



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

CANDIDATE  
NAME

CENTRE  
NUMBER

|  |  |  |  |  |
|--|--|--|--|--|
|  |  |  |  |  |
|--|--|--|--|--|

CANDIDATE  
NUMBER

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

\* 9 2 1 3 5 0 3 5 3 7 \*

**ACCOUNTING**

**0452/03**

Paper 3

**October/November 2007**

**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 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 |  |
|--------------------|--|
| <b>1</b>           |  |
| <b>2</b>           |  |
| <b>3</b>           |  |
| <b>4</b>           |  |
| <b>5</b>           |  |
| <b>Total</b>       |  |

This document consists of **16** printed pages and **4** blank pages.



- 1 John Paihia, a trader, maintains a petty cash book using the imprest system.

**REQUIRED**

- (a) Explain what is meant by the imprest system in relation to petty cash books.

.....

.....

..... [2]

John Paihia's imprest amount is \$300. His transactions for the month of September 2007 were as follows:

|        |  | \$ |
|--------|--|----|
| Sept 1 | Balance brought down   | 48 |
| 1      | Petty cash restored to imprest amount                        | ?  |
| 6      | Bought postage stamps  | 15 |
| 11     | Paid to Paul Ahipara, a creditor                             | 95 |
| 19     | Paid cleaner   | 24 |
| 23     | Paid travelling expenses                                     | 9  |
| 25     | Bought office stationery                                     | 72 |
| 29     | Received cash refund from stationery supplier for overcharge | 6  |

**REQUIRED**

- (b) Enter the above transactions in John Paihia's petty cash book on the page opposite.

Balance the book on 30 September 2007 and carry down the balance.

Make the entry on 1 October 2007 to restore the petty cash to the imprest amount.

[14]

John Painia – Petty Cash Book

| Total Received | Date | Details | Total Paid | Postages and stationery | Travelling expenses | Cleaning | Ledger accounts |
|----------------|------|---------|------------|-------------------------|---------------------|----------|-----------------|
| \$             |      |         | \$         | \$                      | \$                  | \$       | \$              |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |
|                |      |         |            |                         |                     |          |                 |

(c) Explain to John Paihia how the double entry is completed for the items recorded in the analysis columns of the petty cash book.

.....

.....

.....

.....

..... [4]

**[Total: 20]**

**BLANK PAGE**

**Question 2 is on the next page**

- 2 Mark Sekota started trading as Red Barn Manufacturing on 1 September 2004. The business makes wooden barns which are supplied in sections for customers to construct to their own designs.

Mark Sekota provides the following information:

|                        | At 1 September 2006 | At 31 August 2007 |
|------------------------|---------------------|-------------------|
|                        | \$                  | \$                |
| Stocks – Raw materials | 43 500              | 37 000            |
| Work in progress       | 21 400              | 15 800            |
| Finished goods         | 142 100             | 163 500           |

**For the year ended 31 August 2007**

|                            |           |
|----------------------------|-----------|
|                            | \$        |
| Sales of finished goods    | 2 249 400 |
| Purchases of raw materials | 576 000   |
| Direct factory wages       | 473 600   |
| Indirect factory wages     | 197 600   |
| Factory general expenses   | 335 500   |

The factory machinery is being depreciated using the reducing balance method at 20% per annum. The machinery originally cost \$250 000 and the accumulated depreciation at 1 September 2006 was \$90 000.

**REQUIRED**

- (a) Explain to Mark Sekota why it is important that his stocks are valued at the lower of cost and net realisable value.

.....

.....

..... [2]



- (c) Prepare the trading account of Red Barn Manufacturing for the year ended 31 August 2007.

Red Barn Manufacturing  
Trading Account for the year ended 31 August 2007

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[5]

Mark Sekota is concerned that his rate of stock turnover of finished goods is slower than it was in the previous financial year.

**REQUIRED**

- (d) Using your answer to (c) calculate, correct to two decimal places, the rate of stock turnover of finished goods. **Show your workings.**

.....

.....

.....

.....

[2]

- (e) State **two** ways in which the rate of stock turnover of finished goods may be improved.

- (i) .....
- (ii) .....

.....

[2]

**[Total: 22]**



**BLANK PAGE**

**Question 3 is on the next page**

- 3 The treasurer of Al Shuhada Music Club provided the following list of balances appearing in the books on 1 October 2006:

|                                  | \$     |
|----------------------------------|--------|
| Premises at cost                 | 32 000 |
| Musical instruments at valuation | 9 800  |
| Subscriptions prepaid by members | 350    |
| Subscriptions owing by members   | 150    |
| Bank overdraft                   | 1 620  |
| Property tax owing               | 400    |

A summary of the cash book for the year ended 30 September 2007 shows:

|                           | \$    |                              | \$    |
|---------------------------|-------|------------------------------|-------|
| Subscriptions             | 9 550 | Bank balance 1 October 2006  | 1 620 |
| Ticket sales for concerts | 3 000 | New musical instruments      | 750   |
|                           |       | Property tax                 | 3 130 |
|                           |       | Expenses of staging concerts | 2 730 |
|                           |       | Insurance                    | 1 780 |
|                           |       | General expenses             | 5 820 |

The following information is also available:

- 1 On 30 September 2007
  - property tax prepaid amounted to \$240;
  - the musical instruments were valued at \$8700.
- 2 A bank statement received on 30 September 2007 showed that bank charges amounted to \$210. This had not been recorded in the Club's accounting records.





**BLANK PAGE**

**Question 4 is on the next page**

- 4 Ann and Fay are in partnership. They share profits and losses 3 : 2. On 1 October 2007 Ann's capital was \$30 000 and Fay's was \$15 000.

They invited Kim to join the partnership and to be responsible for the day-to-day running of the business.

Kim decided to join the partnership on 1 October 2007. She agreed to contribute \$10 000 as capital, to be paid into the business bank account, and a computer system valued at \$1000. Ann, Fay and Kim agreed to share profits and losses 5 : 3 : 2.

**REQUIRED**

- (a) State **one disadvantage** to Ann and Fay of Kim joining the partnership.

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

- (b) (i) Explain why, **in addition to** agreeing the profit-sharing ratio, Ann, Fay and Kim should draw up a partnership agreement.

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

- (ii) Suggest **one** item which Ann would particularly want to include in the partnership agreement.

..... [1]

- (iii) Suggest **one** item Kim would particularly want to include in the partnership agreement.

..... [1]

On 1 October 2007 goodwill was valued at \$17 000 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.

**REQUIRED**

(c) Prepare the following accounts in the ledger of the partnership on 1 October 2007.

(i) Goodwill account

(ii) Capital accounts of Ann, Fay and Kim

Where traditional "T" accounts are used they should be balanced and, where appropriate, the balance brought down on 2 October 2007. Where three column running balance accounts are used the balance column should be updated after each entry.

(i) Goodwill account

.....

.....

.....

.....

.....

.....

.....

..... [5]





**BLANK PAGE**

**Question 5 is on the next page**

5 Jones Shilango is a trader. He provides the following information for the year ended 31 July 2007.

|                     |        |
|---------------------|--------|
|                     | \$     |
| Sales               | 72 000 |
| Purchases           | 54 400 |
| Stock 1 August 2006 | 5 200  |
| Stock 31 July 2007  | 4 900  |

Expenses were 15 % of sales.

**REQUIRED**

(a) (i) Calculate to two decimal places, the percentage of gross profit to sales. **Show your workings.**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [2]

(ii) State **two** ways in which the percentage of gross profit to sales could be improved.

1 .....

.....

2 .....

..... [2]

(b) (i) Calculate to two decimal places the percentage of net profit to sales. **Show your workings.**

.....

.....

.....

.....

.....

..... [2]

(ii) State **two** ways in which the percentage of net profit to sales could be improved.

**1** .....

.....

**2** .....

..... [2]

Jones Shilango’s accountant advises him that it is necessary to make decisions in relation to accounting policies.

**REQUIRED**

(c) (i) State which accounting policy is described in the following statement.

“It must be recognised that a financial report can only be compared with reports for other periods if similarities and differences can be identified.”

..... [1]

(ii) Explain the meaning of the accounting term “reliability”.

.....

.....

.....

..... [2]

In addition to Jones Shilango, the owner, other people are also interested in the final accounts of Jones Shilango's business.

**REQUIRED**

**(d)** List **three** business people (excluding the owner) who would be interested in Jones Shilango's final accounts.

In each case state **one** reason why the person would be interested in the accounts.

**(i)** Business person .....

Reason for their interest .....

.....

.....

**(ii)** Business person .....

Reason for their interest .....

.....

.....

**(iii)** Business person .....

Reason for their interest .....

.....

..... [6]

**[Total: 17]**

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.