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FORM TP 2023113

MAY/JUNE 2023

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper 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.**

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

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1. Yahim, a sole trader, owns a printing firm called Yahim Printing Services. He has been recording his accounting information manually. Yahim intends to hire a bookkeeper to assist him with incorporating a software program into his business to make his workload easier and to improve his accounting system.

(a) (i) Identify ONE accounting software program that Yahim can use to help improve the business.

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(1 mark)

(ii) Identify ONE skill a bookkeeper should possess.

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(1 mark)

(b) The following table shows transactions that were omitted from the books.

Date	Transactions
2022 2 April	Bought goods on credit costing $400 from R. True.
8 April	Sold goods valued at $600 on credit to U. Moon.
12 April	U. Moon returned $50 worth of goods.
18 April	Received an invoice from B. Vic for goods worth $4 000 less a trade discount of $33\frac{1}{3}\%$.
19 April	Goods returned to L. Son. These goods had been invoiced at $120 less a trade discount of 20%.

(i) Using the following general journal, record the transactions from the table **on page 4. Narrations are NOT required.**

Yahim Printing Services General Journal				
Date	**Details**	**Folio**	**Debit $**	**Credit $**

(5 marks)

(ii) Identify the source document that was issued for the transaction on 19 April 2022.

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(1 mark)

(c) The following information is available for three of the employees of Yahim Printing Services.

Employee: Leila

Leila's annual salary was agreed at $84 000 for the year ended April 2023. Yahim has agreed to give her a 2% pay raise on her annual salary for the new financial year ending 30 April 2024.

(i) Calculate Leila's **monthly** gross earnings for the new financial year ending 30 April 2024.

(3 marks)

Employee: Samson

Samson is paid $30 per hour. Yahmin has contracted him to work 35 hours per week. For the week ended 30 April 2023, he worked 49 hours. Overtime is paid at time and a quarter.

(ii) Calculate Samson's gross wage for the week ended 30 April 2023.

(4 marks)

GO ON TO THE NEXT PAGE

Employee: Dolly

Dolly earns a basic salary of $3 400 per month. In addition, she is paid a commission of 2% of the amount by which the revenue of the business exceeds $40 000 per month.

For the month of April 2023, the company's revenue was $58 000.

(iii) Calculate Dolly's gross pay for the month of April 2023.

(3 marks)

(iv) State TWO types of compulsory deductions that are normally deducted from employees' gross pay.

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(2 marks)

Total 20 marks

2. Nyluc is a computer consultant. She provided the following information below about her cash book for the financial year ended 30 April 2023.

Nyluc Consultancy Services
Cash Book

Date	Details	Dis-count $	Cash $	Bank $	Date	Details	Dis-count $	Cash $	Bank $
2023 1April	Balance b/d		450		2023 1 April	Balance b/d			5 600
4	K. Lima	250		20 000	1	Petty cash PCBB			200
10	12% bank loan			60 000	9	ADF Plc - dishonoured cheque			6 000
12	Booker Centre Ltd	5 000		245 000	15	O. Maoris	1 500		18 000
18	Consultation fee		16 000		24	General expense			20 000
28	Cash			14 500	28	Bank		14 500	
					29	K. Lima (refund)			1 600
					30	Bank charges			250

GO ON TO THE NEXT PAGE

0 1 2 3 9 0 2 0 0 8

(a) State the meaning of EACH of the balances on 1 April 2023.

(i) Balance b/d in the cash column

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(1 mark)

(ii) Balance b/d in the bank column

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(1 mark)

(b) (i) State whether Nyluc Consultancy Services allowed or received a discount of $1 500 on 15 April 2023.

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(1 mark)

(ii) State TWO reasons why the cheque from ADF Plc may have been dishonoured on 9 April 2023.

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(2 marks)

(iii) State the reason for the two entries on 28 April 2023.

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(1 mark)

(c) (i) Calculate the percentage discount on 12 April 2023.

(2 marks)

(ii) Suggest a reason why Nyluc Consultancy Services had to refund K. Lima on 29 April 2023.

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(1 mark)

(iii) Calculate the yearly interest that Nyluc Consultancy Services would have to pay for the bank loan shown on 10 April 2023.

(2 marks)

(iv) Calculate the balances in the cash book for 1 May 2023. State whether they would be debit or credit balances.

Balance b/d in cash column on 1 May 2023 $.....

Type of balance (debit/credit) .....

Balance b/d in bank column on 1 May 2023 $.....

Type of balance (debit/credit) .....

(4 marks)

GO ON TO THE NEXT PAGE

(d) Complete the following accounts in the books of Nyluc Consultancy Services for the month of April 2023, using the information in the cash book **on page 8**. **Close EACH account at the end of the month.**

(i) **K. Lima**

Date	Details	Folio	Debit $	Date	Details	Folio	Credit $
2023 1 April	Balance b/d		56 000				

(3 marks)

(ii) **Discount Allowed**

Date	Details	Fo	Debit $	Date	Details	Fo	Credit $

(2 marks)

Total 20 marks

3. The following information is available for Chevon Manufacturing Company.

At 1 May 2022	**$**
Raw material inventory	23 000
Work-in-process inventory	14 000
Finished goods inventory	42 000
For the year ended 30 April 2023	
Sales revenue	658 500
Purchases of raw materials	306 000
Factory wages — 60% of the factory wages are direct and the rest are indirect.	123 000
Royalties	17 000
Returns inwards	1 600
Carriage inwards	2 000
Rates and insurance — The rates and insurance are to be apportioned 4:1 between the factory and the office.	45 000
General expense — $3 500 apportioned to the office and the remainder to the factory.	14 000
At 30 April 2023	
Raw material inventory	33 000
Work-in-process inventory	29 000
Finished goods inventory	38 000

GO ON TO THE NEXT PAGE

Use the information from the table **on page 12** to answer the following questions.

(a) (i) Identify TWO examples of direct costs used in the manufacturing of the product.

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(2 marks)

(ii) Identify THREE examples of indirect costs used in the manufacturing of the product.

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(3 marks)

(b) (i) Using the form **on page 15**, prepare the manufacturing account for the year ended 30 April 2023 for Chevon Manufacturing Company, showing clearly

- the cost of raw materials consumed
- the prime cost
- total factory manufacturing overheads
- the production cost of goods completed for the year ended 30 April 2023.

(12 marks)

(ii) Calculate the net sales figure.

(1 mark)

Chevon, the owner, paid $2 300 for insurance. This amount covered the $1 200 insurance premium on Chevon Manufacturing Company and the $1 100 insurance premium on Chevon's family house.

The accountant credited the bank account with $2 300, debited the insurance expense account with $1 200 and debited the drawings account with $1 100.

(c) (i) Identify the accounting principle applied by the accountant in this transaction.

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(1 mark)

The accountant did not make any entries in the accounting records for orders received for goods to be supplied in the next financial year on May 13 2023.

(ii) Identify the accounting principle the accountant has applied.

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(1 mark)

Total 20 marks

GO ON TO THE NEXT PAGE

Chevon Manufacturing Company Manufacturing Account For the Year Ended 30 April 2023			
	$	$	$

GO ON TO THE NEXT PAGE

4. Brooklyn Sal is the owner of two businesses — Brooks Technologies and Brooky Computer Supplies Ltd.

Brooks Technologies manufactures components used in the production of computer monitors.

The forecasts for sales of the components during each quarter of 2023 are presented in the following table.

2023	Units
Quarter 1 January – March	6 000
Quarter 2 April – June	8 000
Quarter 3 July – September	12 000
Quarter 4 October – December	16 000

Brooklyn's policy is to maintain a closing inventory sufficient to cover 25% of the next quarter's sales.

The opening inventory for the components on 1 January 2023 will be 1 500 units.

(a) (i) Prepare a production budget for EACH of the first TWO quarters of 2023 for the components.

	Quarter 1	**Quarter 2**

(6 marks)

(ii) The selling price of one component is $65. The cost of producing one component is $50. Calculate the mark-up applied by Brooks Technologies for a component.

(2 marks)

On 31 December 2022, Brooklyn discovered the following errors in the books of Brooky Computer Supplies Ltd.

Error A: The balance of $12 436 for office furniture was recorded in the ledger account as $12 364.

Error B: An item of capital expenditure had been recorded as revenue expenditure.

Error C: An item of capital expenditure had been overstated in the books.

(b) (i) Complete the following table by putting ticks (√) in the correct columns to indicate the effect of the errors on the non-current assets and the profit for the year.

An example has been provided for you.

Error	Non-Current Assets at 31 December 2022		Profit for the Year Ended 31 December 2022		
	Overstated	Understated	Overstated	Understated	No effect
A		√			√
B					
C					

(4 marks)

(ii) Identify TWO payment methods that Brooklyn can use to pay suppliers of Brooks Technologies for tools purchased on credit.

1. .....

2. .....

(2 marks)

Brooklyn maintains a full set of books of account. A purchases ledger control account and a sales ledger control account are prepared at the end of every month.

(c) (i) State TWO uses of control accounts in the accounting process.

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(2 marks)

The following balances were extracted from the books of Brooky Computer Supplies Ltd at 30 April 2023.

	$
Refunds to trade receivables	1 400
Contra items transferred to purchases ledger	550
Bad debts	700
Interest charged on overdue accounts	2 600

(ii) Record the balances above as they would appear in the sales ledger/receivables control account.

	Debit Entry	**Credit Entry**
Refunds to trade receivables		
Contra items transferred to purchases ledger		
Bad debts		
Interest charged on overdue accounts		

(4 marks)

Total 20 marks

5. The following is a list of some balances which were extracted from the books of the Caribbean Teachers' Cooperative Credit Union for the year ended 30 April 2023.

	Debit $	**Credit $**
Membership fees due	15 000	
Short-term loans to members	301 900	
Building at cost	220 000	
Investments	83 400	
Motor vehicles at cost	140 000	
Provision for depreciation on motor vehicles — as at 1 May 2022		20 000
Accruals		4 400
Members' deposits (repayable at short notice)		20 000
Bank balance	40 400	
Education statutory reserve		90 000
Share capital		557 000
Undistributed surplus at 1 May 2022		33 400
Surplus for the year		75 900

Additional notes

The following adjustments had not been taken into consideration in arriving at the surplus for the year.

A	The building insurance expense had not been adjusted for a prepayment of $500.
B	Motor vehicles were not depreciated for the current year. The policy is to use the reducing balance method, at the rate of 25% per annum.
C	The board of directors decided to transfer $12 000 to the education statutory reserve fund.

GO ON TO THE NEXT PAGE

(a) Use the following form to prepare a statement of the corrected surplus for the Caribbean Teachers' Cooperative Credit Union for the year ended 30 April 2023.

Caribbean Teachers' Cooperative Credit Union Statement of Corrected Surplus For the Year Ended 30 April 2023		
	$	**$**

(4 marks)

(b) Use the following form to prepare a statement showing the appropriation of undistributed surplus for the year ended 30 April 2023. The board of directors decided to transfer $12 000 to the education statutory reserve fund.

Caribbean Teachers' Cooperative Credit Union Appropriation Account For the Year Ended 30 April 2023		
	$	**$**

(3 marks)

(c) Use the following form to prepare a classified statement of financial position, in the order of permanence, for the Caribbean Teachers' Cooperative Credit Union as at 30 April 2023.

	$	**$**	**$**

(13 marks)

Total 20 marks

END OF TEST

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