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MAY/JUNE 2009

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

1 $\frac{1}{2}$ hours

18 MAY 2009 (p.m.)

1. **Answer ALL questions.**

2. **Answer the questions in the answer booklet provided and return it.**

3. **Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**

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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.

CASE STUDY

Lovell Walker left school two years ago with a Grade I in CSEC Principles of Accounts. His cousin, Sandra Walker, owner of Ti Jean Mini Mart, wants him to help her manage her business which she has owned for the last 10 years. She began operations on January 1, 1999. She does not know much about keeping business accounts but is interested in learning.

1. Identify ONE revenue expenditure that the business will incur if Lovell becomes a manager. **(1 mark)**

2. Give ONE example of a capital expenditure that Sandra Walker might have undertaken when setting up her business. **(1 mark)**

3. On December 31, 2008, Lovell and Sandra took an inventory from which they drew up the following stock record. All prices are an average of actual prices.

Type of Good	Opening Inventory	Purchases	Sales
Fresh market goods	20 kgs @ $3 per kg	2000 kgs @ $5 per kg	1990 kgs
Dried market goods	13 kgs @ $4 per kg	1450 kgs @ $7 per kg	1403 kgs
Canned goods	17 cases @ $26 per case	470 cases @ $23 per case	464 cases
Toiletries	9 cases @ $14 per case	121 cases @ $16 per case	124 cases
Snacks and cereals	12 boxes @ $12 per box	78 boxes @ $11per box	85 boxes
Meats	5 kgs @ $8 per kg	1109 kgs @ $12 per kg	1109 kgs

Lovell suggests that they use the FIFO method to calculate the total value of closing inventory as at December 31, 2008.

On the answer sheet provided, calculate the closing inventory. **(9 marks)**

4. List ONE method of valuing inventory, other than FIFO. **(1 mark)**

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5. Sandra keeps information in books which she uses to find total amounts at the end of each year. She buys mostly on credit and has one main supplier for each type of good.

List ONE book of original entry and ONE ledger that Sandra can use to record transactions with her suppliers. **(2 marks)**

6. Sandra usually pays an accountant to prepare her Income Statement and Balance Sheet and a report on how the business performed. She wants Lovell to prepare them this year. She provides Lovell with the following list showing values for the last year of operation.

Accounts	December 31, 2008 $
Accounts receivable	3 760
Accounts payable	9 422
Purchases	47 110
Sales	75 295
Returns of Purchases	205
Delivery van	18 000
Delivery van expenses	330
Discounts received	108
Drawings	6 000
Electricity bills	1 360
Telephone expense	2 110
Bank	15 670
5% year Bank Loan	10 000
Opening Inventory	860
Land and water rates	1 500
Concrete shed, shelves and fittings	30 000
Capital: Sandra Walker	31 670

Using the information provided, prepare the Trial Balance for the business as at December 31, 2008. **(7 marks)**

7. Sandra adds the following information.

(i) Three months ago she took a community course in business management. She heard about things like depreciation and providing for bad debts.

(ii) The delivery van was bought on January 1, 2008 and will be used for five years before it is replaced. She will start providing for depreciation on the van in the current year.

(iiii) The concrete shed, shelves and fittings are three years old but they should last a long time. Depreciation will be provided for these.

(iv) About one out of every ten persons who owe at the end of the year tends to become a bad debtor. Provision will be made for bad debts from this year.

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(v) The land and water rates paid to Town Hall are $1200 per year, and the interest on the bank loan has not been paid.

List ONE factor that Sandra should consider when determining the amount of depreciation that should be provided for every year. **(1 mark)**

8. Using the list of balances and the additional information provided, prepare the Trading and Profit and Loss Account for this business. **(12 marks)**

9. In his report for the year ended December 31, 2007, the accountant computed the following ratios:

Gross profit percentage	29.3%
Current ratio	1.9:1

Calculate the following ratios for the business for the year ended December 31, 2008 showing clearly the formulae used:

(a) Gross profit percentage

(b) Current ratio **(4 marks)**

10. Using the ratios provided and your computations, make TWO comments about the performance of the business in 2008. **(2 marks)**

Total 40 marks

END OF TEST

NOTE: CANDIDATES ARE TO BE PROVIDED WITH A JOURNAL PAGE AND A CASH BOOK PAGE.

CARIBBEAN EXAMINATIONS COUNCIL
HEADQUARTERS

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

Question No. 3

Centre No: .....

Candidate No: .....

Type Of Good	Opening Inventory	Purchases	Sales	Balance		
				Units	Cost Price	Value
Fresh market goods	20 kgs @	2000 kgs @	1990 kgs			
Dried market goods	13 kgs @	1450 kgs @	1403 kgs			
Canned goods	17 cases @	470 cases @	464 cases			
Toiletries	9 cases @	121 cases @	124 cases			
Snacks and cereals	12 boxes @	78 boxes @	85 boxes			
Meats	5 kgs @	1109 kgs @	1109 kgs			
					TOTAL	

TO BE ATTACHED TO YOUR ANSWER BOOKLET