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 2021107

MAY/JUNE 2021

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

10 MAY 2021 (p.m.)

093

1107

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.

A023

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. A trader had an opening capital of $3 900. If his drawings were $900 and his closing capital was $4 860, what was his net profit?

(A) $ 900
(B) $ 960
(C) $1 860
(D) $3 000

Item 2 refers to the following balances at the end of a financial period.

	$
Motor vehicle	2 000
Payables	3 000
Receivables	2 000
Capital	11 000
Building	10 000

2. What is the TOTAL amount for the assets?

(A) $12 000
(B) $13 000
(C) $14 000
(D) $15 000

3. Ms Hoyte, a grocer, bought a computer on credit from Tan Company. In Ms Hoyte's books, which of the following journal entries would be made for this transaction?

(A) Debit purchases account
Credit Tan Company

(B) Debit computer account
Credit cash

(C) Debit Tan Company
Credit purchases account

(D) Debit computer account
Credit Tan Company

4. During the year, a company bought stationery for $220 and used $120 worth of it. What figure would be posted to the profit and loss account to represent the expenditure for stationery?

(A) $100
(B) $120
(C) $220
(D) $340

5. The acid test ratio indicates

(A) net current assets less inventory available to pay current liabilities
(B) current assets to pay current liabilities
(C) non-current assets to be sold to pay current liabilities
(D) an overdraft that the trader could secure to pay his current liabilities

6. Which of the following items are examples of current liabilities?

I. Mortgages
II. Accounts payable
III. Accrued wages

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

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Item 7 refers to the following balances from the books of J. Sammy, a sole trader, at the end of a financial period.

	$
Land	7 000
Building	5 000
Inventory	1 100
Receivables	500
Bank overdraft	400
Payables	700
Cash	200
Capital (at start)	10 000
Drawings	300
Net profit	3 000

7. The current ratio of the business (rounded to 2 decimal places) is

(A) 1.45 : 1
(B) 1.64 : 1
(C) 2.57 : 1
(D) 3.14 : 1

8. Merill Industries operates on a 40-hour work shift per week. Overtime is paid at time and a half. Employees are paid $50 an hour. What is the gross pay of an employee who worked for 49 hours for the week?

(A) $2 000
(B) $2 225
(C) $2 450
(D) $2 675

9. Which of the following accounts are usually transferred to the income statement?

(A) Rent, premises, drawings
(B) Drawings, rent, purchases
(C) Commission received, rent, purchases
(D) Purchases, furniture, commission received

10. Which of the following items is/are a capital expenditure?

(A) Wages
(B) Repairs
(C) Purchase of goods
(D) Purchase of machinery

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Item **11** refers to the following information about the operation of a firm.

Provision for doubtful debts on 1 January 2020 — $ 700
Receivables on 31 December 2020 — $25 000

The provision for doubtful debts is calculated at a rate of 2% of receivables.

11. What amount would be recorded in the provision for doubtful debts account at year end?

(A) Credit $200
(B) Debit $200
(C) Credit $500
(D) Debit $500

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12. K. Khan, a debtor of A and B Enterprises, settles his debt of $120 less 2½% 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

13. Partnerships are formed for the purpose of

I. combining capital from different persons
II. benefiting from different skills and specializations
III. sharing ideas, experience and responsibilities

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

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

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

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Items **15–16** refer to the following statement of financial position provided for a firm as at 1 January 2019.

	$		$
Bank	3 000	Payables	500
Receivables	**I**	**II**	5 500
Inventory	1 000		

15. What sum of money is represented by **I**?

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

16. Which of the following accounts is represented by **II**?

(A) Loan
(B) Cash
(C) Capital
(D) Liability

17. 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

18. Mr Abel and Mrs Blue purchased goods on credit valued at $50 and $75 respectively from Mr Kane. 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. Which of the following accounts are nominal?

(A) Wages and rent
(B) Stock and debtors
(C) Machinery and plant
(D) Creditors and fixtures

20. Which of the following features is associated with private limited companies?

(A) They are family owned.
(B) Shares are not sold publicly.
(C) Financial statements are published.
(D) Government agencies purchase shares.

21. In calculating the gross profit percentage, gross profit should be divided by

(A) cost of goods sold
(B) net purchases
(C) net profit
(D) net sales

22. 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.

23. Which of the following entries would NOT appear in a cash book?

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

24. Mrs Smith does not keep proper records. She began her business with $10 000 in its bank account. She uses her vehicle and building worth $6 000 and $15 000 respectively as part of her business. Customers owe her $4 000. She withdrew $1 500 for personal use and owed creditors $2 000.

What is the closing capital of the business?

(A) $25 500
(B) $28 500
(C) $31 500
(D) $33 000

25. Which of the following will result when opening inventories of raw materials are added to net purchases of raw materials?

(A) Prime cost
(B) Production cost
(C) Raw materials used
(D) Raw materials available for use

Item **26** refers to the following data which pertain to Tarisha Ali, an employee of a bank.

Monthly salary	$3 500
Overtime	$ 800

Income tax rate:

25% on every dollar above $2 000 of monthly salary
30% on overtime earned

26. The TOTAL income tax to be deducted from Tarisha Ali's salary is

(A) $ 615
(B) $ 740
(C) $ 875
(D) $1 075

27. Mr A. Jones paid $250 in cash for repairs to machinery. This transaction was entered in the cash book and posted to the ledger. The double entry involved would be

(A) debit cash account
credit repairs account

(B) debit repairs account
credit cash account

(C) debit cash account
credit machinery account

(D) debit A. Jones account
credit cash account

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

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

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29. Which of the following items are NOT recorded in the appropriation account?

I. Interest on loans from partners
II. Interest on capital
III. Withdrawals by partners

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

30. Which of the following entries in a three-column cash book are contra entries?

(A) Debit cash, credit bank
(B) Debit cash, credit cash
(C) Credit cash, credit bank
(D) Debit bank, credit bank

Item **31** refers to the following information provided by a business.

	$
Total unpresented cheques	120
Lodgement not entered on bank statement	150
Balance per cash book	560

31. What is the balance per bank statement?

(A) $120
(B) $150
(C) $340
(D) $530

Item **32** refers to the following table which shows balances on the asset accounts of the Bayroe Club as at 30 June 2020.

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

32. The amount of the club's accumulated fund was

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

33. Which of the following are a long-term liability?

(A) Creditors
(B) Debentures
(C) Accrued wages
(D) Bank overdrafts

Item **34** refers to the following information.

Insurance A/c

Debit			**Credit**		
2020		$	2020		$
2 January	Balance b/d	700	31 December	Profit & loss a/c	8 100
15 January	Bank	8 000	31 December	Balance c/d	600
		8 700			8 700

34. What is the amount of insurance prepaid at the end of the year?

(A) $ 600
(B) $ 700
(C) $8 000
(D) $8 100

Item **35** refers to the following information.

	$
Inventory at 1 January 2020	1 500
Purchases during the month	1 200
Cost of goods sold	1 400

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

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

36. Which of the following items on a statement of financial position would differ MOST in presentation, when comparing the books of a company and the books of a sole trader?

(A) Non-current assets
(B) Current liabilities
(C) Current assets
(D) Capital

37. A photocopying machine valued at $5 000 is depreciated at 10% using the straight line method. What is its book value after TWO years?

(A) $4 000
(B) $4 050
(C) $4 500
(D) $4 980

38. Andina Williams is a petty cashier. If she has a float of $200 and she spends $180, how much should she be reimbursed at the end of the period?

(A) $ 20
(B) $180
(C) $200
(D) $380

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39. Which of the following is a book of prime entry?

(A) Invoice
(B) Sales ledger
(C) Sales journal
(D) Statement of financial position

40. Which of the following financial documents shows the net earnings of a business?

(A) Income statement
(B) Appropriation account
(C) Statement of financial position
(D) Receipts and payments account

41. A sole trader uses his trading account to determine

(A) surplus
(B) net profit
(C) gross profit
(D) super profit

42. In order to avoid writing numerous cheques for small amounts, a firm may set up a

(A) bank draft
(B) petty cash fund
(C) general journal
(D) bank standing order

43. 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

44. According to the Partnership Act, if there is no Deed of Partnership, the amount of profit to be received by EACH partner would be

(A) divided equally
(B) calculated at 5% of net profit
(C) calculated at 5% on capital invested
(D) divided in proportion to capital invested

45. In the books of a partnership, the salaries of the partners should be

(A) debited in the drawings account
(B) credited in the appropriation account
(C) debited in the partners' capital account
(D) credited in the partners' current account

Item **46** refers to the following table which shows the summarized position of Foster and Scott Limited at 6 March 2020.

	$
Current liabilities	60 000
Current assets	100 000
Non-current assets	200 000
Non-current liabilities	150 000

46. What was the capital of Foster and Scott Limited at 6 March 2020?

(A) $ 40 000
(B) $ 90 000
(C) $150 000
(D) $190 000

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47. A mechanic starts his business with $10 000 worth of tools. What entries should he make to record this transaction?

(A) Debit bank account
Credit capital account

(B) Debit capital account
Credit bank account

(C) Debit tools account
Credit capital account

(D) Debit capital account
Credit tools account

48. The net profit of a firm was shown as $1 600. It was later discovered that discounts received were undercast by $10 and purchases were understated by $36. What is the correct net profit?

(A) $1 574
(B) $1 610
(C) $1 636
(D) $1 646

49. An asset purchased for $1 000 depreciates at the rate of 10% per annum using the reducing balance method. What is the book value of the asset at the beginning of the third year?

(A) $ 800
(B) $ 810
(C) $ 900
(D) $1 190

50. R. A. David operates a small grocery. You have been asked to assist in the preparation of the final accounts for 2020 and have been provided with the following information.

Balance at 31 December 2020	
Debtors	40 000
Accounts payable	25 000
Bank overdraft	35 000
Inventory of goods for resale	80 000
Non-current assets	180 000
Long-term loans	130 000

What was the capital at 1 January 2021?

(A) $110 000
(B) $130 000
(C) $160 000
(D) $180 000

51. Mr Green and Mrs Black agreed to establish a partnership, Green and Black Co., and each of them deposited $5 000 into a bank account. How should this be recorded in the books of the partnership?

(A) Credit cash $10 000
Debit capital $10 000

(B) Debit Green and Black Co. $10 000
Credit bank $10 000 each

(C) Debit partnership bank account $10 000
Credit partners' current accounts $5 000 each

(D) Debit partnership bank account $10 000
Credit partners' capital accounts $5 000 each

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Items **52–53** refer to the following information for Jaco Ltd.

Jaco Ltd sells canned tomato sauce. The following inventory information was available for the month ended 31 May 2020.

Date	Transaction	Amount
May 1	Beginning inventory	40 cans @ $500 per can
4	Purchased	80 cans @ $515 per can
15	Sold	100 cans @ $650 per can
20	Sold	10 cans @ $650 per can

52. Using the FIFO method, what is the value of ending inventory?

(A) $ 5 000
(B) $ 5 150
(C) $ 6 500
(D) $20 000

53. Using the AVCO method, what is the value of ending inventory?

(A) $ 5 100
(B) $ 5 788
(C) $ 6 000
(D) $24 050

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54. To which account should depreciation of office machines be transferred?

(A) Trading
(B) Manufacturing
(C) Profit and loss
(D) Appropriation

55. Which of the following accounting entries should be made if goods are sold on credit?

(A) Debit cash account
Credit sales account

(B) Debit sales account
Credit cash account

(C) Debit sales account
Credit account receivable account

(D) Debit account receivable account
Credit sales account

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56. Which of the following may be used to calculate the cost of production?

(A) Prime cost + factory overheads − opening work in progress + closing work in progress

(B) Prime cost − factory overheads − opening work in progress + closing work in progress

(C) Prime cost + factory overheads − opening work in progress − closing work in progress

(D) Prime cost + factory overheads + opening work in progress − closing work in progress

57. P. Amos is employed by a construction company at a rate of $7 per hour. During a week, he worked his basic week of 40 hours. The income tax due on his pay is $20 and he is also liable to pay national insurance contributions of 5% of his gross pay. What is his net pay?

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

Item **58** refers to the following information supplied by a sole trader.

Amaris One Stop Shop	
	$
Net sales	30 000
Rent expense	3 000
Discount received	2 000
Gross profit	12 000
Discount allowed	4 000

58. What is the net profit percentage (to the nearest whole number)?

(A) 10%
(B) 17%
(C) 23%
(D) 37%

59. When a company declares a dividend of 15%, the dividend warrant of a shareholder owning 1 500 one-dollar ordinary shares is

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

60. Prime cost is $79 110, office expenses $3 000 and factory overheads $4 720. How much is the cost of production?

(A) $ 4 720
(B) $71 390
(C) $83 830
(D) $86 830

END OF TEST

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