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.

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FORM TP 2019105

TEST CODE **01239010**

MAY/JUNE 2019

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

13 MAY 2019 (p.m.)

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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

   (A) (B) (C) ●

   The best answer to this item is "cost of materials used", so (D) has been shaded.

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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

2. A company's rent expense account had an opening debit balance of $2 000. During the year $6 000 was paid for rent. At the end of the year there was a closing debit balance of $1 500 in the account.

What was the rent expense recorded for the year?

(A) $6 000
(B) $6 500
(C) $7 500
(D) $9 500

3. In a partnership, which of the following transactions is compulsory?

(A) Paying of salaries
(B) Interest on capital
(C) Interest on drawings
(D) Sharing of profits or losses

4. Which of the following terms describes the exchange of goods and services?

(A) Journal
(B) Transaction
(C) Balance Sheet
(D) Trial Balance

5. 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.

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

7. Which of the following is usually used to complete a general journal entry?

(A) Narration
(B) Description of assets
(C) Description of liabilities
(D) Name of book to which entry must be posted

8. The purpose of electronic clock cards is to record

(A) employees' skills
(B) employees' attendance
(C) jobs done by employees
(D) deductions from employees' wages

9. The cash book is BEST used for recording

(A) goods sold for cash
(B) goods returned for cash
(C) goods purchased for cash
(D) cash receipts and cash payments

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Item **10** 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
$2000 of monthly salary
30% on overtime earned

10. The TOTAL income tax to be deducted from Tarisha Ali is

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

11. A businessman offers a discount for prompt payment for goods purchased. Under which column in his three-column cash book would this discount be entered?

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

Item **12** refers to the following information which relates to Jim's salary.

	$
Net pay	1 900
Tax	150
Overtime pay	400
Union dues	125
Pension plan	25

12. What is the sum of money Jim receives as his gross salary?

(A) $2 000
(B) $2 200
(C) $2 300
(D) $2 400

13. 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

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

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

15. The balance of an accounts payable account is entered in the Balance Sheet under the heading

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

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

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

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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. When a proprietor withdraws cash or other assets from a business, what effect does it have on drawings or capital?

(A) Capital is increased.
(B) Capital is decreased.
(C) Drawings are decreased.
(D) Neither drawings nor capital is affected.

21. 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.

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

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

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

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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. 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

Items **26–27** refer to the following table which shows a trader's operation at the end of the trading period.

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

26. What is the cost of goods sold?

(A) $49 742
(B) $50 653
(C) $51 415
(D) $53 103

27. What is the gross profit?

(A) $31 645
(B) $33 215
(C) $34 023
(D) $80 025

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28. When a Trial Balance fails to agree, the difference is entered in the

(A) Control account
(B) Reserve account
(C) Provision account
(D) Suspense account

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 accounts shows how profits and losses are shared among partners?

(A) Current
(B) Appropriation
(C) Profit and Loss
(D) Income and Expenditure

31. During the year, a company bought stationery for $220 and used $120 worth of it. What is the expenditure for stationery that would be posted to the Profit and Loss Account?

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

32. A motor van was credited from AG Motors for use in a business. How should this be recorded?

(A) Debit Motor Vehicle Account; Credit Bank Account
(B) Debit Motor Van Expense Account; Credit Bank Account
(C) Debit Purchases Account; Credit AG Motors Account
(D) Debit Motor Vehicle Account; Credit AG Motors Account

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

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

34. Cash sales were not entered in any books of accounts. This is an error of

(A) omission
(B) principle
(C) commission
(D) complete reversal

35. Which of the following are benefits of using accounting software?

I. Integrated analysis of information
II. Almost immediate updating of records
III. Programmable to recognize irregular entries

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

36. 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) incorrect transactions were entered on the credit side

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Item **37** refers to the following information

Inventory at 1 January 2018	$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

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

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

(A) Invoice
(B) Balance Sheet
(C) Sales Ledger
(D) Sales Journal

40. 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

41. A sole trader uses his Trading Account to determine

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

Item **42** refers to the following information provided by Kay and Friends

	$
Bank balance 1 August 2017	700
Purchase of refreshments	500
Purchase of furniture	500
Proceeds from raffle	1 500
Stock 31 July 2018	2 000
Donations to charity	200
Depreciation of furniture	50
Sale of equipment	600

42. What is the bank balance in the Receipts and Payments Account of Kay and Friends for the year ended 31 July 2018?

(A) $ 900
(B) $1 600
(C) $2 850
(D) $3 550

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

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

(A) Cr Cash $10 000,
Dr Capital $10 000

(B) Dr Green & Brown Co. $10 000,
Cr Bank $10 000 each

(C) Dr Partnership Bank Account $10 000,
Cr Partners' Current Accounts $5 000 each

(D) Dr Partnership Bank Account $10 000,
Cr Partners' Capital Accounts $5 000 each

Item **45** refers to the following summary of receipts and payments for a club at 1 March

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

45. What is the cash balance at 31 March?

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

46. S & B Limited's net income for the year was $89 000. Of this amount, $8 000 was transferred to the 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

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

(A) Dr Bank Account,
Cr Capital Account.

(B) Dr Capital Account,
Cr Bank Account.

(C) Dr Tools Account,
Cr Capital Account

(D) Dr Capital Account,
Cr Tools Account

48. When writing up the books of a partnership, which account must EACH partner have?

(A) Bank
(B) Current
(C) Savings
(D) Fixed deposit

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. Which of the following accounts are usually transferred to the Trading and Profit and Loss Account?

(A) Rent, Premises, Drawings
(B) Drawings, Rent, Purchases
(C) Commission Received, Rent, Purchases
(D) Purchases, Furniture, Commission Received

51. An example of a capital expenditure is money spent for

(A) paying rent
(B) paying wages
(C) purchasing goods
(D) purchasing a new building

52. Amalgamated Components was a private company until it admitted additional shareholders by selling shares on the stock exchange. Amalgamated Components can now be described as a

(A) partnership
(B) statutory corporation
(C) public limited company
(D) private limited company

Item **53** refers to the following information.

Dr	J. Baynes Manufacturing Account for period ending 31 December 2018			Cr
	$			$
Inventory of raw materials 1 January 2018	800		Balance c/d	6 800
Purchases of raw materials during year	4 500			
	5 300			
Less closing inventory of raw materials 31 December 2018	1 200			
	1 200			
Production wages	800			
Fuel and power	100			
Lubricants	400			
Rent and rates	200			
Insurance	6 800			6 800

53. What is the cost of raw materials available for production?

(A) $ 800
(B) $4 100
(C) $4 500
(D) $5 300

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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. The reward of profit received by a shareholder in a limited company is called

(A) interest
(B) drawings
(C) dividend
(D) commission

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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

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57. Fisk Company's accountant has not recorded rent owing for the period. Fisk's accountant has violated the concept or rule of

(A) accrual
(B) prudence
(C) consistency
(D) separate entity

58. The purchase of equipment on credit will affect a firm's balance sheet by

(A) increasing assets and increasing liabilities
(B) decreasing assets and increasing liabilities
(C) increasing assets and decreasing liabilities
(D) decreasing assets and decreasing liabilities

59. Which of the following is NOT considered a source document for the payroll?

(A) Electronic timecard
(B) Medical certificate
(C) Attendance register
(D) Clock card

60. Mr Amos is employed by a construction company at a rate of $7 per hour. During the week of 6 April 2018, he worked his basic week of 40 hours. The income tax due on his pay is $20, and he is also liable to pay social security contributions of 5% of his gross pay.

What is Mr Amos' net pay?

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

END OF TEST

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