FORM TP 2017102

TEST CODE **01239020**

MAY/JUNE 2017

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of FIVE questions: THREE in Section I and TWO in Section II.
2. Answer ALL questions.
3. Write your answers in the spaces provided in this answer booklet.
4. DO NOT write in the margins or above or below questions.
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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SECTION I

Answer the THREE questions in this section.

Write your answers in the spaces provided in this booklet.

1. RAHALI SECURITY and FIRST CALL TRANSPORT

Rahali Security Enterprise buys and sells security devices only on credit. During the month of May, some accounting information was produced as follows:

- Amount owed to accounts payable on 01 May was $2390.
- Credit purchases for the month totalled $24 560.
- Defective devices returned to sellers were valued at $230.
- A debt to a creditor of $8770 was settled by cheque for $8300.
- Amount owed to accounts payable on 31 May was $4900.
- Credit sales for the same month totalled $55 460.
- Discount allowed during a weeklong sale was $250.
- Accounts receivable on 31 May was $6170.
- Amount paid by accounts receivable totalled $53 140.

(a) (i) List any TWO journals which would provide some of the information given above.

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(2 marks)

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(ii) Using the information **on page 4**, prepare the Accounts Payable Control Account for Rahali Security for the month ended May 2017. **Be sure to label the balancing figure in your answer**.

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(7 marks)

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(iii) Using the information **on page 4**, prepare the Accounts Receivables Control Account for Rahali Security for the month ended May 2017. **Be sure to label the balancing figure in your answer**.

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(4 marks)

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(b) On 31 March 2017, the accountant at First Call Transport Company discovers three year-end events that require entries in the General Journal as follows:

- A debtor had paid only 50% of the $3000 owed to First Call Transport. The money received and the bad debt incurred had already been entered in the ledger.
- The company is to provide for bad debts at a rate of 2% of accounts receivable of $43 600.
- The company had paid the sum of $18 000 to its landlord to cover the rent for a year and a half.

Prepare the entries in the General Journal to show how these events affect the Income Statement at the end of the accounting year of First Call Transport Company. **Narratives are NOT required.**

First Call Transport Company
General Journal

Date	Details	Debit ($)	Credit ($)

(7 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

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2. ORILDA'S UNISEX HAIR SALON and PHOENIX PROCESSORS

(a) Orilda's Unisex Hair Salon presents the following accounts from her General Ledger.

Purchases					
Date	**Details**	**$**	**Date**	**Details**	**$**
05 May	Emily's Hair Products	3 500	06 May	Drawings	250

Emily's Hair Products					
Date	**Details**	**$**	**Date**	**Details**	**$**
05 May	Returns Out	410	5 May	Purchases	3 500

Motor Vehicles					
Date	**Details**	**$**	**Date**	**Details**	**$**
01 May	Balance b/f	15 000	03 May	Easy Motors Company	15 000
03 May	Easy Motors Company	40 000			

Easy Motors Company					
Date	**Details**	**$**	**Date**	**Details**	**$**
03 May	Motor Vehicles	15 000	03 May	Motor Vehicles	40 000
03 May	Bank	25 000			

Wages					
Date	**Details**	**$**	**Date**	**Details**	**$**
7 May	Capital	1 550			

6% Five-Year Bank Loan					
Date	**Details**	**$**	**Date**	**Details**	**$**
			2 May	Bank	25 000

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(i) Using the accounts **on page 8**, give ONE example of EACH of the following types of accounts.

Nominal Account	.....
Personal Account	.....
Current Liability	.....
Non-current Asset	.....
Long-term Liability	.....

(5 marks)

(ii) In the space provided on the form below, write a narrative to explain each transaction identified by the date it occurred.

01 May	....
03 May	....
06 May	....
07 May	....

(5 marks)

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(b) Phoenix Processors records its weekly cash flow in the format below. The records are for the first week in the month of July 2016.

2016					
July		**Debit**	**Credit**	**Debit**	**Credit**
01	Opening balances: Cash Bank	 2 350			 11 890
03	Cash sales	25 690			
03	Deposited cash in bank		25 000	25 000	
05	Purchases paid by cheque				10 470
05	Cashier withdraws cash from bank	1 170			1 170

(i) What kind of entry is the one made on 03 July 2016?

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(1 mark)

Cash and bank transactions for Phoenix Processors for the remainder of July are as follows:

2016		
July		**$**
08	Owner withdraws cash from bank to pay his house rent	8 000
09	Debtor – S. Francis paid with a cheque for $2000 and the remainder in cash	2 050
10	Cash sales deposited immediately in bank account	31 110
11	Payment to creditor – J. Davis by cheque	9 900
18	Purchases paid for by bank's credit card	12 000
25	Cash sales	6 840
29	Wages paid in cash	4 500

(ii) Using the form **on page 11**, prepare the Cash Book of Phoenix Processors for the month of July 2016 **including** the transactions of the first week.

(9 marks)

Total 20 marks

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PHOENIX PROCESSORS

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

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3. KWAME'S PUNCHES

In the year ended 30 June 2016, Kwame sold 25 000 fruit punches for a total of $275 000.

(a) Calculate the selling price for each of Kwame's fruit punches. (**Show all working clearly.**)

(3 marks)

Kwame's costs for **each** fruit punch are as follows.

Tropical fruit mix	$1.50
Milk	$0.68
Cane sugar	$0.20
Flavour booster	$0.12

(b) Calculate the gross profit made by Kwame on each fruit punch. (**Show all working clearly.**)

(4 marks)

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Kwame's other costs for the year include the following.

Rent	$36 000
Electricity	$18 950
Insurance	$ 4 500
Wages	$54 240
Maintenance and repairs	$ 1 260

Additional information:

For the two years ending 30 June 2016, Kwame has owned five blenders valued at $2700. He expects to replace all five blenders by 30 June 2017. When drafting his income statements, Kwame uses the straight line method of depreciation.

(c) Draw up Kwame's Income Statement for the year ended 30 June 2016.

(10 marks)

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(d) Calculate, for Kwame, the percentage of each sales dollar paid out in labour costs. (**Show all working clearly.**)

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(3 marks)

Total 20 marks

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NOTHING HAS BEEN OMITTED.

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SECTION II

Answer the TWO questions in this section.

Write your answers in the spaces provided in this booklet.

4. HOUSE AND HOME, PARTNERS

House and Home, who have been in the business of shipping goods to and from islands in the Caribbean for several years, provided you with the following information.

31 December 2016

	$
Ships	180 000
Loading equipment	93 000
Accounts receivable	42 000
Cash	18 000
Accounts payable	61 000
6 month investment in government loan scheme	12 000
5% three-year loan from Warren Bank	90 000
Bank overdraft	8 000
Prepaid insurance	15 000

Additional information:

– House has contributed twice as much capital as Home.

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(a) Using the vertical style draw up a **classified** Statement of Financial Position (Balance Sheet) for House and Home Partners as at 31 December 2016.

(12 marks)

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House and Home have decided on the following arrangements in sharing profits and losses:

– Interest on drawings should be charged at 8% per annum.
– Each partner is to receive $10 000 each year as investment income.
– Home is to receive an annual salary of $18 000.
– Remaining profits or losses will be shared in the ratio of their capital contribution.

The following additional information is available:

– After appropriation, profits totalled $24 000 during the year ended 31 December 2016.
– Current account balances as at 01 January 2016 were House $34 000; Home $60 000.
– Drawings taken for the year were as follows: House $20 000; Home $10 000.

(b) **Using the forms provided on pages 19 and 20**, prepare the partners' Current Accounts to show the changes in their balances over the year.

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Current Account: House												
Date	Details	$	Date	Details	$	Date	Details	$	Date	Details	$	

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Current Account: Home

Date	Details	$	Date	Details	$

(8 marks)

Total 20 marks

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5. STORECRAFT COOPERATIVE (CRUSOE GETAWAY)

(a) The treasurer of StoreCraft Cooperative presents the following information for the year ended 31 March 2016.

	$
Gross Profit	40 000
Honoraria to members	5 500
Bank fees	1 100
Fees paid for training of members	2 800
Interest from investments	6 910
Retained profits from last year	12 500

(i) Using the information above, prepare StoreCraft Cooperative's Income and Expenditure Account for the year ended 31 March 2016.

(4 marks)

GO ON TO THE NEXT PAGE

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The treasurer of StoreCraft Cooperative knows that

- the Cooperative Act requires that 25% of profits must be transferred to a Reserve Funds Account
- the Cooperative's bye-law requires that 20% of profits **after such transfer** be shown as retained profits
- all other profits are paid out to members as dividends.

(ii) Based on the requirements above, prepare StoreCraft Cooperative's Income Appropriation Account for the year ended 31 March 2016.

(5 marks)

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(b) StoreCraft Cooperative owns a small hotel consisting of ten guest rooms called Crusoe Getaway. The Cooperative employs a front desk manager, a housekeeper and a cook. Each employee is paid using a different method of payment. The following information is presented to you.

S. Vestiga	Front Desk Manager	$3900 per month
L. Pattigow	Housekeeper	$20 per guest room per day
P. Adams	Cook	$15 per hour; double time for hours worked over 160 hours per month

(i) Give the proper names of any TWO of the payment methods that may be used by StoreCraft Cooperative.

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(2 marks)

During March 2016, the payroll information was extracted and is shown below.

		Statutory Deductions		**Income Tax after all Statutory Deductions**	**Voluntary Deduction**
		National Insurance	**Pension Plan**		
S. Vestiga	One month	5%	3%	10%	$200 for credit union
L. Pattigow	20 days worked for all guest rooms	5%	3%	10%	$300 for bank loan
P. Adams	172 hours	5%	3%	10%	

(ii) Using all the information given, complete the form given **on page 25**. (**N.B. You are to round off numbers that are less than $1.00 and be sure to show your working.**) **(9 marks)**

Total 20 marks

END OF TEST

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

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Date	Working Column	Gross Pay ($)	National Insurance ($)	Pension Plan ($)	Income Tax ($)	Voluntary Deductions ($)	Net Pay ($)

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