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

_____

FORM TP 2013105 TEST CODE **01239010**

MAY/JUNE 2013

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

24 MAY 2013 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 1 hour and 30 minutes 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). After reading each item you are about to answer, 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 how it is done in 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 answer space (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, omit it and go on to the next one. You can return later to the item omitted. Your score will be the total number of correct answers.
7. The use of silent electronic calculators is allowed.

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

Copyright © 2010 Caribbean Examinations Council
All rights reserved.

1. The MAIN internal users of accounting information are

(A) managers
(B) competitors
(C) governments
(D) local communities

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

(A) Journalizing, Posting to Ledger, Trial Balance
(B) Posting to Ledger, Trial Balance, Journalizing
(C) Posting to Ledger, Journalizing, Trial Balance
(D) Journalizing, Trial Balance, Posting to Ledger

3. 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

4. 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

5. The working capital of P. Young and Sons is $15 500, and current assets is $16 500. What is the TOTAL current liabilities?

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

GO ON TO THE NEXT PAGE

Items 6–7 refer to the balance sheet below.

Balance Sheet of Boot's Sports Store
as at 31 December, 2012

	$	$		$
Capital	12 000			
Add Net profit	4 000		Land & building	9 000
	16 000		Motor van	5 000
	500		Fixtures & fittings	600
Less Drawings		15 500	Stock	450
Creditors		2 100	Debtors	250
			Bank	2 000
			Cash	300
		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 listings of current assets is in order of permanency?

(A) Debtors, bank, cash, stock
(B) Cash, debtors, bank, stock
(C) Bank, cash, debtors, stock
(D) Stock, debtors, 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

10. 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

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

(A) Bank
(B) Cash
(C) Discount Allowed
(D) Discount Received

GO ON TO THE NEXT PAGE

Items 12–14 refer to the following information.

Trinbago Ltd
Orange Street
San Juan, Trinidad

To: XYZ Co. Ltd
Plum Road
D'Abadie, Trinidad

Invoice No.: A009 Date: 1 January 2012

Qty	Item	Unit Price ($)	Total ($)
20	cases Guava Wine	70.00	1 400.00
40	cases Cherry Brandy	75.00	3 000.00
60	cases Rum Punch	60.00	3 600.00
	Less 20% trade discount		
	Terms: net 30 days 2½ % 15 days		

12. The term 'net 30 days' 2½ % means that a credit period of 30 days is given, but 2½ %

(A) interest is charged if the debt is paid within 15 days.
(B) interest is charged if the debt is paid after 15 days.
(C) discount is given if the debt is paid after 15 days.
(D) discount is given if the debt is paid within 15 days.

13. What is the actual amount of the invoice?

(A) $5 600
(B) $6 400
(C) $7 000
(D) $8 000

14. If XYZ Co. Ltd paid for the goods on 12 January 2012, how much did they actually pay?

(A) $5 460
(B) $6 240
(C) $6 825
(D) $7 800

15. 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.

GO ON TO THE NEXT PAGE

16. In Mr Chin's ledger, an entry on the debit side of the drawings account, followed by an entry on the credit side of the bank account means that Mr. Chin

(A) puts money in the business' bank account
(B) withdraws money from the bank for use in the business
(C) uses money from his business' bank account for his personal use
(D) withdraws money from his personal account for his personal use

17. A motor van was credited from A. G. Motors for use in the 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; A.G. Motors Account
(D) Debit Motor Vehicle Account; Credit A.G. Motors Account

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

(A) Capital increases; Drawings decrease
(B) Capital increases; drawings increase
(C) Capital decreases; Drawings increase
(D) Capital decreases; drawings decrease

19. A mechanic starts his business with $10 000 worth of tools. What entries should be made to record this transaction?

(A) Dr. Capital A/c; Cr. Tools A/c
(B) Dr. Tools A/c; Cr. Capital A/c
(C) Dr. Bank A/c; Cr. Capital A/c
(D) Dr. Capital A/c; Cr. Bank A/c

20. The trial balance is prepared by using balances from the

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

21. The ABC Company deposited a cheque for $300 received from Mr Murray. How should this transaction be recorded in ABC's books?

I. Debit the Cash Account.
II. Debit the Bank Account.
III. Credit Murray's Account.
IV. Credit the Cash Book $300.

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

22. A sole trader uses his Trading Account to determine

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

GO ON TO THE NEXT PAGE

23. Which of the following lists of accounts is usually transferred to the Trading and Profit and Loss Account?

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

Item 24 refers to the data below 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
Stock at start	9 850
Stock 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

Item 25 refers to the following information from a sole trader for the month of April.

Purchases	
5 April	200g@$6 per gram
10 April	600g@$3 per gram
Sales	
12 April	100g@$7 per gram
17 April	100g@$9 per gram

25. Using the FIFO method, closing stock would be valued at

(A) $1 800
(B) $2 250
(C) $2 400
(D) $4 000

Item 26 refers to a Trader's Balance Sheet which shows the following balances.

Assests	$	Liabilities	$
Stock	10 000	Creditors	50 000
Bank	20 000	Accrued	
Debtors	100 000	expenses	10 000
Motor vehicle	30 000		

26. What is this trader's acid test ratio?

(A) 1:2
(B) 2:1
(C) 1:2.6
(D) 2.6:1

GO ON TO THE NEXT PAGE

27. In preparing its final accounts, a business omitted Returns Inwards. This omission will affect

I. Net Sales
II. Net Purchases
III. Gross Profit/Loss
IV. Cost of Goods Sold

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

28. On 1 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

Item 29 refers to the following information related to provision for bad debts at the end of 2012.

Period of Debt	Amount of Bad Debt	Provision for Bad Debts
Over 3 years	$6 000	3% of Debtors
1 to 2 yers	$4 000	2% of Debtors
Under 1 year	$8 000	1% of Debtors

29. What is the TOTAL provision for bad debts for the year 2012?

(A) $180
(B) $340
(C) $400
(D) $500

30. A business' annual rent 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) Accruals
(B) Prudence
(C) Consistency
(D) Separate entity

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

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

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

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

GO ON TO THE NEXT PAGE

Item 33 refers to the following information. On 31 January, the cash book and a bank statement 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. The net profit of a firm was shown as $1 600 and 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

35. Under which of the following conditions would a trial balance still balance?

I. A debit entry was left out.
II. A transaction was completely left out.
III. Both a debit and a credit entry were overstated by the same amount.
IV. Both a debit and a credit entry were understated by the same amount.

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

Item 36 refers to the following information taken from the accounts of T. Morris.

Sales	$9 000
Gross Profit	45%

36. What is the gross profit?

(A) $4 000
(B) $4 050
(C) $4 950
(D) $9 000

37. 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

Items 38–39 refer to the following Balance Sheet information provided for a firm as at 1 January 2012.

		$	$
2012	Bank	3 000	
1 January	Debtors	(I)	
	Stock	1 000	
	Creditors		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

39. Which of the following accounts is represented by II?

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

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

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

41. Martin is in a partnership. On 1 January, his current account showed a balance of $2 500. During the year he withdrew $4 000. At the end of the year, Martin received $2 000 as his share of profits from the partnership.

In the balance sheet, Martin's current account would reflect a

(A) $ 500 debit
(B) $ 500 credit
(C) $8 500 debit
(D) $8 500 credit

42. The total capital in a partnership is $30 000. Rose contributed $7 000 in cash and a 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 Van	3 000	
	Rose's capital		10 000
(D)	Rose's capital	10 000	
	Motor van		3 000
	Cash		7 000

GO ON TO THE NEXT PAGE

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

Capital	$
W's	300
X's	200
Y's	100
Z's	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

Item 44 refers to the following table which shows the amount of capital invested by two partners.

Capital	$
R. Winsome	60 000
H. Winsome	30 000

44. R & H Winsome have combined their interests into a partnership. If interest on capital was agreed at 5%, what is the total amount of interest on capital earned by the partners?

(A) $1 500
(B) $2 500
(C) $3 000
(D) $4 500

45. 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

46. In an effort to raise capital, a company offered 200 five per cent (5%) debentures at $100 each for subscription. Five per cent (5%) is an indication that the company will

(A) increase its capital by 5%
(B) receive 5% of $20 000 as capital
(C) pay 5% of $20 000 in interest to the debenture holders
(D) receive 5% of $20 000 in interest from the debenture holder

Item 47 refers to the information given in the table below which shows the shares offered for sale at par value.

Type of share	No. of Units	Par value
Ordinary	20 000	$2.00
5% Preference	10 000	$5.00

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

(A) $30 000
(B) $40 000
(C) $50 000
(D) $90 000

GO ON TO THE NEXT PAGE

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

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

49. 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

50. Payments made to the committee members in a co-operative are known as

(A) salary
(B) honorarium
(C) commission
(D) director's remuneration

51. Which of the following is an example of revenue expenditure for a Sports Club?

(A) Rental of playing field
(B) Coach's wages refunded
(C) Payments by club members
(D) Purchase of a van for transporting members

52. Charity-Is-We, a non-trading organization, hired an accountant to prepare a statement showing its expenses and revenues. The statement to be prepared is called the

(A) profit and loss
(B) revenue and capital
(C) receipt and payment
(D) income and expenditure

Item 53 refers to the following information provided by Kay and Friends.

	$		$
Bank balance 1 August, 2011	700	Stocks 31 July 2012	2 000
Purchase of refreshments	500	Donations to charity	200
Purchase of furniture	500	Depreciation of furniture	50
Sale of equipment	600	Proceeds from raffle	1 500

53. What is the bank balance in the Receipts and Payments Account for the year ended 31 July 2012?

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

GO ON TO THE NEXT PAGE

Item 54 refers to the table below which shows balances of the asset accounts of the Bayroe Club as at 30 June 2012.

	$
Premises	5 400
Equipment	1 825
Furniture	960
Bank and Cash	1 640
Stock and refreshments	72

54. The amount of its accumulated fund was

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

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

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

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

Item 56 refers to the following information provided by a business.

	$
Opening inventory of raw materials	500
Purchases	2 000
Closing inventory of raw materials	1 000
Direct labour	3 000
Factory overheads	4 500
Opening inventory of work in progress	2 000
Closing inventory of work in progress	3 000

56. From the above information, what is the cost of goods manufactured?

(A) $ 7 000
(B) $ 8 000
(C) $ 9 000
(D) $11 000

57. In a manufacturing concern, production cost is equal to

(A) administrative expenses + factory overhead expenses
(B) total cost + selling and distribution expenses
(C) prime cost + factory overhead expenses
(D) prime cost + administrative expenses

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

GO ON TO THE NEXT PAGE

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

I. Pension
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

60. P. Amos is paid at the rate of $7 per hour for a basic 40 hour week. During the week of 6 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

END OF TEST

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