FORM TP 2013106

TEST CODE **01239020**

MAY/JUNE 2013

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

24 MAY 2013 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions in Section I and TWO questions from Section II.
2. Begin EACH answer on a separate page.
3. Keep ALL parts of EACH answer together.
4. Silent electronic non-programmable calculators may be used, but ALL necessary working should be clearly shown.
5. EACH question is worth 20 marks.

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.

1. ConEct is a retailer of mobile phones. All of its revenue comes from a percentage of the sales value of VeryBerry mobile phones which it delivers to customers' homes and workplaces. At the end of the financial year, 31 January 2012, the following balances were presented.

	$
Capital	88 000
Delivery van at cost	60 000
Provision for depreciation: Delivery van	12 000
Bank	121 400
Sales commissions received	115 500
Sales commissions outstanding	14 100
Rent	13 300
Rent owing	3 000
Insurance	7 100
Insurance prepaid	1 800
Delivery expenses	11 500
Salesmen's wages	46 700
5-year bank loan	50 000
Loan interest	5 500

NOTE: The business calculates annual depreciation expense at a rate of 20% on the reducing balance basis.

Using the information provided, prepare for ConEct:

(a) An Income Statement for the year ended 31 January 2012 **(12 marks)**

(b) A classified Balance Sheet as at 31 January 2012 **(8 marks)**

Total 20 marks

2. (a) The table below shows sources of the Debtors' Ledger Control Accounts.

Source of Information	**Book of Original Entry**
Total refund to debtors	Cash Book
Total dishonoured cheques	
Total credit sales	
Total returns inwards	
Receipts from debtors	
Total discounts allowed	
Total bad debts	

Copy the table in your answer booklet and complete it to show the Book of Original Entry for EACH source of information. **An example is given.** **(6 marks)**

L. Somerset presented the following information for the month of October 2012:

	$
Creditors ledger control account credit balance b/d	25 400
Creditors ledger control account debit balance b/d	1 450
Returns outwards	1 200
Purchases for the quarter	123 900
Payments to creditors	100 300
Refund by cheque **from creditor** due to damaged item	1 180
Discounts received	2 500
Cheque returned by creditor — presented too late to bank	3 300
Set off of credit amount between debtors ledger and creditors ledger	620
Received from creditor due to overpayment	284

(b) Prepare the Purchases Ledger Control Account for L. Somerset for the month of October 2012. **(9 marks)**

On 1 November 2012, L. Somerset discovered the following errors in the accounts.

(i) A purchase of equipment worth $2 100 had been included in the purchases figure.

(ii) The cheque used to pay a creditor had been entered in the bank account as $12 960 instead of $12 690.

(c) Use the general journal to correct the TWO errors above. **Narrative for EACH journal entry is required.** **(5 marks)**

Total 20 marks

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3. The accountant employed by Reisse Holdings provided the owner with the following report for the financial year ended 30 June 2012.

"Reisse Holdings showed a current ratio of 4:1 on its current assets of $60 000. This is a very positive sign because for the year ended 30 June 2011, the ratio was 2:1 on current liabilities of $12 000."

(a) Using the formula for current ratio, calculate for Reisse Holdings:

(i) The current assets as at 30 June 2011 **(2 marks)**

(ii) The current liabilities as at 30 June 2012 **(2 marks)**

The owner of Reisse Holdings requested additional information on the performance of the business. The accountant presented the following information for the year ended 30 June 2012.

	$	$
Sales		250 000
Less: Cost of sales		
Opening stock	6 800	
Purchases	116 000	
Cost of goods available for sale	122 800	
Less: Closing stock	(4 400)	
Cost of sales		(118 400)
Gross Profit		**131 600**
Less: Expenses		
Rent	11 520	
Maintenance and repairs	1 890	
Discount allowed	1 680	
Wages	38 500	
Depreciation expense	2 570	
Interest on bank loan at 10% per annum	5 540	
		(61 700)
Net Profit		69 900

(b) Using the appropriate formulae, calculate for Reisse Holdings:

(i) Average stock **(2 marks)**

(ii) Stock turn **(2 marks)**

(iii) Gross profit percentage **(2 marks)**

Show all working clearly.

The following additional information was given:

Current assets = $ 60 000

Fixed assets = $125 000

Total liabilities = $ 67 400

Capital = $ 71 600

Drawings = $ 23 900

(c) Prepare a summarized balance sheet for Reisse Holdings as at 30 June 2012.
Show all necessary details in the capital section. **(6 marks)**

(d) Calculate the return on capital employed for Reisse Holdings for the year ended 30 June 2012. **(2 marks)**

(e) Using any of the ratios calculated above, comment on the performance of Reisse Holdings for the year ended 30 June 2012. **(2 marks)**

Total 20 marks

SECTION II

Answer any TWO questions from this section.

4. Fashion Forward is a manufacturer of clothing. For the year ended 31 December 2012, the enterprise produced 4 500 dresses. The following relates to the manufacturing operations for the period. Some figures are missing.

Inventory at 1 January 2012
Raw material – 300 metres of printed material at $19 per metre
Work in progress $ 2 010

Inventory at 31 December 2012
Raw material 340 metres of printed material at $24 per metre
Work in progress $ 3 790

Purchase of raw material
4 500 metres at $19 per metre
2 150 metres at $24 per metre

Returns outwards of raw material
100 metres at $24 per metre

Carriage on raw material	$ 3 400
Direct labour (wages)	
Cutters (4 500 dresses at $15 each)	
Stitchers (4 120 dresses at $12 each)	
Pressers (4 000 dresses at $5 each)	
Salary of factory manager	$38 050
Direct expenses	$ 8 900
Factory power $ 8 400	
General factory expenses	$18 050
Annual depreciation on plant and machinery	$16 000

(a) After calculating missing figures, prepare an account or statement for Fashion Forward to show the cost of raw materials consumed. **(8 marks)**

(b) After calculating missing figures, prepare a cost of direct labour statement for Fashion Forward for the year ended 31 December 2012. **(4 marks)**

(c) Starting with cost of raw materials consumed and direct labour cost calculated in (a) and (b), prepare the Manufacturing Account for the year ended 31 December 2012. **Show all working clearly.** **(8 marks)**

Total 20 marks

5. Mark and John are employed by El's creation. They are paid at $30.00 per hour for a basic 40 hour week. Work done in excess of 40 hours is paid at the rate of time and a half.

(a) During a given week, Mark worked 27 hours and John worked 46 hours. Calculate the gross pay for

(i) Mark **(3 marks)**

(ii) John **(7 marks)**

The following additional information relates to the payment of Mark and John.

Social Security contributions are tax deductible and are calculated on gross pay at the rate of 5% .
Income Tax deductions are calculated on taxable income at the rate of 10% .

(b) Using your answers from (a) above and the additional information provided in the table above, complete the payroll form which is **provided as an insert.** **(8 marks)**

(c) State ONE difference between 'statutory deductions' and 'voluntary deductions'. **(2 marks)**

Total 20 marks

6. (a) Sautec Credit Union has 1500 members. On 1 January 2013, the following are some of the account balances on the books of Sautec Credit Union.

	$
Loans to members (due 2016)	145 000
Interest outstanding on loans to members	2 250
Stock of stationery supplies	4 370
Telephone bill unpaid	1 350
Interest income received in advance	2 010
Long-term investments in other co-operatives	78 900
Net book value of equipment	20 000
Mortgage	90 000
Mortgage interest outstanding	2 000
Bank	42 500
Members welfare fund	60 000
Education fund	30 000
Unappropriated profits	42 860

(i) List the items which are considered fixed assets of Sautec Credit Union. **(2 marks)**

(ii) List the items which are considered current liabilities of Sautec Credit Union. **(2 marks)**

(iii) Draft the Balance Sheet extract to show the Capital section of the Balance Sheet for Sautec Credit Union as at 1 January 2013. **(3 marks)**

(b) The board of directors of Sautec Credit Union decided to raise more capital by advertising for new and old members to purchase shares. They have provided the following information on receipts and payments:

2 January 2013

- Advertisements $31 000
- Additional office expenses $6 000
- Sold 100 000 one dollar ($1) shares
- Received registration fees of $5 EACH from 2 100 new members
- All receipts and payments were made by cheque

(i) Prepare the journal entries to record the sale of shares and the receipt of registration fees. **(7 marks)**

(ii) Prepare the Bank Account of Sautec Credit Union to record the above receipts and payments. Be sure to include the balance at bank as at 1 January 2013. **(6 marks)**

Total 20 marks

7. Bacolet Gray owns a small factory which makes items from coconut shells. During her first month of operation, she simply wrote down all of her transactions. Her newly-hired accountant has found the following details of transactions for the month of January 2013.

– The factory was started with the following asset and liability:

Bank balance of $ 31 890 which included a loan of $25 000 from the credit union

– All purchases of raw materials for the month were made on credit from S. Francis. Three large orders were made as follows:

1 January	$13 300
15 January	$ 9 600
29 January	$ 7 100

On 22 January, Bacolet paid S. Francis the total amount owed at that time, by cheque. On 31 January Bacolet issued a cheque for $5 000 to S. Francis on account and was given a discount of 3% of the $5 000.

– All sales were made on a credit basis to V. Taylor in three large sales orders as follows:

8 January	$14 300
16 January	$10 090
27 January	$15 800

V. Taylor returned $1 390 worth of goods on 10 January. On 30 January, the amounts owed to Bacolet for sales on 8 January and 16 January **minus** the returns were paid off by cheque. Bacolet granted V. Taylor a discount of 2% on this payment.

– On 31 January, Bacolet recorded the following cheque payments:

$ 8 000 in factory wages
$ 3 500 in salary to the factory manager
$ 1 040 in electricity bills
$ 2 600 in rent
$13 620 for a packaging machine
$ 1 000 on credit union loan

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(a) From the above transactions, identify ONE item of revenue expenditure and ONE item of capital expenditure for Bacolet Gray. **(2 marks)**

(b) (i) Open the T-accounts in the appropriate ledgers, for EACH of the following:

a) S. Francis

b) V. Taylor

c) Bank **(3 marks)**

(ii) In EACH account opened, record the transactions which affect that account. Balance the accounts at the end of the month. **(15 marks)**

Total 20 marks

END OF TEST

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

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

Payroll Form for Question 5. (b)

	A	B	C	D	E
Employees	Gross Pay B/f $	Social Security $	Taxable Pay $	Income Tax $	Net Pay $
Mark					
John					