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FORM TP 02025029

JANUARY 2025

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

411

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This examination consists of FIVE questions.
2. Answer ALL questions.
3. Write your answers in the spaces provided in this answer booklet.
4. Do NOT write in the margins.
5. Show ALL working clearly.
6. You may use a silent, non-programmable calculator to answer questions.
7. You are advised to take some time to read through the paper and plan your answers.
8. 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.**
9. **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.**

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DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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Answer ALL questions.

Write your answers in the spaces provided in this booklet.

1. House of Razzle Dazzle operates a clothing and accessories store. The following list of transactions occurred during October 2024.

October 3	Received an invoice for goods for resale from Z-Fashion House, $6 000, less 25% trade discount.
6	Cash register tape showed cash sales totalling $13 954.
7	Paid advertising expense in cash, $2 600.
8	Banked $10 000 cash.
12	Received a credit note from Z-Fashion House for goods returned as damaged, costing $1 800 less 25% trade discount.
14	Received an invoice totalling $4 790 for additional shelves and mannequins for business use, from Display House.
18	Issued an invoice to Queen Bee for goods, $3 600 less 15% trade discount.
19	Returned $1 200 worth of the additional shelves purchased on 14 March from Display House.
25	Issued a credit note to Queen Bee for goods, $460 less 15% trade discount.
27	Paid Z-Fashion House by cheque in settlement of its account at this date, less 2% cash discount.
29	Received a cheque from Queen Bee in full settlement of its account at this date, less a cash discount of $175.

Use the forms provided **on pages 5 – 7** to prepare journal entries for the above transactions.

- Label EACH journal on the line provided at the top of the forms.
- Record entries for EACH transaction in the appropriate journal.
- Complete general journal entries with suitable narrations.
- Balance and rule the cash book at October 31, 2024.

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General Journal				
Date	**Details**	**Fo**	**Debit $**	**Credit $**

..... Journal			
Date	**Details**	**Fo**	**Amount $**

..... Journal			
Date	**Details**	**Fo**	**Amount $**

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..... Journal			
Date	**Details**	**Fo**	**Amount $**

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..... Journal			
Date	**Details**	**Fo**	**Amount $**

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House of Razzle Dazzle
Cash Book
For the Month Ended October 31, 2024

Date	Details	Fo	Disc Allowed	Cash	Bank	Date	Details	Fo	Disc Received	Cash	Bank

(Total 20 marks)

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2. Brown Leggy Ltd manufactures animal feed and has many employees.

(a) Define EACH of the following pay systems which Brown Leggy Ltd may use to calculate gross pay.

(i) Fixed rate

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(ii) Hourly rate

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(iii) Piece rate

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(iv) Commission plan

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(v) Bonus plan

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(5 marks)

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(b) Complete the table below to show the name of the account and ledger affected when posting totals from the journals identified below. In EACH case, the double entry rule must be observed. **An example has been provided for you.**

Journal	Ledgers and Accounts			
	Debit		Credit	
	Name of Account(s)	**Ledger**	**Name of Account(s)**	**Ledger**
Returns inward	Returns inward account	General ledger	Receivables account **Or** Sales ledger control account	Sales ledger **Or** General ledger
Sales				
Returns outward				

(6 marks)

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(c) State the accounting principle applied in the situations below, by writing the corresponding item letter from Table 1 in the spaces provided in the second table below.

TABLE 1: ACCOUNTING PRINCIPLES

Item Letter	Accounting Principle
A	Prudence
B	True and fair view
C	Objectivity
D	Going concern
E	Accruals

Situation	Item Letter
Brown Leggy Ltd applies a depreciation charge on assets each year over their economic useful life.	
It is policy at Brown Leggy Ltd that all accounting information should be based on verifiable evidence such as invoices and cheques.	
Sales are NOT recognized when goods are paid for in advance.	
Brown Leggy Ltd ensures that all financial statements are accurate reports on the performance of the company.	

(4 marks)

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(d) Brown Leggy Ltd decided to compare the company's ratios on December 31, 2025 with those on December 31, 2024.

Ratios	Year Ended December 31, 2025	Year Ended December 31, 2024
Collection period for receivables	35 days	45 days
Payment period for payables	40 days	30 days

For EACH of the ratios shown above, suggest TWO possible reasons for the change between December 31, 2024 and December 31, 2025.

(i) Change in the collection period for the receivables ratio.

Reason 1 .....

.....

Reason 2 .....

.....

(ii) Change in the payment period for the payables ratio.

Reason 1 .....

.....

Reason 2 .....

.....

(4 marks)

(e) Identify ONE possible outcome which could result from the business not having adequate working capital.

.....

.....

(1 mark)

Total 20 marks

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3. (a) Define the term 'depreciation'.

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(1 mark)

(b) On January 1, 2023, Callie Jonas, the owner of Callies Manufacturing Company (CMC), purchased a delivery truck costing $50 000. He is undecided on whether to charge depreciation using the straight-line or reducing balance method and has made the following decisions.

- Useful life is estimated to be 5 years
- Estimated scrap value is $10 000
- Depreciation rate for the reducing balance method would be 25% per annum

Complete the table provided below to show annual depreciation charges for the straight-line and the reducing balance methods for 2023 and 2024. **Show all working.**

Year	Straight-line Method		Reducing Balance Method	
	Working	**Depre. Charge per annum $**	**Working**	**Depre. Charge per annum $**
2023				
2024				

(5 marks)

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(c) CMC's accounting staff presented the following information.

	January 1, 2024 $	December 31, 2024 $
Raw materials inventory	47 500	60 000
Work in progress inventory	20 000	18 750

Additional Information

Purchases of raw materials	$142 500
Direct labour costs during the year	$197 500
Factory overhead costs during the year	$141 250

Prepare CMC's manufacturing account for the year ending December 31, 2024. Use the form provided below.

Callies Manufacturing Company (CMC) Manufacturing Account For the Year Ended December 31, 2024		

(7 marks)

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(d) The company manufactured 22 500 units. Compute the unit cost of production.

(2 marks)

(e) CMC has a mark-up policy of 60%. Calculate CMC's total unit selling price.

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(2 marks)

(f) The company sold all 22 500 manufactured units. CMC's operating expenses are 20% of sales. Calculate the value of the expenses.

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(3 marks)

Total 20 marks

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4. Ray's Appliances Shoppe sells small kitchen appliances including air fryers. He uses the AVCO method for inventory control and valuation of the air fryers.

(a) (i) Identify ONE **other** method of inventory control and valuation that Ray could have used.

.....

(1 mark)

(ii) State briefly how the method identified in (a) (i) works.

.....

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.....

(1 mark)

(b) During the month of December 2024, the following information is available for the movement of air fryers.

Date	Particulars	Number of Units	Cost Price $
2024 Dec 1	Balance on hand	502	200
6	Purchases	125	230
13	Sales	257	
19	Purchases	175	245
23	Sales	322	
29	Purchases	200	260
30	Sales	410	

Complete the form provided **on page 16**, to record the inventory valuation of air fryers for the month of December 2024, using the AVCO method. **Round off all calculations to the nearest dollar.**

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Avco Inventory Calculations					
Date	**Cost of Inventory In**	**Cost of Inventory Out**	**Unsold Inventory**	**Calculations of Average Cost**	**Value of Inventory on Hand**

(8 marks)

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(c) Calculate Ray's total cost for purchasing air fryers in the month of December 2024.

(2 marks)

(d) Ray sells an air fryer at the price of $650. Calculate the total revenue from the sale of air fryers for the month of December 2024.

(2 marks)

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(e) Prepare an income statement using the form provided below to show the gross income earned by Ray's Appliances Shoppe from the sale of air fryers for the month of December 2024.

Ray's Appliances Shoppe **Income Statement** **For the Month Ended December 31, 2024**		

(6 marks)

Total 20 marks

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5. COSTCO Sports Centre has a health, recreational and social facility. The trial balance on December 31, 2024 did not agree. It was short on the debit side by $368. This was entered in a suspense account.

The accounts clerk later discovered the following errors.

Item	Errors
1	The total of a page of the purchases account was $6 842, but it had been carried forward as $6 824.
2	A cheque received from DEC Ltd, $1 500, had been credited to the account of DDE Ltd.
3	The balance of the petty cash book, $200, had been omitted from the trial balance.
4	Repairs to motor vehicle, $293, had been debited to the motor vehicles account.
5	Purchases of fixtures on credit from TS Supplies, $3 000, had been debited to TS Supplies and credited to the fixtures account.
6	The total of the analysis column for stationery in the petty cash book, $150, had not been transferred to the stationery account in the ledger.

(a) Prepare the suspense account to correct the errors from the table above which require correcting by means of the suspense account. Start with the difference from the trial balance. Total the account.

COSTCO Sports Centre
Suspense Account
December 31, 2024

Date	Details	Debit $	Date	Details	Credit $

(6 marks)

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(b) Prepare journal entries to correct the errors which do NOT require correcting in a suspense account. Include a suitable narration for EACH entry.

Date	Details	Debit $	Credit $

(8 marks)

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(c) COSTCO Sports Centre's draft income statement for the year ended December 31, 2024 showed a net profit of $13 000. Prepare a revised profit statement for COSTCO Sports Centre for the year ended December 31, 2024, taking into consideration the correction of those errors which would have affected net profit.

(6 marks)

Total 20 marks

END OF TEST

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

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