

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

May/June 2006

**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 rough working.  
Do not use staples, paper clips, highlighters, glue or correction fluid.

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 this 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	
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5	
<b>Total</b>	

This document consists of **19** printed pages and **5** blank pages.



- 1 Tarek Wahid is a sole trader who keeps full double entry records including a three column cash book.

On 1 April 2006 his cash book showed the following debit balances:

	\$
Cash	125
Bank	6750

Tarek's transactions for the month of April 2006 included the following:

- April 5 Cheque for \$230, received from Asmaa El Zein in March, was dishonoured by the bank.
- 10 Received a cheque from Mohammed Riyas in settlement of his account of \$480, after deducting cash discount of 2½%.
- 16 Paid cheques totalling \$9980 for a new motor vehicle costing \$9900, and repairs to existing motor vehicle costing \$80.
- 24 Paid Salma Abbas a cheque for \$546 to settle the amount due, after deducting cash discount of \$14.
- 29 Cash sales amounted to \$2150.
- 30 Paid all the cash into the bank except \$100.

### REQUIRED

- (a) Enter the above transactions in Tarek Wahid's cash book on the page opposite.

Balance the cash book at 30 April and bring down the balances on 1 May 2006.

[11]

Tarek Wahid

Cash Book

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

On 30 April 2006 Tarek Wahid obtained a statement from his bank and compared it with the bank column in his cash book.

The bank balance shown in the cash book differed from that shown on the bank statement because:

- 1 the cheque paid to Salma Abbas had not yet been presented for payment;
- 2 the cash paid into the bank had not yet been credited to Tarek's account.

**REQUIRED**

**(b)** Explain why items are recorded on the opposite side of the cash book to that on which they appear on the bank statement.

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**(c)** Prepare a statement to calculate the balance which should have appeared on the bank statement on 30 April 2006.

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**(d)** State the bank balance that should be shown in the Balance Sheet of Tarek Wahid at 30 April 2006. State whether it is an asset or a liability.

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..... [2]

**[Total: 19]**

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- 2 Susan Sawka maintains a full set of books of prime (original) entry and writes up a purchases ledger control account and a sales ledger control account at the end of every month.

On 1 March 2006 the balances brought down on Susan's purchases ledger control account were as follows:

	\$
Debit balance	120
Credit balance	9500

Susan Sawka provided the following information for the month ended 31 March 2006:

	\$
Cash purchases	1660
Credit purchases	7420
Returns to credit suppliers	135
Returns by credit customers	210
Cheques paid to credit suppliers	8780
Cheques received from credit customers	9360
Discounts allowed	240
Discounts received	20
Transfer from a purchases ledger account to a sales ledger account	380

**REQUIRED**

- (a) Select the relevant figures and prepare Susan Sawka's purchases ledger control account for the month ended 31 March 2006.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 April 2006. Where a three column running balance account is used the balance column should be up-dated after each entry.

There is only one balance on the account at the end of the month.

Susan Sawka  
Purchases Ledger Control account

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[10]

- (b) State **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

- (i) .....
- .....
- (ii) .....
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- (c) Explain why the information used to write up Susan's purchases ledger control account is obtained from books of prime (original) entry and **not** from the purchases ledger.

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[2]

Susan Sawka's financial year ends on 31 March 2006. Her total purchases for the year were as follows:

	\$
Cash purchases	19 600
Credit purchases	89 400

On 31 March 2006 the balance on the purchases ledger control account agreed with the total of the list of balances in the purchases ledger.

All Susan's suppliers allow her a period of 14 days in which to pay her account.

**REQUIRED**

- (d) Using the closing balance on the purchases ledger control account you prepared in (a) and the information above, calculate the payment period for creditors.

Show your workings.

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..... [2]

- (e) State and explain whether you think the creditors will regard Susan Sawka's payment period as satisfactory.

Will creditors be satisfied? .....

Explanation .....

..... [2]

**[Total: 18]**



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- 3 The assets and liabilities of the Safat Judo Club on 1 February 2005 were as follows:

	\$	
Bank	3150	debit
Motor vehicle at valuation	2000	
Subscriptions owed by members	250	
Rent owing	50	

The treasurer provided the following information for the year ended 31 January 2006:

Receipts during the year		Payments during the year	
	\$		\$
Subscriptions	10 650	Purchase of new motor vehicle	10 000
Proceeds of sale of motor vehicle	1 750	Competition prizes	210
Competition entrance fees	800	General expenses	2 645
		Travelling expenses	830
		Rent	2 600

The following information is also available:

- 1 The motor vehicle is used to take members to tournaments and competitions.

The motor vehicle owned on 1 February 2005 was sold in March 2005. No depreciation is provided for in the year of sale.

A new motor vehicle was purchased on the same day. On 31 January 2006 the new motor vehicle was valued at \$8500.

- 2 On 31 January 2006:

subscriptions paid in advance by members amounted to \$400;

rent prepaid amounted to \$100.

**REQUIRED**

- (a)** Prepare the Income and Expenditure Account of the Safat Judo Club for the year ended 31 January 2006.

Safat Judo Club  
Income and Expenditure Account for the year ended 31 January 2006

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**(b)** Prepare the Balance Sheet of the Safat Judo Club at 31 January 2006.

Safat Judo Club  
Balance Sheet at 31 January 2006

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[8]

A member of the club is worried that the surplus or deficit in the Income and Expenditure Account does not agree with the bank balance shown in the Balance Sheet at 31 January 2006.

**REQUIRED**

(c) State and explain **two** reasons for this difference.

(i) .....

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(ii) .....

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..... [2]

**[Total: 20]**

4 John Chan is a trader. On 1 April 2006 his debtors included Wan Tan who owed \$880 and Carol Lee who owed \$270. John Chan's transactions for April 2006 included the following:

- April 6 Sold goods on credit to Carol Lee, \$210, less 20% trade discount.
- 11 Sold goods on credit to Wan Tan, \$320.
- 17 Wan Tan paid the amount due on 1 April, by cheque, after deducting 2½% cash discount.
- 21 Carol Lee returned goods purchased on 6 April, list price \$90.
- 28 \$300 cash was received from Carol Lee, who informed John Chan that she would not be able to make any further payments.
- 29 Carol Lee's account was written off.

**REQUIRED**

(a) Write up the accounts of Wan Tan and Carol Lee as they would appear in John Chan's sales (debtors) ledger for the month of April 2006.

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 1 May 2006. Where three column running balance accounts are used the balance column should be up-dated after each entry.

Sales Ledger

Wan Tan account

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Carol Lee account

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John Chan maintains a provision for doubtful debts.

**REQUIRED**

**(b) (i)** Name **one** accounting principle which is applied when a provision for doubtful debts is maintained.

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**(ii)** Explain why the accounting principle named in **(i)** is applied when maintaining a provision for doubtful debts.

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..... [2]

John Chan's financial year ends on 30 April. The following account appears in his nominal (general) ledger:

Provision for Doubtful Debts account			
2006	\$	2005	\$
April 30 Profit & Loss	80	May 1 Balance b/d	500
Balance c/d	<u>420</u>		
	<u>500</u>		<u>500</u>
		2006	
		May 1 Balance b/d	420

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

Provision for Doubtful Debts account			
	Debit	Credit	Balance
2005	\$	\$	\$
May 1 Balance		500	500 Cr
2006			
April 30 Profit & Loss	80		420 Cr

**REQUIRED**

(c) (i) Explain why \$80 is transferred from John Chan's provision for doubtful debts account into his Profit and Loss Account for the year ended 30 April 2006.

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(ii) State whether the \$80 will appear as a debit or a credit item in John Chan's Profit and Loss Account for the year ended 30 April 2006.

..... [1]



John Chan allows his debtors a period of 28 days in which to pay their accounts. For the year ended 30 April 2006 John Chan's credit sales amounted to \$83 500. On 30 April 2006 his debtors owed \$7190.

**REQUIRED**

**(d)** Calculate John Chan's collection period for debtors. Show your workings.

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..... [2]

**(e)** John Chan is rather disappointed with the collection period for debtors. Explain **three** ways in which the collection period for debtors may be improved.

**(i)** .....

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**(ii)** .....

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**(iii)** .....

..... [3]

**[Total: 21]**



5 David and Janet Szabo are in partnership. Their financial year ends on 28 February.

On 1 March 2005 the credit balances on their capital accounts were as follows:

	\$
David Szabo	19 000
Janet Szabo	14 000

On 1 January 2006 David transferred the \$3000 debit balance on his current account to his capital account. On 1 February 2006 Janet paid an amount of cash into the business so that her capital was equal to David's.

**REQUIRED**

(a) Write up the partners' capital accounts as they would appear in the ledger for the year ended 28 February 2006.

Where traditional "T" accounts are used they should be balanced and the balances brought down on 1 March 2006. Where three column running balance accounts are used the balance column should be up-dated after each entry.

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David and Janet Szabo own a fashion store. David manages the department dealing in men's clothes and Janet manages the department dealing in ladies' clothes.

David suggested that it would assist in the management of the business if the results of each department were shown separately.

The following information is available for the year ended 28 February 2006:

	Men's Clothing Department	Ladies' Clothing Department
	\$	\$
Stock 1 March 2005	1 000	2 200
Stock 28 February 2006	1 500	1 800
Purchases	12 000	26 700
Carriage inwards	50	150

The total sales for the year were \$48 000, which was split between the departments  $\frac{1}{3}$  for Men's Clothing and  $\frac{2}{3}$  for Ladies' Clothing.

The total expenses for the year were \$4260. These are apportioned between the departments in proportion to the total sales made by each department.

**REQUIRED**

- (b) Prepare a columnar Trading and Profit and Loss Account for David and Janet Szabo for the year ended 28 February 2006 to show the gross profit and net profit earned by each department. Total columns are **not** required.

David and Janet Szabo  
Departmental Trading and Profit and Loss Account for the year ended 28 February 2006

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The partners are disappointed with the results of the ladies' clothing department. They decide to ask Ann Ambondo to become a partner and take over the running of this department as she has had experience in a similar business for many years.

**REQUIRED**

(c) Explain why David and Janet Szabo should value the Goodwill of the business before admitting Ann Ambondo to the partnership.

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(d) (i) Explain to Ann Ambondo **two** advantages of joining the partnership.

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2 .....

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(ii) Explain to Ann Ambondo **two** disadvantages of joining the partnership.

1 .....

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**[Total: 22]**



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