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 2018102

TEST CODE **01239010**

MAY/JUNE 2018

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

17 MAY 2018 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

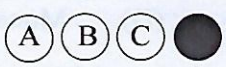
1. This test consists of 60 items. You will have 1 hour and 30 minutes to answer them.
2. In addition to this test booklet, you should have an answer sheet.
3. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice 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. A non-trading organization is MAINLY concerned with

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

2. The term 'accounting' refers to the

(A) use of information in making business decisions
(B) use of special ways of recording business information
(C) recording, analysing and interpreting of business information
(D) journalizing, posting and balancing of accounts in special books

3. Rent expense which is still owing at the end of the period must be debited in the profit and loss account and shown in the balance sheet as a liability. Which accounting concept does this represent?

(A) Accrual
(B) Consistency
(C) Going concern
(D) Money measurement

4. Which of the following accounts are nominal?

(A) Wages and Rent
(B) Stock and Debtors
(C) Machinery and Plant
(D) Creditors and Fixtures

5. 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 5%	200 000	$2
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

Item 6 refers to the following information.

A calculation to determine gross profit percentage is as follows:

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

6. What does the amount $529 800 represent?

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

7. The summarized position of Foster and Scott Limited at 6 March 2015 was

	$
Current Liabilities	60 000
Current Assets	100 000
Fixed Assets	200 000
Long-Term Liabilities	150 000

What was the capital of Foster and Scott Limited at 6 March 2015?

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

8. If the following lists of assets found on the balance sheet of a retail trader were to be arranged in order of liquidity, the sequence would be

(A) motor van, building, bank, fixtures, cash, debtors
(B) cash, fixtures debtors, bank, building, motor van
(C) cash, bank, fixtures, debtors, motor van, building
(D) cash, bank, debtors, motor van, fixtures, building

9. 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

Item **10** refer to the following information about two partners.

Jane and Max are in partnership sharing profits in the ratio $\frac{3}{5}$ and $\frac{2}{5}$ respectively. The following balances are taken from their books.

Net profit	$23 500
Interest on capital	
Jane	$ 2 000
Max	$ 1 000
Salary: Max	$ 2 500
Drawings:	
Jane	$ 1 500
Max	$ 1 400
Interest on drawings	
Jane	$ 150
Max	$ 140

10. How much money should Max receive as his share of the residual profits?

(A) $7 316
(B) $6 556
(C) $5 964
(D) $3 876

11. In a cooperative society, the daily affairs are administered by

(A) the majority of shareholders
(B) all members meeting together
(C) the chairman of the board only
(D) persons elected or appointed to do so

Item **12** refers to the following information from the books of a company.

	$
Cash sales	10 000
Credit sales	45 000
Stock on hand	40 000
Drawings	8 000
Cash purchases	12 000
Credit purchases	20 200

12. From the information above, what is the correct closing total for the sales account?

(A) $59 000
(B) $55 000
(C) $49 000
(D) $47 000

Item **13** refers to the following account.

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		

13. What conclusion 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

14. 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

15. On 2 March 2017, L. Lan bought goods worth $630 on credit. He received a 3% trade discount on this amount. The invoice also stated 2% 20 days, net 30 days. How much would L. Lan pay for the goods if he pays on 8 March 2017?

(A) $595.00
(B) $598.88
(C) $611.10
(D) $630.00

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

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

17. 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

18. If the stock turnover ratio is 5 times and average stock is $28 000, what is the cost of goods sold?

(A) $ 5 600
(B) $ 70 000
(C) $ 140 000
(D) $ 280 000

19. The proprietor of a business paid a personal car repair bill from the bank account of the business. The amount was debited to the Miscellaneous Expense Account. Which of the following concepts was violated by posting the bill to the Miscellaneous Expense Account?

(A) Matching
(B) Prudence
(C) Going concern
(D) Business entity

20. Which of the following documents acknowledges a loan to a company at a fixed rate of interest?

(A) Debenture
(B) Licence
(C) Fliers
(D) Stock

21. A motor van was credited from A.G Motors for use in the business. How should the buyer record this transaction?

(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

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Item 22 refers to the following balance sheet.

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

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

22. What is the amount of total fixed assets?

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

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23. M. K. Trucking Company received a cheque from Mrs Henry. How must this transaction be recorded in M. K. Trucking's books?

I. Credit the cash book
II. Credit Mrs Henry's account
III. Debit the bank account

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

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. An increase in drawings will result in

(A) an increase in long-term liabilities
(B) a decrease in capital
(C) an increase in capital
(D) a decrease in capital

Item **26** refers to the following information.

40-Plus Golf Club
(I)
for the month ended 31 December 2010

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

26. Which of the following BEST describe **(I)** and **(II)** shown in the table?

(A) (I) Profit and Loss A/c
(II) Rent Received

(B) (I) Trading A/c
(II) Subscription Received

(C) (I) Income and Expenditure A/c
(II) Subscription Received

(D) (I) Profit and Loss A/c
(II) Subscription Received

Item **27** refers to the following information.

On 1 January 2016, $10 000 was paid towards an advertising campaign. Of this amount, $7 000 was used by 31 December 2016.

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

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

28. 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

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

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

Item **30** refers to the following information provided by a business.

Current Assets	$6 000
Current Liabilities	$1 100
Acid Test Ratio 5:1	

30. The value of closing stock is

(A) $ 500
(B) $5 500
(C) $6 500
(D) $7 200

Item **31** refers to the following extract from a trading account.

	$
Opening inventory	200
Sales	900
Purchases	500
Closing inventory	300

31. What is the gross profit?

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

32. When a trial balance fails to agree, the difference is entered in the

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

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

(A) Decrease the gross profit
(B) Increase the gross profit
(C) Decrease the net profit
(D) Increase the net profit

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

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

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

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

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36. M. Brown wishes to increase his provision for bad debts from 8% to 10%. Accounts Receivable at the end of the year totalled $10 000, whilst the balance in the provision for bad debts account is presently $800. Which of the following would be the correct entries to record the provision for the year?

(A)	Dr profit and loss A/c	$720	
	Cr provision for bad debts A/c		$720
(B)	Dr profit and loss A/c	$800	
	Cr provision for bad debts A/c		$800
(C)	Dr profit &and loss A/c	$1 000	
	Cr profit and loss A/c		$1 000
(D)	Dr profit and loss A/c	$200	
	Cr provision for bad debts A/c		$200

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Item 37 refers to the following information which was extracted from the cash book of Dandy Dare.

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

37. What is the balance per Bank Statement?

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

Items 38–39 refer to the following balance sheet information provided for a firm as at 1 January 2017.

		$	$
2017	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) Liability
(B) Capital
(C) Cash
(D) Loan

40. The following information relates to Harvard Sports Club for 2017.

Number of members	50
Annual subscriptions	$50 per member
Subscriptions owing at the beginning of the year	$450
Subscriptions owing at the end of the year	$150

How much should be credited to the club's income and expenditure Account as TOTAL subscriptions for the year?

(A) $ 450
(B) $1 500
(C) $1 950
(D) $2 500

41. W, X, Y and Z are partners sharing profits and losses in proportion to their capital. The capital of each partner is shown below.

Parties	Profit ($)
W	300
X	200
Y	100
Z	300

What is Z's share of a profit of $7 200?

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

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42. 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

43. 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

44. Which feature 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.

Item **45** refers to the following information.

	$
Inventory at 1 January 2013	1 500
Purchases during the month	1 200
Cost of goods sold	1 400

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

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

46. A businessman incurred the following expenses.

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

What is his TOTAL capital expenditure?

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

47. 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

48. The main reason why a sole proprietor may consider joining with one or more persons to form a partnership is

(A) the business would attract more customers
(B) the business would be recognized by the government
(C) he can work less if many people are involved in the business
(D) the business would get additional capital and management skills

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

(A) general ledger
(B) petty cash fund
(C) general journal
(D) standing order with a bank

50. Which of the following accounts BEST describe the final accounts of a non-trading organization?

I. Receipts and payments
II. Income and expenditure
III. Trading and profit and loss

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

51. A business with more than one owner records the division of profit in which of the following accounts?

(A) Capital Account
(B) Trading Account
(C) Appropriation Account
(D) Profit and Loss Account

52. P. Amos is employed by a construction company at a rate of $7 per hour. During the week of 6 April, 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 his net pay?

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

Item **53** refers to the following information provided by a business.

	$		$
Bank balance at August 2016	700	Inventory at 31 July 2017	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 2017?

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

Item **54** refers to the following list of balances.

J. Baynes Manufacturing Account for Period Ended 31 December 2017

	$		$
Inventory of raw materials 1 January 2017	800		
Purchases of raw materials during year	4 500	Balance carried forward	6 800
	5 300		
Less closing inventory of raw materials 31 December 2013	1 400		
	3 900		
Productive wages	1 300		
Fuel and power	900		
Lubricants	100		
Rent and rates	400		
Insurance	200		
	6 800		6 800

54. From the list of balances above, what is the cost of goods produced?

(A) $3 900
(B) $5 200
(C) $6 100
(D) $6 800

Item **55** refers to the following list of balances.

	$
Work-in-progress 1 January	1 600
Work-in-progress 31 December	1 700
Cost of materials used	3 000
Indirect expenses	3 200
Factory wages	5 000

55. From the list of balances above, what is the cost of goods produced?

(A) $ 8 000
(B) $ 8 700
(C) $11 100
(D) $11 200

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

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

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57. 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

58. P. Hawk has a manufacturing business. The cost of his raw materials was \$1 900. Rates and rent totalled \$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 **59** 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

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

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

60. An employee works for 45 hours in a given week. The rate for a 40-hour week is \$4 per hour. Overtime is paid at time and a half. What is his gross weekly wage?

(A) \$180
(B) \$190
(C) \$240
(D) \$270

END OF TEST

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