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FORM TP 2018103

MAY/JUNE 2018

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. On 1 March 2018 Sanjeev, who is a sole proprietor, had $600 cash on hand and an overdraft of $400 at the bank. Sanjeev reported the following transactions for the month of March 2018.

Date	Source Document	Details
2018 Mar 1	Cash receipt	For sale of old surveillance equipment, $1 800.
5	Invoice	Received from DD Ltd an invoice showing the value of goods bought for resale at $7 500 less 25% trade discount.
9	Cash voucher	Sanjeev withdrew $200 for his private use.
13	Invoice	Sent an invoice to Layby Stores for goods for resale, $2 250 less 20% trade discount.
14	Credit note	Received a credit note from DD Ltd for good which were delivered, but not according to the requirements of the order, and which showed a value of $800 less 25% trade discount.
16	Cash register totals report	End of day cash sales report totalled $3 680.
19	Credit note	Sent a credit note to Layby Stores for goods damaged in transit, $200 less 20% trade discount.
23	Paying in slip counterfoil	Banked $5 000 of the cash on hand.
26	Cheque stub	For payment to Jeff's Air-Con Inc. in settlement of an account of $7 500, less a 5% cash discount.
30	Paying in slip counterfoil	For cheque received from Layby Stores in settlement of their account to date, less a cash discount of $150.

(a) Using the form provided **on page 5**, record the transactions relevant to a three column Cash Book. Total and balance the Cash Book as at 31 March 2018.

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Date	Particulars	Fo	Dis All'd	Cash $	Bank $	Date	Particulars	Fo	Dis Rec'd	Cash $	Bank $

(14 marks)

NOTE: Dis All'd means Discount Allowed
Dis Rec'd means Discount Received

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(b) What is the significance of the balance brought down in the bank account at 31 March 2018?

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(1 mark)

(c) Based on the relevant transactions data for the month of March, prepare DD Ltd's account, and show clearly any balance outstanding at the end of March 2018.

DD'S LTD ACCOUNT – CREDITOR

	$		$

(5 marks)

Total 20 marks

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2. Sabrina Weeks, a retailer, had her financial statements for the years 2016 and 2017 analysed and the following two ratios were produced for her business.

Ratio	For the Year Ended	
	2016	**2017**
Gross profit margin	20%	24%
Operating expenses/sales revenue	9%	11%

(a) (i) For EACH of the two ratios given above,

- state the formula needed to arrive at the figure
- comment on the business' performance at 31 December 2017
- explain whether it is a strength or a weakness.

Gross profit margin:

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(5 marks)

Operating expenses/revenue:

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(5 marks)

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(ii) Using any ONE of your analyses of the ratios, make ONE recommendation to Sabrina Weeks for improving her business' performance.

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(2 marks)

(b) Using the figure provided for sales in the table below and the ratios given **on page 7**, calculate the named amounts for the year 2017. **(Show all working clearly.)**

Items	2017
Sales	$995 000
Gross profit	
Cost of sales	

(3 marks)

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(c) The following information is also available for Sabrina Weeks' business for the year ended 31 December 2017:

Inventory at 1 January 2017	$25 000
Inventory at 31 December 2017	$40 000

(i) State the formula used to calculate the rate of inventory turnover.

(1 mark)

(ii) Calculate Sabrina Weeks' rate of inventory turnover for the year ended 31 December 2017.

(4 marks)

Total 20 marks

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3. On 31 October 2017, Zidan extracted the following balances from his books of accounts.

Balances at 1 October 2017:	
Sales ledger debit balances total	$42 680
Sales ledger credit balances total	$950
Purchases ledger debit balances total	$620
Purchases ledger credit balances total	$28 360
Sales day book total for October 2017	$102 900
Purchases day book total for October 2017	$65 950
Returns inwards day book total for October 2017	$4 120
Returns outwards day book total for October 2017	$5 390
Cash book totals for October 2017:	
Receipts from credit customers	$92 400
Payments to credit suppliers	$75 000
Refunds to debtors who had overpaid their accounts	$300
Dishonoured cheques received from debtors	$1 200
Discounts allowed	$2 800
Discounts received	$4 200
General journal totals for October 2017:	
Bad debts written off	$860
Interest charged on customers' overdue accounts	$160
Interest charged by suppliers on overdue accounts	$240
Balances at 31 October 2017:	
Sales ledger debit balances total	?
Sales ledger credit balances total	$590
Purchases ledger debit balances total	$700
Purchases ledger credit balances total	?

Using the ledger control accounts provided **on page 11**, prepare the following accounts for Zidan for the month of October 2017:

(a) Sales ledger control account **(11 marks)**

(b) Purchases ledger control account **(9 marks)**

Balance the accounts as at 31 October 2017.

Total 20 marks

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SALES LEDGER CONTROL ACCOUNT					

PURCHASES LEDGER CONTROL ACCOUNT					

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SECTION II

Answer the TWO questions in this section.

Write your answers in the spaces provided in this booklet.

4. Benji and Nicka are in a partnership sharing profits and losses in the ratio of 3:2. At the close of business on 31 December 2017 the following information was taken from their books of accounts.

	Fixed Capital	**Current Accounts 1 January 2017**	**Drawings for the Year ended 31 December 2017**
Benji	$160 000	$1 300 Dr	$6 000
Nicka	$140 000	$8 200 Cr	$4 300
Nicka should receive an annual salary of $5 000			
Interest on fixed capital is to be awarded at 10%			
Interest on drawings is to be charged at 5%			
Net income calculated at 31 December 2017 was $56 200			

(a) Using the form provided **on page 13**, prepare the appropriation account for Benji and Nicka for the year ended 31 December 2017.

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(8 marks)

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(b) Prepare the current accounts of the partners, in columnar format, for the year ended 31 December 2017.

(7 marks)

(c) Calculate the partnership's return on investment for the financial year ended 31 December 2017.

(5 marks)

Total 20 marks

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5. Kaycee Garments makes uniforms and provided the following information for the year ended 31 December 2017.

	$
Factory wages	50 400
Factory salaries	125 000
Factory rent and rates	35 600
Electricity	162 400
Insurance	12 200
Machinery at cost	300 000
Purchases of raw materials	118 500
Returns outwards	18 200
Carriage in on raw materials	12 000

Additional Information:

	Inventories at 1 January 2017	**Inventories at 31 December 2017**
Raw materials	$37 000	$29 600
Work-in-progress	$31 200	$36 500

- 60% of the factory wages are direct, and the remainder is indirect.
- 75% of the factory rent and rates are to be allocated to the factory, the rest to the office.
- Insurance is to be divided 3:1 between the factory and the rest of the business.
- Depreciation is to be charged on the Machinery at 20% per annum, straight-line method.

(a) Using the form provided **on page 17**, prepare the Manufacturing Account for Kaycee Garments for the year ended 31 December 2017. Label clearly the cost of raw materials consumed, prime cost and total cost of production.

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(17 marks)

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(b) Kaycee Garments produced 40 000 uniforms for the year. What is the production cost per unit? **(Show all working clearly.)**

(3 marks)

Total 20 marks

END OF TEST

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

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