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 2022027

JANUARY 2022

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

06 JANUARY 2022 (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) cost of materials used
(C) sale of finished goods
(D) sale of non-current assets

Sample Answer



The best answer to this item is "cost of materials used", so (B) 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. 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. The MAIN internal users of accounting information are

(A) managers
(B) competitors
(C) local communities
(D) government agencies

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

(A) Journal
(B) Transaction
(C) Trial balance
(D) Statement of financial position

4. Which of the following list of activities shows the correct order of the stages in the accounting cycle, before final accounts?

(A) Posting to ledger, trial balance, journalizing
(B) Journalizing, trial balance, posting to ledger
(C) Journalizing, posting to ledger, trial balance
(D) Posting to ledger, journalizing, trial balance

5. Partnerships are formed for the purpose of

I combining capital from different persons
II benefiting from different skills and specializations
III sharing ideas, experience and responsibilities

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

6. 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

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) Identify book to post entry

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Item **8** refers to the following balances at the end of a financial period.

	$
Motor vehicles	2 000
Payables	3 000
Receivables	2 000
Capital	11 000
Building	10 000

8. What is the TOTAL amount for the assets?

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

9. The cash book is BEST used for recording

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

10. 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

11. Which of the following entries in a three-column cash book are contra entries?

(A) Debit cash
Credit bank

(B) Debit cash
Credit cash

(C) Credit cash
Credit bank

(D) Debit bank
Credit bank

12. 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

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

Assets	$
Furniture	10 000
Cash at bank	2 000
Cash in hand	1 000
Motor vehicles	12 000
Debtors	6 000
Premises	20 000

13. The value of the non-current assets is

(A) $ 9 000
(B) $20 000
(C) $42 000
(D) $51 000

14. Which of the following accounts are nominal?

(A) Wages and rent
(B) Stock and debtors
(C) Machinery and plant
(D) Creditors and fixtures

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

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

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

(A) control account
(B) reserve account
(C) suspense account
(D) provision account

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

(A) Debit motor vehicle
Credit bank

(B) Debit motor van expense
Credit bank

(C) Debit purchases
Credit AG Motors

(D) Debit motor vehicle
Credit AG Motors

18. 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 income statement?

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

19. 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

20. Accrued revenue is classified in the statement of financial position as

(A) capital
(B) current assets
(C) current liabilities
(D) non-current assets

21. 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?

		Debit $	Credit $
(A)	Debit old computer	2 000	
	Debit cash	4 000	
	Credit new computer		6 000
(B)	Debit new computer	4 000	
	Debit cash	2 000	
	Credit old computer		6 000
(C)	Debit old computer		6 000
	Debit cash	4 000	
	Credit new computer	2 000	
(D)	Debit new computer	6 000	
	Credit old computer		2 000
	Credit cash		4 000

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Item 22 refers to the following summary of receipts and payments for the month of March for an NGO.

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

22. Which of the following amounts is the cash balance at 31 March?

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

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

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

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

(A)	Debit bank	$5 000
	Credit rent revenue	$5 000
(B)	Debit rent revenue	$5 000
	Credit rent expense	$5 000
(C)	Debit cash	$5 000
	Credit rent revenue	$5 000
(D)	Debit rent	$5 000
	Credit bank	$5 000

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

I. Receipts and payments
II. Income and expenditure
III. Income statement

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

26. In calculating the gross profit percentage, gross profit should be divided by

(A) cost of goods sold
(B) net purchases
(C) net profit
(D) net sales

27. Mahera Grocery used the 'order of permanence' method to prepare its statement of financial position. Which of the following lists is in the correct sequence, based on this method?

(A) Land, building, machinery, motor vehicle
(B) Building, machinery, motor vehicle, land
(C) Building, motor vehicle, land, machinery
(D) Land, building, motor vehicle, machinery

28. Which of the following financial documents shows the net earnings of a business?

(A) Income statement
(B) Appropriation account
(C) Statement of financial position
(D) Receipts and payments account

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Item **29** refers to the following table

Period of Debt	Accounts Receivable	Provision for Bad Debts
Over 3 years	$6 000	3% of accounts receivable
Over 2 years	$4 000	2% of accounts receivable
Over 1 year	$8 000	1% of accounts receivable

29. What is the TOTAL provision for doubtful debts?

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

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30. An asset purchased for $1 000 is depreciated 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

31. 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

32. Which of the following entries should be made to create an allowance for doubtful debts account?

(A) Debit profit and loss
Credit provision for doubtful debts

(B) Debit provision for doubtful debts
Credit profit and loss

(C) Debit profit and loss
Credit bad debts

(D) Debit bad debts
Credit provision for doubtful debts

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Item **33** refers to the following account.

Appropriation Account

	$		$
Taxation reserve	10 000	Balance b/f	894
Preliminary expenses	250	Net profit	26 106
Transfer to general reserve	4 000		
Preference share dividend	1 200		
Ordinary share dividend	6 000		

33 What conclusion could be drawn from the appropriation account above?

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

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34. The owner of a business does not keep proper accounting records but she knows her capital on 1 January was $40 000 and $85 000 on 31 December. She withdrew $1 000 in inventory during the year.

What is her profit for the year?

(A) $ 5 000
(B) $ 46 000
(C) $125 000
(D) $126 000

Item **35** refers to the following information provided by a business.

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

35. What is the balance per bank statement?

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

36. The working capital of A. 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

37. Mrs Allen invested $20 000 and Mrs Brown and Mr Cable invested $5 000 each into 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) $140
(B) $200
(C) $300
(D) $400

Item **38** refers to the following information.

	$
Inventory at 1 January 2020	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

39. A company declares a dividend of 15%. What is the value of the dividend warrant sent to the shareholder who owns 1500 $1 ordinary shares?

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

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40. Rose contributed $7 000 in cash and a motor vehicle worth $3 000 to a partnership. Rose's contribution to the partnership would be recorded in the journal as

		Debit $	Credit $
(A)	Cash	10 000	
	Rose's capital		10 000
(B)	Rose's capital	7 000	
	Cash		7 000
(C)	Cash	7 000	
	Motor vehicle	3 000	
	Rose's capital		10 000
(D)	Rose's capital	10 000	
	Motor vehicle		3 000
	Cash		7 000

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41. On 2 March 2017, L. Lan bought goods worth $630.00 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

Item 42 refers to the following balances extracted from Mrs Martin's ledger

	$
Opening inventory	7 000
Purchases	4 000
Sales	10 000
Sundry expenses	1 100
Closing inventory	3 400

42. What was the cost of goods sold by Mrs Martin?

(A) $2 400
(B) $2 600
(C) $6 400
(D) $7 600

43. A photocopying machine valued at $5 000 is depreciated at 10% using the straight line method. What is its book value after TWO years?

(A) $4 000
(B) $4 050
(C) $4 500
(D) $4 980

44. In preparing its final accounts, a business omitted to include returns inwards. Which of the following items will be affected by this omission?

I Net sales
II. Net purchases
III. Gross profit/loss

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

45. Which of the following items on a statement of financial position would differ MOST in presentation when comparing the books of a company and the books of a sole trader?

(A) Capital
(B) Current assets
(C) Current liabilities
(D) Non-current assets

46. An article is subject to a 20% trade discount. Its list price is $600. What is its sale price?

(A) $120
(B) $480
(C) $580
(D) $720

47. How does an increase in bad debts 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

48. Andy Williams is a petty cashier. If he has a float of $200 and spends $180, how much should he be reimbursed at the end of the period?

(A) $ 20
(B) $180
(C) $200
(D) $380

Item **49** refers to the following list of balances.

Account	$
Cash at bank and in hand	5 000
Trade receivables	2 400
Inventory in hand	4 600
Accrued expenses	700
Trade payables	4 800

49. From the information above, the working capital amount is

(A) $ 5 000
(B) $ 6 500
(C) $ 7 200
(D) $11 300

Item **50** refers to the information for Jessie Ltd.

Account	$
Prime costs	20 000
Factory overheads	15 000
Opening work in progress	5 000
Closing work in progress	3 000
Opening stock of finished goods	1 000
Closing stock of finished goods	2 000

50. What is the cost of production for Jessie Ltd?

(A) $33 000
(B) $36 000
(C) $37 000
(D) $38 000

Item **51** refers to the following information.

Bank Account

Balance b/d	20000	Purchases	15 000
Sales	2 000	Balance c/d	?

51. What is the closing balance of the bank account?

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

52. If revenue expenditure is overstated, which of the following items will be affected?

(A) Sales
(B) Surplus
(C) Inventory
(D) Working capital

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53. The total of the return outwards journal is transferred to the

(A) debit side of the purchases account
(B) credit side of the purchases account
(C) debit side of the return outwards account
(D) credit side of the return outwards account

Item **54** refers to the following information

J. Baynes Manufacturing Account for the 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 2017	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. What is the cost of the raw materials consumed?

(A) $ 800
(B) $1 200
(C) $3 900
(D) $4 500

Item 55 refers to the following information for KD Ltd.

Opening capital	$3 000
Drawings	$ 500
Net loss	$1 500

55. What is the closing capital of KD Ltd?

(A) $1 000
(B) $2 000
(C) $4 000
(D) $5 000

56. A. Portap bought inventory for $500 on credit. In which book of prime entry will this be recorded?

(A) Cash book
(B) Sales journal
(C) General journal
(D) Purchases journal

57. Karen and Garth, partners in a business, share profits and losses in the ratio 2:1. What is their respective share if the business makes a net profit of $3 600?

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

58. The following information relates to a privately managed charity.

	$
Opening bank balance 1 January 2021	3 000
Operating expenses	1 000
Receipts from barbecue	5 000
Receipts from donations	1 000
Receipts from garage sale	3 000

What is the charity's closing bank balance at the end of the year?

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

Item 59 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

59. Using the list of balances above, what is the cost of goods produced?

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

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60. Inventory was purchased from M. Smith on credit for $2400 but posted to N. Smith's account. The item would be corrected in the journal as follows

(A)	Debit M. Smith	$2 400	
	Credit Purchases		$2 400
(B)	Debit M. Smith	$2 400	
	Credit N. Smith		$2 400
(C)	Debit Purchases	$2 400	
	Credit M. Smith		$2 400
(D)	Debit N. Smith	$2 400	
	Credit M. Smith		$2 400

END OF TEST

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