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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TEST CODE **01239010**

FORM TP 2012105

MAY/JUNE 2012

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

90 minutes

16 MAY 2011 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 90 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.

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1. The MAIN internal users of accounting information are

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

2. The owner of a business paid a personal medical bill from the bank account of the business. The amount was debited to the Miscellaneous Expenses Account. Which of the following concepts was violated?

(A) Matching
(B) Prudence
(C) Periodicity
(D) Business entity

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

(A) Accounts receivable, Prepayments, Inventory, Cash, Bank
(B) Prepayments, Accounts Receivable, Cash, Bank, Inventory
(C) Cash, Bank, Prepayments, Accounts Receivable, Inventory
(D) Inventory, Accounts Receivable, Prepayments, Bank, Cash

6. The balance of a creditor's account is entered in the Balance Sheet under the heading

(A) capital
(B) fixed assets
(C) current assets
(D) current liabilities

7. How would the purchase of equipment on credit affect a firm's Balance Sheet?

(A) Increase assets; Increase liabilities
(B) Decrease assets; Increase liabilities
(C) Increase assets; Decrease liabilities
(D) Decrease assets; Decrease liabilities

8. A business, which owns goods valued at $500, also has a van valued at $1 000; and owes $ 50 for goods. If it goes out of business at these prices, the owner's closing capital will be

(A) $1 050
(B) $1 450
(C) $1 500
(D) $1 550

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

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

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10. 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

11. Ram Singh purchases goods valued at $500 on credit. He pays off his bill within the grace period and so receives a 10% cash discount. How much does he pay for the goods?

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

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

(A) Payment for goods $ 100
(B) Goods sold on credit $ 100
(C) Sold goods for cheque $ 100
(D) Goods bought for cash $ 100

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

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

14. On 1 May, a petty cashier received an imprest of $150. During the month, petty cash expenditures amounted to $77.00 and $2.00 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) $ 73.00
(B) $ 75.00
(C) $ 77.00
(D) $ 150.00

15. When goods are returned by a customer, they are recorded in the Returns Journal of the supplier. Which account should be debited in the supplier's ledger?

(A) Sales
(B) Purchases
(C) Return Inwards
(D) Return Outwards

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) Purchases, Furniture, Commission received
(D) Commission received, Rent, Purchases

17. 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.

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18. K. Khan, a debtor of A and B Enterprises, settles his debt of $120 less 2½ per cent discount, by cheque. The double entry in the books of A and B Enterprises should be

(A)	Dr. K. Khan	$117
	Dr. Discount Received	$ 3
	Cr. Bank	$120
(B)	Dr. K. Khan	$117
	Dr. Discount Allowed	$ 3
	Cr. Bank	$120
(C)	Dr. Bank	$117
	Dr. Discount Allowed	$ 3
	Cr. K. Khan	$120
(D)	Dr. Bank	$117
	Cr. Discount Received	$ 3
	Cr. K. Khan	$120

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

(A) Dr. Cash; Cr. Motor Van Account
(B) Dr. Cash; Cr. Purchases Account
(C) Cr. Cash; Dr. Purchases Account
(D) Cr. Cash; Dr. Motor Van account

Item **20** refers to the following information.

Cash Account

		$		$
(Opening balance)		400.00	3 May 2010	50.00
1 May 2010	Sales	150.00	7 May 2010	20.00
5 May 2010	Sales	75.00	9 May 2010	150.00
			(Closing balance)	405.00
		625.00		625.00

20. From the account above which of the following figures should be entered in the trial balance?

(A) $ 150.00
(B) $ 400.00
(C) $ 405.00
(D) $ 625.00

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

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

Item 22 refers to the following balances from J. Sammy, a sole trader, at the end of the financial period.

	$
Land	7 000
Building	5 000
Stock	1 000
Debtor	500
Bank overdraft	400
Creditors	700
Cash	200
Capital (at start)	10 000
Drawings	300
Net Profit	3 000

22. The current ratio of the business (rounded to 1 decimal place) is

(A) 1:36.1
(B) 1:55.1
(C) 2:14.1
(D) 2:43.1

Item 23 refers to the following information provided by a business.

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

23. The value of closing stock is

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

24. The following information has been extracted from Jack's books:

Opening stock $ 700
Purchases $ 6 200
Sales $ 8 800
Closing stock $ 800

What is the amount of the 'Cost of sales'?

(A) $ 2 600
(B) $ 6 100
(C) $ 7 700
(D) $ 8 800

Item 25 refers to the following information.

A calculation to determine gross profit percentage is as follows.

$$\frac{\$185530}{\$529800} \times \frac{100}{1} = 35.02\ \%$$

25. What does the $ 529 800 represent?

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

Item 26 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

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

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

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Item 27 refers to the following information about goods bought and sold by a company.

Date	Bought		Units Sold
	Units	Unit Price ($)	
April			
1	40	3.00	
4	20	4.00	
5			30
8	40	2.00	
9			30

27. What is the value of stock at 9 April based on the FIFO method?

(A) $ 40.00
(B) $ 60.00
(C) $ 80.00
(D) $110.00

28. An asset purchased for $1 000 depreciates 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

29. 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.

30. 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

Item 31 refers to the following information about the operation of a firm.

Provision for doubtful debts on 1 January	-	$ 700
Debtors on 1 January	-	$ 30 000
Debtors on 31 December	-	$ 25 000

A provision of 2% of debtors is to be made on 31 December.

31. What is the amount in the firm's 'provision for doubtful debts' on 31 December?

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

32. Which of the following journal entries represents the correction to an overcast total in the sales journal?

(A) Dr Sales Account,
Cr Debtors

(B) Dr Debtors,
Cr Sales Account

(C) Dr Suspense Account,
Cr Sales Account

(D) Dr Sales Account,
Cr Suspense Account

33. A standing order of $25 for insurance appears in the debit column of the bank statement. This amount does not appear in the Cash Book. How is this item treated in order to update the Cash Book?

(A) Debit the bank account with $25.
(B) Credit the bank account with $25.
(C) Add $25 to the bank statement balance.
(D) Subtract $25 from the bank statement balance.

34. Control Accounts are kept so as to assist management in

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

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

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

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

36. Mr Smith does not keep proper records. He began his business with $ 10 000 in its bank account. 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 creditors $ 2 000.

What is the closing capital of the business?

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

Item 37 refers to the following information taken from the accounts of T. Morris.

Gross Profit %	45
Sales	$ 9 000

37. What is the gross profit?

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

Item 38 refers to the following information.

	$
Stock at 01 January 2011	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

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39. Mrs Miguel's capital on 1 January was $ 40 000 and on 31 December was $ 85 000. She withdrew $ 1 000 in stock during the year.

What is her profit for the year?

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

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

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

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

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

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. Payne and Quarless decided to admit Rose as a new partner. The total capital after the admission of Rose would be $ 30 000, of which Rose is to contribute $10 000 for interest in the capital. If Rose were to bring in cash and a motor van valued at $ 3 000, his admission 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

44. 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

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

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

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46. In an effort to raise capital, a company offered 200 five percent (5%) debentures of $ 100 each for subscription.

What is the significance of the 5%?

(A) The company's capital will increase by 5%.
(B) The company receives 5% of $ 20 000 as capital.
(C) The company will pay 5% of $ 20 000 in interest to the debenture holders.
(D) The company will receive 5% of $ 20 000 in interest from the debenture holders.

47. When a company declares a dividend of 15%, the dividend warrant sent to the shareholder owning 1 500 $ 1 ordinary shares is

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

48. A company is allowed by law to sell 100 000 shares at $ 1.00 EACH. Half of these shares were bought by the public.

What is the authorized capital?

(A) $ 40 000
(B) $ 50 000
(C) $ 80 000
(D) $ 100 000

49. Which of the following cooperatives is the credit union an example of?

(A) Financial
(B) Producer
(C) Consumer
(D) Commercial

Item **50** refers to the following information.

The Picadilly Teachers Cooperative has a share capital of $ 10 000 made up of $ 2 shares. The cooperative made a profit of $ 30 000. The Board of Directors has decided to pay a dividend of 20 % of the profits to the shareholders.

50. What is the number of shares which make up the share capital of the Picadilly Teachers Cooperative?

(A) 5 000
(B) 10 000
(C) 20 000
(D) 30 000

51. The balances of the asset accounts of the Bayroe Club as at 30 June 2012 were:

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

The amount of its accumulated fund was

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

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Item 52 refers to the following summary of receipts and payments for a club at 1 March.

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

52. What is the cash balance at 31 March?

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

Item 53 refers to the following information.

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

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

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

(A) (I) Profit & Loss Account
(II) Rent Received

(B) (I) Trading Account
(II) Subscriptions Received

(C) (I) Profit & Loss Account
(II) Subscriptions Received

(D) (I) Income & Expenditure Account
(II) Subscriptions Received

54. A club treasurer found, on closing his books, that a $50 subscription had been paid in advance. Where should this amount appear?

(A) Among the liabilities on the Balance Sheet
(B) Among the assets on the Balance Sheet
(C) On the credit side of the Profit and Loss Account
(D) On the debit side of the Income and Expenditure Account

55. Which of the following will result when opening stocks 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

56. Which of the following are prime costs in Manufacturing Accounts?

(A) Direct wages
(B) Depreciations
(C) General expenses
(D) Production overheads

Item 57 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

57. 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

Item **58** refers to the following information.

J. Baynes Manufacturing Account for period ending Dec 31, 2011

	$		$
Inventory of raw materials 1 January 2011	800		
Purchases of raw materials during year	4 500	Bal. c/d	6 800
	5 300		
Less closing stock of raw materials 31 December 2011	1 400		
	3 900		
Productive wages	1 300		
Fuel and power	900		
Lubricants	100		
Rent and rates	400		
Insurance	200		
	6 800		6 800

58. What is the cost of raw materials consumed?

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

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59. 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

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.