Centre Number	Candidate Number

Candidate Name ______________________

International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS

ACCOUNTING 0452/3

PAPER 3

MAY/JUNE 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.

SB (SC) S14455/3

UNIVERSITY of CAMBRIDGE
Local Examinations Syndicate

For Examiner's Use

1 Mustafa and Syed went into partnership on 1 April 2000. On that date they purchased equipment on credit from AB Ltd, for $10 000.

The partners decided to provide for a full year's depreciation on equipment in the year of purchase but no depreciation in the year of disposal. It was agreed that depreciation should be calculated on equipment owned at 31 March each year at a rate of 20% per annum, using the straight line method.

On 1 October 2001 half of the equipment was sold on credit to Zeta Ltd for $3500.

(a) Prepare the following accounts in the ledger of Mustafa and Syed for **each** of the years ended 31 March 2001 and 31 March 2002.

(i) Equipment account

(ii) Provision for Depreciation of Equipment account

(iii) Disposal of Equipment account

(i) Equipment account

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(ii) Provision for Depreciation of Equipment account

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(iii) Disposal of Equipment account

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....[18]

(b) On 1 April 2002 Mustafa stated–

'I suggest we change the method of depreciation of equipment to the reducing balance method for this financial year. My calculations show that if we do this the depreciation charge for the year will only be $315. This is much less than the depreciation under the straight line method, so our profits will increase.'

State and explain **two** reasons why the partnership should **not** change to a different method of calculating depreciation.

1 ....

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2 ....

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....[4]

For Examiner's Use

2 (a) The following account, prepared by an inexperienced book-keeper, appears in Amina Hassan's ledger.

M. Kadwani account

			$				$
2002				2002			
April	1	Balance $^{b}/_{d}$	250	April	10	Bank	245
	21	Goods	333		10	Discount	5
	21	Delivery charge	9		25	Returns	17
					30	Balance $^{c}/_{d}$	325
			592				592
2002							
May	1	Balance $^{b}/_{d}$	325				

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

M. Kadwani account

			Dr. $	Cr. $	Balance $
2002					
April	1	Balance $^{b}/_{d}$	250		250
	10	Bank		245	5
	10	Discount		5	0
	21	Goods	333		333
	21	Delivery charge	9		342
	25	Returns		17	325

Explain **each** entry in M. Kadwani's account as it appears in Amina Hassan's ledger. State where the double entry for each transaction would have been made.

The first one has been completed as an example.

April 1 Balance $^{b}/_{d}$

Explanation *This is the amount M. Kadwani owed to A. Hassan* ....

Double entry *Credit M. Kadwani's account for March* ....

April 10 Bank

Explanation ....

....

Double entry ....

April 10 Discount

Explanation ....

....

Double entry ....

April 21 Goods

Explanation ....

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Double entry ....

April 21 Delivery charge

Explanation ....

....

Double entry ....

April 25 Returns

Explanation ....

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Double entry ....[12]

Explain the significance of the $325 shown at the end of the account.

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....[2]

(b) Amina Hassan's financial year ends on 30 April. She sublets part of her premises to Mariam Kamel.

Amina provided the following information.

2001			$
May	1	Mariam owed 1 month's rent	60
July	1	Mariam paid rent for 15 months to 30 June 2002 by cheque	900

Prepare the Rent Received account as it would appear in Amina Hassan's ledger for the year ended 30 April 2002. Show clearly the amount transferred to the Profit and Loss Account and the balance brought down on 1 May 2002.

Rent Received account

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....[6]

3 Carol Crespo's business is divided into two departments–

Department A
Department B

The following information is provided for the year ended 31 March 2002.

	Department A	Department B
	$	$
Stock 1 April 2001	1 100	3 900
Stock 31 March 2002	800	4 800
Sales	22 000	66 400
Purchases	12 300	43 200
Returns inwards	–	400
Carriage inwards	200	–

(a) Prepare a columnar Trading Account for Carol Crespo for the year ended 31 March 2002 to show the Gross Profit earned by each department. Total columns are **not** required.

Carol Crespo

Departmental Trading Account for the
year ended 31 March 2002

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....[9]

(b) State **two** reasons why it is useful for Carol to know the results of each department of the business.

1 ....

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2 ....

....[2]

After comparing the gross profit of each department, Carol is disappointed with the results of Department A and is considering closing the department.

(c) Explain why it would be more meaningful to compare the percentage of gross profit to sales of each department.

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....[2]

(d) Explain **two non-financial** factors which Carol should consider before closing the department.

1 ....

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2 ....

....[4]

For Examiner's Use

4 **(a)** Explain the meaning of the following terms.

(i) bad debts recovered

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....[2]

(ii) provision for doubtful debts

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....[2]

(b) Simon Sammut's financial year ends on 31 December.

On 21 January 2000 Simon sold goods, $170, on credit to Patsy Peacock, a new customer. Simon received a cheque for the amount due from Patsy on 28 February 2000.

On 4 May 2000 Simon sold further goods, $90, on credit to Patsy. After several unsuccessful attempts to obtain payment Simon wrote off Patsy's account on 30 December 2000.

On 31 July 2001 Simon wrote off $115 owed by Bobby Bruno, a debtor.

On 7 November 2001 Simon received a cheque from Patsy for $90.

Make the necessary entries in the following accounts in Simon Sammut's ledger.

(i) Patsy Peacock account

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(ii) Bad Debts account

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(iii) Bad Debts Recovered account

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....[11]

(c) State **three** ways in which Simon Sammut could reduce the risk of bad debts.

(i) ....

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(ii) ....

....

(iii) ....

....[3]

For Examiner's Use

5 Mark and John Kaguta formed a partnership on 1 May 2001 but did not draw up a partnership agreement. John was to be responsible for the day-to-day running of the business. A capital and a current account were to be maintained for each partner.

After the preparation of the Trading and Profit and Loss Account for their first year of trading, the balances remaining on the books of M. and J. Kaguta on 30 April 2002 were:–

		$
Machinery at cost		22 200
Provision for depreciation of machinery		2 220
Debtors		5 500
Creditors		4 200
Motor Vehicle at cost		12 000
Provision for depreciation of motor vehicle		2 000
Capital –	Mark	25 000
	John	17 000
Stock		5 200
Fixtures and fittings at cost		4 500
Wages accrued		150
Bank		3 420
Drawings –	Mark	1 500
	John	2 500
Net profit for the year		6 220

It was found that the following errors had been made.

1. Stock at 30 April 2002 had been over-valued by $500.

2. Fixtures and fittings should have been depreciated by $900.

3. Discount received of $30 had been omitted from the Profit and Loss Account.

4. No entry had been made in the books for bank charges of $50.

(a) (i) Explain why Mark and John should have drawn up a partnership agreement when they formed the partnership on 1 May 2001.

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....[2]

(ii) Suggest **one** item which Mark would particularly have wanted to include in the partnership agreement.

....[1]

(iii) Suggest **one** item which John would particularly have wanted to include in the partnership agreement.

....[1]

(b) Prepare a statement to show the effect of correcting **each** of the errors 1–4 on Mark and John Kaguta's original net profit. Calculate the corrected net profit figure.

The first one has been completed as an example.

M. and J. Kaguta

Statement of Corrected Net Profit for the year ended 30 April 2002

		Effect on Net Profit +	Effect on Net Profit –	
				$
Net Profit before corrections				6220
		$	$	
Error	1		500	
	2			
	3			
	4	_____	_____	
		_____	_____	_____
	Corrected Net Profit			_____ [5]

You may use the space below for your workings.

(c) The profit for the year was shared equally.

Show the division of the corrected net profit between the partners.

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....[2]

(d) On page 12, prepare the Balance Sheet of Mark and John Kaguta as at 30 April 2002 **after** the above errors 1–4 have been corrected. You should show clearly the balances on the capital account and current account of each partner.

[Turn over

For Examiner's Use

M. and J. Kaguta
Balance Sheet as at 30 April 2002

[12]