FORM TP 2010102

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CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

1½ hours

17 MAY 2010 (p.m.)

1. **Answer ALL questions.**

2. **Write your answers in the Answer Booklet provided and return it.**

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

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This paper consists of a case study and fourteen questions. Study the case and answer the questions that follow.

CASE

The Mavis Technical School opened the Mavis Woodwork Shop on September 01, 2007. The business was not expected to make a profit but to provide cost savings for the school and allow students the opportunity to earn as they learn. Start-up funds for the Mavis Woodwork Shop came from donations from the Ministry of Education and a loan from the school.

The donation from the Ministry of Education consisted of the following:

Machinery costing	$ 100 000
Tools costing	$ 60 000
Work benches costing	$ 10 000

The loan from the school was $40 000 repayable over four years.

During the first three years, the main activities in the Woodwork Shop included:

- Repairs to desks and chairs for classrooms
- Making and repairing canteen cupboards
- Making and repairing wooden toys for the kindergarten school nearby

1. Identify the type of business organisation to which the Mavis Woodwork Shop belongs. **(1 mark)**

2. To which classification of accounts in the workshop, do the items donated by the Ministry of Education belong? **(1 mark)**

3. What is the net worth of the workshop on September 01, 2007? **(1 mark)**

4. Prepare a classified opening balance sheet for the Mavis Woodwork Shop. **(5 marks)**

5. What is the value of the Woodwork Shop's working capital? **(1 mark)**

Materials purchased and used each year by the Woodwork Shop included the following:

	2007	2008	2009
	$	$	$
Lumber	15 000	18 000	25 000
Plywood	6 000	12 000	18 000
Sanding paper	300	400	700
Glue	400	500	600
Nails	200	200	400
Varnish	2 000	2 600	3 000
Screws	500	700	900

6. Identify TWO books of original entry that are relevant for use by the Woodwork Shop.
(1 mark)

7. Calculate the **total** cost of materials used by the Woodwork Shop for EACH of the three years.
(3 marks)

The Woodwork Shop supervisor decided that the items donated by the Ministry of Education are to be depreciated at a rate of 10% on the reducing balance method each year.

8. In which of the financial reports (Final Accounts) will each year's depreciation be recorded?
(1 mark)

9. In which of the financial reports (Final Accounts) will the accumulated depreciation be recorded?
(1 mark)

10. **Using the worksheet provided**, calculate the annual depreciation for the years 2007, 2008 and 2009 on the workshop's machinery, tools and work benches. **(7 marks)**

It is estimated that the Woodwork Shop saved the school the following amounts each year:

Year	Amount saved $
2007	150 000
2008	230 000
2009	280 000

These savings are considered revenue for the Woodwork Shop.

In addition, the sales of wooden toys to the kindergarten school were as follows:

Year	$
2007	14 000
2008	17 000
2009	21 000

11. **Using the worksheet provided**, calculate the revenue earned by the Woodwork Shop for EACH of the three years – 2007, 2008 and 2009. **(4 marks)**

The workshop supervisor is paid an annual salary of $140 000. Students' wages are 70% of the sale of wooden toys each year. Other miscellaneous expenses incurred each year by the Woodwork Shop are as follows:

Year	$
2007	25 000
2008	28 000
2009	30 000

12. In which of the ledgers will salary and miscellaneous expense accounts be posted? **(1 mark)**

13. **Using the worksheet provided**, calculate the **total** cost of operating the Woodwork Shop in EACH of the three years – 2007, 2008 and 2009. (Use total costs instead of listing each item of material.) **(8 marks)**

14. **Using the worksheet provided**, prepare a statement to show the profit OR loss made by the Woodwork Shop for EACH of the three years – 2007, 2008 and 2009. (Use total amounts of revenues and expenses already calculated.) **(5 marks)**

END OF TEST

Candidate No: _____ **Centre No:** _____

Worksheet for Question 10.

Mavis Bank Depreciation
(Reducing balance method)

ITEMS	**2007 $**	**2008 $**	**2009 $**
Woodwork Shop Machinery at cost $100 000			
Woodwork Shop Tools at cost $60 000			
Woodwork Shop Work Benches at cost $10 000			
Total Depreciation			

Worksheet for Question 11.

Mavis Bank Woodwork Shop Annual Revenue

	2007 $	**2008 $**	**2009 $**
TOTAL			

TO BE ATTACHED TO YOUR ANSWER BOOKLET

Candidate No: _____ **Centre No:** _____

Worksheet for Question 13.

Mavis Bank Woodwork Shop Annual Operating Costs

	2007 $	**2008 $**	**2009 $**
TOTAL			

Worksheet for Question 14.

Mavis Bank Technical School
Woodwork Shop
Income Statement
for years ending 2007, 2008 and 2009

	2007 $	**2008 $**	**2009 $**
PROFIT/LOSS			

TO BE ATTACHED TO YOUR ANSWER BOOKLET