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.

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FORM TP 2017024 TEST CODE **01239010**

JANUARY 2017

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

06 JANUARY 2017 (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. You may use a silent, non-programmable calculator to answer items.

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

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1. Which of the following groups of persons monitors a company's financial statements to discover a desirable rate of return on capital?

(A) Investors
(B) Suppliers
(C) Customers
(D) Employees

2. Which of the following terms describes a report which indicates whether the business has made a profit or loss?

(A) Ledger
(B) Trial Balance
(C) Balance Sheet
(D) Income Statement

3. Which of the following lists of activities shows the stages of the accounting cycle in the correct order?

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

4. Which statement BEST explains the term 'consistency' as used in accounting?

(A) Procedures in accounting are subject to change each year.
(B) Firms can choose different methods each year to reflect the best financial results.
(C) Separate methods of depreciation can be used in determining profits for taxation purposes.
(D) The accounting treatment for depreciation, once fixed, must be treated in the same way thereafter.

5. A statement of the balances of the accounts taken from the Ledger and arranged under assets and liabilities is called

(A) a Trial Balance
(B) a Balance Sheet
(C) an Income Statement
(D) a Statement of Account

Items 6–8 refer to the following Balance Sheet.

Balance Sheet of Beta Shoe Store
as at 30 September 2016

	$	$		$	$
Leasehold Premises	10 000		Capital at start	24 000	
Furniture, Fittings and Equipment	4 500	14 500	Less loss for year	2 200	
				21 800	
			Less Drawings	1 800	
					20 000
Inventories (stock)	2 500		Creditors	2 100	
Debtors	3 700		Accrued Expenses	1 200	
Bank Current Account	2 100				3 300
Cash in Hand	500				
		8 800			
		$23 300			$23 300

6. The total assets are

(A) $11 200
(B) $14 500
(C) $20 000
(D) $23 300

7. The working capital is

(A) $2 600
(B) $5 500
(C) $6 200
(D) $6 800

8. The closing capital is

(A) $20 000
(B) $20 700
(C) $21 800
(D) $22 800

9. If the following list 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 and Debtors
(B) Cash, Fixtures, Debtors, Bank, Building and Motor Van
(C) Cash, Bank, Debtors, Motor Van, Fixtures and Building
(D) Cash, Bank, Fixtures, Debtors, Motor Van and Building

Items **10–11** refer to the following information.

Janice purchased 20 items priced at $10 each, receiving a 5% trade discount. One month later, she paid her bill by cheque, taking advantage of a 10% cash discount offer.

10. Calculate the value of the trade discount.

(A) $10
(B) $19
(C) $20
(D) $29

11. What amount would Janice have paid if she had missed the discount period?

(A) $171
(B) $180
(C) $190
(D) $200

12. Ram Singh purchased goods valued at $500 on credit. He paid off his bill within the grace period and so received a 10% cash discount. How much did he pay the firm?

(A) $ 50
(B) $450
(C) $490
(D) $550

Items **13–14** refer to the following information.

The group below consists of four lettered headings followed by two numbered statements. For each numbered statement select the one heading which is MOST closely related to it. Each heading may be used more than once, once or not at all.

(A) Invoice
(B) Credit Note
(C) Debit Note
(D) Advice Note

13. You wish to inform a customer that you have dispatched his goods.

14. You find that you have undercharged a customer and need to adjust the charge.

15. On 1 May, a petty cashier received an imprest of $150. During the month, petty cash expenditures amounted to $77, and $2 was received from a member of staff who made a personal telephone call. How much cash is needed to restore the imprest on 31 May?

(A) $ 73
(B) $ 75
(C) $ 77
(D) $150

16. Mrs Green is a dry goods merchant. Which of the following transactions would result in a debit to her cash account?

(A) Sold goods for cash
(B) Bought goods for cash
(C) Paid instalment on loan
(D) Paid cash to office cleaner

17. A motor van was bought on credit from AG Motors for use in the business. How should this be recorded?

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

18. A businessman bought a new computer for $6 000. He paid $4 000 in cash and traded in his old computer. What is the entry to record this transaction?

(A)	Dr new computer	$6 000	
	Cr old computer		$2 000
	Cr cash		$4 000
(B)	Dr new computer	$2 000	
	Cr old computer	$4 000	
	Cr cash		$2 000
(C)	Dr new computer	$4 000	
	Cr old computer	$6 000	
	Cr cash		$6 000
(D)	Dr new computer	$2 000	
	Cr old computer	$4 000	
	Cr cash		$6 000

19. Which of the following is entered in the purchases account of a grocery store?

(A) Computers
(B) Goods for resale
(C) Office stationery
(D) Duplicating machines

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

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

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

Item 21 refers to the following information.

Bank a/c

Balance b/d	20 000	Purchases	15 000
Sales	2 000	Balance c/d	?

21. What is the closing balance of the Bank Account?

(A) $2 000
(B) $3 000
(C) $5 000
(D) $7 000

22. The balance in a cash account indicates

(A) how much profit was made
(B) the cash held by the business
(C) the true worth of the business
(D) how much is owed to the business

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Item 23 refers to the following table.

Number of Items	Invoice Price Per Unit $	Market Price Per Unit $
100	60	64
80	100	90
50	84	90
75	84	80

23. What is the value of the inventory (stock)?

(A) $23 100
(B) $23 700
(C) $24 100
(D) $24 500

Items 24–25 refer to the following information from a sole trader for the month of April.

Purchases
05 April 200g @ $6 per gram
10 April 600g @ $3 per gram

Sales
12 April 100g @ $7 per gram
17 April 100g @ $9 per gram

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

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

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

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

Items 26–27 refer to the following information.

A calculation to determine gross profit percentage is as follows.

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

26. What does the $529 800 represent?

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

27. The value $185 530 represents

(A) total sales
(B) gross profit
(C) cost of sales
(D) total purchases

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

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

29. A credit balance of $45 on the electricity expense account indicates that

(A) $45 was paid in electricity
(B) electricity is prepaid by $45
(C) electricity is accrued by $45
(D) the firm is owed $45 for electricity

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30. P. John has a credit balance b/f of $25 on his rent revenue account. This means that for the year $25 rent revenue

(A) is prepaid
(B) is accrued
(C) must be paid
(D) has been paid

31. M. Brown wishes to increase his provision for bad debts from 8% to 10%. Debtors 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 & Loss A/c, Cr Provision for Bad Debts A/c	$720	 $720
(B)	Dr Profit & Loss A/c, Cr Provision for Bad 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 Bad Debts A/c	$200	 $200

32. If closing stock was overstated by $100, profit would be

(A) overstated by $100
(B) overstated by $200
(C) understated by $100
(D) understated by $200

33. On 1 June, P. Shark, a sole proprietor, owed creditors $4 300. During the month he paid $13 100 by cheque and at the end of the month his balance owing was $2 700. Cash purchases for the month are $3 500. What is P. Shark's total purchases for the month?

(A) $ 8 000
(B) $11 500
(C) $15 000
(D) $15 800

34. A firm records a net profit of $5 000. It was later discovered that sales were undercast by $860 and purchases were overcast by $230. What is the revised net profit?

(A) $4 170
(B) $4 370
(C) $5 630
(D) $6 090

35. The debit side of the trial balance exceeds the credit side by $1 200. A suspense account should therefore be opened with a balance of

(A) $1 200 on the debit side
(B) $1 200 on the credit side
(C) $2 400 on the debit side
(D) $2 400 on the credit side

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36. 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.

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

Item 37 refers to the following information from the sales book of R. Lewis.

2015		$	$
02 Jan	H. Rick 30 @ $1.50	45	
	Less $33\frac{1}{3}$ % Trade discount	15	
			30

37. How would R. Lewis record this information in his ledger?

(A) Dr Rick's Account $45
Cr Sales Account $45

(B) Dr Rick's Account $30
Cr Sales Day Book $30

(C) Dr Rick's Account $45
Cr Sales Account $30

(D) Dr Rick's Account $30
Cr Sales Account $30

Item 38 refers to the following information.

	$
Inventory at 1 January 2016	1 500
Purchases during the month	1 200
Cost of goods sold	1 400

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

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

Item 39 refers to the following information.

	$
Opening capital	75 000
Additional capital	25 000
Net profit	10 000
Closing capital	80 000

39. The amount of drawings is

(A) $ 5 000
(B) $20 000
(C) $30 000
(D) $45 000

40. Mrs Allen invested $20 000, Mrs Brown invested $5 000 and Mr Cable invested $5 000 in the same business. The loss sustained during the year was $1 000. The partnership agreement is silent on the item of losses, although profits are to be split in the ratio 2:2:1 in favour of Allen, Brown and Cable respectively. How much of the loss must be borne by Mr Cable?

(A) $200
(B) $240
(C) $300
(D) $400

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41. Which of the following are reasons why partnerships are formed?

I. To combine capital from different persons
II. To benefit from different skills and responsibilities
III. To enjoy limited liability

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

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

(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	
	Cash		$ 7 000
	Motor van		$ 3 000

Items 43–44 refer to the following information.

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

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

43. 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

44. How much money should Mary receive as her share of the residual profits?

(A) $ 6 424
(B) $ 7 200
(C) $ 7 224
(D) $10 836

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

(A) Family owned
(B) Shares not sold publicly
(C) Financial statements published
(D) Government agencies purchase shares

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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 holders

47. A public limited company issued a prospectus offering the shares described in the following table for sale at par value.

Type of Share	No. of Units	Par Value
Ordinary	200 000	$2
5% 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

48. 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

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. The MAIN objective of co-operatives is to

(A) settle disputes
(B) maximize profits
(C) provide goods and services
(D) maximize the welfare of members

51. The Non-Such Cricket Club has operated over the last 12 months, and its members are anxious to know the financial position of the club. Which of the following statements would be appropriate to reveal this?

I. Statement of Accumulated Funds
II. A Receipts and Payments Account
III. An Income and Expenditure Account

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

52. The excess of the income over the expenditure of a non-profit-making organization is called

(A) net profit
(B) surplus
(C) gross profit
(D) accumulated fund

53. The following information relates to the Funloving Cultural Club.

	$
Accumulated funds 1 January 2016	3 000
Operating Expenses	1 000
Income from Barbecue	5 000
Income from Subscription	1 000
Income from Garage Sale	3 000

What is the organization's accumulated fund at the end of the year?

(A) $ 9 000
(B) $11 000
(C) $12 000
(D) $13 000

54. S. Johnson and Company Limited has a net profit of $10 000 for the year ended 31 December 2015. The directors propose to appropriate $2 000 to the general reserve and 10% of the net profit to the fixed assets replacement reserve. What is the maximum amount which can be proposed as dividends?

(A) $ 7 000
(B) $ 8 000
(C) $10 000
(D) $12 000

55. 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 56 refers to the following information of Harvard Sports Club for 2015.

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

56. How much should be credited to the club's Income and Expenditure Account as total subscription for the year?

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

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 dividends proposed was $6 500. The value of retained profits for the year was

(A) $72 100
(B) $80 100
(C) $81 000
(D) $89 000