

Candidate Name _____

Centre Number	Candidate Number

International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS
ACCOUNTING
PAPER 3

0452/3

OCTOBER/NOVEMBER SESSION 2002

1 hour 45 minutes

Candidates answer on the question paper.
No additional materials are required.

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

INFORMATION FOR CANDIDATES

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	

This question paper consists of 12 printed pages.



- 1 Maria Matsa's financial year ends on 30 September. The trial balance prepared on 30 September 2002 showed a shortage on the credit side of \$788. Maria entered this in a suspense account and then prepared a draft Trading and Profit and Loss Account.

The following errors were later discovered.

1. \$50 cash spent on stationery was entered in the cash book but not in the stationery account.
2. The sales journal was undercast by \$1000.
3. \$240 received from Abdul Ahmed, a customer, had been credited to the account of Abdulla Ahmed, another customer, in the sales ledger.
4. The total of the discount received column in the cash book of \$14 had been debited to the discount allowed account in the general ledger.
5. \$95 cash paid to Joe Jones, a trade creditor, had been credited to his account in the purchases ledger.

- (a) Prepare the entries in Maria Matsa's journal to correct the above errors.

Narratives are **not** required.

Journal

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[11]

- (b) Prepare the suspense account in Maria Matsa's ledger to show the required amendments. Start with the balance arising from the difference on the trial balance.

Suspense account

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- (c) For **each** error 1–5 state how the draft net profit will be affected when the errors are corrected.
If the error does not affect the draft net profit write 'no effect'.
The first one has been completed as an example.

Error 1 *Decrease by \$50*

Error 2

Error 3

Error 4

Error 5[4]

2 David Odoyo maintains a full set of books of account. He prepares a purchases ledger control account and a sales ledger control account at the end of every month.

(a) State **two** advantages of control accounts.

- (i)
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 - (ii)
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- [2]

(b) State where David will obtain the relevant figure for **each** of the following items which appear in his sales ledger control account.

- (i) credit sales
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 - (ii) discount allowed
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 - (iii) bad debts
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- [3]

(c) On 1 October 2002 David's sales ledger control account had two balances

\$4545 debit
\$130 credit

Assuming that there are no errors, explain **one** reason why a credit balance may occur on a sales ledger control account.

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(d) On 1 October 2002 the balance brought down on David's purchases ledger control account was \$2950, which agreed with the total of the creditors' balances in the purchases ledger.

He supplied the following information for the month ending 31 October 2002.

	\$
Purchases on credit	5 050
Returns to suppliers	135
Cheques paid to suppliers	4 120
Cash discount received from suppliers	85
Cash received from a supplier for an overpayment by David	100

Prepare David Odoyo's Purchases Ledger Control account for the month ended 31 October 2002.

Purchases Ledger Control account

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- 3 On 1 October 2001 Bempton Sports Club had \$4750 in the bank, equipment which had cost \$3300 and a stock in the snack bar which had cost \$260. At that date members owed the club subscriptions of \$100 and the club owed \$50 for rent.

The treasurer provided the following information relating to the year ended 30 September 2002.

	\$
Insurance	660
Rent	1040
Snack bar sales	3000
Snack bar purchases	2600
Subscriptions from members	3250
General expenses	1210
Printing and stationery	210
Purchase of new equipment	2050
Sale of old equipment	50

Additional information:

1. All receipts were paid into the bank and all payments were made by cheque.
 2. At 30 September 2002 the club had prepaid the insurance by \$60 and members had paid subscriptions in advance of \$150.
- (a) Prepare the Receipts and Payments Account of Bempton Sports Club for the year ended 30 September 2002.

Bempton Sports Club

Receipts and Payments Account for the year ended 30 September 2002

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(b) State and explain **two** ways in which an Income and Expenditure Account differs from a Receipts and Payments Account.

(i)
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(ii)
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[4]

(c) On the evening of 30 September 2002 a quantity of stock was stolen from the snack bar. The cost of the remaining stock was \$125.

The club marks up the goods by 20% on cost when calculating the selling price.

Calculate **by means of a Trading Account** the cost of the stock which was stolen.

Bempton Sports Club

Snack Bar Trading Account for the year ended
30 September 2002

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[8]

4 Gideon and Mary Odumbe are in partnership trading as Odumbe Stores. They share profits and losses 2:1. As Gideon is hoping to retire in two years' time, the partners agree to invite John Umbogu to join the partnership. John has worked in the stores for many years as the general manager.

(a) State **two** advantages **to John** of joining the partnership.

(i)

(ii)
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[2]

(b) State **two** disadvantages **to John** of joining the partnership.

(i)

(ii)
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[2]

(c) John Umbogu decided to join the partnership on 1 October 2002. He agreed to contribute as capital \$20 000 in cash and a motor vehicle valued at \$5000. Gideon, Mary and John agreed to share profits and losses 2:2:1.

On 1 October 2002 Gideon's capital was \$40 000 and Mary's was \$30 000.

Goodwill was valued at \$12 000 on 1 October 2002 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.

Prepare the following accounts in the ledger of Odumbe Stores on 1 October 2002.

(i) Goodwill account

(ii) Capital accounts of Gideon Odumbe, Mary Odumbe and John Umbogu

(i) Goodwill account

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- 5 Khalid Ahmed started business on 1 September 2001. He rented premises and opened a foodstore. Khalid did not wish to take any part in the day-to-day running of the business so he appointed a manager. Goods are sold on cash terms to the public, and local restaurants and hotels are supplied on credit terms. All goods are collected by the customers from Khalid's shop.

Omar and Sara Moussa are friends of Khalid. They formed a partnership on 1 September 1997, when they purchased premises, fixtures and a motor vehicle and opened a furniture store. All goods are sold on credit terms and are delivered free of charge to customers. Both Omar and Sara work full time in the business and do not employ any staff.

The following information relates to the year ended 31 August 2002.

Khalid Ahmed			Omar and Sara Moussa		
	\$	\$		\$	\$
Sales – Cash		25 000	Sales – Credit		108 000
Credit		30 000			
Cost of sales –			Cost of sales –		
Purchases – Cash	2 400		Opening stock	12 600	
Credit	42 300		Purchases – Credit	72 800	
	<u>44 700</u>			<u>85 400</u>	
Less closing stock	3 450	41 250	Less closing stock	<u>9 800</u>	75 600
Expenses –			Expenses –		
Manager's salary	7 200		Motor expenses	2 050	
Rent	1 500		Insurance of buildings	390	
Other expenses	<u>375</u>	9 075	Depreciation of fixed assets	2 600	
			Other expenses	<u>7 920</u>	12 960
Debtors at 31 August 2002		2 870	Debtors at 31 August 2002		16 750
Creditors at 31 August 2002		4 850	Creditors at 31 August 2002		12 500

- (a) Calculate the following ratios for **each** business. Place your answers in the table below. Show clearly all your workings in the space provided.

Ratio	Khalid Ahmed	Omar and Sara Moussa
(i) Percentage of gross profit to sales		
(ii) Percentage of net profit to sales		
(iii) Collection period for debtors		
(iv) Payment period for creditors		

Workings

[10]

(b) State **four** differences between the two businesses which would make it wrong to compare their results.

(i)

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(ii)

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(iii)

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(iv)

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[8]