CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

07 JANUARY 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

781

PROFICIENCY GENERAL

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

SCHOOL/CENTRE NUMBER

NAME OF SCHOOL/CENTRE

A001

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 2021028

JANUARY 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 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.

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0123902003

Answer ALL questions.

Write your answers in the spaces provided in this booklet.

1. John Oinstin is the owner of Oinstin's Barber Salon. On 31 December 2020, he provided the following trial balance.

Details	Debit $	Credit $
Capital		10 100
Accounts payable		6 000
Cash at bank	8 000	
Drawings	2 400	
Rent expenses	4 000	
Electricity expenses	1 200	
General expenses	1 200	
Supplies expense	1 000	
Receipts from customers		31 700
Wages expenses	3 000	
Furniture at cost	10 000	
Provision for depreciation — furniture		1 000
Equipment at cost	20 000	
Provision for depreciation — equipment		2 000
	$50 800	$50 800

Additional information

- Rent prepaid $800
- General expenses unpaid $500
- Depreciation is to be accounted for as follows:
  - — Equipment, 20% per year using the reducing balance method
  - — Furniture, 5% per year using the straight line method

GO ON TO THE NEXT PAGE

(a) (i) Using the form provided below, prepare the income statement of Oinstin's Barber Salon for the year.

(9 marks)

GO ON TO THE NEXT PAGE

(ii) Using the information **on pages 4 and 5**, prepare an extract of the statement of financial position for Oinstin's Barber Salon to show the value of non-current assets as at 31 December 2020.

(3 marks)

(iii) Below are descriptions of accounting adjustments in Oinstin's Barber Salon. In the space provided, enter the letter code which represents the type of adjustment.

The adjustments are letter coded as follows:

(A) Revenue expenditure
(B) Net book value
(C) Depreciation
(D) Bad debts
(E) Accrued expense
(F) Prepaid expense

An example has been done for you.

Adjustments	**Letter Code**
An account receivable is unable to pay the amount due	D
Outstanding invoices to be paid	
Non-current assets loss in value	
Expenditure incurred every day as daily operating expenses	
Cost less depreciation to date	

(4 marks)

(b) Zaheeda received a cheque for the sum of $8 000 for a debt of $12 000 from one of her customers, Yoshida, on 31 December 2018. One year later Yoshida stopped all payments to Zaheeda. Two years later Zaheeda discovered that Yoshida is unable to clear the debt and that she must write off the debt.

(i) Prepare the entry to record the bad debt written off in Zaheeda's book. **No narrative is required.**

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

(2 marks)

(ii) Identify TWO causes of depreciation.

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(2 marks)

Total 20 marks

2. AK Electronics buys and sells its products on credit only. During the month of December 2020, the following information was extracted from the business' accounting records.

	Dr $	Cr $
Opening balances:		
Accounts receivable/accounts payable	8 500	8 800
Closing balances:		
Accounts receivable/accounts payable	5 300	?

	$
Payments to creditors	56 000
Receipts from debtors	10 100
Credit sales	8 000
Discount received	1 400
Credit purchases	68 000
Returns outwards	1 500
Bad debts written off	500
Sales returns	200
Total discounts allowed	400

(a) (i) State THREE purposes of control accounts in the accounting process.

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(3 marks)

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(ii) Using the information **on page 9**, prepare the accounts payable control account for AK Electronics for the month ended 31 December 2020.

Accounts Payable Control Account

Date	Details	Debit $	Date	Details	Credit $

(6 marks)

(iii) Using the information **on page 9**, prepare the accounts receivable control account for AK Electronics for the month ended 31 December 2020.

Accounts Receivable Control Account

Date	Details	Debit $	Date	Details	Credit $

(8 marks)

(b) State THREE reasons why the company's bank statement balance did NOT agree with the business' cash book balance.

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(3 marks)

Total 20 marks

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3. (a) Match the statements below with the correct terms by entering the appropriate letter code in the spaces provided.

The terms are letter coded as follows.

A. Business entity
B. Accrual
C. Prudence
D. Duality
E. Consistency

Statements	Letter code
Expenses and revenue are recorded when incurred or earned respectively.	
A company's financial statements should follow the same accounting principles, methods, practices and procedures from one accounting period to the next.	
The personal transactions of the owner are kept separate from the business' transactions.	
Assets should not be overstated and liabilities should not be understated.	
Every transaction affects at least two accounts.	

(5 marks)

(b) (i) Natural Stuff manufactures a single product. The following forecast are for the three months ending 31 December 2020.

2020	Units
October	4 000
November	10 000
December	12 000

The selling price of the product during the budget period will be as follows:

October	$8
November	$9
December	$9

Prepare a sales budget for each of the three months ending 31 December 2020.

(3 marks)

(ii) The accounting staff of Natural Stuff prepares quarterly cash flow projections. Using the form **on page 15**, complete the cash flow statement.

Natural Stuff
Cash Flow Statement
for the three months ending 31 December 2020

	October $	November $	December $
Cash sales	32 000	90 000	108 000
Receipts from credit customers	12 000	15 600	20 000
Purchase of non-current assets	7 000	86 000	
Payments for credit purchases	3 000	5 000	10 000
Utilities	3 600	4 000	4 000
Salary expense	25 000	25 000	30 000
Advertising expense	1 000	1 000	1 000

The company forecasts that the bank balance will be $10 000 on 1 October 2020.

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	October $	November $	December $

(8 marks)

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(c) (i) If the owner of Natural Stuff incurs a cost of $150 for each product and sets his mark-up at 25%, calculate the selling price.

(2 marks)

(ii) Using the information in (c) (i), calculate the gross profit margin for the product.

(2 marks)

Total 20 marks

NOTHING HAS BEEN OMITTED.

4. On 1 December 2020, Sheba's bank balance was $3 700 credit. The transactions for the month of December 2020 were as follows:

December 5 Received and banked a cheque, $10 950, from M. Merick, a credit customer. He had deducted a trade discount of $270.

7 Paid a cheque to Fray Ltd, a supplier, in full settlement of his account of $4 800 less 2% cash discount.

9 Harry, a credit customer, paid his debt of $5 000 by cheque after deducting a cash discount of 5%.

20 Received $4 000 by cheque from D. Armstrong.

21 Paid utilities by cheque, $1 200.

26 The bank returned the cheque received from D. Armstrong as he did not have sufficient funds.

(a) Use the form provided **on page 19** to prepare the cash book for the month ending 31 December 2020. Bring down the balance on 1 January 2021.

(11 marks)

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Cash Book

Date	Details	Discount $	Bank $	Date	Details	Discount $	Bank $

(b) Sheba's books show a total discount received of $500 for the 11 months from 1 January 2020 to 30 November 2020.

Prepare the discount received account for the year ended 31 December 2020. Show the year end transfer to the appropriate financial statement.

Discount Received Account

Date	Details	$	Date	Details	$

(3 marks)

(c) Identify the ledger in which the following accounts would be posted.

Account	Ledger
Discount received	
Fray Ltd	
Harry	

(3 marks)

(d) Sheba provided the following summary of his utility expenses for the year ended 31 December 2020.

1 January 2020	Accrued expenses	$1 670
At year ended 31 December 2020	Total utilities expenses paid	$8 950
31 December 2020	Prepaid utilities expenses	$ 560

State the amount of the utilities expenses which would be recorded in the income statement **and** statement of financial position.

(2 marks)

(e) Identify the document that is sent to a debtor to indicate the amount owed to a business.

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(1 mark)

Total 20 marks

5. The following balances were extracted from the ledgers of Black Cake Enterprise Ltd on 31 December 2020.

Black Cake Enterprise Ltd
Trial Balance
as at 31 December 2020

	$
Revenue	110 000
Bank overdraft	4 500
Fixtures and fittings	35 000
Provision for depreciation — fixtures and fittings	2 300
Land	59 000
Capital	60 000
Inventory	25 000
Trade receivables	13 000
Trade payables	27 000
Purchases	56 000
Discount received	8 700
Wages and salaries	12 000
Discount allowed	5 200
Sundry expenses	6 900

(a) Use the form provided **on page 23** to prepare the trial balance for Black Cake Enterprise Ltd as at 31 December 2020. (Include the account and the amount to make both sides of the trial balance equal.)

GO ON TO THE NEXT PAGE





(9 marks)

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(b) For each scenario, identify the following errors which were later discovered

(i) A sale of goods on account for $1 800 to M. Mullins had been posted to the account of M. Millar.

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(1 mark)

(ii) Office equipment sold for $2 000 had been posted to the sales account.

.....

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(1 mark)

(iii) Wages of $4 500 for the office workers had been debited to the bank and credited to the wages account.

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(1 mark)

(c) Prepare journal entries to correct the errors identified in (b) **on page 24**. Narratives are not required.

Date	Details	Folio	Debit	Credit

(8 marks)

Total 20 marks

END OF TEST

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

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

Question No. ☐

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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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