FORM TP 2016025

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JANUARY 2016

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions in Section I and TWO questions from Section II.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
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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SECTION I

Answer the THREE questions in this section.

Write your answers in the spaces provided in this booklet.

1. (a) J. Lampjack who has been in business for several years as a sole proprietor provided you with the following information:

31 December 2015

Equipment	130 000
Bank overdraft	3 700
Loan ($50 000 due for repayment by March 2016)	200 000
Fixtures and fittings	18 000
Cash	2 100
Inventory	13 500
Land and building	250 000
Accounts payable	6 100
Term deposit (3 months)	5 000
Accounts receivable	4 200

Using the order of permanence, draw up a classified Statement of Financial Position (Balance Sheet) for J. Lampjack as at 31 December 2015 **in the space provided on page 5.**

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(12 marks)

(b) The table below shows the opening balances at the beginning of November for Assets, Liabilities and Capital for St Jude's business.

Transaction	Assets	Liabilities	Capital
Opening balance	$600 000	$400 000	$200 000
(i) Bought motor vehicles costing $12 000 on credit.	*+12 000*	*+12 000*	
(ii) The owner took goods costing $500 for his personal use.			
(iii) Bought goods for $900 on credit from R James.			
(iv) Paid mortgage of $1 500 by cheque.			
(v) The owner settled an amount of $15 000 owed by the business to U. Long from his personal savings.			
(vi) Bought office furniture costing $3 500. The owner made a down payment of $500 by cheque and promised to pay the balance in three monthly instalments.			
Closing balance (including example)			

Complete the table above to show the effect of EACH transaction on the opening balances. Use plus (+) and minus (–) signs appropriately. Transaction (i) is done for you.

(8 marks)

Total 20 marks

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2. Cassie and Kacie entered into a partnership on 1 January 2015.

	Capital Invested	**Drawings Made During the Year**
Cassie	$142 000	$25 000
Kacie	$128 000	$22 000

The partners agreed that:

- Each partner should receive Interest on Capital of 10 per cent per annum.
- Interest on Drawings should be charged at 7 per cent per annum.
- Kacie is to receive an annual salary of $25 000.
- Remaining profits or losses should be shared in the ratio of 3:2 respectively.

The following additional information is available:

- The partnership made a Net Income of $55 000 during the year ended 31 December 2015.

(a) **In the space provided on page 9**, prepare the Profit and Loss Appropriation Account for the partners for the year ended 31 December 2015.

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(8 marks)

(b) **Using the form provided on page 11**, prepare the partners' Current Accounts in columnar style. **(10 marks)**

(c) Explain the significance of the balance on EACH partner's Current Account.

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(2 marks)

Total 20 marks

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Date		Particulars	Fo.	Cassie	Kacie	Date		Particulars	Fo.	Cassie	Kacie

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3. Jose Choice Meats is a butcher shop owned and operated by Jose Martinez. On 1 May 2015 he presented the following information:

Cash in Hand	$475
Deposited at Bank	$2 890

During the month of May the following transactions occurred:

May 2 Tasteful Restaurant bought fish on credit worth $900, less a 10 per cent frequent buyer discount.

May 3 Sold $145 worth of lamb for cash.

May 5 Paid $510 for electricity by cheque.

May 5 Paid shop assistant $580 cash for wages.

May 9 Mr Martinez cashed a business cheque for $1 360, from which he paid a $360 water bill for his home. The balance remained in his cash till.

May 11 Sold $1 500 worth of seafood on credit to Joyce T.

May 15 Bought $1 700 worth of meats from Wholesale Suppliers on credit; the given terms were 5/10, n/30.

May 21 Joyce T settled her account by cash, earning a 3% discount.

May 22 Tasteful Restaurant settled its account in full, by cheque.

May 23 Paid shop assistant $580 by cheque for wages.

May 24 Settled Wholesale Suppliers' account in full, by cheque.

May 30 Paid $260 in cash for some repairs to the shop.

(a) (i) What type of discount was given on May 2?

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(1 mark)

(ii) **Using the form provided on page 13**, record the above data and transactions in the Cash Book. Balance the Cash Book at month end. **(14 marks)**

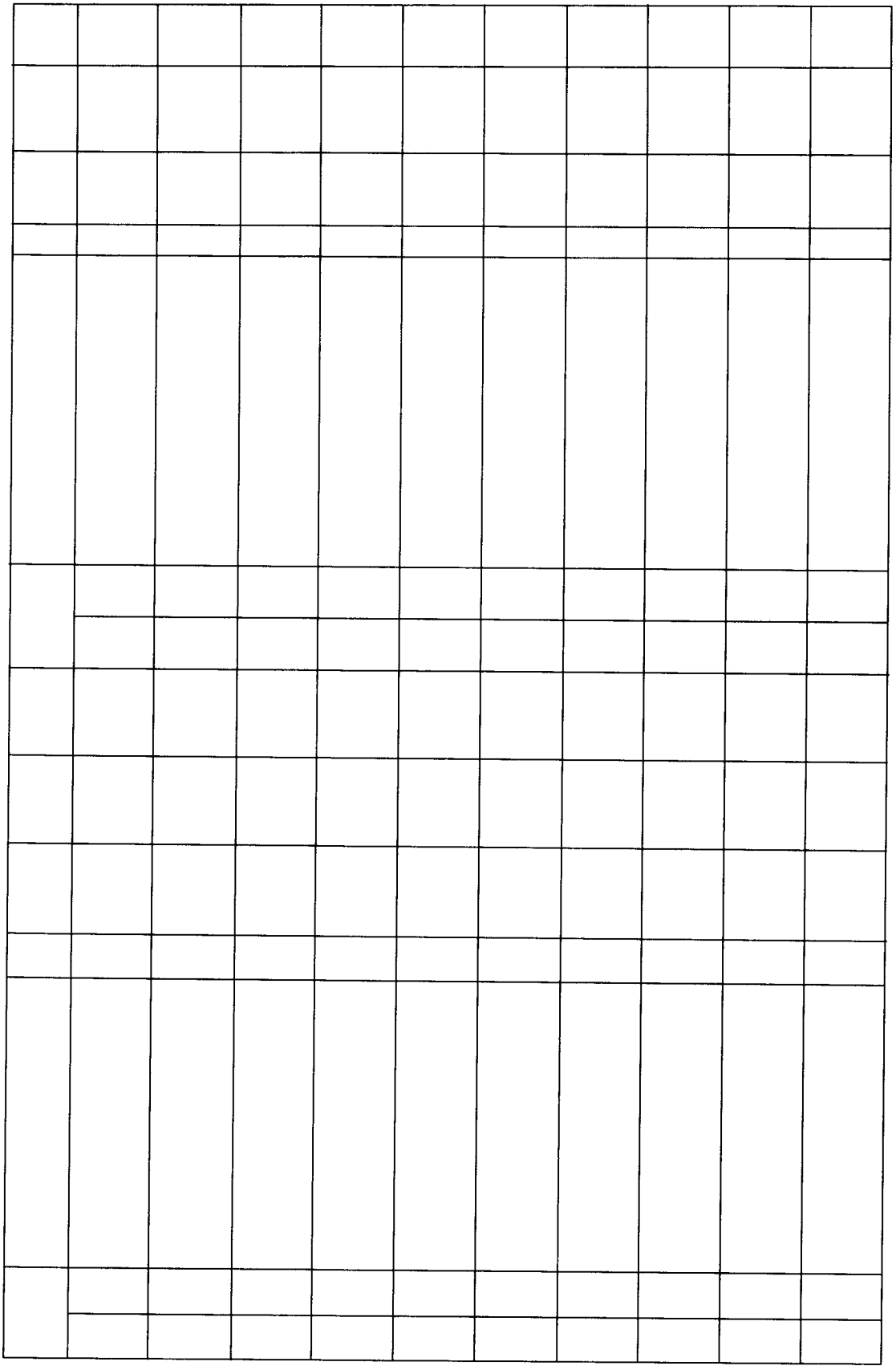
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JOSE CHOICE MEATS

CASH BOOK



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(iii) **Using the form provided below**, prepare and close the Discount Allowed Account.

Discount Allowed Account

Date		Particulars	Debit	Date		Particulars	Credit

(2 marks)

(iv) What is the significance of the balance remaining in Mr Martinez's bank account at month end?

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(1 mark)

(b) List and calculate the total value of Revenue Expenditure in the month of May for Mr Martinez.

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(2 marks)

Total 20 marks

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SECTION II

Answer any TWO questions in this section.

Write your answers in the spaces provided in this booklet.

4. On 1 January 2013 the Gargar Mell Company showed a balance of $12 000 in its Provision for Bad and Doubtful Debts Account. Gargar Mell Company provides for Bad and Doubtful Debts of 5% of its year end Accounts Receivable.

Accounts Receivable at the end of two years were as follows:

31 December 2013	$270 000
31 December 2014	$255 000

(a) (i) Starting with the balance on 1 January 2013, prepare the Provision for Bad and Doubtful Debts Account for the two years ended 31 December 2014.

Show dates appropriately and balance the account at the end of each year.

Date	Details	$	Date	Details	$

(7 marks)

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(ii) Prepare a Balance Sheet extract for Gargar Mell Company for 2014 showing the effect of the provision on Accounts Receivable.

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(3 marks)

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(b) The Gargar Mell Company maintains separate ledger accounts for Rent Expenses and Commission Revenue. During the year ended 31 December 2015, Gargar Mell Company recorded the following information:

1 January 2015	Prepaid Rent $600
30 June 2015	Rent paid $5 000
30 November 2015	Rent paid $5 000

Rent Expense is $12 000 per year.

Using the form below, prepare the Rent Expenses Account for the year ended 31 December 2015.

Date	Details	$	Date	Details	$

(6 marks)

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(c) Gargar Mell Company was owed $2 500 in Commission Revenue on 1 January 2015. During the year an amount of $14 000 was received and deposited into the company's bank account. At the end of the year there were no amounts outstanding or received in advance for Commission Revenue.

(i) Under which heading in the Balance Sheet of the previous year would the $2 500 have been recorded?

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(1 mark)

(ii) **Using the form below**, prepare the Commission Revenue account for the year ending 31 December 2015.

Date	Details	$	Date	Details	$

(3 marks)

Total 20 marks

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5. Derek Davis, the sole proprietor of DD's Jam Shoppe, started trading on **1 January 2015** and provides you with the following list of balances which was extracted from his books on **31 March 2015**.

Inventory on 31 March 2015 was valued at	1 654	
Bank	6 875	
Cash	699	
Accounts Receivable	450	
Accounts Payable		1 922
Fixtures, Fittings and Equipment	7 780	
Premises	25 000	
Capital		32 484
Transportation Out	396	
Discounts	160	185
Wages and Salaries	4 750	
Utilities (including water rates)	1 180	
Rent Revenue		3 000
Loan		2 560
Gross Income		8 793

Additional information at 31 March 2015:

- Fixtures, Fittings and Equipment is to be depreciated at 20% per annum, using the straight line method.
- One employee has not yet been paid his wages of $900.
- The Water Company has a credit of $160 for payment received in advance.
- Mr Davis rents part of his shop premises to a tenant, who owes $1 500 in rent for the month of March.
- Interest is to be calculated on the Loan at the rate of 15% per annum.

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(a) **Using the form provided below**, prepare an Income Statement (Profit and Loss Account) for the quarter ended **31 March 2015**, for DD's Jam Shoppe, beginning with the Gross Income.

(11 marks)

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(b) **Using the information provided on page 20 for DD's Jam Shoppe:**

(i) Draw up the list of Current Assets, using the order of permanence.

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(4 marks)

(ii) Draw up the list of Current Liabilities.

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(3 marks)

(iii) Calculate the Working Capital. **(Show workings.)**

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(2 marks)

Total 20 marks

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6. Intergalactic Voyages is a limited company. On 1 April 2015, the following information is available.

	Ordinary Shares	**Preference Shares**
Authorized Share Capital	500 000 at $1.00 each	200 000 8 per cent at $2.50 each
Issued Share Capital	300 000 at $1.50 each	100 000 8 per cent at $2.50 each
$400 000 6 per cent Debentures were also issued for cash.		

All shares and debentures were fully subscribed and paid up.

(a) **Using the form provided below**, prepare the journal entry to record the issue of the shares and another journal entry to record the issue of debentures.

Date		**Particulars**	**Debit**	**Credit**

(9 marks)

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(b) At the end of one year's trading, the company reported a Net Operating Profit of $576 000. The directors proposed the following:

(i)	Pay dividends to all shareholders, including dividends of 55 cents per share to ordinary shareholders
(ii)	Transfer $180 000 to General Reserve

Using the form provided below, prepare the Appropriation Account for Intergalactic Voyages Company Ltd for the year ended 31 March 2015.

(7 marks)

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(c) How did the issue of debentures affect the Net Operating Profit and by how much? **(Show working clearly.)**

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(2 marks)

(d) List any FOUR steps in the accounting cycle.

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(2 marks)

Total 20 marks

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7. Mark Blue prepared the following Trial Balance for The Blue Co-operative for the year ended 31 December 2015.

The Blue Co-operative
Trial Balance for January to December 2015

	DR	CR
Accounts payable		22 000
Purchases		200 000
Patronage refund	4 000	
Discounts received		5 500
Loan interest received	360 000	
Premises at cost	270 000	
Inventory		76 000
Provision for depreciation — Premises	60 000	
Cash	5 800	
Equipment at cost		110 000
Accounts receivable		35 000
Rent received in advance	12 000	
Loan		108 000
Provision for depreciation — Equipment		29 000
Bank Interest earned	700	
Members honoraria	3 400	
Capital		107 000
Suspense		23 400
	715 900	715 900

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(a) Prepare a corrected Trial Balance for "The Blue Co-operative" for the year ending 31 December 2015.

(10 marks)

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(b) F. Phil recently started business with $22 000 in the bank and recorded the following transactions for the month of July 2015.

2 May	Bought equipment for $7 000 paying by cheque
6 May	Paid rent of $1 200 by cheque
8 May	Bought goods on credit from S. Sampson for $3 500
12 May	Sold goods on credit to M. Long for $2 100
13 May	Bought equipment on credit from Furniture & Things for $2 500
22 May	Paid S. Sampson $3 500 by cheque
29 May	Paid Furniture & Things $1 500 by cheque

Starting with the opening bank balance, post the above transactions to the appropriate accounts in the relevant ledgers.

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Name of Account Name of Ledger

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Name of Account Name of Ledger

Date	Details	$	Date	Details	$

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Name of Account Name of Ledger

Date	Details	$	Date	Details	$

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Name of Account Name of Ledger

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Name of Account Name of Ledger

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Name of Account Name of Ledger

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Name of Account Name of Ledger

Date	Details	$	Date	Details	$

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Name of Account Name of Ledger

Date	Details	$	Date	Details	$

(10 marks)

Total 20 marks

END OF TEST

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

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