CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

08 JANUARY 2020 (a.m.)

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FILL IN ALL THE INFORMATION REQUESTED CLEARLY IN CAPITAL LETTERS.

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SUBJECT PRINCIPLES OF ACCOUNTS – Paper 02

PROFICIENCY GENERAL

REGISTRATION NUMBER | | | | | | | | | | |

SCHOOL/CENTRE NUMBER					

NAME OF SCHOOL/CENTRE

CANDIDATE'S FULL NAME (FIRST, MIDDLE, LAST)

DATE OF BIRTH | D | D | M | M | Y | Y | Y | Y |

SIGNATURE _____

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FORM TP 2020028

JANUARY 2020

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This examination consist 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.**

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

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Write your answers in the spaces provided in this booklet.

1. (a) (i) Suggest ONE reason why a Trial Balance must always be in balance?

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(1 mark)

(ii) Identify TWO errors that are NOT revealed by a Trial Balance.

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(2 marks)

(b) The following balances were taken from the books of Henry's Pizza at the beginning and end of 2019.

No.	Account Titles	1 January 2019 $	31 December 2019 $
1	Bank	3 800	2 000
2	Cash	1 900	500
3	Machinery	25 000	23 300
4	Accounts receivable	1 850	1 000
5	Loan	5 400	3 200
6	Equipment	12 500	10 600
7	Accounts payable	1 625	1 150
8	Inventory	9 000	7 500

Required

Using the information given **on page 4**, answer the following questions.

(i) Calculate capital on 1 January 2019 and 31 December 2019.

Capital on 1 January 2019	Capital on 31 December 2019

(4 marks)

(ii) What was the net profit or net loss for the year?

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(2 marks)

(iii) What was the total value of non-current assets at year end?

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(2 marks)

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(iv) How would inventory at 31 December 2019 be classified on the Statement of Financial Position (Balance Sheet)?

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(1 mark)

(v) Which item is a current liability?

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(1 mark)

(vi) Calculate the working capital at the start of the year.

(3 marks)

(vii) In the table in (b) **on page 4**, Account Titles 1, 2 and 8 are current assets. List the names of the current assets in order of liquidity.

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(1 mark)

(viii) What term describes the reduction in the value of equipment?

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(1 mark)

(ix) How much money is owing to the firm at year end?

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(1 mark)

(x) What term is used to describe the business if it CAN pay its liabilities as and when due?

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(1 mark)

Total 20 marks

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2. Irius owns a souvenir business which bears his own name. On 1 November 2019 his business' cash in hand was $1 380 and cash at bank was $ 1 590. During November, the following transactions occurred.

Date		Transaction
Nov	5	Cash sales totalled $1 030.
	8	Paid Elwin Ltd $2 660 by cheque, and received a discount of $140.
	11	Transferred $980 of the cash on hand to the business' bank account.
	19	Paid business' telephone expenses, $280 in cash.
	22	Received a cheque from Amed Supplies Ltd in full settlement of its account of $1 300 less a 3% discount for prompt settlement.
	24	Irius wrote a cheque for $560 to pay for the electricity bill for his home.
	30	CM Stores was issued a cheque of $3 325 in full settlement of its account of $3 500.

Required

(a) Using the form provided **on page 9**, prepare the business' three-column cash book for November 2019:

- Balance the cash book at month end and bring down the balances into the next period.
- Total the discount columns.
- Enter appropriate folio references in the cash book as if entries had been posted.

Ledger accounts are not required. **(19 marks)**

(b) What is the significance of the balance on the bank account at the end of the month?

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(1 mark)

Total 20 marks

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Date	Particulars	Fo	Dis All'd	Cash $	Bank $	Date	Particulars	Fo	Dis Rec'd	Cash $	Bank $

NOTE: Dis All'd means Discount Allowed
Dis Rec'd means Discount Received

GO ON TO THE NEXT PAGE

3. W. Watson, a sole proprietor, presented the following trial balance at 31 December 2019.

Account Titles	Debit $	Credit $
Purchases and sales	35 000	43 500
Sales returns and purchases returns	500	620
Opening inventory	10 000	
Shop fittings at cost	6 000	
Van at cost	4 000	
Receivables and payables	800	700
Provision for doubtful debts		80
Electricity	600	
Telephone	100	
Salaries	3 000	
Bad debts	980	
Bank	300	
Capital		18 180
Drawings	1 800	
	63 080	**63 080**

Additional Notes

(i) Closing inventory at 31 December was $12 000.

(ii) Depreciation is to be provided using the straight-line method as follows:

a) Shop fittings at 10% per annum

b) Van at 20% per annum

(iii) Electricity prepaid, $50.

(iv) Telephone account outstanding, $22.

(v) Accrued salaries, $500.

(vi) The provision for doubtful debts must be 15% of receivables.

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Required

(a) In the space provided below, prepare an Income Statement for W. Watson for the year ended 31 December 2019.

(15 marks)

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(b) In the space provided below, prepare an **extract** of W. Watson's Statement of Financial Position (Balance Sheet) to show the **Capital section only**, as at 31 December 2019.

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(5 marks)

Total 20 marks

4. (a) In the space provided below, draw and label a diagram to show the SIX stages of the accounting cycle for the owner of Ziggy's Shoe Shop.

(7 marks)

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(b) Identify the type of business organization described in EACH situation below.

(i) A large sized enterprise with many employees and owned by a single person.

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(1 mark)

(ii) Shares in this type of business cannot be sold by shareholders on the stock market.

.....

(1 mark)

(iii) Three friends operate a business in which the actions of one of them is binding on the other two.

.....

(1 mark)

(iv) An organization, operated by members, which provides services to members and is often financed by donations, fund-raising and subscriptions.

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(1 mark)

(c) (i) Identify ONE internal user of accounting information and state how this information is used by that user.

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(2 marks)

(ii) Identify ONE external user of accounting information and state how this information is used by that user.

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(2 marks)

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(d) Each of the transactions below violates an accounting concept or principle. State the concept or principle that is being violated.

(i) Mr Peters paid the water bill for his private home and recorded it as a business expense.

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(1 mark)

(ii) Ian, a receivable, is unable to pay due to bankruptcy and the business is likely to lose $8 000. Management refuses to create a provision for doubtful debts or to write off this amount as a bad debt.

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(1 mark)

(iii) In order to report higher profits for the financial year, management changed its method of calculating depreciation from the straight line to the reducing balance method.

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(1 mark)

(iv) Revenue earned in January 2018 was not recorded until the money was actually received in the following financial period in January 2019.

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(1 mark)

(e) With reference to the violation in (d) (ii) above, what is the effect on the Income Statement?

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(1 mark)

Total 20 marks

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5. The accounting department of Janz Place provided the following information from its various books.

Item No.		January 2019	December 2019
1	Credit sales		295 380
2	Credit purchases		162 500
3	Accounts receivable	5 460	
4	Accounts payable	4 500	
5	Cash and cheques received from accounts receivable		290 650
6	Cash and cheques paid to accounts payable		158 700
7	Discounts allowed		1 890
8	Discounts received		1 940
9	Sales returns		2 200
10	Purchases returns		3 700
11	Interest charged on late payments from credit customers		640
12	Refunds for overpayments from accounts payable		1 240

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(a) Using the information provided **on page 16,** prepare EACH of the following TWO control accounts for the year ended December 2019. Total and bring down balances for the start of the next year.

(i) Sales Ledger Control Account

Particulars	Debit	Particulars	Credit

(8 marks)

(ii) Purchases Ledger Control Account

Particulars	Debit	Particulars	Credit

(8 marks)

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(b) With reference to the entries made in the control accounts for Janz Place **on page 17**, what is the accounting department's source of entry for EACH of the following items?

Item No. 1

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Item No. 12

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(2 marks)

(c) Identify TWO examples of accounting software used for preparing and processing payroll.

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(2 marks)

Total 20 marks

END OF TEST

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

EXTRA SPACE

If you use this extra page, you MUST write the question number clearly in the box provided.

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CANDIDATE'S RECEIPT

INSTRUCTIONS TO CANDIDATE:

1. **Fill in all the information requested clearly in capital letters.**

TEST CODE: | 0 | 1 | 2 | 3 | 9 | 0 | 2 | 0 |

SUBJECT: PRINCIPLES OF ACCOUNTS – Paper 02

PROFICIENCY: GENERAL

REGISTRATION NUMBER: | | | | | | | | | | |

FULL NAME: _____

(BLOCK LETTERS)

Signature: _____

Date: _____

2. **Ensure that this slip is detached by the Supervisor or Invigilator and given to you when you hand in this booklet.**

3. **Keep it in a safe place until you have received your results.**

INSTRUCTION TO SUPERVISOR/INVIGILATOR:

Sign the declaration below, detach this slip and hand it to the candidate as his/her receipt for this booklet collected by you.

I hereby acknowledge receipt of the candidate's booklet for the examination stated above.

Signature: _____
Supervisor/Invigilator

Date: _____



