FORM TP 2014103

TEST CODE **01239020**

MAY/JUNE 2014

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

22 MAY 2014 (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. Each question is worth 20 marks.
3. Keep ALL parts of EACH answer together.
4. You may use a silent, non-programmable calculator to answer questions.
5. You are advised to take some time to read through the paper and plan your answers.
6. Show all working clearly.

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. Swigger and Thirst entered into a business partnership on 01 January 2013. The total amount of capital contributed through the partnership was $60 000. Swigger contributed $40 000 of the total capital and Thirst contributed the balance. It is now **six months** since the partnership was formed.

Swigger and Thirst agreed to share profits in the ratio of 2:1 respectively. Partners' drawings for the six months ended 30 June 2013 were:

Partner	**Amount ($)**
Swigger	8 000
Thirst	600

The following information is available for the first **six months** ended 30 June 2013:

Profits calculated for the six months	$15 380
Other revenues earned, but which were not yet included in profits	$620
Interest on capital	10% per annum
Interest on drawings	5% per annum
Annual salary for Thirst	$18 000

(a) How much of the capital did Thirst contribute? **(1 mark)**

(b) Prepare the Appropriation Account of the partnership for the SIX months ended 30 June 2013. **(12 marks)**

(c) Prepare columnar Current Accounts of the partners for the SIX months ended 30 June 2013. **(7 marks)**

Total 20 marks

2. JT Enterprises, whose purchases and sales are all on credit, prepares Control Accounts at the end of every month.

At the end of April 2014, JT Enterprises provided the following information on its accounts payable and its accounts receivable.

Accounts Payable

	$	
Opening balances	5 100	(Cr), $310 (Dr)
Purchases for the month of April	63 720	
Purchases returns	620	
Payments to suppliers	59 970	
Discounts received	1 200	
Prepayment by cheque to suppliers	3 450	
Late payment charge	45	
Closing balance	270	(Dr)

Accounts Receivable

Opening balances	9 360	(Dr), $470 (Cr)
Sales for the month of April	87 890	
Sales returns	1 330	
Receipts from customers	69 110	
Discounts allowed	1 200	
Bad debts	1 320	
Customer's cheque returned	970	
Closing balance	550	(Cr)

Note: A firm, Escrow Ltd, is a supplier and a customer of JT Enterprises. At 30 April, Escrow Ltd's balances in the ledgers of JT Enterprises were as follows:

Purchases Ledger	$ 1 050
Sales Ledger	$ 375

The firm sets off the appropriate amount through the Control Accounts.

(a) State ONE reason why Control Accounts would be useful to JT Enterprises. **(1 mark)**

(b) Prepare the following Accounts for JT Enterprises:

(i) Purchases Ledger (Accounts Payable) Control Account **(8 marks)**

(ii) Sales Ledger (Accounts Receivable) Control Account **(11 marks)**

Total 20 marks

3. Jack Rapper, a small business owner, has not kept proper accounts. His son, a trainee accountant, presented the following details for the year ended 31 December 2013. Study the details carefully and answer the questions that follow.

Bank Account

	$		$
Balance brought forward	14 500	Accounts payable	38 800
Accounts receivable	69 200	Rent	6 000
		Utilities	9 100
		General office expenses	4 700
		Wages	8 600
		Motor vehicle	15 000

Additional information

	01 January 2013	31 December 2013
	$	$
Accounts payable	6 400	5 900
Inventories	8 945	9 800
Accounts receivable	10 200	8 400
Motor vehicles at cost	25 000	
Wages owing		750
Utilities prepaid	600	
Cash in hand	760	130

Motor vehicles depreciate at a rate of 5% on cost per annum.

All purchases and sales were on credit terms.

Purchases for the year totalled $38 300.

(a) Prepare Jack Rapper's Statement of Affairs as at 01 January 2013. **(6 marks)**

(b) Using an account, determine the sales for the year. **(4 marks)**

(c) Prepare Jack Rapper's Income Statement for the year ended 31 December 2013. **(10 marks)**

Total 20 marks

SECTION II

Answer any TWO questions in this section.

4. (a) Define EACH of the following accounting terms. Give ONE example in EACH case.

(i) Fixed asset **(2 marks)**

(ii) Useful life **(2 marks)**

(iii) Net book value **(2 marks)**

(b) On 01 May 2013, Farley Caterers owned two depreciable assets consisting of a delivery van and an industrial stove. The following information was provided.

	Cost Price ($)	**Net Book Value ($)**
Delivery van	200 000	140 000
Industrial stove	60 000	38 400

The company charges depreciation on its assets as follows:

- Delivery van at the rate of 30% per annum using the straight line method
- Industrial stove at the rate of 20% per annum using the reducing balance method.

(i) Calculate the depreciation charge on the delivery van for the year ended 30 April 2014 using the straight line method. **(Show working clearly.)** **(3 marks)**

(ii) Draw up a balance sheet extract for the van showing cost, accumulated depreciation and net book value as at 30 April 2014. **(4 marks)**

(iii) Calculate the depreciation charge on the industrial stove for the year ended 30 April 2014 using the reducing balance method. **(Show working clearly.)** **(3 marks)**

(iv) Draw up the Provision for Depreciation Account for the industrial stove starting with the amount of accumulated depreciation as at 01 May 2013 as balance brought forward. **(4 marks)**

Total 20 marks

5. JB Manufacturing Company produces athletics equipment. The following information was provided for the year ended 31 December 2013. Study the information carefully and answer the questions that follow.

	$	**$**
Purchases of direct materials	65 000	
Rent		6 000
Power		10 000
Carriage inwards on raw materials	2 000	
Insurance on factory equipment		3 500
Direct expenses [factory]		1 500
Factory wages	30 000	
Indirect materials used		7 000
Depreciation on factory equipment		2 500
Factory manager's salary		12 000
Janitor's salary		8 000
Sales		190 000
Property taxes on factory building		800

Additional information

- Inventory valuation

	01 January 2013	**31 December 2013**
	$	$
Direct materials	7 500	4 300
Finished goods	21 000	24 200
Work in process	2 900	3 300

- Rent and power are to be shared as follows – 75% to the factory and 25% to administration.
- The janitor spends 80% of his time cleaning the factory.

(a) Prepare a Manufacturing Account for JB Manufacturing Company for the year ended 31 December 2013.

Show clearly:

- Prime cost
- Total factory overheads
- Cost of production **(16 marks)**

(b) Prepare the Trading Account for the company to determine its gross income. **(4 marks)**

Total 20 marks

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6. (a) The Young Achievers Credit Union Co-operative was formed on 01 January 2014. There were 12 000 student members who paid membership fees of $3 EACH. Each member also bought five shares costing $10 PER SHARE.

Prepare the journal entries, including narrations, to record the above transactions. **(7 marks)**

(b) Young Achievers Credit Union Co-operative presented the following Receipts and Payments Account at the end of March 2014. Study the information carefully and answer the questions that follow.

Young Achievers Credit Union Co-operative
Receipts and Payments Account
For the Month of March 2014

Particulars	**Amount $**	**Particulars**	**Amount $**
Balance brought forward	5 000	Purchases of meats for BBQ	950
Ticket sales from fundraising BBQ	6 840	Purchases of drinks for BBQ	1 200
Interest earned on deposits	4 240	Advertising for BBQ	200
Interest earned from loans to members	3 960	Wages for BBQ	750
		Balance carried forward	16 940
	20 040		20 040
Balance brought forward	16 940		

Note: There was an opening stock of drinks totalling $650 on 01 March.

A fundraising barbecue (BBQ) activity was held in March. At the end of the BBQ, there was $1 170 worth of drinks still unsold.

(i) Calculate the cost of drinks sold for the BBQ fundraising activity. **(4 marks)**

(ii) Prepare the Income Statement for the BBQ fundraising activity to show the profit made from this event. **(6 marks)**

(iii) Calculate the amount of income for the month of March 2014. **(Show working clearly.)** **(3 marks)**

Total 20 marks

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7. Pets Plus prepares weekly payrolls for two employees hired on the following terms:

Employees	**Normal rate of pay**	**Normal hours or days**	**Time Worked**
Sales attendant	$10 per hour	40 hours	45 hours
Cashier	$120 per day	5 days	5 days

(a) List TWO basic source documents used in preparing payrolls. **(2 marks)**

(b) Distinguish between 'voluntary deductions' and 'statutory deductions'. **(2 marks)**

(c) Complete the Pets Plus Payroll Sheet, **provided as an insert,** for the week ended 26 April 2014, considering the following additional information.

Particulars	**Rate**
Overtime	1.5 × normal rate
Social security (tax deductible)	5%
Pension fund (tax deductible)	1%
Income tax	10%

(16 marks)

Total 20 marks

END OF TEST

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

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Question No. ..... 7. (c) .....

Candidate No. .....

PETS PLUS Payroll Sheet For the Week Ended 26 April 2014												
Employee	**Pay rate $**	**Normal hours or days**	**Over-time hours**	**Normal pay $**	**Overtime pay $**	**Gross pay $**	**Social Security $**	**Pension Fund $**	**Taxable income $**	**Income Tax $**	**Total deductions $**	**Net pay $**
Sales attendant												
Cashier												
TOTALS												

TO BE ATTACHED TO YOUR ANSWER BOOKLET