FORM TP 2019107

TEST CODE **01239032**

MAY/JUNE 2019

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

1 hour 30 minutes

560

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. DO NOT write in the margins or above or below questions.
4. Show ALL working clearly.
5. You may use a silent, non-programmable calculator to answer questions.
6. You are advised to take some time to read through the paper and plan your answers.
7. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
8. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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

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Instructions: **This paper consists of a case study and TEN questions. Read the case and answer ALL the questions that follow in the spaces provided in this booklet.**

CASE STUDY

Mrs Elias is a music enthusiast. She started a business called Mo-Mo's on 1 April 2018, with her personal vehicle worth $40 000, a business bank account of $80 000 and a loan from her mother of $12 000 in cash. She sells CDs, music DVDs, musical supplies and instruments, as well as tickets for entertainment events from time to time.

1. Suggest the MOST appropriate formula that Mrs Elias should use to calculate her net worth or capital in her new business.

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(1 mark)

2. Calculate the net worth or capital of Mo-Mo's as at 1 April 2018.

(3 marks)

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3. Prepare the opening entry in the journal provided below to record the financial position of Mrs Elias in the business on 1 April 2018.

GENERAL JOURNAL				
Date	**Details**	**Fo.**	**Debit**	**Credit**

(5 marks)

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Additional Information

During that first month, Mrs Elias failed to keep proper records. She made several transactions as follows.

April

02 Cash sales of $3 200.
03 Took $5 000 from the Cash and deposited it into the Bank account.
04 Paid rent of $3 500 in cash.
06 Bought IT equipment costing $18 000, paying by cheque.
09 Purchased $15 800 worth of inventory, paid for by cheque.
11 Received $3 900 by cheque for Sales.
13 Bought $1 700 worth of supplies, paying by cash.
16 Cash withdrawal for personal use, $1 800.
19 Paid for petrol and vehicle maintenance, $2 600 by cheque.
24 Paid utilities of $600 in cash.
27 Paid wages of $4 000 by cheque.
30 Settled cell phone charges of $900 in cash.

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4. Using the form provided **on pages 7 and 8**, beginning with opening balances, enter the transactions above in a two-column Cash Book for Mo-Mo's business. Total and rule up the Cash Book at the month end. **(9 marks)**

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Date	Details	Fol	Cash $	Bank $	Date	Details	Fol	Cash $	Bank $

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Date	Details	Fol	Cash $	Bank $	Date	Details	Fol	Cash $	Bank $

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Additional Information

Mo-Mo's had the following balances at 31 October 2018.

	$
Cash	1 400
Accrued Expenses	8 300
Accounts Payable	15 600
Accounts Receivable	12 500
Bank	28 000
Inventory	9 000

5. In the space provided below, calculate Mrs Elias' working capital at 31 October 2018.

(3 marks)

6. What is the significance of working capital to Mo-Mo's?

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(1 mark)

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Additional Information

Mrs Elias now finds that she has a total of $12 940 in receivables. She anticipates that 5% of them may prove uncollectable and wishes to provide for this.

7. (a) Show Mo-Mo's Provision for Doubtful Debts account at 31 March 2019, with the amount needed to provide for these possible bad debts.

(3 mark)

(b) State the concept or principle that requires Mrs Elias to provide for doubtful debts.

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(1 mark)

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Additional Information

At the end of the year on 31 March 2019, Mrs Elias had the following balances in her books.

	$
Sales	179 200
Petrol and Vehicle Maintenance	28 700
Wages	48 000
Inventory	14 000
Purchases	56 000
Carriage Inwards	1 800
Commissions Received	8 300
Utilities	10 800
Cell Phone Charges	1 180
Rent	45 000

Other notes to be considered:

- Zukee paid Mrs Elias $3 800 for musical instruments which she promised to deliver to him during May 2019. This amount had been treated as sales.

- Mo-mo's rent was paid up to June of 2019 by an amount of $2 700.

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8. Prepare Mo-Mo's Income Statement for the year ended 31 March 2019, using the form provided below. **(7 marks)**

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(b) Calculate the return on capital employed (ROCE) for Mo-Mo's for this first year of operation.

(2 marks)

(c) With reference to your calculation in Part (b), describe briefly Mo-Mo's performance for the first year of operation.

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(1 mark)

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Additional Information

Mrs Elias calculated a revised net income of $18 000 for her first year of operation.
Her total drawings for the year were $10 200.

9. Using the opening capital figure calculated in Question 2, determine the closing capital at year end.

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(3 marks)

10. Mrs Elias is thinking about undertaking an additional or alternative career. Recommend ONE new career that she could pursue if she were to study accounting.

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(1 mark)

Total 40 marks

END OF TEST

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

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