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JANUARY 2024

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This examination consists of FIVE questions.
2. Answer ALL questions.
3. Write your answers in the spaces provided in this answer booklet.
4. Do NOT write in the margins.
5. Show ALL working clearly.
6. You may use a silent, non-programmable calculator to answer questions.
7. You are advised to take some time to read through the paper and plan your answers.
8. 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.**
9. **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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Answer ALL questions.

Write your answers in the spaces provided in this booklet.

1. Easton Lyle is a trader. The trial balance prepared on 31 December 2023 failed to agree. The difference was entered in a suspense account.

The following errors were later discovered.

Error No.	Errors
I	Payment of $76 cash for utilities used for the year was entered in the cash book but not in the utilities expense account.
II	The purchases journal was overcast by $454.
III	The total for discounts allowed, $60, was not included in the trial balance.
IV	$200 cash received from Maverlyn Adam, a trade receivable, was posted on the debit side of her account.
V	Drawings of $3 000 had been correctly entered in the cash book but posted to the drawings account as $1 800.

(a) (i) Prepare the entries in Easton Lyle's general journal at 31 December 2023 to correct the errors **on page 4. Narratives are NOT required.**

Date	Details	Debit $	Credit $

(10 marks)

GO ON TO THE NEXT PAGE

(ii) Before the errors were discovered, Easton Lyle calculated that he had made a profit of $17 800 for the year ended 31 December 2023.

Complete the form provided below to show the effect of correcting each of these errors on the original profit for the year. If the error does not affect the calculated profit figure, write "no effect" in the space provided. **An example has been provided for you.**

Easton Lyle
Statement of Corrected Profit
For the Year Ended 31 December 2023

Profit for the year before corrections				$ 17 800
	Effect on Profit			
Error No.	**No Effect**	**Increase Amount $**	**Decrease Amount $**	
I			76	
II				
III				
IV				
V				
Totals				
	Net Difference Amount — Increase/(Decrease)			
Corrected Profit for the year				$ _____

(5 marks)

(b) (i) Easton Lyle is considering using a control account for his sales ledger.

Complete the table below by indicating the book of original entry and the effect of each item on the sales ledger control account. **An example has been provided for you.**

Item	Book of Original Entry	Effect on the sales ledger control account
Bad debt written off	General Journal	Credit
Cash discount allowed		
Set-off or contra entry		

(4 marks)

(ii) State ONE reason why it is possible to have a credit balance brought down on a receivable account.

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(1 mark)

Total 20 marks

2. Gigi Millie is a beauty store at Green Bowling Mall in the heart of a busy commercial centre. The statement of financial position for Gigi Millie is provided below.

(a) Fill in the missing figures numbered (i) to (v) in the following statement of financial position as at 31 December 2023.

Gigi Millie **Statement of Financial Position** **As at 31 December 2023**					
Assets			**Capital and Liabilities**		
Non-current Assets	**$**	**$**	**Capital**	**$**	**$**
Non-current assets at cost	(i)		Gigi Millie's capital at 1 January 2023		482 900
Accumulated depreciation	98 000				
Total non-current assets		416 000	Net loss for the year		(iii)
					453 900
Current Assets			Drawings		(iv)
Inventory	25 000				
Trade receivables	(ii)		Gigi Millie's capital at 31 December 2023		436 900
Supplies	9 500				
Total current assets		101 500	**Current Liabilities**		
			Bank overdraft	38 000	
			Trade payables	42 600	
			Total current liabilities		(v)
Total assets		**517 500**	**Total capital and liabilities**		**517 500**

(5 marks)

GO ON TO THE NEXT PAGE

(b) Use the information from the statement of financial position **on page 8** to calculate EACH of the following for Gigi Millie as at 31 December 2023. **Show all working clearly.**

(i) Working capital

(2 marks)

(ii) Current ratio

(2 marks)

(iii) Quick ratio or acid test ratio

(3 marks)

(c) State TWO strategies that can be used to improve the performance of EACH of the following ratios.

(i) Net profit margin

Strategy No. 1 .....

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Strategy No. 2 .....

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(2 marks)

(ii) Working capital ratio

Strategy No. 1 .....

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Strategy No. 2 .....

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(2 marks)

(d) (i) Gigi Millie has been offered a space to operate a new business venture in the mall.

Recommend a type of business that she could venture into and give one reason to support your answer.

Type of business .....

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Reason for recommendation .....

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(2 marks)

(ii) List TWO elements that Gigi Millie should include in a business plan.

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(2 marks)

Total 20 marks

3. Simba United Sports Club was formed two years ago. All receipts were paid into the bank and all payments were made by cheque.

(a) The following is the receipts and payment account which was prepared by the club's secretary for the year ended 31 December 2023. The secretary has very little knowledge of accounting.

Simba United Sports Club
Receipts and Payments Account
For the Year Ended 31 December 2023

	$		$
Balance b/d — 1 January 2023 (bank overdraft)	4 500	Rent expense	7 200
Insurance expense	3 200	Sale of old equipment	6 700
Printing and stationery expense	290	Snack bar sales	7 430
Donations received	5 500	Snack bar purchases	1 300
General expenses	2 530	Subscriptions received from members	6 800
Purchase of computer desks	6 260		
	22 280		7 150
Balance c/d	7 150		

Prepare a corrected receipts and payments account for Simba United Sports Club for the year ended 31 December 2023. Balance the account at year end and show the opening balance for 1 January 2024. **Use the form provided below.**

		$			**$**

(8 marks)

(b) The bank columns of the Simba United Sports Club's cash book for the month of October 2023 were as follows.

Cash Book — Bank Columns						
Date	**Details**	**Debit $**	**Date**	**Details**	**Cheque Number**	**Credit $**
2023 1 Oct	Balance b/d	8 950	2023 1 Oct	Petty cash fund	3000	200
11 Oct	Subscription from A. Elm	1 500	14 Oct	General expenses	3001	900
16 Oct	Ajani Plumes	5 400	21 Oct	Snack Supplies Ltd	3002	2 250
28 Oct	Sales	3 670	29 Oct	A.P. Wholesale Ltd	3003	4 400

Simba United Sports Club's bank statement for October 2023 was as follows.

Bank Statement for the Month of October 2023				
		Debit $	**Credit $**	**Balance $**
2023 1 Oct	Balance b/d			8 850 Cr
3 Oct	Cheque number: 3000	200		8 650 Cr
13 Oct	Credit — A. Elm		1 500	10 150 Cr
15 Oct	Direct debit — electricity	540		9 610 Cr
20 Oct	Cheque number: 3001	900		8 710 Cr
23 Oct	Dishonoured cheque — A. Elm	1 500		7 210 Cr
24 Oct	Cheque number: 3002	2 250		4 960 Cr
27 Oct	Bank charges	120		4 840 Cr
29 Oct	Standing order (water)	370		4 470 Cr
29 Oct	Credit transfer (donation from club member T. Bre)		1 000	5 470 Cr

A comparison of the two records revealed the following errors.

- The treasurer brought down the opening cash book balance on 1 October 2023 incorrectly. It should have been $8 850.
- The bank charged Simba United Sports Club's bank account, in error, for electricity on 15 October 2023 which should have been debited to another customer's account.

(i) Refer to the information provided in the cash book and bank statement **on page 14**. Use the form provided below to record ALL the entries needed to update the cash book on 31 October 2023. **An example has been provided for you.**

ENTRIES NEEDED TO UPDATE THE CASH BOOK		
	Debit $	Credit $
Cash book opening balance error ($8 950 — $8 850)		100

(8 marks)

0 1 2 3 9 0 2 0 1 5

(ii) The treasurer of Simba United Sports Club wishes to confirm the position of the club's available cash at month end.

Use information taken from the cash book and the bank statement **on page 14** to complete the form provided below.

For each of the items identified in the table below, place a tick (✓) in the correct column to indicate how each item should be treated **against the bank statement balance** when preparing the bank reconciliation statement.

Details	ADDED to bank statement balance	DEDUCTED from bank statement balance
15 October 2023 Direct debit — electricity ($540)		
16 October 2023 Ajani Plumes ($5 400)		
28 October 2023 Sales ($3 670)		
29 October 2023 A.P. Wholesale Ltd ($4 400)		

(4 marks)

Total 20 marks

4. Jasper Poppy is the owner of Bella Cutie Ltd, a private limited company.

(a) (i) State THREE features of a private limited company.

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(3 marks)

(ii) Bella Cutie Ltd purchased new premises on 1 December 2023. The following provides details of the total amount which was debited to the premises account on 1 December 2023.

	$
Cost of purchase of premises	119 200
Legal fees incurred for the purchase of the property. This included $300 legal fees paid for recovery of a bad debt.	10 800
Installation of upgraded water pipelines on the premises	5 600
Redecoration cost (half of which is payment made in advance for redecoration work to be performed in January 2024)	11 000
Labour cost to extend the office area	16 000
Insurance paid for the new premises for 12 months from 1 December 2023 to 30 November 2024	12 900
Total debited to the premises account	175 500

Calculate the amount which should have been debited to the premises account on 1 December 2023 for the purchase of the new premises.

	$
Correct total to be debited to premises account	**$**

(4 marks)

(iii) Calculate the total amount to be charged as "expense" to the income statement for the month of December 2023.

	$
Correct amount to be charged as expense to the income statement for the month of December 2023	**$**

(4 marks)

(b) On 1 January 2022, Bella Cutie Ltd had purchased a heavy-duty machine costing $186 000 on credit from Chingsing Ltd. The machine depreciates at the rate of 40% per annum, using the reducing balance method. Calculate the depreciation expense for EACH of the following year ends.

(i) Year ended 31 December 2022

(1 mark)

(ii) Year ended 31 December 2023

(2 marks)

(c) (i) Complete the extract below to show how machinery would appear in Bella Cutie Ltd's statement of financial position as at 31 December 2023.

	Cost **$**	**Accumulated depreciation** **$**	**Net book value** **$**

(4 marks)

(ii) State TWO factors which cause non-current assets to depreciate.

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(2 marks)

Total 20 marks

5. On 1 January 2023, Boo Bear Construction Ltd's books showed the following balances.

Allowance for doubtful debts	$ 2 300
Trade receivables	$64 000

The following transactions took place during the year ended 31 December 2023.

2023	
12 March	Sent an invoice to Shine Roberts for goods, $2 500, less a trade discount of 20%.
26 August	Received a cheque for $1 700 from Shine Roberts.
31 December	Boo Bear Construction Ltd was informed that Shine Roberts had filed for bankruptcy. The decision was taken to write off the amount owing by Shine Roberts as a bad debt.
31 December	The directors of Boo Bear Construction Ltd have decided to adjust the allowance for doubtful debts to 2% of trade receivables.

(a) Complete the following three accounts to show how these entries would appear in Boo Bear Construction Ltd's ledger for the year ended 31 December 2023. Balance and close off the accounts at year end, showing transfers to the final accounts where appropriate.

(i)

Shine Roberts' Account					
Date	**Details**	**$**	**Date**	**Details**	**$**

(7 marks)

(ii)

Bad Debts Expense Account					
Date	**Details**	**$**	**Date**	**Details**	**$**

(2 marks)

(iii)

Allowance For Doubtful Debts Account					
Date	**Details**	**$**	**Date**	**Details**	**$**

(5 marks)

(b) Identify THREE qualities you would expect of a person applying to be a bookkeeper at Boo Bear Construction Ltd.

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(3 marks)

(c) The following policy statements were implemented by the management of Boo Bear Construction Ltd. Each statement is identified by a unique letter code.

Letter Code	Statements
A	Boo Bear Construction Ltd has sold goods to Shine Roberts on credit. Shine Roberts has informed Boo Bear Construction Ltd that he has filed for bankruptcy. Boo Bear Construction Ltd wrote off the balance due.
B	Boo Bear Construction Ltd purchased an office building for $340 000. The market value of the building is $400 000. The accountant recorded the purchase price of the building as $340 000 in the company's books.
C	Mr Hals, the owner of Boo Bear Construction Ltd, owns three different types of businesses. The transactions of the three businesses are separately maintained.

Complete the following table by writing the correct letter code which matches the accounting concept that corresponds to each policy statement implemented.

Accounting Concepts	Letter Code
Business Entity Concept	
Historical Cost Concept	
Prudence Concept	

(3 marks)

Total 20 marks

END OF TEST

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