FORM TP 2017103

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MAY/JUNE 2017

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 or above or below questions.
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 TEN questions. Read the case study and answer ALL the questions that follow in the spaces provided in this booklet.**

CASE STUDY

Alex Weeks, who started her business on 01 March 2016, specializes in baking and decorating extra-large personalized cakes for private and business functions. She has named her business Awesome Cakes. On 31 August 2016, she asks you, an accounts clerk, to give her some advice.

1. Name ONE ledger that Alex Weeks would be using in her business.

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(1 mark)

2. A customer, who has only heard of cash discounts, has asked Alex for a trade discount. Explain the difference between the two types of discounts.

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(2 marks)

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Alex provides the following information on her assets and liabilities as at 31 August 2016.

	$
5-year fixed deposit at bank earning 10% per annum	12 000
Balance at bank	25 870
Delivery van at cost	190 000
Delivery van: Depreciation (straight line method for 6 months)	28 500
Invoice to be settled for specialty cake sold to Happy Holidays Hotel	1 980
3-year 15% per year loan received on 01 March 2016	36 000
Rental agreement of shop premises at $1000 per month (no payment made for last 6 months)	6 000

3. (a) What percentage of the cost has been applied to the delivery van to arrive at the six-month depreciation amount shown? **(Show your working.)**

(3 marks)

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(b) Prepare a Statement of Financial Position (Balance Sheet) for Awesome Cakes for the six months ended 31 August 2016.

(9 marks)

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4. (a) Calculate the current ratio of Awesome Cakes as at 31 August 2016. **(Show your working.)**

(2 marks)

(b) Based on your answer in (a), make a brief comment on Alex Weeks' liquidity position, giving a reason for your conclusion.

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(2 marks)

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5. Alex Weeks has hired you as her accountant. You collect the following information about her sale of cakes over the 12-month period ending 28 February 2017.

Sales Revenue

Sold 110 two-kilogram cakes @ $300 each
Sold 60 wedding cakes @ $2500 each
Sold 105 theme party cakes @ $1000 each

Using the form below, calculate total sales revenue for Awesome Cakes for the 12-month period ending 28 February 2017.

Sales Revenue	$
110 two-kilogram cakes @ $300 each	
60 wedding cakes @ $2500 each	
105 theme party cakes @ $1000 each	
Total Sales Revenue	

(3 marks)

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6. Alex Weeks' records show the following operating costs.

Cost of operations	
Cost of ingredients used for all products	$86 400
Wages for assistant bakers and cleaners	$28 800
Special Awesome Cakes boxes @ 1 box per cake	$4 125
Miscellaneous Expenses	$11 200
Accountant's Salary	$15 000

Prepare an Income Statement for Awesome Cakes for the 12-month period ended 28 February 2017. Remember to include all previous information that is relevant to this statement.

(10 marks)

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7. At the end of the year, Alex Weeks wrote a cheque for $24 000 for personal living expenses. Calculate her net worth or closing capital on 28 February 2017. **(Show your working.)**

(2 marks)

8. Alex Weeks' sister, Samantha, wants to be part owner in the business and offers to put $50 000 in cash into the business. Draw up the General Journal entry to record the transaction.

(4 marks)

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9. What kind of business is Awesome Cakes after Samantha Weeks deposits her money into the business' bank account?

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(1 mark)

10. Make a recommendation to Alex Weeks on the use of the additional cash from Samantha Weeks.

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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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