



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

CANDIDATE  
NAME

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--

\* 5 4 0 4 6 0 6 8 8 9 \*

**ACCOUNTING**

**0452/03**

Paper 3

**October/November 2008**

**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.  
You may use a soft pencil for any diagrams or graphs.  
Do not use staples, paper clips, highlighters, glue or correction fluid.  
**DO NOT WRITE IN ANY BARCODES.**

Answer **all** questions.  
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 the Question Paper are fictitious.

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.

For Examiner's Use	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>Total</b>	

This document consists of **19** printed pages and **1** blank page.



- 1 Paul Russell is a trader who maintains a full set of accounting records. He divides his ledger into three specialist areas - sales (debtors) ledger, purchases (creditors) ledger and nominal (general) ledger.

**REQUIRED**

- (a) State **one** advantage of dividing the ledger into these three areas.

.....  
 ..... [1]

- (b) Name the ledger in which **each** of the following accounts would appear.

(i) purchases account .....

(ii) sales returns account .....

(iii) Sally Opuia (a customer) account ..... [3]

On 1 August 2008 Paul Russell's creditors included Paihia Traders who were owed \$950 and Awanui Wholesalers who were owed \$630. Paul's transactions for August 2008 included the following:

- August 3 Purchased goods on credit from Paihia Traders, \$360, less 25% trade discount.
- 12 Returned goods to Paihia Traders. These were purchased on 3 August, list price \$80.
- 18 Paid Paihia Traders the amount due on 1 August, by cheque, after deducting 2% cash discount.
- 22 Awanui Wholesalers sent Paul a statement charging him \$15 interest, as the account was overdue.
- 29 Paid Awanui Wholesalers the total amount owing on that date, by cheque.

**REQUIRED**

- (c) Write up the accounts of Paihia Traders and Awanui Wholesalers as they should appear in Paul Russell's ledger for the month of August 2008.

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 1 September 2008. Where three column running balance accounts are used the balance column should be up-dated after each entry.

Paihia Traders account

.....

.....

.....

.....

.....

.....

.....

.....

Awanui Wholesalers account

.....

.....

.....

.....

.....

.....

..... [9]

On average, Paul Russell’s creditors allow him 30 days in which to pay their accounts. For the year ended 31 August 2008 Paul’s credit purchases amounted to \$99 000. On 31 August 2008 Paul owed \$10 500 to his creditors.

**REQUIRED**

(d) Calculate Paul Russell’s payment period for creditors. Show your workings. Round up your answer to the nearest whole day.

.....

.....

.....

..... [2]

For  
Examiner's  
Use

(e) State and explain whether you think that the creditors will regard Paul Russell's payment period as satisfactory.

Will the creditors be satisfied? .....

Explanation .....

..... [2]

(f) State **one** possible advantage to Paul Russell of paying his creditors before the due date.

.....

..... [1]

(g) State **one** possible disadvantage to Paul Russell of paying his creditors before the due date.

.....

..... [1]

**[Total: 19]**



- 2 Michael Ong started a business on 1 July 2007. He had very little knowledge of bookkeeping, but attempted to prepare a set of final accounts at the end of his first year of trading.

For  
Examiner's  
Use

The final accounts Michael prepared, containing errors, are shown below.

Trading and Profit and Loss Account		
	\$	\$
Sales of goods	80 000	
Sale of motor vehicle (AB 246) at book value	<u>2 000</u>	82 000
Purchases of goods	60 000	
Purchase of new motor vehicle (CD 357)	<u>8 000</u>	
	68 000	
Closing stock of goods	<u>12 000</u>	<u>56 000</u>
Gross profit		26 000
General expenses	10 800	
Bad debts	<u>200</u>	<u>11 000</u>
Net profit		<u>15 000</u>

Balance Sheet

	\$
Equipment	2 000
Bank	1 000
Debtors	7 000
Closing stock of goods	12 000
Purchases of stationery	200
Commission received	<u>500</u>
	<u>22 700</u>
Creditors	17 000
Capital (balancing figure)	<u>5 700</u>
	<u>22 700</u>

**REQUIRED**

- (a) (i) Explain the difference between capital expenditure and revenue expenditure.

.....

.....

.....

..... [2]

(ii) Explain the difference between capital receipts and revenue receipts.

*For  
Examiner's  
Use*

.....  
.....  
.....  
..... [2]

(b) Calculate the corrected net profit of Michael Ong for the year ended 30 June 2008.

Michael Ong  
Statement of corrected net profit for the year ended 30 June 2008

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [5]

On 1 July 2008 Michael Ong started to maintain a set of double entry records. A trial balance drawn up on 30 September 2008 failed to balance. Michael entered the difference on the trial balance in a suspense account.

**REQUIRED**

- (c) State **one** reason why it is necessary to open a suspense account when the totals of a trial balance fail to agree.

.....  
 ..... [1]

The following errors were later discovered:

- 1 Goods returned to J Chan, \$20, had been incorrectly entered in the account of J Chua, another supplier.
- 2 A cheque for the sale of equipment, \$400, had been debited to the bank account, but no other entry had been made.
- 3 Goods for Michael's own use, \$100, had been debited to both the purchases account and the drawings account.
- 4 On 15 September 2008, \$50 had been received from W Lee. This amount was incorrectly debited to the bad debts account and credited to W Lee's account. W Lee's account had been written off as a bad debt on 30 June 2008.

**REQUIRED**

- (d) Complete the following table to show the entries required to correct the above errors.

The first one has been completed as an example.

	account(s) to be debited	\$	account(s) to be credited	\$
<b>1</b>	<i>J Chan</i>	<i>20</i>	<i>J Chua</i>	<i>20</i>
<b>2</b>				
<b>3</b>				
<b>4</b>				

[8]

**[Total: 18]**



- 3 Suzan Hamouda has been in business for two years but has not maintained a full set of accounting records. All purchases and sales are made on credit terms.

For  
Examiner's  
Use

Suzan Hamouda is able to provide the following information:

	\$
At 1 October 2007	
amounts owing by customers	5 000
amounts owing to suppliers	4 500
For the year ended 30 September 2008	
cheques received from customers	58 114
cheques paid to suppliers	45 930
discounts received	470
discounts allowed	1 186
bad debts written off	900
At 30 September 2008	
amounts owing by customers	4 800
amounts owing to suppliers	5 200

**REQUIRED**

- (a) Calculate Suzan Hamouda's credit sales and credit purchases for the year ended 30 September 2008.

Your answer may be in the form of ledger accounts or calculations.

- (i) Credit sales

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

(ii) Credit purchases

.....  
.....  
.....  
.....  
.....  
.....  
..... [5]

For  
Examiner's  
Use

Suzan sells all her goods at a mark-up of 20 %.

**REQUIRED**

(b) Explain the difference between mark-up and margin.

.....  
.....  
.....  
..... [2]



4 Maria Maziya is a trader. Her bookkeeper provided the following cash book for the first two weeks of October 2008.

2008			2008				
	Disc.	Cash	Bank		Disc.	Cash	Bank
	\$	\$	\$		\$	\$	\$
Oct 1 Balance b/d			200	Oct 1 Balance b/d			3620
9 Sales			20 1840	3 Stationery		30	
11 Oshoek Traders	11		539	4 B Ngwenya			160
13 Cash			120	(Dishonoured)			
14 Balance c/d			1515	13 Bank		120	
				14 Mlawula Stores	6		234
				Balance c/d		70	
	<u>11</u>	<u>220</u>	<u>4014</u>		<u>6</u>	<u>220</u>	<u>4014</u>
Oct 15 Balance b/d			70	Oct 15 Balance b/d			1515

**REQUIRED**

(a) (i) Explain **each** of the following entries shown in the cash book. State where the double entry for each transaction would be found. The first one has been completed as an example.

1 3 October Stationery

Explanation Stationery costing \$30 has been purchased for cash

Double entry Debit stationery account

2 4 October B Ngwenya

Explanation .....

Double entry ..... [2]

3 9 October Sales

Explanation .....

Double entry ..... [2]

(ii) Explain the entries on 13 October.

.....  
.....  
..... [2]

(iii) In relation to the \$6 cash discount on 14 October –

State whether Maria has allowed or received this discount.

..... [1]

State what percentage of cash discount this represents.

.....  
..... [1]

(iv) Explain the significance of **each** of the balances shown on 15 October.

Balance of \$70 .....  
.....

Balance of \$1515 .....  
..... [2]

(v) Explain what entries are made in the ledger in respect of the totals of the discount columns.

Total of column on debit side of \$11 .....  
.....

Total of column on credit side of \$6 .....  
..... [2]

On 1 October 2008, in addition to the balances shown in the cash book, Maria Maziya had the following current assets and current liabilities.

For  
Examiner's  
Use

	\$
Stock	5020
Debtors	4710
Creditors	3280

**REQUIRED**

(b) Calculate Maria Maziya's working capital. Show your workings.

.....  
.....  
.....  
..... [2]

(c) State **two** ways in which Maria Maziya could increase her working capital.

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

(d) State **two** disadvantages to Maria Maziya of having insufficient working capital.

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

Maria Maziya's financial year ends on 30 September.

Her return on capital employed (ROCE) for the financial year ended 30 September 2007 was 19.50 %.

Maria Maziya's net profit for the year ended 30 September 2008 was \$6465. On 30 September 2008 her capital employed was \$41 100.

For  
Examiner's  
Use

(e) Calculate, to **two** decimal places, the return on capital employed (ROCE) for the year ended 30 September 2008. Show your workings.

.....  
.....  
..... [1]

(f) State and explain whether you think Maria Maziya will be satisfied with the change in the return on capital employed (ROCE).

(i) Will she be satisfied? ..... [1]

(ii) Explanation ..... [1]  
.....

[Total: 21]

- 5 Salim and Rita Jaffer are in partnership. Their financial year ends on 31 July. They share profits and losses equally. It was agreed that a current account and a capital account would be kept for each partner.

The profit and loss account for the year ended 31 July 2008 showed a net profit of \$15 500. The accountant was unable to prepare the balance sheet immediately because of illness.

Salim has very little knowledge of bookkeeping, but attempted to prepare a balance sheet at 31 July 2008. The balance sheet he prepared, containing errors, is shown below.

Balance Sheet at 31 July 2008

	\$	\$
Premises at cost		95 000
Equipment at book value 1 August 2007		13 000
Stock 31 July 2008		8 200
Debtors		6 600
Drawings - Salim Jaffer	7 700	
Rita Jaffer	<u>6 220</u>	<u>13 920</u>
		<u>136 720</u>
Creditors		6 800
Provision for doubtful debts		330
Net profit for the year		15 500
Capital accounts 1 August 2007 - Salim Jaffer	40 000	
Rita Jaffer	<u>60 000</u>	100 000
Current accounts 1 August 2007 - Salim Jaffer	3 400 Cr	
Rita Jaffer	<u>6 100 Cr</u>	<u>9 500</u>
		132 130
Balancing figure		<u>4 590</u>
		<u>136 720</u>

The following matters were then discovered.

- 1 No adjustment had been made in the balance sheet for the following:

	\$
Accrued expenses	620
Prepaid expenses	430
Depreciation of equipment	1500

These items had been correctly recorded in the profit and loss account.

- 2 The bank balance had been omitted from the balance sheet. On 31 July 2008 the cash book showed a bank overdraft of \$2900 and the bank statement showed an overdraft of \$2200. All the transactions appearing on the bank statement had been recorded in the cash book.



**REQUIRED**

- (a) Use the space on page 18 to prepare a corrected balance sheet for Salim and Rita Jaffer at 31 July 2008.

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.

The calculation of the current account balances may either be shown within the balance sheet or as separate calculations.

You may use the space below for your workings. (Your answer should be shown on page 18.)

*For  
Examiner's  
Use*



On 1 August 2008 the balances on the partners' capital accounts were the same as those on 1 August 2007.

On 1 August 2008 Rita transferred \$4000 from the credit balance on her current account to her capital account.

On 31 August 2008 Salim paid an amount into the business bank account so that his capital was equal to Rita's.

**REQUIRED**

(b) Write up the partners' capital accounts as they would appear in the ledger for the month of August 2008.

Where traditional "T" accounts are used they should be balanced and the balances brought down on 1 September 2008. Where three column running balance accounts are used the balance column should be up-dated after each entry.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [5]

www.exam-mate.com

Salim Jaffer suggests that it would be easier to maintain only a capital account for each partner instead of both a capital account and a current account.

*For  
Examiner's  
Use*

**REQUIRED**

(c) State and explain **one** advantage of maintaining both a capital and a current account for each partner.

.....  
..... [2]

**[Total: 21]**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.