Name

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# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS International General Certificate of Secondary Education

ACCOUNTING 0452/03

Paper 3

October/November 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.

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 Exam	iner's Use
1	
2	
3	
4	
5	
Total	

For Examiner's

- - (b) Wakou is a trader. He keeps a full set of accounting records. The books of original (prime) entry show the following transactions for August 2004.

## Purchases Journal

2004		\$	\$
Aug 4	Mendez		
	Goods	350	
	Trade discount	70	280
19	Perez		
	Goods		115
31	Total for month		395

### Purchases Returns Journal

2004		\$	\$
Aug 10	Mendez		
	Goods	200	
	Trade discount	<u>40</u>	160
31	Total for month		160

# Cash Book (credit side)

		Discount	Cash	Bank
		Received		
2004		\$	\$	\$
Aug 16	Mendez	3		117
24	Perez			50
31	Purchases		200	

www.PapaCambridge.com 3 Write up the accounts of Mendez and Perez as they would appear in purchases (creditors) ledger for the month of August 2004. Purchases Ledger Mendez account Perez account Write up the Purchases account and the Purchases returns account as they would appear in Wakou's nominal (general) ledger for the month of August 2004. Nominal Ledger Purchases account Purchases returns account

**(c)** Wakou's financial year ends on 30 September.

He provides the following information.

On 1 October 2003 Wakou's capital account showed a credit balance of \$32000.

www.PapaCambridge.com On 1 January 2004 Wakou transferred his private motor vehicle to the business at a valuation of \$4500.

During the year ended 30 September 2004 Wakou's drawings amounted to \$9100.

The Profit and Loss Account for the year ended 30 September 2004 showed a net loss of \$1300.

Write up Wakou's Capital account as it would appear in the nominal ledger for the year ended 30 September 2004.

vvакой Сарітаі ассоипт
[6]

[Total: 19]

www.PapaCambridge.com Sarah makes children's toys. She rented premises and started business on 1 Augus 2 The toys are sold on credit to large retail shops and wholesalers. Sarah works in business and does not employ any staff.

She supplied the following information on 31 July 2004.

	\$
Capital	34000
Cash	100
Bank	1000
Bank loan repayable 31 December 2004	5000
Bank loan repayable 31 December 2006	4000
Stock	11000
Debtors	6100
Creditors	7250
Expenses prepaid	200
Expenses accrued	150
Machinery and equipment	30000

Select the relevant ligures and calculate Saran's working capital on 31 July 2004.
[5]

www.PapaCambridge.com (b) Calculate, correct to two decimal places, Sarah's current ratio and quick ratio at 2004. Show your workings. Current ratio .....[2] Quick ratio ..... .....[2] (c) State **two** ways in which Sarah could improve her working capital. ..... 2. .....

(d) Sarah decides to compare the results of her first year of trading with those of another business. She obtains the final accounts for the last financial year of the business owned by her two brothers.

Sarah's two brothers formed a partnership on 1 January 2000. They purchased four foodstores in local towns. All the goods are sold on cash terms. The brothers did not wish to take any part in the day-to-day running of the business, so appointed a manager for each store.

.....[4]

	May	
	7	For Examiner's
	te and explain <b>four</b> reasons why Sarah should <b>not</b> compare her results with brothers' business.	Use
(i)		Tide
		i.co
(ii)		
- <b>-</b>		
(iii)		
(iv)		
	[8]	

[Total: 21]

For Examiner's

- 3 Abdul Aziz maintains a full set of books of prime (original) entry and prepares a pulledger control account and a sales ledger control account at the end of every month.
  - (a) On 1 September 2004 the balances brought down on Adbul's sales ledger control account were:

	\$
Debit balance	5688
Credit balance	194

He supplied the following information for the month ending 30 September 2004.

	\$
Credit sales	7650
Cash sales	2900
Returns by credit customers	356
Cheques received from credit customers	5430
Cheque received from credit customer (included in the	
total cheques received) dishonoured by the bank	280
Discounts allowed	264
Provision for doubtful debts at 1 September 2004	300
Bad debts written off	250

Select the relevant figures and prepare Abdul's Sales Ledger Control account for the month ended 30 September 2004. There is only one balance on the account at the end of the month.

Sales Ledger Control account
[10]

(b)	Sele ledç	ect <b>one</b> of the items listed in <b>(a)</b> above that should <b>not</b> be included in the ger control account and explain why it does not appear.
	Iten	n
	Exp	planation
		[3]
(c)	acc the	1 October 2004 the debit balance brought down on Abdul's sales ledger control ount disagreed with the list of balances in the sales ledger by \$280. It is found that cheque dishonoured by the bank has not been recorded in the personal account of debtor.
	Wh	at is the total of the list of balances in the sales ledger?
		[1]
(d)		te where Abdul will obtain the relevant figure for <b>each</b> of the following items which ear in his purchases ledger control account.
	(i)	credit purchases
	(ii)	discounts received
	(iii)	refunds from credit suppliers
		[3]
(e)	Sta	te <b>two</b> advantages to Abdul of preparing control accounts.
	1	
	2	
		[2]

[Total: 19]

4 The All Star Sports Club was formed on 1 August 2003.

		7	4x
		10	For Examiner's Use
e All Star Sports Club was t	formed on 1 A	ugust 2003.	To Carlo
e treasurer produced the fo	llowing inform	ation for the year ended 31 July	2004. Maria
Receipts		Payments	Se.C.
	\$		\$
Subscriptions	14600	Sports equipment	9000
Snack bar sales	10900	Snack bar supplies	7850
Barbecue ticket sales	1400	Barbecue expenses	750
		Staff wages –	
		Snack bar staff	2100
		General staff	2430
		Rent	2160
		Insurance	1660
		Repairs and maintenance	1840
		General expenses	1220
		•	

### Additional information

1. On 31 July 2004 –

10 members each owed the club \$50 for their subscription for the current year. 2 members had each paid \$50 subscription for the year ending 31 July 2005.

2. At 31 July 2004 -

	\$
Creditors for snack bar supplies were owed	850
Stock of snack bar supplies was valued at	1200
Rent prepaid amounted to	80
General expenses accrued amounted to	60

The sports equipment is to be depreciated using the straight line (equal instalment) method at 10% p.a. A full year's depreciation is charged in the year of purchase.

All Star Sports Club

(a) Prepare the Snack Bar Trading Account of the All Star Sports Club for the year 31 July 2004.

# www.PapaCambridge.com Snack Bar Trading Account for the year ended 31 July 2004

All Star Sports Club

(b) Prepare the Income and Expenditure Account of the All Star Sports Club for the All Sports ended 31 July 2004.

# www.PapaCambridge.com Income and Expenditure Account for the year ended 31 July 2004

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		Examiner's
(c)	The All Star Sports Club has been given the opportunity to purchase the clubhougrounds in 2006. At the end of the first year the club has a bank overdraft of \$2110. treasurer is worried that the club will not have enough money to pay for the property.	Use
	Suggest <b>two</b> ways in which the club could raise a large sum of money for this purpose.	a.G.
		OM
	1	
	2[2]	
	FT-1-1 001	

[Total: 20]

For Examiner's

5 Ruth and Lucy Lebengo formed a partnership on 1 October 2003. They share prolosses 2:1. They agreed that a current account and a capital account would be key each partner.

The Profit and Loss Account for the year ended 30 September 2004 showed a net profit of \$12000.

Lucy has very little knowledge of bookkeeping, but attempted to prepare a Balance Sheet as at 30 September 2004. The Balance Sheet she prepared, containing errors, is shown below.

# Balance Sheet as at 30 September 2004

Б	\$	\$	\$
Premises at cost  Motor vehicles at cost		15000	35 000
Less depreciation		1500	13500
Office equipment			3000
Stock			9300
Debtors			5900
			66700
Capital – Ruth		30000	
Lucy		20000	50000
Net profit	4000	12000	
Less drawings – Ruth	4000	0.400	2.000
Lucy	4400	8400	3600
Creditors			7400
Bank overdraft			5100
			66100

The following matters were then discovered.

1. No adjustment had been made in the Balance Sheet for the following.

	\$
Depreciation of office equipment	300
Provision for doubtful debts	200

These items had been correctly charged in the Profit and Loss Account.

- 2. Cash in hand, \$100, had been omitted from the Balance Sheet.
- 3. The overdraft shown on the bank statement had been entered in the Balance Sheet instead of the overdraft of \$5300 shown in the cash book.

(a) Taking the above matters into account, prepare a corrected Balance Sheet for R Lucy as at 30 September 2004.

www.PapaCambridge.com 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.

Ruth and Lucy Lebengo Balance Sheet as at 30 September 2004				
Balance Greet as at 50 deptember 2004				

(b) On 1 October 2004 Ruth and Lucy decided to admit their brother, Paul, to the part. Ruth, Lucy and Paul agreed to share profits and losses 2:1:1.

Goodwill was valued at \$9000 on 1 October 2004, 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.

Complete the following tables to show what entries are required. It is **not** necessary to prepare the ledger accounts.

(i) To enter the Goodwill on the books -

\$ account(s) to be credited	\$
\$	

(ii) To write off the Goodwill -

\$ account(s) to be credited	\$
\$	\$ account(s) to be credited

[7]

[Total: 21]