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| 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

May/June 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 | |
| Total | |

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.

- 2 The Playground Company makes equipment for children's playgrounds. It was formed on 1 January 2003 by Ismail Nasser.

The following information was extracted from the books at the end of the first financial year.

| | \$ |
|----------------------------|---------|
| Sales | 151 400 |
| Purchases of raw materials | 48 500 |
| Direct factory wages | 26 900 |
| Indirect factory wages | 18 400 |
| Factory general expenses | 4 930 |
| Factory fuel and power | 4 700 |

At 31 December 2003 the following additional information was provided.

- | | \$ |
|---|------|
| 1. Fuel and power accrued amounted to | 150 |
| 2. Direct factory wages accrued amounted to | 650 |
| 3. Stocks were valued at – raw material | 2700 |
| work in progress | 1920 |
| finished goods | 4910 |
| 4. Factory machinery was valued at \$19550. It had been purchased for \$21000 on 1 January 2003. There were no other purchases or sales of machinery during the year. | |
- (a) Prepare the Manufacturing Account of the Playground Company for the year ended 31 December 2003.

3 (a) When is it necessary to open a suspense account?

.....

(b) On checking his sales ledger, a trader found the following errors had been made.

1. Cash received from Tarek El Sayed was correctly entered in the cash book but had been credited to the account of Tarek El Sherif.
2. A cheque received from Susan Zafar was correctly entered in the cash book but had been debited to Susan Zafar's account.

Only one of the above errors will require a correcting entry in the suspense account. State which one and give a reason for your answer.

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.....[3]

(c) Mary Manake is a sole trader. She has very little knowledge of bookkeeping, but attempted to prepare a trial balance and a set of final accounts.

The Balance Sheet she prepared is shown on the following page.

Balance Sheet as at 30 April 2004

| | \$ |
|--|---------------|
| Fixed assets at cost | 40 000 |
| Depreciation on fixed assets | 8 000 |
| | <u>32 000</u> |
| Stock | 8 500 |
| Debtors | 6 100 |
| | <u>46 600</u> |
| | |
| Capital at 1 May 2003 | 34 000 |
| Net profit for the year | 8 440 |
| | <u>42 440</u> |
| Drawings | 7 300 |
| | <u>35 140</u> |
| Creditors | 5 200 |
| Bank overdraft | 2 010 |
| | <u>42 350</u> |
| Suspense account (difference on trial balance) | 4 250 |
| | <u>46 600</u> |

When the books were checked the following matters were discovered.

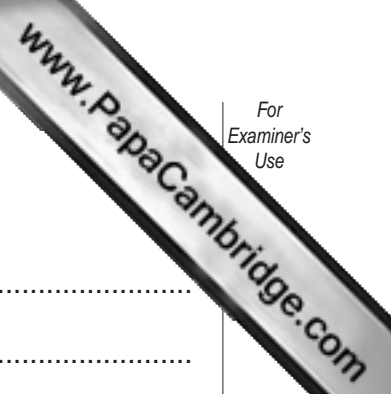
1. No adjustment has been made for expenses prepaid at 30 April 2004 amounting to \$30.
2. The bank statement received on 30 April 2004 showed that the bank had debited the business's bank account with \$70 for interest charged on the overdraft. No adjustment has been made for this in Mary Manake's books.
3. The total of the discount received column in the cash book, amounting to \$150, has not been transferred to the discount received account in the ledger. Because of this, discount received does not appear in either the trial balance or the Profit and Loss Account.
4. Fixed assets costing \$5000 had been sold during the year ended 30 April 2004. Depreciation of \$500 had been provided up to the date of sale. The amount received for the assets, \$4100, had been correctly entered in the cash book, but no other entries had been made.

Taking the above items into account, prepare a corrected Balance Sheet for Mary Manake as at 30 April 2004.

The Balance Sheet should be shown using a suitable form of presentation, showing the different types of assets and liabilities, and the working capital. The calculation of the corrected net profit should also be shown, either within the Balance Sheet, or as a separate calculation.

Mary Manake
Balance Sheet as at 30 April 2004

For
Examiner's
Use



.....[14]

[Total: 18]

4 (a) State **one** reason why a business maintains a provision for doubtful debts.

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.....[2]

(b) On 1 April 2003 Hashmi, a trader, had a provision for doubtful debts amounting to \$250.

The following transactions took place during the year ended 31 March 2004.

2003

- May 1 Sold goods, \$100, on credit to Ahmed
- July 31 Received a cheque for \$80 from Ahmed
- Sept 1 Received \$50 in cash from Zaki whose account had been written off in November 2002

2004

- Jan 31 The amount owing by Ahmed was written off as a bad debt
- Mar 31 The provision for doubtful debts was reduced to \$200

Write up the following accounts in Hashmi's ledger for the year ended 31 March 2004.

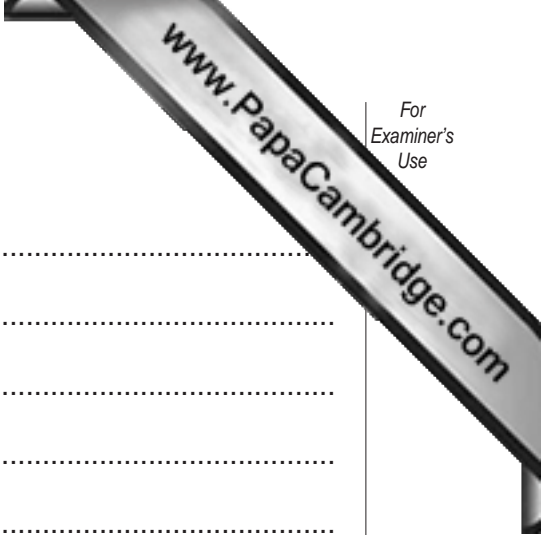
- (i) Ahmed account
- (ii) Bad debts account
- (iii) Bad debts recovered account
- (iv) Provision for doubtful debts account

(i) *Ahmed account*

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(ii) *Bad debts account*

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(iii)

Bad debts recovered account

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(iv)

Provision for doubtful debts account

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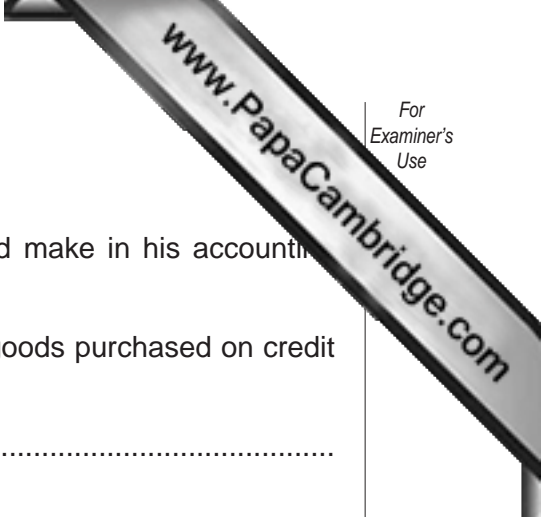
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[12]



(c) Nangolo is a trader. His financial year ends on 31 December.

State, giving a reason, what entries (if any) Nangolo should make in his accounting records in **each** of the following situations.

(i) On 31 December 2003 Zanetti, a debtor, owes \$24 for goods purchased on credit in 2002. Nangolo has been unable to find Zanetti.

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(ii) On 31 December 2003 Lim, a debtor, owes \$390 for goods purchased on credit in November 2003. The period of credit allowed is 1 month. Lim has informed Nangolo that he is unlikely to pay the amount due before February 2004.

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(iii) On 31 December 2003 Nangolo examines his sales ledger and decides that he is unlikely to receive \$280 of the total amount owing to him.

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.....[6]

[Total: 20]

QUESTION 5 IS ON THE FOLLOWING PAGE

5 (a) Explain the meaning of the following accounting terms.

(i) Margin

.....

(ii) Mark-up

.....

[4]

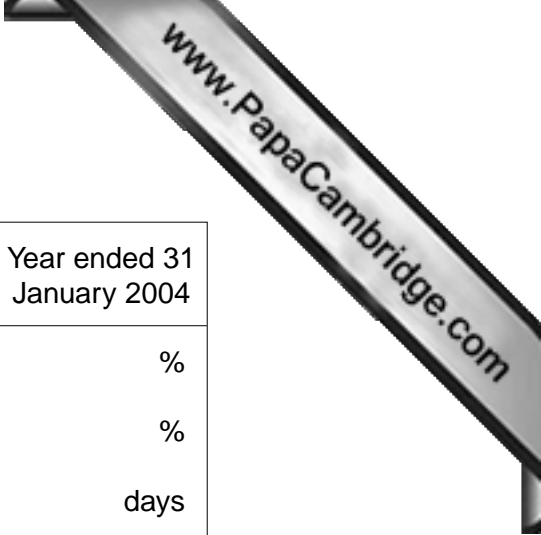
(b) Zakari is a trader. He provides the following information for the year ended 31 January 2004.

| | | | |
|------------------------------|---------------|---------------|--------|
| | \$ | \$ | \$ |
| Sales – cash | | | 24 000 |
| credit | | | 66 000 |
| Cost of sales – | | | |
| Opening stock | | 25 000 | |
| Purchases – cash | 18 000 | | |
| credit | <u>52 000</u> | <u>70 000</u> | |
| | | 95 000 | |
| Closing stock | | <u>30 200</u> | 64 800 |
| Running expenses | | | 14 400 |
| Debtors at 31 January 2004 | | | 6 300 |
| Creditors at 31 January 2004 | | | 5 700 |

Zakari decides to compare his results with those for the previous financial year.

(i) Complete the following table to show the ratios for Zakari's business for the year ended 31 January 2004. You may use the space below for your workings.

| |
|----------|
| Workings |
|----------|



Place the ratios you have calculated into the box below.

| Ratio | Year ended 31 January 2003 | Year ended 31 January 2004 |
|---------------------------------------|----------------------------|----------------------------|
| Gross profit as a percentage of sales | 25% | % |
| Net profit as a percentage of sales | 10% | % |
| Collection period for debtors | 28 days | days |
| Payment period for creditors | 35 days | days |

[6]

(ii) For **each** ratio suggest **two** possible reasons which could account for the change in the ratio between 31 January 2003 and 31 January 2004.

Gross profit as a percentage of sales

- 1.
- 2.

Net profit as a percentage of sales

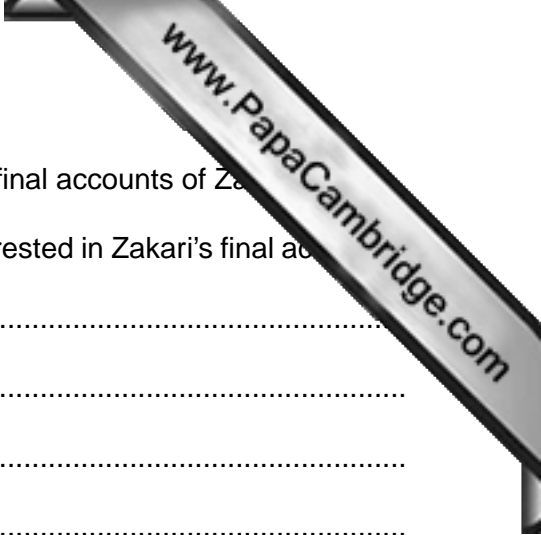
- 1.
- 2.

Collection period for debtors

- 1.
- 2.

Payment period for creditors

- 1.
- 2.[8]



(c) Name **three** business people who would be interested in the final accounts of Zakari.
In each case state **one** reason **why** that person would be interested in Zakari's final accounts.

- (i)
.....
.....
- (ii)
.....
.....
- (iii)
.....
.....[6]

[Total: 24]