FORM TP 2016104

TEST CODE **01239032**

MAY/JUNE 2016

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

1 hour 30 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. DO NOT write in the margins or above or below the page.
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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Instructions: **This paper consists of a case study and ELEVEN questions. Read the case study and answer ALL the questions that follow in the spaces provided in this booklet.**

Case Study

Peter Outridge is an expert in occupational health and safety and is the only investor in his firm which is called POOHS Enterprises. Information is provided for the operations of POOHS Enterprises for a period of three years.

1. Name the type of business formed by Peter Outridge.

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(1 mark)

2. Name ONE ledger which Peter Outridge would use to record his transactions.

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(1 mark)

Peter started the company with cash totalling $30 000 from his personal and family savings. In addition, he brought in $45 000 worth of inventory which he purchased from Levelfield Limited and paid for in cash. He also brought in a signed lease for premises at a rate of $5 000 per month. Peter paid six months rent in advance by cash. On the same day, the firm borrowed $70 000 from Prime Rate Loan Company at an interest rate of 5% per annum.

3. Prepare the opening entry for POOHS Enterprises on **01 January 2013**. (Be sure to include the proper heading in your answer.)

POOHS Enterprises
General Journal

Date	Details	*f*	$	$

(7 marks)

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During the year ended **31 December 2014**, POOHS Enterprises recorded the following information about its business in safety and security equipment.

Type of Good	Opening Inventory	Purchases	Sales
Smoke alarms	200 @ $140 each	2000 @ $150 each	1900 @ $190 each
Sprinkler systems	12 @ $4 000 each	25 @ $4 250 each	32 @ $6 000 each
Fire extinguishers	17 @ $260 each	45 @ $230 each	48 @ $350 each
Personal safety equipment	12 boxes @ $120 per box	175 @ $110 per box	180 @ $100 per box
TOTAL VALUE	**$81 860**		

4. Use the LIFO method of inventory valuation to calculate POOHS closing inventory on 31 December 2014. An inventory valuation form is provided below for you.

INVENTORY VALUATION FORM — LIFO

Type of Good	Opening Inventory	Purchases	Sales	BALANCE		
				Units	Cost Price ($)	Value ($)
Smoke alarms						
Sprinkler systems						
Fire extinguishers						
Personal safety equipment						

(7 marks)

5. Name another method of valuing inventory which POOHS could have used.

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(1 mark)

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6. Calculate the TOTAL value of sales for EACH item in POOHS Enterprises' list of safety items sold for the year ended 31 December 2014.

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(2 marks)

7. Draw up a Trading Account to show the gross profit made by POOHS Enterprises for the year ended 31 December 2014.

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(5 marks)

8. Calculate POOHS Enterprises' gross profit margin for the year ended 31 December 2014. (Show working and round off answer to one decimal place.)

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(2 marks)

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9. Peter Outridge, the owner of POOHS Enterprises, thinks that his gross profit margin percentage is low.

(a) What can Peter use to determine whether his profit margin is low or not?

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(1 mark)

(b) Use information on inventory provided **on page 5** to indicate to Peter Outridge what may be ONE cause of his low profit margin.

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(1 mark)

(c) Name ONE other ratio that Peter Outridge can use to measure the performance of his business.

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(1 mark)

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POOHS Enterprises provides the following information for the six months ended **30 June 2015**. All receipts and payments are by cheque.

01 January	Opening balance $45 600.
01 January	Paid $30 000 for rent for the period by 01 January 2015 – 30 June 2015.
20 February	Owner cashed $12 900 cheque for personal use.
14 March	Credit sales to Farrell Business Solutions amounted to $191 000. The terms agreed on were net 5% discount if bill paid within three months.
24 May	Cash sales amounted to $86 200 of which $85 200 was sent to the bank. POOHS Enterprises paid Executive Security $7 750 to transport cash to bank.
01 June	Received amount in full settlement from Farrell Business Solutions.
30 June	Cash sales of $42 800 sent to bank. Transport cost of $2 150 paid to Executive Security.
30 June	Paid two years' worth of annual interest in advance to Prime Rate Loan Company.

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10. Using the information provided **on page 8**, as well as the information for Question 3, prepare the summarized bank account for POOHS Enterprises for the six months ended **30 June 2015**.

(9 marks)

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11. Assuming no additional money was paid for Rent Expense, prepare the adjusting entry as at 31 December 2015 in POOHS Enterprises' General Journal.

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(2 marks)

Total 40 marks

END OF TEST

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

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