

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

October/November 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.

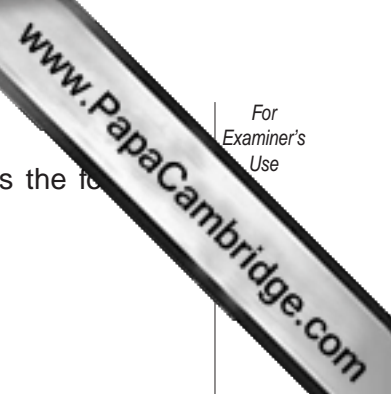
Answer **all** questions.  
At the end of the examination, fasten all your work securely together.  
The number of marks is given in brackets [ ] at the end of each question or part question.  
You may use a calculator.  
Where layouts are to be completed, you may not need all the lines for your answer.  
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	
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5	
<b>Total</b>	

This document consists of **16** printed pages and **4** blank pages.



- 1 Maria van Zyl is a trader. Her financial year ends on 31 July. She provides the following information.

	\$	
Wages outstanding at 1 August 2004		200
Total wages paid during the year ended 31 July 2005	61 300	
Wages outstanding at 31 July 2005		180

**REQUIRED**

- (a) Write up the wages account as it would appear in Maria's ledger for the year ended 31 July 2005. Show the amount transferred to the Profit and Loss Account.

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

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

*Maria van Zyl*  
*Wages account*

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.....[6]

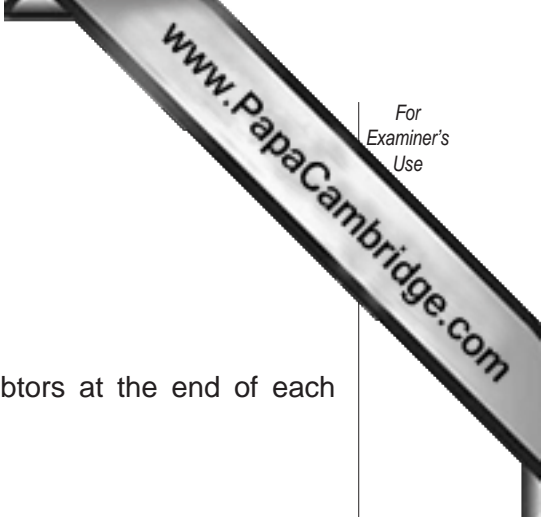
Maria van Zyl maintains a provision for doubtful debts.

**REQUIRED**

- (b) Name **two** accounting principles which Maria is applying by maintaining a provision for doubtful debts.

1 .....

2 .....[2]



Maria van Zyl provides the following information.

	\$
Debtors at 1 August 2004	33 000
Debtors at 31 July 2005	30 000

Maria maintains a provision for doubtful debts at 3% of the debtors at the end of each financial year.

**REQUIRED**

- (c) Write up the provision for doubtful debts account in Maria's ledger for the year ended 31 July 2005.

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

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

*Maria van Zyl*  
*Provision for Doubtful Debts account*

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.....[7]

Mark van Zyl, Maria's brother, is also a trader. His financial year ends on 31 August. Maria advises Mark to create a provision for doubtful debts.

**REQUIRED**

- (d) State **two** ways in which Mark could decide on the amount of his provision for doubtful debts.

**1** .....

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**2** .....

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.....[2]

One of Mark's debtors owes \$2000. This has been outstanding since May 2002. Mark is unable to trace this debtor.

**REQUIRED**

(e) Indicate how **each** of the following will be affected if Mark **does not** write off this debt. Give a reason for your answers. The first one has been completed as an example.

1 Gross profit for the year ended 31 August 2005

Effect Overstated/Understated/ No effect

Reason Bad debts are not entered in the Trading Account and so do not affect the gross profit

2 Net profit for the year ended 31 August 2005

Effect Overstated/Understated/No effect

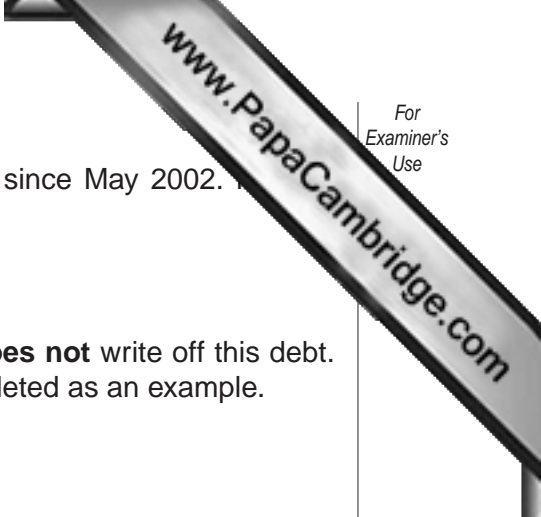
Reason .....

3 Current assets at 31 August 2005

Effect Overstated/Understated/No effect

Reason .....[4]

**[Total: 21]**



Question 2 is on the following page.

- 2 Abdul El Said is a retailer. His shop is divided into two departments. The total sales of Department A are less than those of Department B, despite the fact that Department A occupies 75% of the total floor space of the shop.

**REQUIRED**

- (a) Give **two** reasons why it is useful for Abdul to know the results of each department separately.

1 .....

.....

2 .....

.....[2]

Abdul El Said divides the general expenses equally between the two departments.

**REQUIRED**

- (b) State **two** other ways in which Abdul could apportion the expenses between the two departments.

1 .....

2 .....

.....[2]

Abdul provides the following information for the year ended 30 September 2005.

	Department A	Department B
	\$	\$
Sales	250 000	375 000
Purchases	167 200	320 200
Carriage inwards	1 800	–
Returns inwards	1 000	–
Stock 1 October 2004	26 000	8 600
Stock 30 September 2005	30 000	10 000
Staff salaries	27 600	19 100
General expenses	20 400	20 400

**REQUIRED**

- (c) Prepare a **columnar** Trading and Profit and Loss Account for Abdul El Said for the year ended 30 September 2005 to show the gross profit and net profit earned by each department.

Total columns are **not** required.

Abdul El Said

Departmental Trading and Profit and Loss Account for the year ended 30 September 200



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[11]

Abdul El Said is anxious to compare the rate at which each department is selling goods.

**REQUIRED**

(d) Calculate, correct to **two** decimal places, the rate of stock turnover for **each** department. Show your workings.

1 Rate of stock turnover – Department A

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2 Rate of stock turnover – Department B

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.....  
.....  
.....[4]

Abdul is disappointed with the rate of stock turnover in Department A.

**REQUIRED**

(e) Suggest **two** reasons for this lower rate.

1 .....

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2 .....

.....[2]

**[Total: 21]**



Question 3 is on the following page.

- 3 Rebecca Tan is a trader. Her financial year ends on 30 June. She does not keep financial records, but is able to provide the following information.

Assets and liabilities at 30 June 2005 were as follows.

	\$
Equipment at cost	13 900
Motor vehicle at cost	7 500
Debtors	5 200
Creditors	4 800
Stock	7 250
Bank overdraft	250
Prepaid expenses	122
Accrued expenses	146

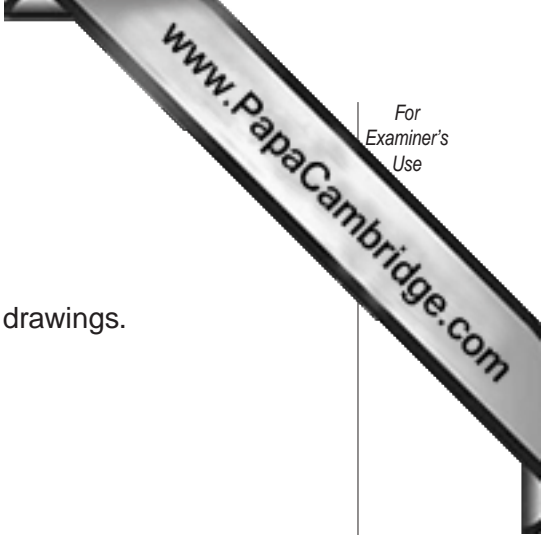
The following adjustments should be made on 30 June 2005.

The motor vehicle should be depreciated by 20% on cost.

The equipment should be revalued at \$12 700.

A provision for doubtful debts of 2% of the debtors should be created.





On 1 July 2004 Rebecca Tan's capital was \$27 000.

On 2 July 2004 she introduced a further \$5000 as capital.

During the year ended 30 June 2005 Rebecca made the following drawings.

	\$
Cash	3150
Goods	1250

**REQUIRED**

**(b)** Using the capital you calculated in **(a)** and the information provided above calculate Rebecca Tan's net profit (or net loss) for the year ended 30 June 2005.

Your answer may be in the form of either a capital account or an arithmetic calculation.

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.....[7]

[Total: 20]

- 4 Franz Fischer is a sole trader. His accountant has prepared a set of final accounts. The following people are interested in the accounts of Franz Fischer's business.

Franz Fischer (Owner)  
Trade creditor  
Loan creditor  
Bank manager  
Potential partner

**REQUIRED**

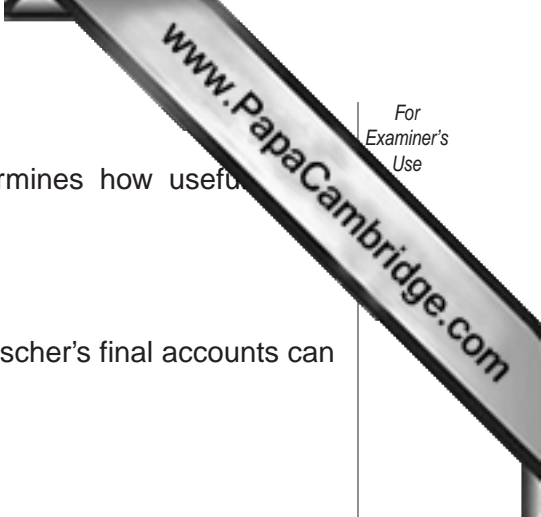
- (a) Complete the following table to show which people would be especially interested in the different aspects of Franz Fischer's accounts.

The first one has been completed as an example.

**Each** of the five people listed above should **not** appear **more than twice** in Column B.

Column A	Column B
Whether interest can be paid when due	1 Bank manager 2 Loan creditor
The profitability of the business	1..... 2.....
The market value of the fixed assets owned by the business	1..... 2.....
The liquidity position of the business	1..... 2.....

[6]



The quality of the information in a set of final accounts determines how useful the accounts are.

**REQUIRED**

(b) State **four** ways in which the quality of information in Franz Fischer's final accounts can be measured.

The first one has been completed as an example.

- 1 Reliability
- 2 .....
- 3 .....
- 4 ..... [3]

E Zwink is one of Franz Fischer's suppliers, but he is also a customer. Franz maintains two accounts for E Zwink – one in the purchases ledger and one in the sales ledger.

The following account appears in Franz Fischer's purchases ledger.

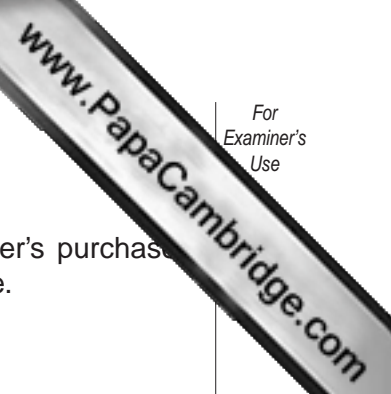
*E Zwink account*

2005	\$	2005	\$
August 12 Returns	50	August 4 Purchases	990
16 Bank	400	4 Carriage	10
28 Transfer to sales ledger	250		
31 Balance c/d	<u>300</u>		
	<u>1000</u>		<u>1000</u>
		2005	
		September 1 Balance b/d	300

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

*E Zwink account*

	Debit	Credit	Balance
	\$	\$	\$
2005			
August 4 Purchases		990	990
Carriage		10	1000
12 Returns	50		950
16 Bank	400		550
28 Transfer to sales ledger	250		300



**REQUIRED**

(c) Explain **each** entry in E Zwink's account as it appears in Franz Fischer's purchases ledger. State where the double entry for each transaction would be made.

The first one has been completed as an example.

August 4 Purchases

Explanation This is the value of goods Fischer purchased on credit from Zwink.

Double entry Debit Purchases account

August 4 Carriage

Explanation .....

Double entry.....

August 12 Returns

Explanation .....

Double entry.....

August 16 Bank

Explanation .....

Double entry.....

August 28 Transfer to sales ledger

Explanation .....

Double entry.....[8]

Explain the significance of the \$300 shown at the end of the account.

.....[1]

**[Total: 18]**

- 5 Ebor and Olicana are in partnership trading in sports goods. Their financial year ends on 31 July. After the preparation of their Trading and Profit and Loss Account for the year ended 31 July 2005 the following errors were discovered.

- 1 Olicana had taken goods costing \$500 for her own use. This had not been recorded.
- 2 \$15 paid for carriage inwards had been debited to the carriage outwards account.
- 3 The purchase of computer paper, \$30, had been debited to the purchases account.
- 4 Motor vehicle repairs of \$200 had been debited to the motor vehicles account. Motor vehicles are depreciated by 25% on the cost of motors held at the end of each financial year.

### REQUIRED

- (a) Complete the following table to show the effect of **correcting the errors** on the gross profit and the net profit. If the correction of the error does not affect the profit write 'no effect'.

The first one has been completed as an example.

Error	Effect of correcting the error	
	on the gross profit	on the net profit
1	+\$500	+\$500
2		
3		
4		

[7]

You may use the space below for your workings.



Ebor and Olicana maintain a full set of books of account.

The following transactions took place on 31 August 2005.

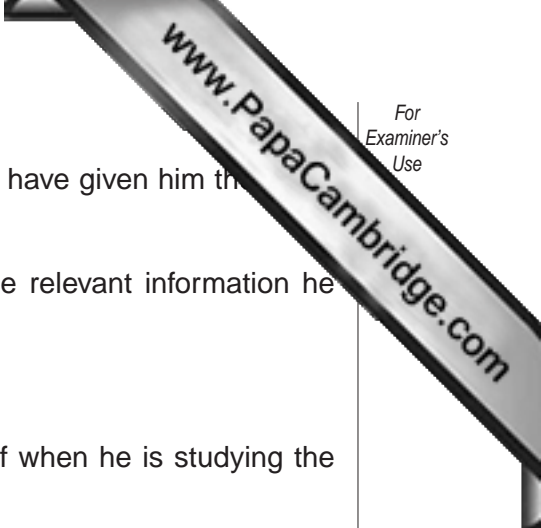
- 1 Olicana took further goods costing \$400 for her own use.
- 2 Ebor brought his own computer, valued at \$900, into the business.
- 3 Ebor's current account showed a credit balance of \$10 000. It was agreed that he should transfer half of this to his capital account.

**REQUIRED**

(b) Prepare the necessary journal entries to record the above transactions.  
Narratives **are** required.

*Ebor and Olicana  
Journal*

	Debit \$	Credit \$
.....	.....	.....
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Ebor and Olicana have invited Lindum to join the partnership and have given him the final accounts for the year ended 31 July 2005.

Lindum is aware that these final accounts will not provide all the relevant information he needs.

**REQUIRED**

(c) State and explain **two** limitations Lindum should be aware of when he is studying the set of final accounts Ebor and Olicana have provided.

1 .....  
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2 .....  
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.....[4]

**[Total: 20]**



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