FORM TP 2012025

TEST CODE **01239020**

JANUARY 2012

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

06 JANUARY 2012 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions in Section I and TWO questions from Section II.
2. Begin EACH answer on a separate page.
3. Keep ALL parts of EACH answer together.
4. You may use a silent, non-programmable calculator to answer questions.
5. Each question is worth 20 marks.

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

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SECTION I

Answer the THREE questions in this section.

1. The accountant of VIP Enterprises prepares the following trial balance as at 30 November 2011.

	$	$
Premises	105 520	
Capital		200 000
Vehicles	75 000	
Equipment	72 190	
5-year bank loan		25 600
Closing inventory	12 500	
Bank deposit (fixed for the next two years)	6 800	
Cash	9 300	
Debtors	10 600	
Creditors		23 000
Prepaid insurance	390	
Rent owing		1 080
Drawings	2 900	
Sales		123 620
Cost of sales	45 700	
Miscellaneous expenses	52 400	
Capital introduced during the year		20 000
	393 300	**393 300**

(a) Prepare VIP Enterprises' Income Statement for the year ended 30 November 2011. **(4 marks)**

(b) Prepare the classified Balance Sheet for VIP Enterprises as at 30 November 2011 in vertical style, identifying clearly the business' working capital. **(12 marks)**

(c) In 2010, VIP Enterprises recorded a closing inventory of $5 780. Using this information as well as information from the trial balance, calculate the following ratios for VIP Enterprises: **(Show your working.)**

(i) Stock turnover

(ii) Return on opening capital employed (ROCE) **(4 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

2. On 1 January 2012, Partner A had to go on a sudden business trip. He provided Partner B with the following information including reminders about their partnership agreement.

		$
Capital: Partner A Partner B		60 000 20 000
Interest on capital	10% per year	
Drawings: Partner A Partner B		14 000 12 000
Interest on drawings	5%	
Share of profit: Partner A Partner B	75% 25%	
Sales		170 000
Cost of sales		90 000
Rental revenue		20 000
Insurance expenses		4 300
Wages		28 200
Bonus to employees at year's end		5 500
Depreciation on office buildings		7 500
Office supplies		8 100
Office supplies in stock at year's end		2 000
Discounts allowed		900

(a) Identify THREE items from the list above that would be found in A and B's partnership agreement. **(3 marks)**

(b) Prepare the Income Statement for Partners A and B for the period ended 31 December 2011. **(8 marks)**

(c) Prepare the Appropriation Account for the period ended 31 December 2011. **(8 marks)**

(d) How much more cash, if any, can Partner B withdraw from the business without taking away from his capital? **(Show your working.)** **(1 mark)**

Total 20 marks

3. (a) (i) Define the term 'depreciation'. **(2 marks)**

(ii) Identify the double entry used to record depreciation. **(2 marks)**

(iii) State THREE causes of depreciation. **(3 marks)**

(b) Tamarind Company bought equipment costing $80 000 and charged depreciation at a rate of 10% per annum using the reducing-balance method.

(i) Using the information above, copy and complete the table for the first THREE years of the equipment's life. **(11 marks)**

Year	Cost or Net Book Value Before Depreciation	Depreciation Expense for the Year	Accumulated Depreciation	Net Book Value After Depreciation
1				
2				
3				

(ii) Draw up the Balance Sheet (extract) for the equipment at the END of the third year of use. **(2 marks)**

Total 20 marks

SECTION II

Answer any TWO questions in this section.

4. The Roseau Valley Farmers' Cooperative was formed on 1 January 2011. There are 8 000 farmers, EACH of whom contributed $20 towards the purchase of initial shares. At the end of the first year of operation, the cooperative realized a surplus of $268 500.

The Board of Management made the following decisions:

- A total of $80 000 is to be paid out in patronage refund.
- 20% of surplus is to be transferred to a Statutory Reserve Fund.
- 10% of surplus per year is to be reserved in an Education Fund.
- Dividends of 8% are to be paid on members' shares.

(a) Outline TWO principles or essential features of a cooperative. **(4 marks)**

(b) Calculate the return on investment for the Roseau Valley Farmers' Cooperative for the year ended 31 December 2011. **(2 marks)**

(c) Prepare the Appropriation Account for the Roseau Valley Farmers' Cooperative for the year ended 31 December 2011. **(10 marks)**

(d) Show the capital section ONLY, of the Balance Sheet of the Cooperative as at 31 December 2011. **(4 marks)**

Total 20 marks

5. (a) State TWO benefits of using computerized accounting processes. **(2 marks)**

(b) Identify the type of source document which would be generated in EACH situation (i–v) outlined below:

(i) A customer paid his account in full.

(ii) A customer returned some of the goods previously bought on credit.

(iii) The landlord was paid this month's rent by cheque.

(iv) A supplier informs his customers of additional charges on goods already shipped.

(v) Goods were sold on credit to a customer. **(5 marks)**

(c) Farnham Enterprises has an overdraft balance of $13 200 and cash in hand of $2 890 at the beginning of the month. **On the Cash Book page provided**, enter the following transactions.

May 2011	
3	Purchases of $2 450 paid by cheque.
6	Cash sales $5 800.
9	Paid XYZ Corporation for an amount owed of $4 000 by cheque, after deducting a 10% cash discount.
13	K. Clarkson paid his account of $1 900 by cash. Farnham has allowed him a 5% cash discount.
18	Deposited $4 000 of cash on hand in the bank.
21	Benko's Enterprises paid $3 610 by cheque AFTER taking a discount of 5%.
23	Paid insurance of $910 by cheque.
25	Paid wages of $4 700 by cheque.
30	There were drawings of $3 500 in cash.

(13 marks)

Total 20 marks

6. The following is the trial balance of Flavour Fruit Ltd. as at 31 December 2010.

	$	**$**
Ordinary shares at $1 each		75 000
5% preference shares at $5 each		100 000
Share premium		25 500
Retained earnings		32 150
Gross profit		147 500
Closing inventory	26 200	
Accounts receivable	14 000	
Accounts payable		12 000
Fixed assets at cost	440 000	
Provision for depreciation		160 000
Bad debts	800	
Provision for bad debts		500
Wages and salaries	26 000	
Rent and rates	15 000	
Motor expenses	6 500	
Building repairs	3 750	
Commission revenue		2 600
Office expenses	23 000	
	555 250	**555 250**

Additional information:

– The company provides for depreciation on fixed assets at 5% of cost.
– The company maintains a provision for bad debts of 5% of year-end accounts receivable.

(a) Prepare the Income Statement for Flavour Fruit Ltd. for the year ending 31 December 2010. **(8 marks)**

The following additional information is provided:

– The company paid its preference share dividends.
– An ordinary dividend of $0.10 per share was paid to shareholders.
– $15 000 was transferred to a general reserve.

(b) Prepare the Appropriation Account for Flavour Fruit Ltd. for the year ending 31 December 2010. **(7 marks)**

(c) Prepare the Capital & Reserve Section of the Flavour Fruit Ltd. Balance Sheet. **(5 marks)**

Total 20 marks

7. (a) Read the following passage and answer the questions that follow.

Jerome Perkins is a manager of a company. He is paid monthly. For the month of December 2011, he earns his regular monthly pay of $7 500 plus $5 000 from his company's annual profit. Each month, at his request, the company sends $400 to his credit union. As required by the government, the company takes $150 for the month for National Insurance. Each month, the company pays $750 towards Jerome's retirement.

Identify the specific term used to describe EACH of the following in relation to Jerome Perkins' circumstances.

(i) Monthly pay

(ii) Additional earnings paid out of company's profits

(iii) Contribution to the credit union requested by employee

(iv) Contribution to National Insurance required by the government

(v) Regular amounts paid to employees when they have retired

(5 marks)

(b) David Ayliffe is employed as a technician with a manufacturing company. His regular pay is $20 per hour. The regular work week is 40 hours. Overtime is paid at time and a half.

The following deductions are made:

National Insurance – 4% of gross earnings
Pension contribution – 10% of gross earnings

Income tax is charged as follows:

Taxable Pay	Tax Rate
First $500	0%
Over $500	25%

David worked 55 hours in a particular week. **On the pay slip provided as an insert,** calculate David's net earnings for the week. **(Show your working.)**

(15 marks)

Total 20 marks

END OF TEST

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

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Work Sheet (pay slip) for Question 7. (b)

PARTICULARS	WORKINGS	
Normal hours worked		
Normal pay rate	$	
Normal earnings		$
Overtime hours worked		
Overtime pay rate	$	
Overtime earnings		$
Gross earnings		$
Deductions: National Insurance Pension Contributions	$ $	
Total deductions		$
Taxable earnings		$
Income tax		$
Net earnings		$