FORM TP 02025030

TEST CODE **01239032**

JANUARY 2025

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

1 hour 30 minutes

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READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
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.**

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

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This paper consists of a case study and FIVE questions. Read the case and answer ALL the questions that follow in the spaces provided in this booklet.

CASE STUDY

Diddi Bram grew up in a small fishing village close to the sea. Naturally, he grew up learning the art and skills of seafaring and fishing, and from this he made a living as a young man. Now, a full-grown man, Diddi Bram decided to become a sea moss farmer, dealing in ocean-grown, sun-dried, organic sea moss. He started his own Diddi Bram's Organic Sea Moss Farm business. On January 1, 2023, he completed building himself a square-sail raft to support his sea moss farming activities, using mostly recyclable materials which he collected on the beach.

• On January 1, 2023 Diddi Bram opened an account at the Sea Farmers' Cooperative Credit Union with $50 000 as his venture's start-up capital.
• On January 1, 2023 Diddi Bram bought 10 yards of material on credit from World of Fabrics at a cost of $56 per yard. This material was used to make the square sail for the raft.
• The finished raft which Diddi Bram built to support his organic sea moss farming business had a fair market value of $10 000 at the start of the business.
• On January 5, 2023, Diddi Bram withdrew $2 000 from the bank to provide available cash on hand for the business.

1. (a) State the name of the type of business which Diddi Bram has formed.

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(1 mark)

(b) Calculate the net worth or value of Diddi Bram's Organic Sea Moss Farm at the start of business on January 1, 2023.

(3 marks)

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(c) Use the form provided below to draw up the beginning statement of financial position for this new venture as at January 1, 2023, using the order of liquidity. You may use either a vertical or horizontal presentation format.

(4 marks)

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2. At the end of the first quarter of operations, Diddi Bram had the following source documents in hand.

No. 961

Sea Farmers' Cooperative
Caribbean Isle, Lesser Antilles
CASH INVOICE

January 10, 2023

Sold to: Diddi Bram's Organic Sea Moss Farm, Laborie Fishing Village

Qty	Particulars	Unit Price $	Total Amount $
10 bundles	Sea moss plants	150.00	1 500.00
	Less: 20 per cent trade discount		300.00
			1 200.00

No. 1

Diddi Bram's Organic Sea Moss Farm
Laborie Fishing Village
INVOICE

February 28, 2023

Sold to: Cool Breeze Bar & Restaurant, Easy Street, Laborie

Qty	Particulars	Unit Price $	Total Amount $
75 kilos	Dried sea moss	$60 per kilo	4 500.00
	Terms of sale: 5/10, n/30		

- Cool Breeze Bar & Restaurant settled the full amount due by cheque on March 8, 2023.

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No. 1

Diddi Bram's Organic Sea Moss Farm
Laborie Village
CASH INVOICE

March 19, 2023

Qty	Particulars	Unit Price $	Total Amount $
80 kilos	Dried sea moss	$30 per kilo	2 400.00

- On March 25, 2023 Diddi Bram settled the debt owed to World of Fabrics by cheque.

(a) Calculate the settlement amount which Diddi Bram received from Cool Breeze Bar & Restaurant on March 8, 2023.

(2 marks)

(b) Beginning with the opening bank balance, use appropriate data from the information provided above, to complete the cash book for Diddi Bram for the 1st quarter ended March 31, 2023. A form has been provided for your answer **on page 8**. Balance and rule the cash book at month end.

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DIDDI BRAM'S CASH BOOK For the 1st Quarter Ended March 31, 2023											
Date	Details	Fo.	Discount Allowed	Cash	Bank	Date	Details	Fo.	Discount Received	Cash	Bank

(6 marks)

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3. Diddi Bram is considering whether to take a partner into his business.

(a) Prepare the ledger account for Cool Breeze Bar & Restaurant to show the transactions it conducted with Diddi Bram's Organic Sea Moss Farm during the 1st quarter of 2023. Balance and close off the account at month end.

ACCOUNT TITLE: _____

DATE	DETAILS	FO	DEBIT	DATE	DETAILS	FO	CREDIT

(3 marks)

(b) State ONE advantage of Mr Bram having a partnership business instead of his present form of business.

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(1 mark)

(c) Advise Mr Bram of ONE disadvantage of forming a partnership business.

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(1 mark)

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(d) On April 1, 2023 Quan Soso provided Didi Bram with a cheque for $40 000 and was admitted as a partner in Diddi-Quan Organic Sea Moss Productions.

Terms of Partnership

- Interest on capital will be paid at the rate of 10 per cent per annum.
- 5 per cent interest per annum will be charged on partners' drawings.
- Partners will share profits and losses in ratio to their capital contributions.

Use the form provided below to prepare the journal entry to record the admission of Quan Soso as a partner in the business. Narration is not required.

GENERAL JOURNAL				

(2 marks)

(e) Besides selling their ocean-grown, sun-dried, organic sea moss, the partners are considering options for creating additional revenue streams.

State ONE **other** line of sea moss-related business activity that the partners could undertake to bring in additional revenue for the partnership.

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(1 mark)

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4. (a) The sea moss farming partnership business has been flourishing and the partners anticipate growing sales due to national festivities celebrating Creole culture during the month of October, followed by increased demands for sea moss over the Christmas season. The partners have provided the following projections for sales in the 3rd quarter of operations.

Projected Sales Units 3rd Quarter of Trading	
Month	Kilos of Sea Moss
October	1 900
November	800
December	1 200
January	660

Additional Information

The partners have been using a policy of maintaining inventory levels at 25 per cent of the following month's anticipated sales.

Prepare the production budget for Diddi-Quan Organic Sea Moss Productions for the 3rd Quarter ending December 31, 2023. A form has been provided below for your answer.

Diddi-Quan Organic Sea Moss Productions Production Budget For the 3rd Quarter Ending December 31, 2023			
	October	**November**	**December**
	Kilos	**Kilos**	**Kilos**
Sales Units Projected			
Opening Inventory			
Closing Inventory			
Production Units			

(5 marks)

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(b) (i) Currently, the business' popular variety of ocean-grown, sun-dried, organic sea moss sells at the price of $30.00 per kilo.

Use the form provided below to prepare the business' sales budget showing projected inflow of revenues for the 3rd quarter.

Diddi-Quan Organic Sea Moss Productions Sales Budget For the 3rd Quarter Ending December 31, 2023			
	October	**November**	**December**
Sales (Kilos)			
Sales (Value)			

(2 marks)

(ii) Calculate the total projected cash inflows for the 3rd quarter of the partnership business.

(1 mark)

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5. At the end of the first year of operations, the partnership business realized a net income of $62 860. Other information at March 31, 2024 was as follows.

Partnership Drawings	**$**
Diddi Bram	3 000
Quan Soso	2 400

(a) Refer to the terms of the partnership, **on page 10**, and draw up the appropriation account for Diddi-Quan Organic Sea Moss Productions for the year ended March 31, 2024.

Diddi-Quan Organic Sea Moss Productions Appropriation Account For the Year Ended March 31, 2024		

(5 marks)

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(b) (i) Calculate the return on investment (ROI) for Diddi Bram.

(2 marks)

(ii) What is the significance of the value calculated in (b) (i) as it relates to Diddi Bram's business?

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(1 mark)

Total 40 marks

END OF TEST

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

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