UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER						CANDIDATE NUMBER				

3977680621

ACCOUNTING **0452/03**

Paper 3 **October/November 2009**

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.

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1	
2	
3	
4	
5	
Total	

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

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1 Abdul Anwar is a sole trader who keeps a full set of double entry records including a three column cash book.

The balances on his books on 1 May 2009 included the following:

	$
Cash	100
Bank	490 credit
Debtor – Sameen Atif	150
Creditor – Mohsin Ali	320

Abdul's transactions for the month of May 2009 included the following:

May 6 Cash sales, $280, of which $200 was paid into the bank on that date.

13 Received a cheque from Sameen Atif in settlement of her account.

18 Paid a cheque to Mohsin Ali in settlement of his account after deducting cash discount of 2½%.

24 Sameen Atif's cheque was dishonoured and was returned by the bank.

30 Paid all the remaining cash into the bank except $50.

REQUIRED

(a) Enter the above transactions in Abdul Anwar's cash book on the page opposite.

Balance the cash book at 31 May and bring down the balances on 1 June 2009.

[8]

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Abdul Anwar

Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
		$	$	$			$	$	$

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Abdul Anwar's financial year ends on 31 October.

Apart from those mentioned above, Abdul Anwar had no other transactions with Sameen Atif during the six months ended 31 October 2009.

REQUIRED

(b) Write up Sameen Atif's account as it would appear in Abdul's ledger for the six months ended 31 October 2009.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 November 2009. Where a three column running balance account is used the balance column should be up-dated after each entry.

Abdul Anwar
Sameen Atif account

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..... [4]

Abdul Anwar believes that he may have to write off Sameen Atif's account as a bad debt. He is anxious to avoid further bad debts.

REQUIRED

(c) Explain **two** ways in which Abdul Anwar could reduce the risk of bad debts.

(i) .....

.....

(ii) .....

..... [2]

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Abdul Anwar maintains a provision for doubtful debts at 2 % of debtors.

On 1 November 2008 the provision for doubtful debts account had a credit balance of $680. On 31 October 2009 the debtors owed $32 000.

REQUIRED

(d) Write up the provision for doubtful debts account as it would appear in Abdul Anwar's ledger.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 November 2009. Where a three column running balance account is used the balance column should be up-dated after each entry.

Abdul Anwar
Provision for doubtful debts account

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..... [3]

(e) Explain how Abdul Anwar is applying the principle of prudence by maintaining a provision for doubtful debts.

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.....

..... [2]

[Total: 19]

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2 Jane Nowka is a hairdresser. Her financial year ends on 30 June. She provided the following information at 30 June 2008:

	$
Stock of consumables (shampoo, spray etc)	100
Equipment at valuation	800
Debtors	90
Creditors	30
Prepaid insurance	15
Cash at bank	2500

On 1 July 2008 Jane purchased a motor vehicle, $3000, so that she could operate a mobile hairdressing service rather than working from home. She decided to depreciate the motor vehicle at 15 % per annum using the reducing balance method.

At the end of her financial year ended 30 June 2009, Jane compared her assets and liabilities with those at 30 June 2008 and found that:

debtors had increased by $16
creditors had reduced by $12
stock of consumables had increased by $20
bank balance had reduced by $2720.

At 30 June 2009 accrued expenses amounted to $13 and prepaid expenses amounted to $15. There was also a provision for doubtful debts of $10.

On 30 June 2009 the equipment was revalued at $650.

During the year ended 30 June 2009 Jane's drawings amounted to $1195.

The net profit for the year ended 30 June 2009 was $900 after taking into account all revenues and expenses (including depreciation and provision).

REQUIRED

(a) Prepare the balance sheet of Jane Nowka at 30 June 2009.

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Jane Nowka
Balance Sheet at 30 June 2009

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(b) Calculate Jane Nowka's return on capital employed (ROCE). Base your calculation on the capital employed at 30 June 2009. The calculation should be correct to **two** decimal places.

Show your workings.

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..... [2]

In addition to Jane Nowka, the owner, various other business people are interested in the final accounts of Jane Nowka's business.

REQUIRED

(c) Explain why **each** of the following business people would be interested in the accounts.

(i) Bank manager

.....

..... [1]

(ii) Creditor

.....

..... [1]

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Jane Nowka must be able to rely on the information provided in the financial statements prepared for her business.

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REQUIRED

(d) State **three** conditions which must be present for information to be regarded as reliable.

The first has been completed as an example.

(i) *It must be a true statement of the transactions and events which are being recorded.*

(ii) .....

..... [1]

(iii) .....

..... [1]

[Total: 20]

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3 Ruth Tembe is a trader. She employs a bookkeeper who maintains a full set of accounting records.

Ruth Tembe's bookkeeper prepares a purchases ledger control account and a sales ledger control account at the end of every month.

On 1 July 2009 the balances brought down on the purchases ledger control account were as follows:

	$
Debit balance	15
Credit balance	3680

The bookkeeper provided the following information for the month ended 31 July 2009:

	$
Cheques paid to suppliers	4650
Cheques received from customers	5660
Discounts allowed	75
Discounts received	90
Returns to suppliers	30
Returns from customers	41
Credit purchases	4800
Transfer from a purchases ledger account to a sales ledger account	105

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REQUIRED

(a) Select the relevant figures and prepare Ruth Tembe's purchases ledger control account for the month ended 31 July 2009. There is only one balance on the account at the end of the month.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 August 2009. Where a three column running balance account is used the balance column should be up-dated after each entry.

Ruth Tembe
Purchases ledger control account

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..... [9]

Ruth Tembe's financial year ends on 31 July. Her total credit purchases for the year ended 31 July 2009 amounted to $58 000.

Ruth Tembe's creditors allow her a period of 14 days in which to pay her account.

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REQUIRED

(b) Using the closing balance on the purchases ledger control account you prepared in **(a)** and the information given earlier in the question, calculate the payment period for creditors. Your answer should be rounded up to the next whole day.

Show your workings.

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..... [2]

(c) Explain **two** possible disadvantages to Ruth Tembe of paying her creditors after the period of credit allowed.

(i) .....

.....

(ii) .....

..... [2]

The following account appears in Ruth Tembe's nominal (general) ledger.

Business rates account

2008		$	2008		$
Sept 30	Bank	1490	Aug 1	Balance b/d	90
			2009		
			July 31	Profit & loss	1200
				Balance c/d	200
		1490			1490
2009					
Aug 1	Balance b/d	200			

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

Business rates account

		Debit	Credit	Balance
2008		$	$	$
Aug 1	Balance		90	90 Cr
Sept 30	Bank	1490		1400 Dr
2009				
July 31	Profit & loss		1200	200 Dr

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REQUIRED

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(d) Explain **each** of the entries in the business rates account as it appears in the nominal (general) ledger of Ruth Tembe. State where the double entry for each transaction would be made.

The first one has been completed as an example.

2008
Aug 1 Balance $90

Explanation *This is the amount owing for business rates for the previous financial year.*

Double entry *Debit business rates account for the year ended 31 July 2008.*

2008
Sept 30 Bank $1490

Explanation .....

.....

Double entry ..... [2]

2009
July 31 Profit & loss $1200

Explanation .....

.....

Double entry ..... [2]

(e) (i) Explain the significance of the $200 shown at the end of the business rates account.

.....

..... [2]

(ii) State where this amount will appear in Ruth Tembe's balance sheet at 31 July 2009.

..... [1]

[Total: 20]

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4 Terry and Candy Wang are in partnership. Their financial year ends on 31 July. They share profits and losses in proportion to the capital invested by each partner.

On 1 August 2009 the balances on their accounts were as follows:

		$
Terry Wang	capital account	60 000
	current account	5 050 debit
Candy Wang	capital account	40 000
	current account	4 950 credit

Goodwill was valued at $30 000 on 1 August 2009 but did not appear on the books. On that date Terry and Candy Wang invited their brother Paul to become a partner.

Paul decided to join the partnership and agreed to contribute $16 000 to be paid into the business bank account and a motor vehicle valued at $4000.

Terry, Candy and Paul Wang agreed to share profits and losses in the ratio 3 : 2 : 1.

The partners agreed that adjustments should be made for goodwill but that a goodwill account was not to be maintained permanently in the books.

REQUIRED

(a) Prepare the following accounts in the ledger of the partnership on 1 August 2009.

(i) Goodwill account

(ii) Capital accounts of Terry Wang, Candy Wang and Paul Wang

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 2 August 2009. Where three column running balance accounts are used the balance column should be up-dated after each entry.

(i) Terry, Candy and Paul Wang
Goodwill account

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..... [5]

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(ii) Capital accounts

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[12]

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(b) Explain why it was necessary for Terry and Candy Wang to value the goodwill of the business before admitting Paul to the partnership.

.....

.....

.....

..... [2]

Terry, Candy and Paul Wang decided to prepare an opening balance sheet for the new business on 1 August 2009.

REQUIRED

(c) Prepare the capital section of Terry, Candy and Paul Wang's balance sheet at 1 August 2009.

Terry, Candy and Paul Wang
Balance Sheet extract at 1 August 2009

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..... [3]

[Total: 22]

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Question 5 is on the next page.

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5 Raminder Singh is a retailer. His shop is divided into two departments – Department A and Department B. He provided the following information for the year ended 31 October 2009.

	Department A $	Department B $
Sales	150 000	60 000
Purchases	85 000	48 000
Stock 1 November 2008	8 400	3 900
Stock 31 October 2009	9 100	4 100

	Total $
Business rates	6 000
Staff salaries	13 000
General expenses	4 500
Depreciation of fittings	2 800

Additional information

1 Department A occupies two thirds of the total floor space and Department B occupies one third.

2 The cost of the fittings in Department A was $20 000 and the cost of the fittings in Department B was $8000.

3 Expenses are to be apportioned between the two departments as follows:
business rates in proportion to the floor space
staff salaries and general expenses equally
depreciation of fittings at 10 % per annum on the cost of fittings

REQUIRED

(a) Prepare a **columnar** trading and profit and loss account for Raminder Singh for the year ended 31 October 2009 to show the **gross** profit and **net** profit earned by **each** department.

Total columns are **not** required.

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Raminder Singh
Departmental Trading and Profit and Loss Account
for the year ended 31 October 2009

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[11]

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(b) Complete the table below to show the ratios for Department B. You may use the space at the bottom of the page for your workings.

Calculations should be correct to **two** decimal places.

ratio	Department A	Department B
percentage of gross profit to sales	43.8%	.....%
rate of stock turnover	9.63 times	.....times

[4]

(c) Suggest **two** reasons for the difference in the percentage of gross profit to sales between the two departments.

(i) .....

..... [1]

(ii) .....

..... [1]

(d) Suggest **two** ways in which the rate of stock turnover of Department A could be improved.

(i) .....

..... [1]

(ii) .....

..... [1]

[Total: 19]

Workings

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