FORM TP 2015103

TEST CODE **01239020**

MAY/JUNE 2015

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.
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. The following list of transactions for Len Hanson occurred during the month of April 2014:

April

01 Started business with $7 800 in the bank.

05 Bought on credit from Yazmin Company, goods with a total list price of $1 800 less 10% trade discount. A cash discount of 5% is available, if accounts are settled within 30 days.

06 Sold goods valued at $290 to Jon, who paid $120 by cheque, with the balance to be paid later.

10 Len Hanson took $60 worth of goods from the business to give to his friend as a birthday gift.

15 Purchased equipment on credit from Equipo Company, $3 500.

16 Returned goods to Yazmin Company with a list price of $160.

20 Returned $250 worth of equipment to Equipo Company.

25 Settled the account with Yazmin Company by cheque.

28 Settled the account with Equipo Company by cheque, and was allowed $50 off for early payment.

(a) From 01 April 2014, analyse and record EACH of the transactions above in appropriate accounts in the General Ledger provided on **pages 3–6**. **(Round off all figures to the nearest whole number.)** **(16 marks)**

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(b) Extract a Trial Balance for Len Hanson at 30 April 2014.

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(4 marks)

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2. (a) State TWO distinguishing features of a partnership.

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(2 marks)

(b) Barney and Swiper are in partnership. Their Current Account balances as at 31 March 2015 before appropriation were:

Current Accounts	$
Barney	2 500
Swiper	(600)

State the significance of the brought down balance on EACH partner's current account.

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(2 marks)

(c) Other balances extracted from the books of Barney and Swiper include:

		$
Capital Accounts	Barney	60 000
	Swiper	35 000
Drawings	Barney (01 October 2014 to 31 March 2015)	4 000
	Swiper (01 January 2015 to 31 March 2015)	12 000

Additional information:

- The net income for the year ended 31 March 2015 is $82 000.
- Barney earns an annual salary of $36 000.
- Interest on capital is to be paid at the rate of 5% per annum.
- Interest on drawings is to be charged at the rate of 10% per year.
- Barney and Swiper share profits and losses in the ratio of 3:2 respectively.

Prepare the Profit and Loss Appropriation Account of Barney and Swiper for the year ended 31 March 2015 in the space provided on **page 9**. **(9 marks)**

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(d) Prepare the partners' Current Accounts on 31 March 2015, after the appropriation.

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3. Seris Lann, a sole trader, is to present financial information to its bankers to support a loan request to buy computers for the business. The following list of figures is provided for the year ended 31 December 2014.

	$
Plant and machinery	163 450
Motor vehicles	37 000
Long-term investments	38 580
Accounts receivable	8 070
Closing inventories	24 550
Accounts payable	3 910
Bank overdraft	6 180
Sales revenue	363 170
Cost of goods available for sale	206 850
Insurance prepaid at year end	1 070
Insurance paid	3 790
Interest expense paid	9 360
Salaries and wages paid	90 820
Miscellaneous expenses owing at year end	4 220
Miscellaneous expenses paid	4 880
Mortgage	93 600
Opening capital	95 940

(a) Using the information provided, prepare an Income Statement for the year ended 31 December 2014. Show clearly the amounts for EACH of the following in the space provided on **page 13**.

(i) Cost of goods sold

(ii) Insurance expense

(iii) Miscellaneous expenses **(8 marks)**

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(b) Prepare a list showing EACH of the following amounts as at 31 December 2014.

(Marks will be awarded for showing clearly how you arrived at the dollar amount.)

(i) Total non-current (fixed) assets

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(2 marks)

(ii) Total current assets

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(iii) Total current liabilities

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(2 marks)

(c) Name and use an appropriate ratio to decide whether Series Lann should or should not be given the bank loan. **(Show your calculation and give your reason.)**

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(4 marks)

(d) State ONE advantage and ONE disadvantage of using a computer system to maintain accounts.

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(2 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. The Bank Statement and Cash Book (bank columns only) for Orvie Elwin for the month of October 2014 are as follows.

Bank Statement

		Dr	Cr	Balance	
2014		$	$	$	
Oct 01	Balance			900	
03	T. Simeon		150	1 050	
07	Cash sales deposit		850	1 900	
13	Vehicle loan	1 700		200	
15	Standing order	1 000		(800)	O/D
21	Debit transfer	825		(1 625)	O/D
29	Rent	2 300		(3 925)	O/D
29	Credit transfer		4 000	75	
30	Bank charges	400		(325)	O/D

Cash Book (bank columns only)

2014		$	2014		$
Oct 01	Balance b/f	900	Oct 10	Light & Power Company	180
03	T. Simeon	150	13	Vehicle loan	1 700
07	Cash sales	850	29	Rent	2 300
24	D. Elwin	500			
31	Balance c/d	1 780			
		4 180			4 180
			2014		
			Nov 1	Balance B/d	1 780

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(a) Prepare the updated Cash Book to show the adjusted balance.

(6 marks)

(b) Starting with the updated cash book balance, draw up a Bank Reconciliation Statement for Orvie Elwin for the month of October 2014.

(5 marks)

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(c) The following transactions were recorded in the books of Orvie Elwin for the month of April.

April	Credit sales made to the following:	
11	Jack Long	$6 000
18	Mary King	$2 600
24	June Phillip	$3 800
	Credit purchases from:	
05	Up Top Ltd	$2 500
19	Harry & Sons	$3 800
27	Sealey's Ltd	$4 250
16	Jack Long returned goods costing $300	
28	June Phillip returned goods costing $150	

(i) Record the above transactions in the correctly labelled day books provided below and on page 19. **(Include folio references.)** **(5 marks)**

(ii) Total EACH day book at the end of the period. **(Naratives required.)** **(4 marks)**

Date	**Details**	**Folio**	**Amount ($)**

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Date	**Details**	**Folio**	**Amount ($)**

Date	**Details**	**Folio**	**Amount ($)**

Date	**Details**	**Folio**	**Amount ($)**

Total 20 marks

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5. (a) The accounting department of Cav Crafts provided the following information from its various books.

	September 2013	**August 2014**
	$	$
Credit purchases		196 700
Credit sales		262 920
Accounts receivable	5 010	7 800
Accounts payable	3 950	2 830
Cash received from accounts receivable		257 800
Cash paid to accounts payable		194 400
Discounts allowed		1 040
Discounts received		3 560
Sales returns		1 290
Purchases returns		1 740
Interest on late payments received from accounts receivable		660
Refunds for overpayments from accounts payables		1 880

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Using the information on **page 20** prepare EACH of the following accounts for the year ended 31 August 2014:

(i) Accounts Receivable Control Account

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(6 marks)

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(ii) Accounts Payable Control Account

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(b) Sedeno Knitted Goods sold 100% of its completed goods during the year ended 30 November 2014. The following additional information is provided.

Raw materials consumed	$138 500
Production wages	45 700
Direct packaging expenses	2 400
Factory overheads	51 900
Opening work in progress	3 600
Closing work in progress	4 800
Mark-up percentage on total cost of production	50%

For the year ended 30 November 2014, prepare EACH of the following accounts for Sedeno Knitted Goods:

(i) A manufacturing account showing clearly the total cost of production

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(ii) A trading account

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(9 marks)

Total 20 marks

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6. The treasurer of the People's Popular Political (PPP) party presented the following data at 31 December 2014.

Number of registered members	1 800
Annual subscription per person	$200
Members with subscriptions outstanding at 01 January 2014	40
Members with subscriptions outstanding at 31 December 2014	60
Members who paid in advance at 01 January 2014	110
Members who paid in advance at 31 December 2014	98
All other members were paid up	

(a) (i) Complete the worksheet below to calculate EACH of the following:

– Subscriptions outstanding at 01 January 2014 and at 31 December 2014

WORKSHEET

Calculation of Subscriptions Outstanding		
Date	**Working Column**	**$**

– Subscriptions in advance at 01 January 2014 and at 31 December 2014.

Calculation of Subscriptions in Advance		
Date	**Working Column**	**$**

(5 marks)

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(ii) Prepare and complete the Subscriptions Account for the PPP party for the year ended 31 December 2014.

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(8 marks)

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(b) The PPP party lists the following transactions for the period ended 31 December 2014. **On the form provided below**, classify EACH item as follows:

(i) Write either capital or revenue in the Expenditure Type column, to indicate the type of expenditure involved for EACH item.

(ii) Insert a check mark (√) in the appropriate column to indicate whether the item is to be reported in the Income & Expenditure Account or in the Balance Sheet.

The first item has been done for you as an example.

CLASSIFICATION OF EXPENDITURE

Item No.	Description	Expenditure Type	Accounts where item should be reported	
			Income & Expenditure Account	Balance Sheet
0	Paid salaries to office	Revenue	√	
	Invested in an ID card-making machine, $5 000			
	Paid for printing of the party's Manifesto booklet for its annual convention meeting, $20 000			
	Made a downpayment of $60 000 for the purchase of a new bus			
	Paid $100 000 for building works which extended and improved the party's headquarters building			
	Paid for advertisement for a political rally, $25 000			

(4 marks)

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(c) Prepare the Receipts and Payments Account of the PPP party for the period ended 31 December 2014, using relevant information from (a) (ii) and (b) on **pages 27 and 28**.

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(3 marks)

Total 20 marks

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7. (a) The Vegi Lands Farmers' Co-operative provides the following information about its operations for the year ended 31 December 2014:

- Share capital of $500 000 was originally sold to members at $5 each.
- Surplus for the year totalled $65 000 and was earned from the total sales of $350 000.
- Undistributed surplus from previous years amounted to $125 000.

The co-operative plans to share its total surplus as follows:

- Dividends of $0.50 per share to be paid to existing shareholders
- 20% to be transferred to the Members' Educational Fund
- 5% of total sales to be paid to members as patronage refunds
- 30% to be transferred to a Disaster Relief Fund

Prepare the co-operative Appropriation Account for the year ended 31 December 2014. **(Show working clearly).**

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(b) A sister co-operative, Flat Lands Cane Farmers Co-operative, presented the following balances for its financial year ended 31 December 2014:

	$
Building at cost	250 000
Investment in Vegi Lands Farmers' Co-operative	45 000
Ordinary share capital	200 000
Undistributed surplus	73 900
Long-term loan to members	120 000
Interest revenue outstanding from loans	8 000
Accumulated depreciation: building	35 000
Equipment rental fees receivable	39 000
Inventories	26 000
Members' welfare fund	40 000
Flood relief fund	95 000

(i) Prepare the Co-operative Balance Sheet Extract for the **capital section only,** for the year ended 31 December 2014.

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(4 marks)

(ii) Identify and total EACH of the following amounts for Flat Lands Cane Farmers' Co-operative:

a) Non-current (fixed) assets

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(3 marks)

b) Current assets

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(2 marks)

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