FORM TP 2015104

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MAY/JUNE 2015

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

1 hour 30 minutes

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.**

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

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

Case Study

M. L. Summer entered into business as a florist and horticulturist, selling floral plants and providing gardening services to clients. The name of the business is M. L. Summer Flowers. M. L. Summer presented you with the following three documents, (A), (B) and (C), which will be used for Questions 1 and 2.

(A)

No.: 12 Date: 03 January 2013

M. L. Summer Flowers
Summersdale, Happy Town

Sold to: Alan Winter Terms: 2½/10, n/30

Quantity	Description	Unit Price $	Total Amount $
10	Potted floral plants	10	100
2 hours	Gardening services (charged per hour)	150	300
		TOTAL	**400**

(B)

No.: 6258 Date: 15 January 2013

Sunny Plants Inc.
Sunny Acres, Glad Valley

Sold to: M. L. Summer Flowers Terms: 5/10, n/30

Quantity	Description	Unit Price $	Total Amount $
12	Bags fertilizer	40	480
10	Bags peat moss	65	650
25	Bags potting soil mix	55	1 375
		TOTAL	**$2 505**

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(C)

No.: 78 Date: 18 January 2013

Sunny Plants Inc.
Sunny Acres, Glad Valley

Returns by: M. L. Summer Flowers

Quantity	Description	Unit Price $	Total Amount $
2	Bags peat moss	65	650
5	Bags potting soil mix	55	275
		TOTAL	**$405**

1. Identify EACH of the three documents labelled (A), (B) and (C).

(A) .....

(B) .....

(C) .....

(3 marks)

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2. Use documents (A), (B) and (C), to make entries in the appropriate book of original entry for M. L. Summer Flowers. Total EACH book of original entry at 31 January 2013. **(Identify clearly each book of original entry.)**

Date	Details	*f*	$

Date	Details	*f*	$

Date	Details	*f*	$

(7 marks)

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3. At the start of business on 01 January 2013, M. L. Summer provided the following list of items.

	$		$
Cash at bank	5 000	Cash	600
3-year loan from Easy Finance Co.	20 700	Potting soil mix	85
Tools and equipment	900	Vehicle	12 500
Unpaid bill from Sunny Plants Inc	2 400	Potted floral plants	1 300
Premises	60 000		

Using the list provided above, prepare a classified Balance Sheet for M. L. Summer Flowers as at 01 January 2013.

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(7 marks)

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4. With terms of trade of 5/10, n/30, both amounts owed to Sunny Plants Inc. were paid in full on 25 January. Using all information provided, prepare the Ledger Account of Sunny Plants Inc. Balance the account at 31 January 2013. **(Show working clearly in the space below.)**

Date	Details	*f*	Debit	Date	Details	*f*	Credit

(6 marks)

5. On 31 December 2013, M. L. Summer Flowers had Accounts Receivable of $6 500. She decided to provide for bad debts at the rate of 5% of outstanding debtors. Prepare the Journal entry to create the Provision for Bad Debts Account as at 31 December 2013.

(3 marks)

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6. On **31 December 2014**, M. L. Summer Flowers recorded Accounts Receivable of $8 000. Using the same rate as in the previous year, draw up M. L. Summer Flowers' Provision for Bad Debts Account for the year 01 January to 31 December 2014.

Date	**Details**	*f*	**Debit**	**Date**	**Details**	*f*	**Credit**

(3 marks)

7. Describe the effect of the Provision for Bad Debts Account balance on 31 December 2014 on the

(a) Income Statement

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(b) Balance Sheet.

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(2 marks)

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Questions **8** and **9** are based on the following comparative figures which were made available at the end of the first year of operation for M. L. Summer Flowers.

COMPARATIVE FIGURES FOR 2013 Comparing Businesses of Similar Size And Type			
No.	**Ratios**	**Industry Average**	**M. L. Summer Flowers' Figure**
(i)	Gross Profit Margin	25%	28%
(ii)	Net Profit Percentage	18%	16%

8. (a) State the meaning of M. L. Summer's 'gross profit margin' for 2013.

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(1 mark)

Using the ratio given in the table above:

(b) Comment on the business' gross profit margin in relation to the industry average.

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(1 mark)

(c) Make ONE recommendation to M. L. Summer based on your analysis of her business' performance.

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(1 mark)

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9. (a) Explain the meaning of 'net profit percentage' to M. L. Summer.

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(1 mark)

Using the ratio given in the table on page 8:

(b) Comment on the business' net profit percentage in relation to the industry average.

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(1 mark)

(c) Make ONE recommendation to M. L. Summer based on your analysis of her business' performance.

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(1 mark)

10. The rate of turnover for M. L. Summer Flowers is 10 times per year. Calculate, to the nearest whole number, the **number of days** M. L. Summer Flowers' average inventory remains on hand before being sold.

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(2 marks)

11. The industry average for rate of inventory turnover in terms of days is 30 days. Using your answer from Question 10 above, comment on M. L. Summer Flowers' performance.

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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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EXTRA SPACE

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Question No. [ ]

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