FORM TP 2011107

TEST CODE **01239032**

MAY/JUNE 2011

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

1 $\frac{1}{2}$ hours

16 MAY 2011 (p.m.)

1. Answer ALL questions.
2. Answer the questions in the answer booklet and on the forms provided and return them.
3. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.
4. You are provided with a journal page and a cash book page to use where required for your answers.

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 and answer ALL the questions that follow.

CASE STUDY

Falmer Hardware, a small business, is located at 5 Bakelite Street, Facade Town. The firm specializes in the sale of materials for building houses. The new accounting year started on August 1, 2010.

1. What is the closing date of the annual accounting period for this business? **(1 mark)**

During the month of April, Falmer Hardware holds the following source documents:

- Purchases invoices
- Cash bills
- Credit notes received
- Debit note received
- Voucher
- Receipts given
- Fixed asset purchase credit invoice

2. Why are the documents above called source documents? **(1 mark)**

Gregory Falmer, the owner of Falmer Hardware, has employed a trainee accounts clerk. He asks the clerk to place these documents in the correct folder named after the appropriate journals.

3. **On the worksheet provided**, complete the table by writing the correct journal folder to match the source document listed. **The first one is done for you as an example**. **(3 marks)**

The business started the new accounting period with the following assets and liabilities:

	$
Delivery truck	23 000
Inventory	12 200
Cash in hand	1 300
Bank overdraft	2 800
L. Sand, debtor	1 450
M. Rockfall, creditor	1 280

4. Draw up the opening entry for this business in Falmer Hardware's General Journal. **(5 marks)**

On August 1, 2010, the delivery truck was two years old. It is expected to last for five more years. It will then be sold for $2 000.

5. Using the straight line method of depreciation, calculate the net book value of the truck as at August 1, 2010.
(Show all working clearly.) **(2 marks)**

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During the month of August, Falmer Hardware carried out the following transactions:

Aug 1	The owner invested a further $2 000. This was deposited into the business' bank account.
Aug 2	Lester Village Credit Union loaned Falmer Hardware $10 000 by cheque at 6% per year interest over the next three years.
Aug 4	Purchased goods valued $9 000 from P. Lava paying by cheque.
Aug 6	Sold goods on credit to B. Sediment for $8 000 offering a 2% cash discount for payment before the end of the month.
Aug 12	Paid $700 in cash on the electricity bill which totalled $1 000.
Aug 15	Sold goods on credit to L. Sand for $4 000.
Aug 18	Withdrew $1 500 cash from bank for business use.
Aug 19	Purchased goods on credit for $3 000 from L. Silica.
Aug 20	Owner withdrew $600 from cash.
Aug 23	B. Sediment returned goods worth $400.
Aug 28	Cash sales of $11 200 deposited into the bank.
Aug 29	Received a cheque from B. Sediment in full settlement of account.
Aug 30	Paid M. Rockfall $1 200 by cheque in full settlement of his account.
Aug 30	Received cheque for $1 450 from L. Sand.
Aug 31	Paid one month's interest due on the loan in cash.
Aug 31	Paid $4 500 in rent for the next three months by cheque.
Aug 31	Paid monthly wages of $1 200 in cash.

6. Prepare the three-column Cash Book for Falmer Hardware for the month of August. **(11 marks)**

7. Draw up the Sales Account in the General Ledger of Falmer Hardware and balance the account at the end of the month. **(3 marks)**

8. Name the source document to be sent to B. Sediment for the return of the goods. **(1 mark)**

9. Draw up B. Sediment's Account in the Sales Ledger of Falmer Hardware and balance the account at the end of the month. **(3 marks)**

10. Give ONE example of EACH of the following types of accounts in Falmer Hardware's books:

(a) A prepaid expense

(b) An account affecting capital

(c) A long-term liability

(d) An accrued expense **(2 marks)**

The following were provided for Falmer Hardware for the month of September.

	$
Sales	34 700
Opening inventory	2 200
Closing inventory	3 800
Purchases	23 560
Returns outwards	340
Transportation-in	2 500

11. Calculate the following figures for Falmer Hardware for the month of September. (**Show all working clearly**.)

(a) Cost of goods sold
(b) Gross profit
(c) Gross profit margin (on sales)
(d) Stock turnover ratio **(8 marks)**

Total 40 marks

END OF TEST

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Worksheet Question No. 3

Centre No: .....

Candidate No: .....

Source Documents	Journal
Example: Purchases invoices	Purchases journal
Cash bills Credit notes received Debit note received Voucher Receipts given Fixed asset purchase credit invoice	

TO BE ATTACHED TO YOUR ANSWER BOOKLET