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| Centre Number | Candidate Number | Name |
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CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ACCOUNTING

0452/03

Paper 3

October/November 2003

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 in the spaces provided on the Question Paper.
You may use a soft pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
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.
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 | |

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

This document consists of **15** printed pages and **1** blank page.



1 John Kamel is a sole trader whose financial year ends on 31 July.

(a) The following account appears in John's ledger.

Disposal of Motor Vehicle account

| | | | |
|-----------------------|-------|-----------------------------------|-------|
| | \$ | | \$ |
| 2003 | | 2003 | |
| Mar 12 Motor Vehicles | 5 000 | Mar 12 Provision for Depreciation | 3 000 |
| | | XY Garages | 1 500 |
| | | July 31 Profit and Loss | 500 |
| | 5 000 | | 5 000 |
| | | | |

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

Disposal of Motor Vehicle account

| | | Dr | Cr | Balance |
|---------|----------------------------|-------|-------|---------|
| | | \$ | \$ | \$ |
| 2003 | | | | |
| Mar 12 | Motor Vehicles | 5 000 | | 5 000 |
| | Provision for Depreciation | | 3 000 | 2 000 |
| | XY Garages | | 1 500 | 500 |
| July 31 | Profit and Loss | | 500 | 0 |

Explain **each** entry in the Disposal of Motor Vehicle account as it appears in John Kamel's ledger.

March 12 Motor Vehicles

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March 12 Provision for Depreciation

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March 12 XY Garages

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July 31 Profit and Loss

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(b) On 1 August 2001 John Kamel purchased a machine costing \$8600 on credit from Superlooms. He decided to depreciate the machine using the reducing balance method at the rate of 60% per annum.

(i) Write up the Provision for Depreciation of Machinery account in John's ledger for **each** of the **two** years ending 31 July 2002 and 31 July 2003.

Provision for Depreciation of Machinery account

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- (ii) When preparing the Profit and Loss Account for the year ended 31 July 2003, John Kamel included depreciation of machinery at 60% of the cost price instead of 60% of the book value of the machinery.

Calculate how this error would affect John's Net Profit for the year ended 31 July 2003. Show your workings.

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2 (a) Explain **why** it is necessary for a manufacturing business to prepare a Manufacturing Account in addition to a Trading and Profit and Loss Account.

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(b) Explain **each** of the following terms in connection with a manufacturing business.

(i) Cost of materials consumed

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(ii) Prime cost

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.....[2]

(iii) Production cost

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.....[2]

- (c) The financial year of El Sayed Manufacturing Company ends on 31 August. The following information is provided.

| Stocks | At 1 September 2002 | At 31 August 2003 |
|------------------|---------------------|-------------------|
| | \$ | \$ |
| Raw material | 7040 | 6220 |
| Work in progress | 810 | 950 |
| Finished goods | 5780 | 6100 |

For the year ended 31 August 2003

| | |
|----------------------------|---------|
| | \$ |
| Sales of finished goods | 180 500 |
| Purchases of raw materials | 43 820 |
| Wages – factory operatives | 40 190 |
| factory supervisors | 18 400 |
| office and sales staff | 37 000 |
| General expenses – factory | 5 340 |
| office | 3 600 |
| Rates and insurance | 7 500 |

Additional information –

1. The factory machinery cost \$42 000 and the office machinery cost \$23 000. In each case the annual depreciation charge is 20% on cost.
2. The rates and insurance are to be apportioned - factory 4/5 and office 1/5.
3. On 31 August 2003 wages due were – factory operatives \$1170
office staff \$600.

Extract the necessary information from the above figures and prepare the Manufacturing Account of El Sayed Manufacturing Company for the year ended 31 August 2003.

- (c) (i) During the year ended 31 October 2003 Martha's purchases amounted to \$33500 and on 31 October 2003 Martha owed her creditors \$5900.

Calculate Martha's payment period for creditors. Show your workings.

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- (ii) Martha always delays paying her creditors for as long as possible.

State **two** possible disadvantages to Martha of not paying her creditors promptly.

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- (c) On 1 October 2002 the Green Jackets Sports Club had prepaid insurance amounting to \$190.

On 1 December 2002 the Club paid \$1200 by cheque for 1 year's insurance to 30 November 2003.

Prepare the Insurance account as it would appear in the ledger of the Green Jackets Sports Club for the year ended 30 September 2003. Show clearly the amount transferred to the Income and Expenditure Account. Bring down the balance on 1 October 2003.

Insurance account

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(d) The Green Jackets Sports Club has 300 members who pay an annual subscription of \$200.

The following information is available.

1. On 1 October 2002, 5 members had paid their subscriptions in advance for the financial year ending 30 September 2003.
2. During the year ended 30 September 2003, 280 members paid their annual subscription in full.
3. At 30 September 2003 subscriptions due from 15 members remained unpaid.

Prepare the Subscriptions account as it would appear in the ledger of the Green Jackets Sports Club for the year ended 30 September 2003. Show clearly the amount transferred to the Income and Expenditure Account. Bring down the balance on 1 October 2003.

Subscriptions account

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5 Archer and Bowman are partners.

Their Profit and Loss Account for the year ended 31 August 2003 showed a net profit of \$18490.

It was then found that the following errors had been made.

1. No entry had been made for a stock of stationery, \$30, on 31 August 2003.
2. The stock of goods for re-sale on 31 August 2003 had been valued at selling price, \$8400, instead of cost price, \$7000.
3. No entry had been made for depreciation of equipment. The equipment cost \$13000 and was estimated to have a scrap value of \$1000 after 6 years. All the fixed assets of the partnership are depreciated using the straight line (fixed instalment) method.
4. Discount received of \$210 has been included in the expenses instead of the income in the Profit and Loss Account.
5. A provision for doubtful debts is maintained equal to 5% of the debtors at the end of each financial year. On 1 September 2002 the provision was \$400. On 31 August 2003 the debtors owed the partnership \$8400. No adjustment has been made to the provision for doubtful debts.

(a) Prepare a statement to show the effect of correcting **each** of the errors 1–5 on Archer and Bowman's original net profit. Calculate the corrected net profit. The first one has been completed as an example.

Archer and Bowman

Statement of Corrected Net Profit for the year ended 31 August 2003

| | | |
|-------------------------------|-------|-------|
| | \$ | |
| Net Profit before corrections | 18490 | |
| Effect on Net Profit | | |
| | + | - |
| | \$ | \$ |
| Error 1 | 30 | |
| Error 2 | | |
| Error 3 | | |
| Error 4 | | |
| Error 5 | _____ | _____ |
| | _____ | _____ |
| Corrected Net Profit | | _____ |

[10]

