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MAY/JUNE 2008

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

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

19 MAY 2008 (p.m.)

1. **Answer ALL questions.**

2. **Answer the questions on the Answer Booklet provided and return it.**

3. **Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**

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INSTRUCTIONS: This paper consists of a case study and FIFTEEN questions. Candidates must answer all FIFTEEN questions.

CASE STUDY

PART A

The Form 3 students of the St. Paul's High School took over the operations of the school's cafeteria on September 1, 2006. They acquired the following assets and liabilities:

Items	$
Equipment	12 000
Inventory (Stock)	2 800
Accounts payable	1 650
Fixtures & fittings	4 500
Petty cash	400
Bank overdraft	2 250

1. Calculate the opening capital. **(1 mark)**

2. Prepare a classified Balance Sheet for the St. Paul's High School Cafeteria, using the vertical style. **(6 marks)**

PART B

In order to increase the capital, each of the 25 students purchased one share in the business. Each share had a value of $20.

3. Calculate the amount of additional capital invested. **(1 mark)**

4. Identify the type of business formed by the students. **(1 mark)**

PART C

On August 31, 2007, various students collected information and presented their reports to the class.

PART D

Student A reports:

The following are cash transactions for the year to August 31, 2007.

- $2 500 was made in cash sales.
- $1 200 was used to pay the wages of two full-time employees.
- $700 was paid for carriage of the goods purchased.
- $400 was paid to suppliers of raw materials.

5. Prepare the Cash Account for the year to August 31, 2007. **(6 marks)**

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PART E

Student B reports:

Bank Account
For the year to August 31, 2007

	$		$
Capital introduced	500	Balance b/d	2 250
Sales	91 000	Purchases	70 000
		Electricity	12 400
		Creditors	1 650
		Sundry expenses	210
		Refrigerator (Equipment)	3 600
		Balance c/d	1 390
	91 500		91 500

PART F

Student C reports:

- Equipment and fixtures and fittings are to be depreciated at the rate of 10% per annum using the straight line method.
- Inventory at the end of the period is $2 300.

6. Using the reports provided by students A, B and C, as well as the relevant information from the opening balances, prepare the Income Statement (Trading and Profit and Loss Account) for St. Paul's High School Cafeteria for the period ending August 31, 2007. **(12 marks)**

7. Calculate the following ratios, showing formulae used and workings:

(i) Gross profit margin

(ii) Stock turnover ratio **(3 marks)**

8. Identify ONE method of stock valuation that Student C can use to arrive at ending stock. **(1 mark)**

PART G

Student D rushes in late with the following information:

Current assets and liabilities are as follows:

	$
Inventory (Stock)	2 300
Bank	1 390
Cash	600
Accruals	75
Prepayments	1 400
Creditors	1 650

9. Using the above report from Student D, calculate the working capital of the business. **(Show workings).** **(3 marks)**

At a meeting of student-owners on September 1, 2007, students who are NOT in the Principles of Accounts class asked certain questions. Provide suitable SHORT answers to the following questions.

10. How was the Net Profit calculated? **(1 mark)**

11. In which financial statement, other than the Trading Account, would ending stock appear? **(1 mark)**

12. Why is the electricity expense so much more than the other expenses? **(1 mark)**

13. What does the gross profit margin indicate about a business? **(1 mark)**

14. What does the stock turnover ratio indicate about a business? **(1 mark)**

15. What is meant by 'a good working capital ratio'? **(1 mark)**

Total 40 marks

END OF TEST

