maintain Us	e
RE	QUIRED	770	20
(a)	Explain why Jane should record the finance	ial transactions of her business.	COM
		[2]	
(b)	Explain to Jane what is meant by business	entity.	
		[2]	
Jan	ne Joda is able to provide the following inforr	nation relating to her second year of trading.	
		\$	
	Stock 1 April 2004	9 500	
	Stock 31 March 2005	17 500	
	Purchases	22 000	
	Cash sales	6 600	
	Credit sales	?	

The gross profit margin is 20%.

(c) Calculate by means of a Trading Account the value of Jane Joda's credit sales for h year ended 31 March 2005.

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7	For Examiner's
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Calculate by means of a Trading Account the value of Jane Joda's credit sales for hyear ended 31 March 2005. Jane Joda Trading Account for the year ended 31 March 2005	dride
Jane Joda	·con
Trading Account for the year ended 31 March 2005	7
[8]	

REQUIRED

			44
			8 8 N. P. P.
	e qual d relia		information in financial statements can be measured in terms of compare by Joda could compare her results for the year ended 30 April 2005 with those he previous year.
RE	QUIR	ED	
(d)	d) (i) Jane Joda could compare her results for the year ended 30 April 2005 with those for the previous year.		
		Stat	e one other comparison Jane could make.
			[2]
	(ii)	Sug	gest one way in which Jane might use the results of any comparisons she es.
			[2]
	(iii)		e Joda must be able to rely on the information provided in the financial ements prepared for her business.
			condition which must be present for information to be regarded as reliable is wn below. State two other conditions.
		1	The information must be capable of being depended on as being a true statement of the transactions and events which are being recorded.
		2	
		3	
			[4]
			[Total: 20]

[Total: 20]

For Examiner's Use

3 David Hoon is a sole trader. He prepared the following Balance Sheet at 28 February

David Hoon Balance Sheet at 28 February 2005

	\$	\$	\$
Fixed Assets at book value			45 000
Current Assets Stock Debtors Cash Current Liabilities		12 000 9 500 500 22 000	
Creditors Bank overdraft	6 300 <u>8 200</u>	<u>14 500</u>	7 500 52 500
Capital			<u>52 500</u>

REQUIRED

	February 2005. Show your workings.
1	Current ratio
	[2]
2	Quick ratio
	[2]

	10 AM-D	
(ii)	State and explain which of the above ratios gives a better indication of the position of David's business. Name of ratio [Explanation	63
	Name of ratio[
	Explanation	
	[:	2]
David H	Hoon's net profit for the year ended 28 February 2005 was \$4950.	
REQUI	RED	
	alculate, correct to two decimal places, David's return on capital employed (ROCE se your calculation on the capital at 28 February 2005. Show your workings.	Ξ).
••••		•••
••••		•••
••••	[21
All Day	id Hoon's sales are made on credit. His debtors are allowed a period of 30 days	•
	o pay their accounts. For the year ended 28 February 2005 his sales were \$69 300.	
REQUI	RED	
(c) (i)	Calculate David's collection period for debtors. Show your workings.	
	[:	2]
(ii)	State and explain whether you think David will regard this ratio as satisfactory.	
	Will David be satisfied?	1]
	Explanation	
]	1]

REQUIRED

		the state of the s	
		11	For Examiner's
		oon purchases all his goods on credit. He is allowed a period of 60 days in accounts. For the year ended 28 February 2005 his purchases were \$47 600. RED Calculate David's payment period for creditors. Show your workings.	Use
RE	QUIR	RED	Tage
(d)	(i)	Calculate David's payment period for creditors. Show your workings.	COM
		[2]	
	(ii)	State one possible advantage to David of paying his creditors before the due date.	
		[1]	
	(iii)	State one possible disadvantage to David of paying his creditors before the due date.	
		[1]	
		[Total: 17]	

[Total: 1/]

The following terms are used in connection with non-trading organisations such as a

REQUIRED

(a) Explain each of the following terms.

	the the tenth of t
	bwing terms are used in connection with non-trading organisations such as charactering organisations such as charactering organisations and Expenditure Account
follo	owing terms are used in connection with non-trading organisations such as characteristics
UIF	RED
Exp	plain each of the following terms.
(i)	Income and Expenditure Account
	[2]
(ii)	Accumulated Fund
	[2]

The Siltones Music Society was formed some years ago. It has 40 members who each pay an annual subscription of \$100.

On 1 April 2004 the Siltones Music Society had the following assets.

	\$
Musical instruments (book value)	1200
Balance at bank	2210
Subscriptions due from members	1000
Rent of premises prepaid	280

The treasurer provided the following information relating to the year ended 31 March 2005. All receipts were paid into the bank and all payments were made by cheque.

	\$	\$
Subscriptions received from members		
for the year ended 31 March 2004	1000	
for the year ended 31 March 2005	4000	
for the year ending 31 March 2006	800	5800
Receipts from concert		1900
Expenses of concert		1250
Rent of premises		
for the year ended 31 March 2005	1400	
for the year ending 31 March 2006	_420	1820
General expenses		215
Insurance		325
Proceeds of sale of musical instruments		700
Purchase of new musical instruments		3350

www.PapaCambridge.com (b) Prepare the Receipts and Payments Account of the Siltones Music Society for the ye ended 31 March 2005. Balance the account at 31 March and bring down the balance on 1 April 2005.

Receipts and Payments Account for the year ended 31 March 2005
[10]

www.PapaCambridge.com (c) Prepare the subscriptions account as it would appear in the ledger of the Siltones Mus Society for the year ended 31 March 2005.

Show the amount transferred to the Income and Expenditure Account.

Where a traditional 'T' account is used it should be balanced and the balance brought down on 1 April 2005.

Where a three column running balance account is used the balance column should be up-dated after each entry.

Siltones Music Society
Subscriptions account
·
[7]

[Total: 21]

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Question 5 is on the following page.

For Examiner's

5 Ahmed Shafik's financial year ends on 31 January. The totals of his trial balance 31 January 2005 failed to agree. Ahmed entered the difference on the trial balance suspense account.

REQUIRED

(a)	Explain why it is necessary to open a suspense account when the totals of a tria balance fail to agree.
	[2]

The following errors were later discovered.

- 1 Commission received, \$390, was entered in the cash book but not in the commission received account.
- 2 \$400 paid to Mutua, a supplier, had been credited to the account of Mutola, another supplier.
- 3 The purchase of stationery, \$20, was credited to the cash book and debited to the purchases account.
- 4 No entry had been made for cash discount, \$15, allowed to Limo, a debtor, for prompt payment.
- 5 The total of the sales returns journal, \$420, had been credited to the purchases returns account as \$240.

(b) Prepare the entries in Ahmed's journal to correct the above errors.

Narratives are **not** required.

Ahmed Shafik Journal

Debit \$	Credit \$

[12]

Before the errors were discovered Ahmed calculated that he had made a net \$16 000.

REQUIRED

www.PapaCambridge.com (c) Prepare a statement to show the effect of correcting the errors 1–5 on Ahmed's original net profit and calculate the corrected net profit.

If the error does not affect the original net profit write 'No effect'.

The first correction has been completed as an example.

Ahmed Shafik Statement of corrected net profit for the year ended 31 January 2005

Net profit before corrections			\$ 16 000		
	Effect on + \$	net profit – \$			
Error 1	390				
2					
3					
4					
5					
Corrected net profit					

[5]

[Total: 19]

19

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