FORM TP 02025113

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MAY/JUNE 2025

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

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READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper 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.**

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1. (a) Beharry prepared the following statement of account for a credit customer. Complete the statement of account by inserting the missing balances.

Beharry
La Vieux Forte
Saint Lucia

STATEMENT OF ACCOUNT

T. Mores
9 Sans Soucis Street
Saint Lucia

August 31, 2024

Date	Reference	Invoice $	Settlement $	Balance $
2024 August 1	Balance b/d			520
9	Invoice	340		(i)
13	Credit note		24	(ii)
24	Cheque		663	(iii)
	Discount		17	(iv)

(2 marks)

(b) The opening balances on August 1, 2024 were as follows.

- Cash $ 100
- Bank overdraft $8 150

Transactions for the month of August were as follows.

Date	Transactions
2024	
August 9	A cheque received in July for $462 from AD Supplies was dishonoured by the bank.
18	Beharry paid $64 by cheque for gas for his wife's motor vehicle.
24	Received a cheque from T. Mores to settle her debt of $680 less 2½ % discount.
27	Paid $4 000 by cheque. This included $3 600 for new office equipment and the balance for repairs to an existing piece of office equipment.
30	Cash sales amounted to $4 224.
31	Deposited all cash on hand into the bank account except for $500.

(i) Use the form provided **on page 7** to prepare Beharry's three-column cash book for the month of August. Balance the cash book and bring down the balance as at September 1, 2024.

(ii) State ONE significance of the balance on the bank account in (b) (i) at the end of the month.

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(1 mark)

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Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
		$	$	$			$	$	$

(10 marks)

(c) T. Mores learned through social media that there is a system that makes payments by electronic means.

Recommend TWO electronic means that T. Mores could use to pay for the goods purchased from Beharry.

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(2 marks)

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(d) Use information from the statement of account **on page 5** and the cash book **on page 7** to prepare the account of T. Mores in Beharry's books. Be sure to use the correct account titles in the details. Also balance and rule the account at the end of the month.

Beharry's Books

T. Mores — Receivable Account					
Date	**Details**	**$**	**Date**	**Details**	**$**

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(5 marks)

Total 20 marks

2. Amazona Company Ltd presented you with the following list of account balances which were extracted from the general ledger at the end of its financial year.

Amazona Company Ltd Trial Balance (extract) As at December 31, 2024		
	$'000	$'000
Debentures — 10% interest per annum (2020 to 2025)		40 000
Debenture interest	200	
Operational expenses	2 900	
Auditor's fees	3 600	
Directors' remuneration	45 000	
Wages and salaries	20 100	
Motor vehicles at cost	50 000	
Provision for depreciation on vehicles		20 000
Issued share capital: ordinary shares of $1 each		50 000
Issued share capital: 8% preference shares of $2 each		10 000
Interim dividends paid: ordinary shares	2 000	
Interim dividends paid: preference shares	500	
General reserve		15 000
Retained earnings December 31, 2023		13 500
Rental income		1 500
Revenue		198 000
Cost of sales	89 300	
Accounts payable		20 800
Accounts receivable	18 600	
Cash at bank		3 100
Premises at cost	175 000	

Additional information (in $'000) at December 31, 2024.

- Auditor's fees were accrued, $5 000.
- Wages and salaries were prepaid, $2 000.
- Motor vehicles are to be depreciated at 12% per annum based on the straight line method.
- The directors proposed final dividends be paid as follows.
  - $3 000 to the ordinary shareholders
  - preference shareholders be paid their outstanding dividend.
- The directors also proposed $7 000 be transferred to general reserve.

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(a) Use the form provided below to prepare the income statement for Amazona Company Ltd for the financial year ended December 31, 2024.

Amazona Company Ltd Income Statement For the Year Ended December 31, 2024		
	$'000	$'000

(11 marks)

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(b) Use the form provided below to prepare the appropriation account for Amazona Company Ltd for the year ended December 31, 2024.

	$'000	$'000

(9 marks)

Total 20 marks

3. This question is to be answered using the data provided in the trial balance extract for the Amazona Company Ltd (**on page 10**) and your completed answers for Question 2.

Prepare an extract of the statement of financial position using the vertical format to show the **net assets** for Amazona Company Ltd as at December 31, 2024. Use the form provided below.

	$'000	$'000	$'000

Total 20 marks

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4. Simon is an entrepreneur who deposited the sum of $65 000 in a 5-year investment plan with Financial Investment Company Ltd. At the maturity date, Simon is to receive the original amount invested together with the annual interest for each of the five years.

Interest is calculated each year on the original amount deposited at the rates shown in the table below.

Year	Interest Rate Payable per Annum (%)
1	2.50
2	2.75
3	3.00
4	3.25
5	3.50

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(a) Calculate the average annual percentage rate which is payable over the 5-year period on the investment. **Show all working clearly.**

(3 marks)

(b) Calculate the dollar amount of the total interest earned by Simon on the investment at the end of the 5-year period. **Show all working clearly.**

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(4 marks)

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(c) Calculate the TOTAL amount payable to Simon upon maturity of the investment. **Show all working clearly.**

(3 marks)

(d) Calculate Simon's return on investment (ROI) for the 5-year period. **Show all working clearly.**

(4 marks)

(e) Explain to Simon the meaning of the ROI calculated in (d).

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(2 marks)

(f) Due to current economic conditions, the industry's average return on capital is 2% per annum, with all other factors remaining equal.

State whether Simon made a good decision when he invested the $65 000 with the Financial Investment Company Ltd. Use appropriate comparative figures to support your assessment.

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(2 marks)

(g) Complete the extract of the projected cash flow statement shown below with the investment's maturity payout amount to show Simon's TOTAL anticipated cash inflow in Year 5.

Simon's Entrepreneurial Enterprise Cash Flow Projection for Year 5 (Extract)	
Cash Inflows	$
Cash sales	80 000
Receipts from credit customers	56 000

(2 marks)

Total 20 marks

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5. (a) Jam Block Club is a sports club located in a central location. List THREE sources of funds that may be available to the Jam Block Club, apart from members' subscription fees.

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(3 marks)

(b) Jam Block Club made the expenditures listed in the table below. Complete the table below by inserting a check mark (✓) in the appropriate column to indicate whether EACH expenditure is a capital or revenue type of expenditure.

Expenditure	Type of Expenditure	
	Capital	Revenue
(i) Purchased office supplies like ink and paper for the office printer.		
(ii) Bought new customized accounting software to upgrade the financial reporting operations of the club.		
(iii) Paid MRC Ltd for the installation of the customized accounting software at the club house.		
(iv) Paid salaries to the office staff.		
(v) Paid for maintenance work on the general grounds.		

(5 marks)

(c) Jam Block Club had the following receipts and payments during the year ended April 30, 2025.

	$
Bank overdraft May 1, 2024	2 600
Refreshment bar sales	210 000
Subscriptions received	60 200
Competition fees received	80 000
Refreshment bar purchases	142 000
Payments for competition prizes	160 000
Donations received	20 000
Rent and insurance	40 000
Wages of shop assistant	39 000

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Use the information provided in the table above to prepare the receipts and payments account for Jam Block Club for the year ended April 30, 2025. Balance the account and show the opening balance as at May 1, 2025. **Use the form provided below.**

Date	Details	$	Date	Details	$

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(3 marks)

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(d) The accounts clerk at Jam Block Club analysed the fin cial records to prepare a bank reconciliation statement. At the end of the month, the clu receipts and payments account and the bank statement records showed two different an unts recorded as overdrafts.

In preparation for drawing up a bank reconciliation sta ment, complete the columns in the table below.

(i) Select the correct columns to indicate whether it is the receipts and payments overdraft amount, or the bank statement overdraft amount, that is to be adjusted.

(ii) In EACH case use symbols, (+ or –), to show the action needed to bring about a reconciliation.

(iii) Write the amount needed to bring the bank statement overdraft into agreement with the overdraft in the Jam Block Club's receipts and payments account.

Note: The first item has been completed as an example.

Difference Found	Receipts and Payments Overdraft		Bank Statement Overdraft	
	Action Needed (+) or (–)	Amount $	Action Needed (+) or (–)	Amount $
Cheque deposited for $10 000 has not yet been cleared by the bank.			–	10 000
Cheque paid for the purchase of the accounting software, $2 759, had not yet been presented to the bank for payment.				
Cheque for $4 000 received last month from G. Kello, a customer, was reported as dishonoured by the bank.				
Cheque paid to supplier Joggyboy Ltd for $2 765, had been entered in the Club's books as $2 567.				
Some club members had deposited their yearly subscription fees directly into the club's bank account, totalling $11 339.				

(4 marks)
Total 20 marks

END OF TEST

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

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EXTRA SPACE

If you use this extra page, you MUST write the question number clearly in the box provided.

Question No. ☐

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