FORM TP 2013107

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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. All answers MUST be writen in this booklet.
3. You are advised to take some time to read through the paper and plan your answers.
4. You may use a silent, non-programmable calculator to answer questions.

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

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INSTRUCTION: This paper consists of a case study and THIRTEEN questions. Read the case study and answer ALL questions in this booklet.

CASE STUDY

Ray Brown started business on 1 January 2012 after inheriting the following from his grandfather.

	$
Lawn mowers	65 000
Truck	40 000
Bank loan	75 000
Building	100 000
Cash	10 000
Accounts payable	3 000

1. Using the information above, calculate EACH of the following:

(a) Total Assets

(1 mark)

(b) Total Liabilities

(1 mark)

(c) Opening Capital

(2 marks)

2. Identify ONE book of original entry that Ray Brown is LIKELY to use in his business.

_____

(1 mark)

3. On 1 January 2012 Ray Brown decided to increase the size of operations by obtaining a loan of $25 000 from the National Credit Union. He also bought two additional high-powered lawn mowers, at a cost of $75 000 EACH on credit, from Lawn & Garden Ltd. He agreed to make a down payment of 10% of the total cost of the lawn mowers to Lawn & Garden Ltd, and pay the balance in monthly instalments of $5 000.

Calculate the down payment made to Lawn & Garden Ltd.

(1 mark)

4. Show journal entries to record:

(a) The loan from the National Credit Union

(2 marks)

(b) The purchase of the high-powered lawn mowers

(3 marks)

5. Explain why Ray's debts to Lawn & Garden Ltd should be recorded as $60 000 current liabilities and $75 000 as long-term liabilities on 1 January 2012.

_____

_____

_____

(2 marks)

6. Ray indicated that the following transactions were made on a cash basis during the year ended 31 December 2012.

		$
Revenue (Sales):	Landscaping	175 000
	Transportation	30 000
Expenses:	Interest expense	5 100
	Vehicle repairs	6 500
	Wages	36 000
	Building repairs	2 500
	License and road tax	14 300
	Vehicle maintenance	48 000
	Sundry expenses	12 100

Prepare a Receipts and Payments Account for Ray for the year ended 31 December 2012. **Include ALL previous cash and cheque transactions.**

(8 marks)

7. Ray later provided the following additional information.

> The landscaping revenue included an amount of $1 500 paid in advance by James Long for landscaping his yard, in March of 2013.

Using the information given for preparation of the Receipts and Payments Account in Question 6, calculate the TOTAL revenue earned by the business for the year ended 31 December 2012. **Show working clearly.**

(2 marks)

8. The following additional information was provided by Ray.

- $2 500 was owing to the garage in respect of vehicle maintenance.
- Sundry expenses were prepaid by $600.

Using the information given for preparation of the Receipts and Payments Account in Question 6, calculate the amount to be shown in the accounts for 2012 for the following expenses. **Show working clearly**.

(a) Vehicle maintenance

(1 mark)

(b) Sundry expenses

(1 mark)

9. Depreciation was provided as follows:

- Building 5% of cost
- Lawn mowers 20% of cost

Calculate the depreciation expenses on the following. **Show working clearly**.

(a) Building

(2 marks)

(b) Lawn Mowers

(2 marks)

10. List and total the expenses of the business for the year ended 31 December 2012.

Items of Expense	Value

(4 marks)

11. Show the net income (net profit) for the year ended 31 December 2012. **Show working clearly.**

(2 marks)

12. Under which heading in the balance sheet would the following items appear?

(a) The prepayment from James Long

_____

(1 mark)

(b) Prepaid sundry expenses

_____

(1 mark)

13. Calculate the net income (net profit) margin, to ONE decimal place, for Ray's business. **Show working clearly.**

(3 marks)

Total 40 marks

END OF TEST

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