CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

10 MAY 2021 (a.m.)

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FILL IN ALL THE INFORMATION REQUESTED CLEARLY IN CAPITAL LETTERS.

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SUBJECT PRINCIPLES OF ACCOUNTS – Paper 02

PROFICIENCY GENERAL

REGISTRATION NUMBER | | | | | | | | | | |

SCHOOL/CENTRE NUMBER					

NAME OF SCHOOL/CENTRE

CANDIDATE'S FULL NAME (FIRST, MIDDLE, LAST)

DATE OF BIRTH | D | D | M | M | Y | Y | Y | Y |

SIGNATURE _____

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FORM TP 2021108

MAY/JUNE 2021

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.
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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Write your answers in the spaces provided in this booklet.

1. Anil is a debtor who owes Metro Trading $5 600 as at 30 April 2021. The following information was extracted from the books of Metro Trading for the month of May 2021.

May 7 Sold merchandise on credit to Anil. The sales invoice is for $3 450 less 20% trade discount.

May 9 Anil settled the amount outstanding from last month (April) by cheque, after deducting a cash discount of 3%.

May 13 Sent a credit note for $360 to Anil, for merchandise received on May 7 in a damaged condition.

May 15 Sent a cheque, $230, to Anil for an overpayment made in the month of March.

(a) Use the form provided below to prepare Anil's account in the books of Metro Trading for the month of May. Show the balance brought down on 1 June 2021.

Debtor: Anil

Date	Details	Debit $	Date	Details	Credit $

(8 marks)

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(b) In the spaces provided, state the name of the ledger in which each of the four accounts listed below will be found.

Account	Ledger
Anil, a credit customer	
Purchases returns	
Discounts allowed	
Cash	

(4 marks)

The bookkeeper extracted the following list of balances from Metro Trading's ledger on 31 May 2021.

	$
Sales	565 870
Inventory	35 800
Purchases	230 000
Sales returns	3 000
Trade receivables	45 700
Carriage inwards	2 600
Non-current assets – net book value	527 200
Discount received	8 500
Trade payables	51 400
Bank overdraft	27 000
7% Bank loan	87 000
Drawings	13 000
Capital — Carlos Metro	145 600
Miscellaneous expense	15 670
Purchases returns	3 400

The following additional information is available:

– The total of $5 900 in the discounts allowed column in the cash book had been credited to the discounts received account in the ledger.

– Purchases of $4 000 made on 31 May 2021 had not been posted to the purchases account.

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(c) Use the form provided below to prepare an adjusted Trial Balance for Metro Trading at 31 May 2021.

	Debit	Credit

(8 marks)

Total 20 marks

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2. Edward is a sole proprietor who owns and operates Sundale Enterprise. The following transactions occurred in March 2021.

1 March	Marcella, a credit customer, owes Sundale Enterprise $4 800.
17 March	Sundale Enterprise receives a cheque of $1 300 from Marcella for part payment on her account.
31 March	Edward learns that Marcella has ceased trading and the remainder of receivables from Marcella is not collectible. Edward authorizes a write-off of the balance owed.

(a) Use the information to prepare journal entries to record the transactions in Sundale Enterprise's books. Narratives are NOT required.

General Journal			
Date	**Details**	**Debit $**	**Credit $**

(4 marks)

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At the end of the financial year on 30 April 2021, Sundale Enterprise has trade receivables of $32 700 and a provision for doubtful debts of $1 170.

Edward estimates that 3% of these receivables will become uncollectible.

(b) (i) Calculate the amount required for adjusting the provision for doubtful debts account at the end of the financial year.

(2 marks)

(ii) Record your answer from (b) (i) in the provision for doubtful debts account below, to show where the adjustment should be recorded.

Provision for Doubtful Debts Account	

(1 mark)

(c) Complete the following tables to show how EACH of the following transactions will affect Sundale Enterprise's financial statements for the year ended 30 April 2021, giving an explanation for EACH transaction.

(i) Received an order from a customer for goods to be supplied in June 2021.

Will the Financial Statements be Affected (Yes/No?)	Explanation

(2 marks)

(ii) Edward used his personal savings to purchase a vehicle for his private use.

Will the Financial Statements be Affected (Yes/No?)	Explanation

(2 marks)

(iii) The purchases account was incorrectly added up and was overcast by $1 600 at year end.

Will the Financial Statements be Affected (Yes/No?)	Explanation

(2 marks)

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On 1 June 2021 balances taken from the purchases ledger of Sundale Enterprise were totalled as follows.

Debit balances	$1 020
Credit balances	$29 040

Totals taken from the books of original entry on 30 June 2021 were as follows.

	$
Credit purchases	124 410
Payment of trade payables	109 350
Discounts received	2 970
Interest charged on overdue accounts	630
Contra entries set-off from the sales ledger	300

Balances at 30 June 2021 for the purchases ledger were as follows.

Debit balance	$540
Credit balance	?

(d) (i) Use the form provided below to prepare the purchases ledger control account for the month ended 30 June 2021. Balance the account and bring down the balance on 1 July 2021.

Purchases Ledger Control Account					
Date	**Details**	**$**	**Date**	**Details**	**$**

(6 marks)

(ii) State ONE use of control systems in the accounting process at Sundale Enterprise.

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(1 mark)

Total 20 marks

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3. Eslight Wholesale is owned and operated by Heaven Prospere. Her business' financial year ended on 31 May 2021. The following trial balance was produced on that date.

Eslight Wholesale
Trial Balance at 31 May 2021

	Debit	Credit
	$	$
Cash	10 000	
Accounts payable		64 000
Accounts receivable	42 000	
Non-Current assets	326 000	
Carriage inwards	1 200	
Sales returns	900	
Drawings	12 000	
Purchases	98 000	
Sales		257 500
Inventory — 1 June 2020	37 000	
Capital		250 600
Operating expenses	45 000	
	572 100	572 100

Additional Information:

– Inventory was valued at $32 000 on 31 May 2021.

(a) (i) Use information from the trial balance above to calculate the working capital ratio for the current year, in the space provided below. **Show all working clearly.**

Working Capital (Current Ratio) Calculations	
For the Year Ended 31 May 2021	
Working	**Ratio**

(3 marks)

GO ON TO THE NEXT PAGE

The working capital ratio at the end of May 2020 was 1.70 : 1.

(ii) Based on your calculated ratio in (a) (i), identify ONE significance of the change in ratios for the financial position of the business.

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(1 mark)

Results from calculations of the Receivables Collection Period are shown below for Eslight Wholesale, for the two financial years ended 31 May 2020 and 2021.

RECEIVABLES COLLECTION PERIOD Calculations	
As at 31 May 2020	**As at 31 May 2021**
65 days	59.7 days

(iii) Interpret the significance of these two receivables collection period ratios for the business performance of Eslight Wholesale.

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(1 mark)

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(b) Use information taken from the trial balance **on page 12**, to prepare an income statement below for Eslight Wholesale, for the year ended 31 May 2021.

	$	$

(9 marks)

(c) Eslight Wholesale's bank statement showed an overdraft of $1 118 on 31 May 2021.

On that same date, the cash book balance was overdrawn by $678.

The following discrepancies between the two records were discovered.

No.	Discrepancies	Amount
1	A cheque sent to a supplier, A Jamile, did not appear on the bank statement.	$700
2	The bank statement showed a debit for Heaven Prospere's personal private home insurance.	$240
3	The bank had not recorded cash sales deposited on 31 May 2021.	$900

Beginning with the bank statement overdraft, prepare a bank reconciliation statement for Eslight Wholesale at 31 May 2021, using the form provided below.

	$	$

(6 marks)

Total 20 marks

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4. The following information relates to Bevan, a production line worker, for the month of May 2021.

Payroll Information for Bevan	
Total number of hours worked for the **month**	185 hours
Statutory monthly deduction	$190
Voluntary monthly deductions	$200
National insurance deduction per month	$120
Regular pay rate per hour	$ 20
Overtime pay rate per hour	Time and a half
NB Total number of hours in a regular **work week**	40 hours
Assume that 4 weeks makes up one month.	

(a) (i) Calculate the total number of regular hours which Bevan worked for the **month** of May 2021.

(2 marks)

(ii) Calculate the total number of overtime hours which Bevan worked for the **month** of May 2021.

(2 marks)

(iii) Using the information provided in the table **on page 16** and your answers from Parts (a) (i) and (ii), calculate Bevan's net pay for the **month** of May 2021.

(4 marks)

(b) (i) State ONE example of a statutory deduction.

.....

(1 mark)

(ii) State ONE example of a voluntary deduction.

.....

(1 mark)

John, the proprietor of Foot Soles, a business which trades in shoes, has supplied the cash projections data shown in the form **on page 18**.

Additional Information

– Foot Soles forecasts that the bank balance will be $5 000 on 1 May 2020.

(c) Prepare cash flow projections for Foot Soles for the six months ending October 2021, by calculating and completing the appropriate spaces in the form provided **on page 18**:

(i) Include all appropriate headings and labels.

(ii) Fill in necessary totals.

(iii) Include any missing sections for the completion of a cash flow statement.

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	May	June	July	August	September	October
	$	$	$	$	$	$
Cash sales	30 000	21 000	19 000	25 000	10 000	15 000
Receipts from credit customers	15 000	11 000	20 000	9 000	20 000	16 000
	$	$	$	$	$	$
Payments on credit to suppliers	18 000	14 000	10 000	9 000	6 000	3 000
Salary expense	8 000	8 000	15 000	15 000	15 000	15 000
Purchase of non-current assets			9 000			
Rent expense	2 000	2 000	2 000	2 000	2 000	2 000
Income tax payable			25 000			

(10 marks)

Total 20 marks

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5. (a) State TWO benefits of a partnership.

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(2 marks)

Avril and Bernice formed a partnership with the following agreed terms.

• Interest is to be charged on drawings at the rate of 10% per annum.
• Partners are entitled to receive interest on capital at 12% per annum.
• Bernice is to receive a salary of $78 000 per annum for holding a managerial position in the partnership.
• The remaining profits and losses are to be shared in the ratio 3:2.

At 31 May 2021, the following information was extracted from the books of the partnership.

	Capital Accounts $	**Current Accounts $**	**Drawings Accounts $**
Avril	60 000	15 000 (Debit)	17 000
Bernice	110 000	35 000 (Credit)	46 000
Net income for the year ended 31 May 2021 was $152 000.			

(b) (i) Using the information above for Avril and Bernice, prepare the appropriation account for the year ended 31 May 2021, using the form **on page 20**.

Avril and Bernice
Appropriation Account for the Year Ended 31 May 2021

	$	$

(7 marks)

(ii) State what the opening balance on Avril's current account indicates.

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(1 mark)

GO ON TO THE NEXT PAGE

Avril and Bernice decided to keep the business' petty cash book on an imprest system.

(c) (i) State TWO reasons for the creation of a petty cash fund.

Reason 1

.....

.....

Reason 2

.....

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(2 marks)

Date 2021	Petty Cash Information	Amount
June 1	Opening petty cash float	$200
June 3 to June 29	During the month of June, the following expenditures were paid from the petty cash fund:	
	June 3 Travelling	$50
	June 9 Stationery	$35
	June 20 Cleaning products	$20
	June 29 Refreshments	$40
June 30	Petty cash fund was restored.	

(ii) (a) Write up Avril and Bernice's petty cash book for the month of June, using the form provided **on page 22**.

(b) Balance and rule the petty cash book at month end.

(c) Restore the petty cash fund at the end of the month.

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Avril and Bernice
Petty Cash Book
For the Month of June 2021

Received $	Date	Details	Total $	ANALYSIS COLUMNS			
				Travel $	Stationery $	Cleaning $	Refreshments $

(8 marks)

Total 20 marks

END OF TEST

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

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 | 2 | 0 |

SUBJECT: PRINCIPLES OF ACCOUNTS – Paper 02

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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