TEST CODE **01239020**

FORM TP 2022028

JANUARY 2022

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.

Copyright © 2020 Caribbean Examinations Council
All rights reserved.

"*"Barcode Area"*"
Sequential Bar Code

Answer ALL questions.

Write your answers in the spaces provided in this booklet.

1. (a) State ONE reason why a retail store owner should prepare a control account for accounts payable.

.....

.....

.....

.....

(1 mark)

The following information was extracted from the books of a retail store owned by Satie at 31 March 2021.

	Dr	**Cr**
Opening balances at 1 March	**$**	**$**
Accounts receivable	8 500	65
Accounts payable		8 800

Closing balances at 31 March		
Accounts receivable	8 168	1 253

(b) State ONE reason why the accounts receivable account would have a credit balance.

.....

.....

.....

.....

(1 mark)

GO ON TO THE NEXT PAGE

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Additional information taken from Satie's books at 31 March 2021 is as follows.

	$
Total cash received from debtors	250
Total cheques received from debtors	10 000
Total cheques paid to suppliers	74 025
Credit sales for the month	9 975
Discounts received from suppliers	1 450
Purchases	68 000
Returns outwards	1 325
Bad debts written off	650
Dishonoured cheque	55
Returns inwards	190
Discount allowed	460

Use the information provided above to prepare the following ledger accounts. Balance the accounts appropriately at the end of the month.

(c) (i) Prepare Satie's accounts payable control account for March 2021, using the form provided below.

Satie Accounts Payable Control Account for the Month Ended March 2021					
Date	**Details**	**Amount $**	**Date**	**Details**	**Amount $**

(6 marks)

GO ON TO THE NEXT PAGE

"*"Barcode Area"*"
Sequential Bar Code

(ii) Prepare Satie's accounts receivable control account for March 2021, using the form provided below.

Satie Accounts Receivable Control Account for the Month Ended March 2021					
Date	**Details**	**Amount $**	**Date**	**Details**	**Amount $**

(12 marks)

Total 20 marks

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

2. (a) (i) State the purpose of accounting.

.....

.....

.....

.....

(1 mark)

(ii) List TWO duties of an accountant.

.....

.....

.....

.....

(2 marks)

The following table identifies four ethical principles of accounting, which are labelled A–D.

Letters	Ethical Principles of Accounting
A	Professional competency and due care
B	Professional behaviour
C	Confidentiality
D	Objectivity

(iii) Complete the table below by writing the letter A, B, C or D, which BEST represents the ethical principle reflected in EACH statement.

Statements	Letter
Accountants must not allow bias, conflict of interest or the undue influence of others to override their professional and business judgements.	
Accountants must not use accounting information for their personal advantage or the advantage of third parties.	
To exercise sound judgement, accountants must stay abreast with relevant laws, regulations and technical standards.	
Accountants must comply with relevant laws and regulations, and avoid any action that discredits the profession.	

(4 marks)

GO ON TO THE NEXT PAGE

"*"Barcode Area"*"
Sequential Bar Code

(b) Define the term 'statutory deduction'.

.....

.....

.....

.....

(1 mark)

James Bolo is a machine operator at Zimbo Construction Company. The following is Mr Bolo's information for the year ended 31 December 2021.

James Bolo's Information for Year Ended 31 December 2021	
Annual salary	$80 000
Personal allowance	$18 000
Income tax rate	20%
Deductions:	
National insurance	5% of gross pay
Pension plan contribution	4% after income tax
Contribution to health scheme	$600
Contribution to saving scheme	$1 000

(c) (i) Calculate James Bolo's taxable pay for the year ended 31 December 2021. **Show all working clearly**.

(3 marks)

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(ii) Calculate James Bolo's net pay for the year ended 31 December 2021. **Show all working clearly.**

James Bolo's Net Pay for the Year		
	$	**$**

(9 marks)

Total 20 marks

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

3. Patches Enterprises provided the following information regarding two non-current assets.

Non-Current Assets	**1**	**2**
	Equipment	**Motor Vehicle**
Cost Price	$18 500	$80 000
1 May 2021	Purchase date	Acc. prov. for depreciation $20 000
Depreciation Policy	Equipment is to be depreciated over a four-year period using the straight line method. The expected scrap value at the end of its useful life is $500.	Vehicles are depreciated by 25% per annun using the reducing balance method.

(a) (i) Calculate the annual depreciation charge for equipment for the year ended 30 April 2021 in the books of Patches Enterprises.

(3 marks)

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(ii) Use the form provided below to prepare an extract showing equipment, as it will appear on the statement of financial position of Patches Enterprises as at 30 April 2021. Include ALL appropriate headings or labels.

Patches Enterprises Statement of Financial Position as at 30 April 2021			
	$	**$**	**$**

(3 marks)

(b) (i) Calculate the amount that will be recorded in the books of Patches Enterprises as the depreciation expense for motor vehicle for the year ended 30 April 2021.

(3 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

(ii) Use the form provided below to prepare the provision for depreciation on motor vehicle account, as it will appear in the books of Patches Enterprises, for the year ended 30 April 2021.

Balance off the account at year end and bring down the opening balance for the start of the next accounting period.

Provision for Depreciation — Motor Vehicle					
Date	**Details**	**$**	**Date**	**Details**	**$**

(4 marks)

(iii) State the amount that will be transferred to the accumulated provision for depreciation on motor vehicle account, to the statement of financial position at 30 April 2021.

(1 mark)

(c) Patches Enterprises provided the following information for the year ended 30 April 2021.

	$
Sales	650 000
Gross profit	195 000
Expenses is 20% of sales.	

Use the data for Patches Enterprises to calculate the amounts **on page 13**. **Show all working clearly.**

GO ON TO THE NEXT PAGE

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(i) Total expenses for the year

(2 marks)

(ii) Net income for the year

(1 mark)

(iii) Percentage of net profit to sales for the year

(3 marks)

Total 20 marks

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

4. The following errors were discovered after the preparation of a draft income statement on 31 December 2021 in the books of Jardie Parks.

Details of Errors Discovered	
A	A. credit purchase of goods for $670 from A Turi had been recorded as $607.
B	Purchase of furniture for $5 600 for use in the business had been debited to the purchases account.
C	Closing inventory had been undervalued by $500.

(a) Prepare journal entries on 31 December 2021 to correct the errors above. **Narratives are not required.**

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

(7 marks)

GO ON TO THE NEXT PAGE

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Jardie Parks' transactions for the month of December 2021 included the following.

4 December	Bought goods on credit from Mala Ltd; list price $1 000, less 20% trade discount.
12 December	Paid the amount owing to Mala Ltd by cheque less 2½ % cash discount.

(b) (i) State ONE benefit of the trade discount to Mala Ltd on 4 December.

.....

.....

.....

(1 mark)

(ii) State ONE benefit of the cash discount to Jardie Parks on 12 December.

.....

.....

.....

(1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

NOTHING HAS BEEN OMITTED.

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

The following is a statement of financial position for the year ended 31 December 2021. It was prepared by an accounting student, who was an intern at Jardie Parks, and contains several errors.

Jardie Parks Statement of Financial Position as at 31 December 2021			
	Cost $	**Provision for Depreciation $**	**Net Book Value $**
Assets			
Motor vehicles	100 000	25 000	125 000
Office equipment	92 000	(35 200)	56 800
Bank overdraft			1 980
Inventory			45 000
Accounts receivable			32 700
Drawings			18 998
Total Assets			**280 478**
Liabilities and Captial			
Mortgage			75 908
Accounts payable			24 900
Jardie Parks, opening capital			136 610
Net loss			10 900
Total Liabilities and Capital			**248 318**

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

(c) Use the statement of financial position **on page 17** to correctly prepare a classified statement of financial position for Jardie Parks as at 31 December 2021. Use the vertical style of presentation and show the working capital.

Jardie Parks **Statement of Financial Position as at 31 December 2021**			
	$	**$**	**$**

(11 marks)

Total 20 marks

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

5. (a) Name ONE ratio which can be used to determine business efficiency.

.....

(1 mark)

Gee & Bee Retail Ltd provided you with the following list of balances which were taken from its books on 31 December 2021, the end of the financial year.

	$
Total current assets	145 600
Net profit for the year	140 000
Total current liabilities	49 600
Inventory	102 944
Captial at start	700 000

Use the appropriate information from the table above to calculate EACH of the two ratios below. In EACH case, state the formula used and **show all working clearly**.

(b) (i)

Acid Test Ratio	
Formula	
Working	

(3 marks)

"*"Barcode Area"*"
Sequential Bar Code

(ii)

Return on Investment	
Formula	
Working	

(3 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

Gee & Bee Retail Ltd provided the following additional information.

	$
Credit sales	378 000
Credit purchases	469 000
Accounts receivable	37 256
Accounts payable	45 000

(c) Use the appropriate information from the table above to calculate EACH of the time periods below. In EACH case, state the formula used and **show all working clearly**.

(i)

Receivable Collection Period	
Formula	
Working	

(2 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

(ii)

Payable Payment Period	
Formula	
Working	

(2 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Gee & Bee Retail Ltd sells a popular electronic device for toddlers called WEEPAD. The following information is available about the item for the month of December 2021.

Date	Inventory Received	Inventory Sold
2021 Dec 1	60 units @ $20 each	
15	40 units @ $22 each	
~~19~~		75 units @ $60 each

(d) Use the FIFO method of inventory valuation to complete the inventory card below.

WEEPAD INVENTORY CARD							
Date	Inventory In		Inventory Out		Unsold Inventory		Value of Inventory
	No. of Units	Cost Price $	No. of Units	Price $	No. of Units	Cost Price $	$
2021 Dec 1							
Dec 15							
Dec 29							

(9 marks)

Total 20 marks

END OF TEST

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

"*"Barcode Area"*"
Sequential Bar Code

EXTRA SPACE

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

Question No. ☐

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

EXTRA SPACE

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

Question No. ☐

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

EXTRA SPACE

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

Question No. ☐

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

"*"Barcode Area"*"
Sequential Bar Code

DO NOT WRITE ON THIS PAGE

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: _____