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MAY/JUNE 2005

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

1 $\frac{1}{2}$ hours

24 MAY 2004 (p.m.)

1. **Answer ALL questions.**

2. **Answer the questions on the Answer Booklet provided and return it.**

3. **Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**

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CASE

Rose Flower owns a fairly large building situated close to Trimmaine Main Road. She decides to go into business. The building is situated close to the main transportation routes and Rose feels she could do well supplying goods to small retailers. On January 2, 2005, Rose Flower started her business, 'One Stop Wholesale', selling drinks and snacks. The assets and liabilities of the business on that date were as follows:

	$
Building	90 000
Office furniture	2 400
Steel shelving	12 000
Cash register	1 300
Cash at bank	4 000
Cash in hand	3 500
5 yr 5 per cent loan (Caribbean National Bank)	30 000
Motor vehicle	26 000
Stock of goods	5 000

The steel shelving will be kept in the business for 7 years after which it will be sold for $1 000.

During the month of January the following activities took place:

	$
Revenue from sale of drinks and snacks	4 500
Cash purchases	700
Credit purchases	300

Tempco Light and Power Company sent 'One Stop Wholesale' an electricity bill for $800.

Rose paid $500 of this amount.

Rose pays herself a monthly salary of $200.

Stock on hand at the end of January 2005, was $3 000.

Interest on loan accrues evenly throughout the year. The interest for January has not been paid.

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1. Prepare the opening entries in the General Journal of 'One Stop Wholesale' on January 2, 2005. **(7 marks)**

2. List THREE expenses, other than those given in the case, that the business may incur. **(3 marks)**

3. Calculate the working capital as at January 2, 2005. **(1 mark)**

4. For what is the working capital in a business used? **(1 mark)**

5. Calculate the annual depreciation on the steel shelving. **(Show your workings.)** **(2 marks)**

6. Open the provision for depreciation account for the steel shelving and record the first year's depreciation on the asset. **(2 marks)**

7. List TWO methods which may be used to value the stock at the end of the year. **(2 marks)**

8. Calculate the annual interest on the loan from Caribbean National Bank. **(1 mark)**

9. Prepare the Trading, Profit and Loss Account for 'One Stop Wholesale' for the month of January, 2005. **(12 marks)**

10. Prepare the opening balance sheet of 'One Stop Wholesale' as at January 31, 2005. **(4 marks)**

11. State TWO ways in which Rose Flower could increase her capital without any additional personal investment. **(2 marks)**

12. What type of business entity is 'One Stop Wholesale'? **(1 mark)**

13. Calculate the rate of stock turnover for the business. **(Show your workings.)** **(2 marks)**

Total 40 marks

END OF TEST