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JANUARY 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 examination 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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Answer ALL questions.

Write your answers in the spaces provided in this booklet.

1. Dimpo is a sole trader who owns Dimpo's Meat Shop. He provided the following information for the financial year ending 31 December 2022.

I	The original cost of $140 000 for the delivery van is depreciated at 20% per annum using the reducing (diminishing) balance method.
II	The insurance expense for the financial year amounted to $15 700.
III	Rent receivable owing by a tenant amounted to $1 200.
IV	No entry has been made in the accounting records for an additional investment of $25 000, introduced into the business on 29 December 2022.
V	Dimpo withdrew $5 000 to pay for an airline ticket for his son.
VI	The draft net loss for the financial year after all adjustments were made was $14 000.

(a) (i) Complete the accounts **on pages 4–6**, to reflect Dimpo's ledger at 31 December 2022. Close the accounts by balancing or making a transfer to an appropriate account.

Provision for Depreciation — Delivery Van					
Date	**Details**	**$**	**Date**	**Details**	**$**
			2022 1 Jan	*Balance b/d*	*28 000*

Insurance Account					
Date	**Details**	**$**	**Date**	**Details**	**$**
2022 *31 Dec*	*Bank*	*15 000*			

Rent Receivable					
Date	**Details**	**$**	**Date**	**Details**	**$**
			2022 *1 Jan*	*Bank*	*13 200*

Drawings					
Date	**Details**	**$**	**Date**	**Details**	**$**

GO ON TO THE NEXT PAGE

Dimpo's Capital Account					
Date	**Details**	**$**	**Date**	**Details**	**$**
			2022 1 Jan	*Balance b/d*	*35 800*

(12 marks)

Dimpo divides his ledger into three sections — general ledger, sales ledger and purchases ledger.

(ii) State TWO advantages of dividing the ledger into these three sections.

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(2 marks)

(iii) Name the ledger in which Dimpo's capital account would appear.

.....

(1 mark)

(b) State why Dimpo is applying the following accounting principles by maintaining a provision for depreciation of non-current assets.

(i) Prudence

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.....

.....

(1 mark)

(ii) Accruals (matching)

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.....

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(1 mark)

(c) (i) The following document is a credit note that was issued by Dimpo's Meat Shop. Examine the entire document carefully and then fill in the boxes with the missing figures to complete the credit note.

CREDIT NOTE

Dimpo's Meat Shop
32 Notre Street
Morco

Seaside Restaurant and Bar
Terese Street
Morco

Date: 30 December 2022

Quantity	Description	Unit price	Amount
2	Mixed chicken parts	$120	$240
	Less: [ ] % trade discount		[ ]
	Total		**$216**

(2 marks)

(ii) Suggest ONE reason for the issue of the credit note.

.....

.....

(1 mark)

Total 20 marks

NOTHING HAS BEEN OMITTED.

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2. Ellerslie is the owner of The Wedding Cake Maker. She uses absorption costing to price her products. Ellerslie has provided the following information on costs.

(a) (i) Place a check mark (✓) in the relevant column of the table, to indicate whether the cost items are direct or indirect production costs.

Cost Items/Overheads	**Direct**	**Indirect**
Salary of the cake decorator		
Rent for the factory		
Machine depreciation		
Cost of the raw materials used to make the customized cakes		

(4 marks)

(ii) The following details are available about indirect costs for the decorations department.

Decorations Department	
	Indirect Overheads $
Allocated costs	17 000
Apportioned costs	3 000

Calculate the total indirect costs for the decorations department. **Show all working.**

Decorations Department – Total Indirect Costs/Overheads

(2 marks)

GO ON TO THE NEXT PAGE





(b) The following details are available about the production hours spent for labour and machinery in the decorations department cost centre.

Decorations Department Details for December 2023	Total Hours
Machine hours (MH)	400
Direct labour hours (DLH)	100

(i) State which is the dominant factor in the decorations department, based on the tabulated information above.

.....

(1 mark)

(ii) Using the information from (a) (ii) **on page 10** and (b) (i), calculate an absorption rate for applying overhead costs in the decorations department. **Show all working clearly.**

(3 marks)

In December 2022, Ellerslie received an order for a customized wedding cake and incurred the following costs in its production.

Direct Materials Costs	$ 450
Direct Labour Costs	$1 250
Machine Hours Spent	20 hours

(c) (i) Use the absorption rate calculated in (b) (ii) **on page 11** to work out the indirect overheads/costs for this order.

(2 marks)

(ii) In the space provided below, calculate the total production cost for this order.

Overall Total Production Cost for Special Order	**Total Cost $**
Direct materials total cost	
Direct labour total cost	
Indirect overheads total cost	
Total production cost	

(4 marks)

The Wedding Cake Maker has a mark-up policy of 50%.

(d) Calculate the selling price for this special wedding cake order. **Show all working clearly.**

(3 marks)

(e) Essa, the head cake maker, is given the job of making the customized wedding cake. It is the company's policy to pay its workers using the 'piece rate' system.

List ONE advantage of the piece rate system as a method of payment.

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.....

(1 mark)

Total 20 marks

3. Jumani owns an upholstery store. The accounts clerk prepared the following trial balance for the year ended 31 December 2022.

Jumani Upholstery Store
Trial Balance
For the Year Ended 31 December 2022

	Debit **$**	**Credit** **$**
Revenue		379 900
Purchases	178 420	
Cash	20 000	
Inventory	32 000	
Accounts receivable	26 000	
Accounts payable		25 800
Non-current assets	207 400	
Capital		152 000
Wages expenses	83 200	
Utilities expenses	10 680	
TOTAL	**557 700**	**557 700**

A review by the internal auditor revealed the following errors.

	Error
I	A cash sale of $590 was recorded correctly in the revenue account but recorded as $509 on the correct side of the cashbook.
II	The total of the accounts payable account was overstated by $469.
III	Payment of $150 for utilities expenses was credited to the cash account but debited twice to the utilities expenses account.
IV	A cheque of $250 received from a credit customer was debited in the cashbook and no other entry was made.
V	The totals of the purchases returns account, $410, and sales returns account $260, were omitted from the trial balance.
VI	Discount received of $1 300 was added to the capital amount.

(a) (i) Prepare a corrected trial balance as at 31 December 2022.

Jumani Upholstery Store Corrected Trial Balance As at 31 December 2022		
	Debit $	**Credit $**

(10 marks)

(ii) State ONE reason for preparing a trial balance.

.....

.....

(1 mark)

(b) State THREE types of errors that would not be detected by preparing the trial balance and give an example of EACH. **An example has been provided for you.**

Error: Error of omission Example of error: No entries were made at all for the transaction. It is as if the transaction never occurred.

Error 1 .....

Example of error .....

.....

.....

Error 2 .....

Example of error .....

.....

.....

Error 3 .....

Example of error .....

.....

.....

(6 marks)

(c) Jumani Upholstery Store's financial year ends on 31 December. The following account appears in the ledger.

Provision for Doubtful Debts Account

Date	Details	$	Date	Details	$
2022 31 Dec	Income statement	200	2022 1 Jan	Balance b/d	1 300
31 Dec	Balance c/d	1 100			
		1 300			1 300
			2023 1 Jan	Balance b/d	1 100

State the meaning of EACH of the following entries in the provision for doubtful debts account.

(i) 1 January 2022 balance b/d

.....

.....

(1 mark)

(ii) 31 December 2022 income statement

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.....

(1 mark)

(iii) 31 December 2022 balance c/d

.....

.....

(1 mark)

Total 20 marks

4. Timmy and Gerty are in partnership sharing profits and losses in accordance with their partnership agreement which states the following.

I	Interest on capital is allowed at 6% per annum.
II	Gerty is to be paid a salary of $75 000 per annum.
III	Interest to be charged on each partner's total drawings for the year at 3% per annum.
IV	Timmy and Gerty share the balance of profits and losses in the ratio 3:2 respectively.

Balances on the partners' current accounts at 1 January 2022

Timmy	(credit)	$14 000
Gerty	(debit)	$ 5 000

Balances on the partners' capital account at 1 January 2022

Timmy	$90 000
Gerty	$60 000

Partners' drawings for the year ended 31 December 2022

Timmy	$2 500
Gerty	$5 600

Net income for the year ended 31 December 2022 was $156 757.

(a) (i) Prepare the appropriation account for the partnership for the year ending 31 December 2022.

Timmy and Gerty's Partnership Appropriation Account For the Year Ending 31 December 2022		
	$	**$**

(10 marks)

(ii) Prepare Gerty's current account using the information **on page 18** and your answer **on page 19**. Balance the account at 31 December 2022.

Gerty's Current Account For the Year Ended 31 December 2022					
Date	**Details**	**$**	**Date**	**Details**	**$**

(7 marks)

(b) (i) State TWO components which Timmy and Gerty could have included in their partnership agreement in addition to the profit-sharing ratio.

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.....

.....

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(2 marks)

(ii) State ONE reason why Timmy and Gerty decided to form a partnership.

.....

.....

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(1 mark)

Total 20 marks

5. Volcano Homeowners Credit Union has share capital of $400 000. The following information is available for the year ended 31 December 2022.

	$
Undistributed surplus b/d 1 January 2022	30 000
Surplus for the year ended 31 December 2022	90 000

Additional information

The management committee decided that the surplus for the year ended 31 December 2022 should be distributed as follows.

- Five per cent of surplus is to be transferred to the statutory reserve.
- A donation of $20 000 is to be given to members whose homes suffered volcanic damages.
- An honorarium of $10 000 is to be paid to the board of directors.
- Dividends are to be paid at a rate of 2% of the share capital.

(a) (i) Use the information above to calculate the total dividends that would be paid to the members of the Volcano Homeowners Credit Union. **Show all working clearly.**

(2 marks)

(ii) Use the information provided **on page 22** to prepare the Volcano Homeowners Credit Union's appropriation account for the year ended 31 December 2022. Use the form provided below.

Volcano Homeowners Credit Union Appropriation Account For the Year Ended 31 December 2022		
	$	**$**

(7 marks)

(b) The treasurer of the credit union revealed the following end of year balances on 31 December 2022.

	$
Mortgage	200 000
Bank balance	20 000
Cash in hand	5 000
Accounts payable	10 000
Share capital	400 000
Long-term investments in other cooperatives	60 000
Statutory reserve	40 000
Loans to members (due in 2030)	50 000
Members' deposits (available to members at any time)	150 000
Net book value of equipment 1 January 2022	210 000
Accrued telephone expense	3 000
Mortgage interest outstanding	2 000

Additional information at 31 December 2022

- Equipment depreciation expense for the year was $50 000.
- Membership fees due were $25 000.
- Long-term investment purchased for $30 000 on 30 December 2022 was not included in the year-end balance.

Use the information **on page 24** to calculate EACH of the following totals for the credit union.

(i) Non-current assets

(5 marks)

(ii) Current liabilities

(3 marks)

(c) Use the form provided below to prepare an extract of the capital and reserve section of the Volcano Homeowners Credit Union's statement of financial position as at 31 December 2022.

Volcano Homeowners Credit Union Statement of Financial Position For the Year Ended 31 December 2022		
	$	**$**

(3 marks)

Total 20 marks

END OF TEST

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