FORM TP 2012107

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MAY/JUNE 2012

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

1 hour 30 minutes

16 MAY 2012 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the booklet provided and return it.
3. Silent, electronic calculators may be used, but ALL necessary working should be clearly shown.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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On 1 January 2012, Steve Belafonte, who owned a gardening business, had the following balances on his books:

	$
Vehicle	22 000
Lawn mowers	2 500
Bank loan (3 years)	4 500
Stock of fertilizer supplies @ $13 each	900
Stock of 51 flowerbed starters	663
Bank overdraft	3 690
Petty cash	407
Persons owing for gardening jobs	7 500
Provision for bad debts	150
Creditor	4 160

1. State the name of the **ledger** in which the following accounts would appear:

(a) persons owing Steve for gardening jobs

(b) owner's investment **(2 marks)**

2. Prepare a classified Balance Sheet as at 1 January 2012, in vertical style, including the calculation of Steve's capital as at that date. **(9 marks)**

3. Steve intends to expand his business in the next six months. Suggest why he might receive assistance from a lender or investor if he presents a balance sheet for the business. **(1 mark)**

4. In the 3 months of operation, October 2011 to December 2011, Steve's net profit was $ 4 834 and his drawings were $2 700. Using this information and information in the list of balances above, calculate

(a) Steve's opening capital as at 1 October 2011

(b) the return on opening capital employed (ROCE) for the three months ended 31 December 2011. **(Show working)** **(5 marks)**

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On 1 April, Steve's accountant fell ill. Before proceeding on leave, he left the following information for Steve:

PAYMENTS (all made by cheque)

Each month for 3 months	Payment of wages	$1 400
	Drawings	$1 000
	Rent expense	$ 300
January	18 bags of fertilizer @ $90 per bag	
	Repayment of bank loan	$3 000
	Insurance	$1 800
	50 packs of assorted flowerbed starters @ $15 per pack	
February	3 garden forks @ $120 EACH	
	84 packs of assorted flowerbed starters @ $17 per pack	
March	70 packs of assorted flowerbed starters @ $14 per pack	
	Vehicle repairs	$ 900
	Farmdale Gardening supplies	$ 8 450
	1 motorized lawn mower	$15 000 (Cost to be depreciated over three years, using the straight-line method)

RECEIPTS (all received in cheque)

January	Collected $6 150 from unpaid jobs before 1 January 2012
	Completed 3 jobs @ $2 600 EACH
February	Completed 2 jobs @ $3 800 EACH (including the use of 120 flowerbed starters)
	Completed 5 jobs @ $3 200 EACH (including the use of 81 flowerbed starters)
March	Sold 2 non-motorized lawn mowers @ $800 EACH
	Completed 4 jobs @ $2 900 EACH

5. State the name of the source document used by Steve when receiving or making payments by cheque. **(1 mark)**

6. Starting with the opening balance from the list of balances above, prepare a Bank Account, for EACH month, balancing the account as at 31 March 2012 only. **(10 marks)**

7. Name ONE item of capital expenditure and ONE item of revenue expenditure shown in the Cash Book. **(2 marks)**

8. Copy the table below into your answer booklet and using the first-in-first-out (FIFO) method, calculate the value of the stock of flowerbed starters as at 31 March 2012. (N.B. include the stock of flowerbed starters at 1 January 2012.) **(4 marks)**

Stock valuation of flowerbed starters

Units available for use	
Units used	
Units unused	
Value of units unused	

Steve's accountant also noted the following:

- Depreciation on the motorized lawn mower was to be calculated for the three-month period, 1 April 2012 to 30 June 2012.
- The provision for bad debts amount is to be changed to $250.

9. Calculate the amounts to be shown in the Profit and Loss Account for the period 1 April 2012 to 30 June 2012 for

(a) the Provision for Depreciation on the motorized lawn mower

(b) the Provision for Bad Debts Account. **(2 marks)**

Steve's accountant noted as well that the insurance payment of $1 800 was for a nine-month period from 1 January 2012.

10. Prepare the Insurance Expense Account for Steve, as at 31 March 2012, showing

(a) the amount paid

(b) the adjustment to be made for the information above

(c) the entry to close the account. **(4 marks)**

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.