FORM TP 2021109

TEST CODE **01239032**

MAY/JUNE 2021

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

1 hour 30 minutes

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.**

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

Cheyenne Mauveney discovered an entrepreneurial niche for natural beauty soaps and decided to create her own business, Mauveney's Natural Beauty Products.

On 1 March 2021 Cheyenne started her business with the following items.

	$
Money on hand	960
Loan from her father	9 000
Equipment	2 800
Supplies	2 710
Owed to suppliers	250
Inventory of raw materials	1 935
Money in bank	1 245

Use the data provided above to answer Questions 1 (a), 1 (b) and 1 (c) below.

1. (a) List and calculate the value of Cheyenne's current assets.

(3 marks)

(b) Calculate the value of Cheyenne's working capital at start. **Show all working clearly.**

(3 marks)

(c) Calculate the value of Cheyenne's net worth or capital at start. **Show all working clearly.**

(4 marks)

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Cheyenne plans to employ Jack as an accounts clerk for the business.

2. State TWO qualities Cheyenne would look for before selecting Jack for the position.

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(2 marks)

Cheyenne also plans to have a computerized accounting system.

3. State ONE benefit that Cheyenne can derive from implementing a computerized accounting system.

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(1 mark)

At the end of her first month of trading, Cheyenne prepared final accounts which showed she made a net profit of $5 240 for March 2021.

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

Date 2021	Details	Amount $
March 15	No entry had been made for a purchase of inventory on credit.	30
March 20	Discount received had been included among the expenses, instead of being treated as income, in the income statement.	210
March 29	The cost of sales had been miscalculated and was overstated.	375

4. Use the form provided below to prepare a statement to show the corrected net income.

(6 marks)

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Cheyenne has provided the following information for the year ended 31 March 2021.

Inventory at 1 March 2021	**$**
Raw materials	4 800
Work in progress	5 000
Production wages	1 000
Purchases of raw materials	3 000
Depreciation on factory equipment	200
Depreciation on office fixtures	300
Factory management salaries	3 000
Office administration expenses	1 500
Sales	15 000
Carriage on factory raw materials	100
General factory expenses	365
General business expenses	200
Insurance for factory equipment	450

Additional Information

– Inventory at 31 March 2021 was as follows.

	$
Raw materials	1 500
Work in progress	3 000

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5. (a) Calculate the total purchases of raw materials for the year ended 31 March 2021.

(2 marks)

(b) Calculate the total cost of raw materials used for production.

(2 marks)

(c) Calculate the total manufacturing overhead cost.

(3 marks)

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6. Name ONE other possible product Cheyenne could decide to manufacture to expand her current business.

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(1 mark)

After being in business for the last six months, Cheyenne approached the bank to secure funding for business expansion. She was asked to present a production budget.

At the end of August 2021

- Cheyenne had a closing inventory of 3 000 bars of soap on hand
- her forecasts for the next four months were as follows.

Projected Sales Units For the Next Four Months of Trading	
Months	**Bars of Soap**
September	5 000
October	7 000
November	10 000
December	12 000

Additional Information

– Cheyenne's policy is to maintain inventory levels at one-half of the projected sales for the following month.

7. Prepare the production budget for Mauveney's Natural Beauty Products for the **three-month period September to November** 2021.

(8 marks)

As part of the expansion plans for her business, Cheyenne is considering entering into a partnership agreement with her father or forming a private limited company.

8. State ONE disadvantage of establishing a partnership.

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(1 mark)

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9. State ONE advantage of forming a private limited company.

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(1 mark)

Cheyenne's father, Morris, agrees to form a partnership with his daughter. The partnership will start trading on 1 April 2021.

Morris plans to introduce the following into the partnership.

	$
Cash	7 000
Motor vehicle	90 000

10. Prepare the journal entry to record Morris' contribution to the partnership. **A narrative is NOT required.**

Date	Details	Folio	Debit	Credit

(3 marks)

Total 40 marks

END OF TEST

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

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EXTRA SPACE

If you use this extra page, you MUST write the question number clearly in the box provided.

Question No. ☐

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CANDIDATE'S RECEIPT

INSTRUCTIONS TO CANDIDATE:

1. **Fill in all the information requested clearly in capital letters.**

TEST CODE: | 0 | 1 | 2 | 3 | 9 | 0 | 3 | 2 |

SUBJECT: PRINCIPLES OF ACCOUNTS – Paper 032

PROFICIENCY: GENERAL

REGISTRATION NUMBER: | | | | | | | | | | |

FULL NAME: _____

(BLOCK LETTERS)

Signature: _____

Date: _____

2. **Ensure that this slip is detached by the Supervisor or Invigilator and given to you when you hand in this booklet.**

3. **Keep it in a safe place until you have received your results.**

INSTRUCTION TO SUPERVISOR/INVIGILATOR:

Sign the declaration below, detach this slip and hand it to the candidate as his/her receipt for this booklet collected by you.

I hereby acknowledge receipt of the candidate's booklet for the examination stated above.

Signature: _____
Supervisor/Invigilator

Date: _____

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