FORM TP 2016103

TEST CODE **01239020**

MAY/JUNE 2016

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions in Section I and TWO questions from Section II.
2. Write your answers in the spaces provided in this answer booklet.
3. DO NOT write in the margins or above or below the question.
4. Show ALL working clearly.
5. You may use a silent, non-programmable calculator to answer questions.
6. You are advised to take some time to read through the paper and plan your answers.
7. 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.**
8. **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. Metevier and Moreno have been in partnership over the last year. Their partnership agreement includes the following.

Interest on capital	10% per annum
Interest on drawings	5% per annum

(a) **Other than the rate at which profit or loss is to be shared**, name TWO other features that may be included in a partnership agreement.

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(2 marks)

(b) Since the partnership agreement of Metevier and Moreno is silent, what rate should be used to share the firm's net profit or net loss?

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(1 mark)

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(c) Metevier and Moreno who contributed capital of $120 000 in the ratio of 7:5, recorded the following balances on 31 December 2015.

	$
Net profit before interest	77 404
Long-term liabilities (6% loan)	41 000 (interest not yet paid)
Drawings: Metevier	3 600
Moreno	1 920

Prepare the Profit Appropriation Account for Metevier and Moreno for the year ended 31 December 2015.

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(9 marks)

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(d) Other account balances recorded for Metevier and Moreno are as follows:

	$
Fixed assets	220 000
Current assets	18 000
Current liabilities	48 576

Prepare the Statement of Financial Position (Balance Sheet) as at 31 December 2015 for Metevier and Moreno showing clearly

(i) the firm's working capital and

(ii) details of each partner's earnings in the Capital section.

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(8 marks)

Total 20 marks

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2. (a) Tova Joyce, a sole trader, had already calculated her gross profit for the year ended 31 December 2015, but must make some changes to her accounting information. Complete the required changes for Tova Joyce using the information set out below.

- Closing inventory was counted and valued at $8 670.
- Tova Joyce had withdrawn $900 in inventory for her personal use after the closing inventory had been counted and valued.
- Goods valued at $185 were returned to the supplier on 31 December although they had been included in the count and valuation of the closing inventory.

Use either the T-account format OR the lines below to show the changes needed to provide a more accurate value for Tova Joyce's closing inventory.

TOVA JOYCE
Revised Closing Inventory

Date	Details	$	Date	Details	$

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(4 marks)

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(b) Errors were also discovered in Tova Joyce's bank records. The information is provided below.

- The balance at bank showed an overdraft of $6 340 before the following items were discovered.
- Additional equipment was bought by cheque on 01 January 2015 for $1 900 but had not been recorded in the books of account.
- J. Lawrence, a debtor who owed Tova Joyce $430, sent a cheque for $200 and indicated that he was unable to pay any more.

Compute the new bank overdraft balance.

TOVA JOYCE
Bank Account

Date	Details	$	Date	Details	$

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(3 marks)

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(c) Tova Joyce produces the following information for your consideration.

	$	$
Old equipment	58 000	
Gross profit before all changes and corrections		46 690
Insurance expense	320	

On investigation, it was found that the following items also had not been properly recorded:

- Depreciation on old and new equipment had not been charged at the company's rate of 25% per year.
- The owner had donated $300 in cash to an animal shelter.

Calculate Tova Joyce's net profit for the year ended 31 December 2015 after taking into consideration all necessary changes and corrections.

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(5 marks)

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(d) Prepare the classified Statement of Financial Position (Balance Sheet) for Tova Joyce as at 31 December 2015 based on

- the relevant information provided in Parts (a)–(c)
- the revisions you have made and
- the additional balances provided.

Use the lines provided on page 11.

	$	$
Buildings	46 100	
Cash in hand	3 120	
Equipment	58 000	
Accounts receivable	6 910	
Accounts payable		4 990
Capital		66 500

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(8 marks)
Total 20 marks

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3. In September, Grenade's Cash Book showed an overdrawn balance of $3 400 which did not agree with the balance on his bank statement. In checking his Cash Book with his bank statement Grenade observed the following:

- A cheque paid to Blue for $1 238 was correctly entered in the bank statement but entered in the Cash Book as $1 328.
- Bank charges for the month of $100 were entered on the bank statement but not in the Cash Book.
- The bank paid Grenade's insurance of $900 as instructed by standing order.
- Deposits of $8 000 made to the bank account on 29 September did not appear on the bank statement.
- Dividends of $2 100 from Red Ltd was paid directly to Grenade's bank account.
- Four cheques totalling $5 200 have not been presented to the bank for payment.
- A cheque for $300 received from Yellow on 02 September had been returned by the bank for insufficient funds.

(a) (i) Prepare Grenade's updated Cash Book for the month of September.

Grenade
Updated Cash Book as at 30 September

Date	**Details**	**$**	**Date**	**Details**	**$**

(9 marks)

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(ii) Prepare Grenade's Bank Reconciliation Statement for the month of September.

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(4 marks)

(b) List TWO bank statement items which would be used to adjust the net income if the net income was calculated before the bank statement was received.

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(2 marks)

(c) List ONE internal user and ONE external user of accounting information.

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(2 marks)

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(d) Complete the following table by stating the accounting concept or principle violated in each given situation.

Situation	Concept
A business owner pays the wage of his housekeeper and charges it to business expenses.	
A business owner plans to sell old equipment next year at a profit of $6 000 but he records that amount as profit in this year's income statement.	
Every year a business owner uses different methods to depreciate his non-current assets.	

(3 marks)

Total 20 marks

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SECTION II

Answer any TWO questions in this section.

Write your answers in the spaces provided in this booklet.

4. Little People Furnishings is a manufacturer of table-and-chair sets for toddlers. The following is a list of revenue and expenses for the year ended 31 December 2015.

	$
Sales	278 800
Raw materials at 01 January 2015	5 000
Purchases of raw materials during the year	112 000
Finished table-and-chair sets on hand at 01 January 2015	66 000
Factory workers' wages	48 000
Office workers' wages	35 000
Plant and machinery at cost	92 000
Provision for depreciation on plant and machinery	18 400
Fixtures and fittings at cost	27 500
Provision for depreciation on fixtures and fittings	5 500
Repairs to fixtures and fittings	4 000

The following additional information was also provided at 31 December 2015:

- Raw materials at 31 December 2015 was valued at $90 000.
- Finished table-and-chair sets on hand were valued at $12 700.
- A licence fee of $2 per set is to be paid for each of the 12 900 sets manufactured this year.
- Plant and machinery are to be depreciated $7 360 for the year.
- Fixtures and fittings are to be depreciated at 20% per annum, using the straight line method. All expenses related to fixtures and fittings are to be allocated 40% to the factory and 60% to administration.

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(a) Prepare the Manufacturing Account for the year ended 31 December 2015, showing clearly EACH of the following:

(i) Cost of raw materials used
(ii) Prime cost
(iii) Production cost

(11 marks)

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(b) Prepare the Income Statement for the year ended 31 December 2015, showing clearly:

(i) Gross Income
(ii) Net Income

(7 marks)

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(c) During the year ended 31 December 2015, Little People Furnishings manufactured a total of 12 900 table-and-chair sets. Calculate the unit cost of production for the year.

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(2 marks)

Total 20 marks

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5. St James Sports and Cultural Club presented the following balances at 01 July 2014.

	$
Owing for bar supplies	3 200
Subs in arrears	2 500
Premises at cost	150 000
Equipment at cost	70 000
Bar inventories	1 300
Subscription in advance	1 700
Loans to members	3 100
Provision for depreciation:	
Premises	30 000
Equipment	22 000
Fees owing to bank	700
Bank	10 900
Cash	700
Periodicals and magazines	4 200

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(a) Prepare the Club's Statement of Affairs as at 01 July 2014.

(7 marks)

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(b) The club has 320 members who pay $100 each as annual subscription. The following information was extracted from the records for the year ended 30 June 2015.

	01 July 2014	30 June 2015
Subscription in arrears	$2 500	$1 400
Subscription in advance	$1 700	$2 100

Prepare the subscription account for the year ended 30 June 2015, showing clearly:

(i) The amounts transferred to the Income & Expenditure Account

(ii) The payments received during the year

Date	Details	$	Date	Details	$

(7 marks)

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(c) The following information was extracted from the books of St Andrews Archery Club.

Receipts and payments account

Bar takings	$12 450
Bar expenses	$ 1 900

Inventory account

Opening	$ 1 300
Closing	$ 1 800

Additional information:

- Bar purchases totalled 3.5 times the average inventory for the year.

Prepare the bar's Trading Account for the year ended 30 June 2015.

(6 marks)
Total 20 marks

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6. (a) List THREE essential features or principles of a cooperative.

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(3 marks)

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(b) Delcer High School had 1 650 students who were all members of the Delcer High School Cooperative. Each student member purchased 10 shares at a cost of $10 per share. On 31 December 2015 the following data was extracted from the books of the cooperative.

	$
Cash in hand and at bank	12 050
Accounts payable	1 600
Investments in other cooperatives	183 430
Non-current assets at cost	40 000
Statutory Reserve Fund at 01 January 2015	30 000
Education Fund at 01 January 2015	18 200
Undistributed surplus at 01 January 2015	7 450
Surplus made for the year	21 000

Additional information at 31 December 2015:

- Inventory of unsold goods was valued at $800.
- General expenses of $554 were unpaid.
- Interest due on investments totalled $7 524.
- The Board of Management decided to transfer from surplus made for the year to Reserves as follows:
  - 20% to the Statutory Reserve Fund
  - 10% to the Education Fund
- Dividends were to be paid on members' shares at the rate of 5% of their investment.

Using the form provided on page 27, prepare the Appropriation Account for the Delcer High School Cooperative for the year ended 31 December 2015.

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(8 marks)

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(c) Prepare a Statement of Financial Position (Balance Sheet), using the vertical style, for the Delcer High School Cooperative as at 31 December 2015.

(9 marks)

Total 20 marks

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7. Three employees working in the Gru Gru Country earned gross monthly income as follows:

S. Darbeau	$4 800
E. Jacob	$2 400
R. Sharpe	$8 000

In Gru Gru Country, the first $2 500 earned in treated as non-taxable income. Earnings above $2 500 is subject to tax at various rates as follows:

Taxable income between $1 and $2 500	0%
Taxable income between $2 501 and $5 000	15%
Taxable income between $5 001 and over	30 %

(a) **Using the form provided below,** calculate the income after tax for each employee.

Name	**Gross Income**	**Non-Taxable Income**	**Taxable Income**	**Applicable Tax Rate**	**Income Tax**	**Income After Tax**
S. Darbeau						
E. Jacob						
R. Sharpe						

(7 marks)

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(b) Other compulsory deductions from income include:

National Insurance	5% of Gross Pay
Health Insurance	4% of Taxable Income
Pension Contributions	1% of Gross Pay

Using the form provided below, calculate the net income for each employee.

Name	Income After Tax	National Insurance	Health Insurance	Pension Contribution	Total Deduction	Net Pay
S. Darbeau						
E. Jacob						
R. Sharpe						

(8 marks)

(c) (i) Distinguish between statutory and non-statutory deductions.

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(2 marks)

(ii) Name THREE basic source documents of the payroll.

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(3 marks)

Total 20 marks

END OF TEST

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