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CANDIDATE – PLEASE NOTE!
PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

TEST CODE **01239010**

FORM TP 2015102

MAY/JUNE 2015

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

21 MAY 2015 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

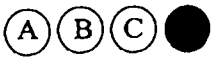
1. This test consists of 60 items. You will have 1 hour and 30 minutes to answer them.
2. In addition to this test booklet, you should have an answer sheet.
3. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.
4. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

   Sample Item

   Prime cost is calculated by adding direct factory expenses to the

   (A) cost of goods sold
   (B) sale of fixed assets
   (C) sale of finished goods
   (D) cost of materials used

   Sample Answer

   The best answer to this item is "cost of materials used", so (D) has been shaded.
5. If you want to change your answer, erase it completely before you fill in your new choice.
6. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.
7. The use of silent electronic calculators is allowed.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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1. The MAIN purpose of preparing financial statements is to

(A) determine gross profit
(B) make informed financial decisions
(C) meet the objectives of the business
(D) determine whether capital has increased

2. A non-trading organization is MAINLY concerned with

(A) importing goods for resale
(B) trading only with wholesalers
(C) providing various services for its members
(D) making maximum profit for the proprietor

3. Which of the following states the correct order of the stages in the accounting cycle, before Final Accounts?

(A) Posting to ledger, journalizing, trial balance
(B) Posting to ledger, trial balance, journalizing
(C) Journalizing, trial balance, posting to ledger
(D) Journalizing, posting to ledger, trial balance

4. The balance of an Accounts Payable's Account is entered in the balance sheet under the heading

(A) capital
(B) fixed assets
(C) current assets
(D) current liabilities

5. A business receives $5 000 for rent and deposits this amount into its bank account. How will this transaction be recorded?

(A) Dr bank $5 000; Cr rent $5 000
(B) Dr rent $5 000; Cr bank $5 000
(C) Dr cash $5 000; Cr rent $5 000
(D) Dr rent $5 000; Cr expense $5 000

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Items 6–7 refer to the following Balance Sheet.

Balance Sheet of Boots' Sports Store as at 31 December 2012

	$			$
Capital	12 000		Land & building	9 000
Add Net profit	4 000		Motor van	5 000
	16 000		Fixtures & fittings	600
Less Drawings	(500)		Inventory	450
			Debtors	250
Creditors			Bank	2 000
		15 500	Cash	300
		2 100		
		17 600		17 600

6. What is the amount of total fixed assets?

(A) $ 9 000
(B) $14 000
(C) $14 600
(D) $15 050

7. What is the amount for total current assets?

(A) $2 550
(B) $3 000
(C) $3 600
(D) $8 600

---

8. Which of the following lists of current assets is arranged in order of liquidity?

(A) Accounts receivable, prepayments, inventory, cash, bank
(B) Prepayments, accounts receivable, cash, bank, inventory
(C) Cash, bank, prepayments, accounts receivable, inventory
(D) Inventory, accounts receivable, prepayments, bank, cash

9. A trader received an invoice for $4 000 less 25% trade discount. Subsequently, he returned one-eighth of the goods. What amount would be entered in his Returns Outwards Account?

(A) $375
(B) $400
(C) $450
(D) $500

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10. Which of the following would NOT appear in a Cash Book?

(A) Goods sold for cheque
(B) Payment for goods
(C) Goods bought for cash
(D) Goods sold on credit

11. A businessman offers a discount for prompt payment for goods purchased. Under which column in his Three-Column Cash Book, would this be entered?

(A) Bank
(B) Cash
(C) Discount allowed
(D) Discount received

12. Credit notes issued for goods returned by a customer will be entered firstly in the

(A) returns inward book
(B) returns outward book
(C) sales returns and allowances account
(D) purchases returns and allowances account

13. An article is subject to a 20% trade discount. Its list price is $600. What is its sale price?

(A) $120
(B) $480
(C) $580
(D) $720

14. The total credit of the bank column of a Three-Column Cash Book is greater than the total debit. The MOST likely reason for this situation is that

(A) there was an overdraft
(B) transactions were omitted from the debit side
(C) some figures were overstated on the credit side
(D) the incorrect transactions were entered on the credit side

15. Money spent by a company on the purchase or improvement of a fixed asset is referred to as

(A) liabilities
(B) purchases
(C) capital expenditure
(D) revenue expenditure

16. Which of the following BEST describes the 'double entry' system of accounting?

(A) A ledger account must have two sides.
(B) An account must be written twice in the ledger.
(C) Each transaction must be written in two subsidiary books.
(D) Each transaction must have a debit entry and a credit entry.

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17. A businessman incurred the following expenses.

Factory repairs	$6 000
Machinery repairs	$2 000
New machine	$3 000
New vehicle	$7 000

What is the total capital expenditure?

(A) $ 6 000
(B) $ 7 000
(C) $ 8 000
(D) $10 000

18. Mr Abel and Mr Blue purchased goods on credit from Mr Kane valued at $50 and $75 respectively. Another customer paid cash for goods amounting to $550. Mr Kane took goods at cost for himself amounting to $500. Which of the following figures represents the total in Mr Kane's Sales Account?

(A) $ 125
(B) $ 425
(C) $ 675
(D) $1 175

19. A proprietor wins a motor vehicle valued at $10 000 and decides to put it into the business. Which of the following entries should be recorded?

(A) Dr motor vehicles account
Cr drawings account
(B) Dr capital account
Cr motor vehicles account
(C) Dr motor vehicles account
Cr capital account
(D) Dr bank account
Cr capital account

20. The Trial Balance is prepared by using balances from the

(A) Ledger
(B) Journal
(C) Sales book
(D) Purchases book

21. K. Khan, a debtor of A and B Enterprises, settles his debt of $120 less $2\frac{1}{2}\%$ discount, by cheque. How should the double entry be recorded in the books of A and B Enterprises?

(A)	Dr K. Khan Dr discount received Cr bank	$117 $ 3 $120
(B)	Dr K. Khan Dr discount allowed Cr bank	$117 $ 3 $120
(C)	Dr bank Dr discount allowed Cr K. Khan	$117 $ 3 $120
(D)	Dr bank Cr discount received Cr K. Khan	$117 $ 3 $120

22. The following information has been extracted from Jack's books:

Opening stock	$ 700
Purchases	$6 200
Sales	$8 800
Closing stock	$ 800

What is the amount of the 'cost of sales'?

(A) $2 600
(B) $6 100
(C) $7 700
(D) $8 800

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Item 23 refers to the following information.

A calculation to determine gross profit percentage is as follows:

$$\frac{185\ 530}{529\ 800} \times \frac{100}{1} = 35.02\%$$

23. What does the $529 800 represent?

(A) Total purchases
(B) Cost of sales
(C) Total sales
(D) Gross profit

Item 24 refers to the following data which are taken from the records of a hardware store at the end of its fiscal year.

	$
Sales	83 868
Sales returns	1 570
Discount allowed	911
Inventory at start	9 850
Inventory at close	11 075
Purchases	52 640
Purchases returns	762

24. What is the gross profit of the hardware store?

(A) $25 625
(B) $31 645
(C) $33 215
(D) $34 023

25. The working capital of A. Young and Sons is $15 500. The total amount of current assets is $16 500. What is the total amount of current liabilities?

(A) $ 1 000
(B) $15 500
(C) $16 500
(D) $32 000

26. A company has a current ratio of 3:1. Current liabilities are

Creditors	$10 000
Accruals	$ 5 000

What is the the working capital amount?

(A) $15 000
(B) $30 000
(C) $45 000
(D) $60 000

Item 27 refers to the following balances taken from the books of Sherida's Ltd on 30 April 2012.

BALANCES	
Rent owing	$ 200
Cash	$3 500
Creditors	$1 200
Prepaid insurance	$ 300
Bank overdraft	$ 400

27. What is the working capital of Sherida's Ltd?

(A) $2 000
(B) $2 400
(C) $3 600
(D) $3 800

28. On 01 January 2012, $10 000 was paid towards an advertising campaign. Of this amount, $7 000 was used by 31 December 2012.

What was the amount of advertising prepaid at year's end?

(A) $ 3 000
(B) $ 7 000
(C) $10 000
(D) $17 000

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29. Depreciation in accounting terms can be defined as the

(A) increase in value of an asset over time
(B) money saved to replace a fixed asset
(C) cost of using a fixed asset for an accounting period
(D) straight line method or reducing balance method used by a business

30. The annual rent of a business is $6 000. The business paid $5 000 during the present year and recorded $5 000 in its income statement. Which accounting concept was breached?

(A) Separate entity
(B) Consistency
(C) Prudence
(D) Accrual

31. How does an increase in bad debts affect a sole trader's financial statements?

(A) Increases the net profit
(B) Decreases the gross profit
(C) Increases the gross profit
(D) Decreases the net profit

32. Control accounts are kept in order to assist management in

(A) limiting expenditure
(B) limiting drawings
(C) increasing profits
(D) locating errors

Item 33 refers to the following information.
On 31 January, the cash book and a bank statement of a business revealed the following.

	$
Unpresented cheques	350
Cash book balance on 31 January	680
Bank charges not yet entered in cash book	25
Deposits not credited on bank statements for the period ending 31 January	210

33. The balance on the bank statement will be

(A) $745
(B) $795
(C) $820
(D) $845

34. A standing order of $25 for insurance appears in the debit column of the bank statement. This amount does not appear in the cash book. How is this item treated in order to update the cash book?

(A) Credit the bank account with $25.
(B) Debit the bank account with $25.
(C) Add $25 to the bank statement balance.
(D) Subtract $25 from the bank statement balance.

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Item 35 refers to the following information provided by Kay, a sole trader.

		$
01 May	Sales ledger balance (Dr)	3 000
31 May	Returns inwards	500
	Bad debts	200
	Discounts allowed	100
	Cheques received from debtors	7 000
	Sales ledger balance	4 000

35. What is Kay's credit sales for the month of May?

(A) $ 6 800
(B) $ 8 800
(C) $11 800
(D) $14 800

36. Which of the following can be determined from an Opening Statement of Affairs?

(A) Sales
(B) Capital
(C) Expenses
(D) Purchases

Item 37 refers to the following information.

	$
Inventory at 01 January 2014	1 500
Purchases during the month	1 200
Cost of goods sold	1 400

37. What is the inventory at the end of January?

(A) $ 300
(B) $ 500
(C) $ 700
(D) $1 300

Item 38 refers to the following Balance Sheet information provided for a firm as at 01 January 2012.

		$	$
2012	Bank	3 000	
01 January	Accounts receivable	(I)	
	Inventory	1 000	
	Accounts payable		500
	(II)		5 500

38. What sum of money is represented by (I)?

(A) $1 000
(B) $2 000
(C) $3 000
(D) $6 000

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39. Mr Miguel's capital on 01 January was $40 000 and on 31 December $85 000. He withdrew $1 000 in inventory during the year.

What is his profit for the year?

(A) $ 5 000
(B) $ 46 000
(C) $125 000
(D) $126 000

40. According to the terms of a Partnership Agreement, partner A is to be credited with a salary of $5 000 per year. How will this will be recorded in the books?

(A) Dr partner's current account, Cr cash
(B) Dr partner's current account Cr appropriation account
(C) Dr appropriation account, Cr partner's current account
(D) Dr appropriation account, Cr cash

41. Tom, Percy and John formed a partnership and agreed that profits were to be shared in the ratio 1:1:2 respectively. The net profit for the year was $18 900. What was John's share of the profit?

(A) $ 4 725
(B) $ 9 450
(C) $14 175
(D) $18 900

42. The total capital in a partnership is $30 000. Rose contributed $7 000 in cash and a motor vehicle worth $3 000. Rose's contribution to the partnership would be recorded in the journal as

		Dr $	Cr $
(A)	Cash	10 000	
	Rose's capital		10 000
(B)	Rose's capital	7 000	
	Cash		7 000
(C)	Cash	7 000	
	Motor vehicle	3 000	
	Rose's capital		10 000
(D)	Rose's capital	10 000	
	Motor vehicle		3 000
	Cash		7 000

Item 43 refers to the following table which shows the amount of capital invested by four persons in a partnership.

Person	Capital $
W	300
X	200
Y	100
Z	300

43. The partners share profit and loss in the proportion of their capital. What is Z's share of the profit of $7 200?

(A) $ 800
(B) $1 200
(C) $1 800
(D) $2 400

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44. Mrs Allen invested $20 000, Mrs Brown invested $5 000 and Mr Cable invested $5 000 in the same business. The loss sustained during the year was $1 000. The Partnership Agreement is silent on the item of losses, although profits are to be split in the ratio 2:2:1 in favour of Allen, Brown and Cable respectively. How much of the loss must be borne by Mr Cable?

(A) $200
(B) $240
(C) $300
(D) $400

45. A company earned a net profit of $60 000 for the year ending 30 September 2014. Proposed dividend were: ordinary shares $10 000 and preference shares $15 000. The company decided to transfer $8 000 to a general reserve. The retained earnings on 30 September 2014 were

(A) $27 000
(B) $33 000
(C) $35 000
(D) $93 000

46. SK Ltd was given permission to offer for sale 10 000 six per cent (6%) preference shares at $5 each and 20 000 ordinary shares at $3 each. All of the preference shares and three-quarters of the ordinary shares were fully paid up. What was the amount of the authorized share capital?

(A) $ 30 000
(B) $ 82 500
(C) $ 95 000
(D) $110 000

47. A public limited company issued a prospectus offering the shares described in the table below, for sale at par value.

Type of share	No. of units	Par value
Ordinary	200 000	$2
5% Preference	10 000	$5

The issue was fully subscribed. How much capital did the company raise?

(A) $ 40 000
(B) $ 45 000
(C) $400 000
(D) $450 000

48. When a company declares a dividend of 15%, the dividend warrant sent to the shareholder who owns 1 500 one-dollar ordinary shares is

(A) $ 100
(B) $ 225
(C) $1 500
(D) $1 515

49. If the members of a business organization form its management and credit committees, the entity (or organization) can best be described as a

(A) sole trader
(B) partnership
(C) corporation
(D) co-operative

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Item 50 refers to the following accounts.

Appropriation Account

	$		$
Taxation reserve	10 000.00	By balance	894.50
Preliminary	250.00	Net profit	26 106.50
Transfer to general reserve	4 000.00		
Preference share dividend	1 200.00		
Ordinary share dividend	6 000.00		

50. What conclusions could be drawn from the above Appropriation Account?

I. The company is engaged in profitable enterprise.
II. The company is not doing too well.
III. More dividends can be given to the ordinary shareholders.

(A) I only
(B) II only
(C) I and III only
(D) II and III only

Item 51 refers to the following summary of receipts and payments for a club at 01 March.

Subscriptions received	$300
Rent paid	$ 60
Purchase of games and equipment	$150
Postage of circulars	$ 20
Proceeds from book sale	$250

51. What is the cash balance at 31 March?

(A) $180
(B) $280
(C) $320
(D) $620

52. The Income and Expenditure Account shows the

(A) expenditure incurred and liabilities owed for the period
(B) income earned and expenditure incurred for the period
(C) income earned and assets owned for the period
(D) assests owned and liabilities owed for the period

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Item 53 refers to the following table which shows balances of the Asset Accounts of the Bayroe Club as at 30 June 2012.

Assets	$
Premises	5 400
Equipment	1 825
Furniture	960
Bank and cash	1 640
Inventory and refreshments	72

53. The amount of its accumulated fund was

(A) $1 640
(B) $4 497
(C) $8 185
(D) $9 897

Item 54 refers to the following information.

40-Plus Golf Club
(I)
for the month ended 31 December 2014

	$			$
Rent	1 000	Profit from bar		1 500
Electricity	500	**(II)**	3 500	
Trips to Miami	5 500	+ Subs. due (end)	500	
				4 000
	7 000			7 000

54. Which of the following BEST describes (I) and (II) shown in the table?

(A) (I) Profit & loss account
(II) Rent received

(B) (I) Trading account
(II) Subscription received

(C) (I) Profit & loss account
(II) Subscription received

(D) (I) Income & expenditure account
(II) Subscription received

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55. P. Hawk has a manufacturing business. The cost of his raw materials is $1 900. Rates and rent total $2 000, and factory wages amount to $2 500.

The number of units produced is 640. What is the cost of ONE unit?

(A) $ 4
(B) $ 6
(C) $10
(D) $13

Item 56 refers to the following information.

J. Baynes Manufacturing Account for period ending 31 December 2014

Inventory of raw materials 01 January 2014	800		
Purchases of raw materials during year	4500	Balance c/d	6800
	5300		
Less closing inventory of raw materials 31 December 2014	1400		
	3900		
Productive wages	1300		
Fuel and power	900		
Lubricants	100		
Rent and rates	400		
	200		
	6800		6800

56. What is the cost of raw materials consumed?

(A) $ 800
(B) $1 200
(C) $3 900
(D) $4 500

57. The items, raw materials inventory, work in progress inventory and finished goods inventory are MOST likely seen together on the balance sheet of a

(A) garage
(B) shoe factory
(C) supermarket
(D) bus company

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58. S & B Limited's net income for the year was $89 000. Of this amount, $8 000 was transferred to general reserve, preference dividend paid was $2 400 and ordinary dividend proposed was $6 500. The value of the retained profits for the year was

(A) $72 100
(B) $80 100
(C) $81 000
(D) $89 000

59. P. Amos is paid at the rate of $7 per hour for a basic 40 hour week. During the week of 06 April 2012, he worked a basic week of 40 hours. The income tax due on his pay is $20, and social security contribution is 5% of his gross pay. What is his net pay?

(A) $246
(B) $260
(C) $266
(D) $280

60. Which of the following are considered to be statutory deductions, when preparing employees' earnings records?

I. Mortgage
II. Income tax
III. National insurance

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

END OF TEST

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