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FORM 2006125

MAY/JUNE 2006

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

1½ hours

23 MAY 2006 (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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Answer ALL questions.

CASE – Top Hill Secondary School

Top Hill Secondary is a private school with five hundred fee-paying students and a teaching staff of twenty-five. Accounting records are kept separately for the school's cafeteria. Top Hill Secondary was badly damaged by a hurricane in August 2005.

One month after the hurricane, the accountant of the school fell ill and you have been asked to complete the work which he started. You have been provided with the following information:

(a)

LIST OF BALANCES (August 31, 2005)	**$**
Bank Balance	38 400
Cafeteria Sales	61 600
Cafeteria Purchases	31 300
Cafeteria Stock at start	1 500
Creditors	2 700
Other Cafeteria Expenses	1 700
Capital	45 100
Cafeteria Staff Wages	18 000
School's Fixed Assets	75 000
Cafeteria closing stock damaged in hurricane valued The stock was fully insured.	2 400

1. Prepare the Trading and Profit and Loss Account for the school's cafeteria as if there were no stock damage. **(7 marks)**

2. Calculate the Gross Profit Mark-up on cost of the cafeteria. (Show your workings.) **(2 marks)**

3. Calculate the rate of Stock Turnover for the cafeteria. (Show your workings.) **(2 marks)**

4. What would a Return on Capital Employed of 190% indicate about the profitability of the school? **(2 marks)**

5. The insurance claim for the damaged stock was submitted and a cheque was received for the full amount of stock lost. Show the journal entry to record the settlement. **(4 marks)**

6. Other than stock, name TWO items that Top Hill should consider insuring. **(2 marks)**

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(b) Some additional information has been provided about Top Hill Secondary:

(i) Uncollected student fees amount to $26 000.

(ii) An accrued school telephone bill exists for $300.

(iii) Depreciation is provided on fixed assets at a rate of 10% per annum on the Reducing Balance Method.

7. Other than Provision for Depreciation, what other provision should the owner of Top Hill Secondary create in his accounts? Give a reason for your recommendation. **(2 marks)**

8. Top Hill has applied for a 5 year 8% bank loan of $60 000. What is the meaning of "5 year" and "8%"? **(2 marks)**

9. Assuming no other fixed assets are purchased, show the Provision for Depreciation Account for August 31, 2005 and August 31, 2006. **(4 marks)**

10. In July 2006, how should the school record the information regarding uncollected fees from students who migrated in September 2005? **(2 marks)**

11. Prepare the Balance Sheet of Top Hill Secondary keeping in mind that the overall Net Profit is $86 200. **(10 marks)**

12. Calculate the Current Ratio from the Balance Sheet. **(1 mark)**

Total 40 marks

END OF TEST