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 2020107

MAY/JUNE 2020

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

816

11 MAY 2020 (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

(A) using information to make business decisions
(B) using special ways to record 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. 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

Item 5 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

5. What is the TOTAL amount for the assets?

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

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

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

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

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

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Item **8** refers to the following information.

A calculation to determine gross profit percentage is as follows.

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

8. What does the figure $529 800 represent?

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

9. The following assets were found on the Statement of Financial Position of a retailer. What would be the BEST order, if these assets were arranged in order of permanence?

(A) Building, motor van, bank, fixtures, cash, receivables
(B) Cash, fixtures, receivables, bank, building, motor van
(C) Cash, bank, fixtures, receivables, motor van, building
(D) Building, motor van, fixtures, receivables, bank, cash

10. Which of the following items would NOT appear in a cash book?

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

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

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

12. Credit notes issued for goods returned by a customer would 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. 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) Dr purchases account
Cr Tan Company

(B) Dr computer account
Cr cash

(C) Dr Tan Company
Cr purchases account

(D) Dr computer account
Cr Tan Company .

14. 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) overdraft that the trader could secure to pay his current liabilities

15. Which of the following accounts is NOT nominal?

(A) Furniture
(B) Commission
(C) Carriage inwards
(D) Discount allowed

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16. 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

17. Which of the following items is a capital expenditure?

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

18. 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

19. Mrs Abel and Mrs Blue purchased goods on credit valued at $50 and $75 respectively from Mr Kane. Another customer paid Mr Kane 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

20. Mr Ram, a shoemaker, bought a motor van for $11 000 cash. In recording this transaction he should

(A) Cr cash; Dr motor van account
(B) Dr cash; Cr motor van account
(C) Cr cash; Dr purchases account
(D) Dr cash; Cr purchases account

21. In Mrs Lowe's ledger, an entry on the debit side of the drawings account and an entry on the credit side of the bank account means that

(A) Mrs Lowe puts money in the business' bank account
(B) the bank puts money into Mrs Lowe's personal account
(C) Mrs Lowe withdraws money from the bank for use in the business
(D) Mrs Lowe uses money from her business' bank account for her personal use

22. 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

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23. The formula for calculating working capital is

(A) non-current less current assets
(B) total assets less total liabilities
(C) non-current less current liabilities
(D) current assets less current liabilities

Item **24** refers to the following Statement of Financial Position.

Statement of Financial Position of Boots' Sports Store as at 31 December 2019

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

24. What is the TOTAL amount for non-current assets?

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

Item **25** 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

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

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

Item **26** 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

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

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

Item **27** refers to the following balances at the end of a financial period. These were from the books of J. Sammy, a sole trader.

	$
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

27. 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

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

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

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

29. Depreciation in accounting terms can be defined as the

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

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30. To which of the following accounts would depreciation of office machines be transferred?

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

31. 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

Item **32** refers to the following balances taken from the books of Sherida's Ltd on 30 April 2020.

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

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

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

Item **33** refers to the following information about the operation of a firm.

Provision for doubtful debts on 1 January	—	$ 700
Receivables on 1 January	—	$30 000
Receivables on 31 December	—	$25 000

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

33. What amount would be charged for the provision for doubtful debts for the year ended 31 December?

(A) $200
(B) $500
(C) $600
(D) $700

34. How does an increase in bad debt 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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35. A company's rent 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

36. M. Brown wishes to increase her provision for doubtful 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 entries would be correct to record the provision for the year?

(A)	Dr Profit & Loss A/c Cr Provision for Doubtful Debts A/c	$720	$720
(B)	Dr Profit & Loss A/c Cr Provision for Doubtful Debts A/c	$800	$800
(C)	Dr Profit & Loss A/c Cr Profit & Loss A/c	$1 000	$1 000
(D)	Dr Profit & Loss A/c Cr Provision for Doubtful Debts A/c	$200	$200

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37. The balances of the asset accounts of the Bayroe Club as at 30 June 2019 were:

	$
Premises	5 400
Equipment	1 825
Furniture	960
Bank & cash	1 640
Inventory of refreshments	72

The amount of its accumulated fund was

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

38. A. Jones by mistake debited C. Hall's A/c instead of F. Hall. Which of the following corrects the mistake?

(A) Dr. F. Hall
Cr. Suspense A/c

(B) Dr. C. Hall
Cr. Suspense A/c

(C) Dr. F. Hall
Cr. C. Hall A/c

(D) Dr. Suspense A/c
Cr. F. Hall A/c

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Items **39–40** 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		

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

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

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

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

Item **41** refers to the following information relating to Harvard Sports Club for 2019.

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

41. How much was collected in subscriptions during the year?

(A) $2 200
(B) $2 500
(C) $2 800
(D) $3 100

42. Mr Miguel's capital on 1 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

43. 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	Capital ($)
W	300
X	200
Y	100
Z	300

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

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

44. 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

45. Mr Smith does not keep proper records. He began his business with $10 000 in the bank. He uses his vehicle and building worth $6 000 and $15 000 respectively as part of his business. Customers owe him $4 000. He withdrew $1 500 for personal use and owed suppliers $2 000.

What is the closing capital of the business?

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

46. 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.

47. Capital at the start of a trading period was $20 000, and at the end of the period it was $22 500. The net profit for the period was $6 500. How much money was withdrawn for the period?

(A) $2 500
(B) $4 000
(C) $6 000
(D) $9 000

48. 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) in equal share
(B) 5% of net profit
(C) 5% on capital invested
(D) in proportion to capital invested

Item **49** refers to the following information.

	$
Inventory at 1 January 2019	1 500
Purchases during the month	1 200
Cost of goods sold	1 400

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

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

50. Which of the following items is NOT recorded in the Appropriation Account of a partnership?

(A) Interest on capital
(B) Share of profits
(C) Drawings
(D) Salaries

51. When a company declares a dividend of 15%, the dividend warrant of a shareholder owning 1500 one-dollar ordinary shares is

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

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Item 52 refers to the following information.

Jane and Mary are in partnership sharing profits in the ratio 3:2. The following balances are taken from their books.

Net Profit	$23 500
Interest on Capital:	
Jane	$ 2 000
Mary	$ 1 000
Salary: Jane	$ 2 500
Drawings:	
Jane	$ 500
Mary	$ 1 500
Interest on Drawings:	
Jane	$ 15
Mary	$ 45

52. How much money should Jane receive as her share of the residual profits?

(A) $ 9 636
(B) $10 836
(C) $10 800
(D) $16 254

53. 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

54. What is the maximum capital a company can raise from selling shares to the public?

(A) Issued capital
(B) Paid up capital
(C) Authorised capital
(D) Subscribed capital

Item 55 refers to the following table of a prospectus issued by a public limited company offering shares for sale at par value.

Type of Share	No. of Units	Par Value
Ordinary	200 000	$2.00
5% Preference	10 000	$5.00

55. If the issue was fully subscribed, how much capital did the company raise?

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

56. 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

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Item **57** 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

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

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

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

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

Item **59** 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

59. What is the balance per bank statement?

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

60. 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

END OF TEST

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