



CARIBBEAN EXAMINATIONS COUNCIL

# CSEC<sup>®</sup> Principles of Accounts

SYLLABUS  
2008-2018

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**CSEC® Principles of Accounts**

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CARIBBEAN  
EXAMINATIONS  
COUNCIL

Caribbean Secondary  
Education Certificate®

# SYLLABUS

# PRINCIPLES OF ACCOUNTS

CXC 10/G/SYLL 06

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Please check the website, [www.cxc.org](http://www.cxc.org) for updates on **CXC**<sup>®</sup>'s syllabuses.



# Principles of Accounts Syllabus

## ◆ RATIONALE

Accounting is the financial information system that provides relevant information to those who manage or use economic resources or engage in other economic activity. Principles of Accounts is a course of study that provides an introduction to the principles and techniques that accountants employ in measuring, processing, evaluating and communicating information about the financial performance and position of a business.

This course in Principles of Accounts helps students to develop an understanding of a range of theoretical and practical techniques used in accounting. It helps to develop skills that should enable them to participate more effectively and responsibly in today's business environment, to improve the management of personal financial activities, such as, budgeting, savings and investment. In addition, this course prepares students for post-secondary and professional studies in accounting.

*The syllabus also seeks to instill tenets of the Ideal Caribbean as articulated by the CARICOM Caribbean Education Task Force (CTF) and adopted by the CARICOM Heads of Government at their 18<sup>th</sup> Summit. To this end the syllabus contains objectives and content intended to nurture and improve students' multiple literacy skills, as well as their management, economic and entrepreneurial skills and positive work ethic. In addition, in keeping with the UNESCO Pillars of Learning, on completion of this course of study students will learn to know, to be, to do, and to live together.*

## ◆ AIMS

The syllabus aims to:

1. introduce fundamental principles and practices of accounting;
2. develop skills and attitudes useful in a dynamic business environment;
3. provide a foundation for further studies in accounting; and,
4. provide an acceptable level of competence for entry-level employment.

## ◆ GENERAL OBJECTIVES

On completion of the syllabus, students should:

1. develop skills in applying accounting principles and procedures to business situations;
2. appreciate the importance of accountability in both public and private organisations;
3. grasp the significance of accounting as a tool for effecting control;

4. appreciate the use of accounting practice as a tool for efficient business management;
5. have the ability to identify and interpret financial data that will facilitate proper decision-making by users of accounting information; and,
6. develop an awareness of the role and impact of technology in accounting.

## ◆ ORGANISATION OF THE SYLLABUS

The syllabus is arranged in 14 sections, consisting of specific objectives and related content.

SECTION 1	-	INTRODUCTION TO PRINCIPLES OF ACCOUNTS
SECTION 2	-	THE CLASSIFIED BALANCE SHEET
SECTION 3	-	BOOKS OF ORIGINAL ENTRY
SECTION 4	-	LEDGERS AND THE TRIAL BALANCE
SECTION 5	-	THE PREPARATION AND ANALYSIS OF FINANCIAL STATEMENTS OF THE SOLE-TRADER
SECTION 6	-	END OF PERIOD ADJUSTMENTS
SECTION 7	-	CONTROL SYSTEMS
SECTION 8	-	INCOMPLETE RECORDS
SECTION 9	-	ACCOUNTING FOR PARTNERSHIPS
SECTION 10	-	ACCOUNTING FOR CORPORATIONS (LIMITED LIABILITY COMPANIES)
SECTION 11	-	ACCOUNTING FOR CO-OPERATIVE SOCIETIES
SECTION 12	-	ACCOUNTING FOR NON-TRADING (NON PROFIT) ORGANISATIONS
SECTION 13	-	MANUFACTURING ACCOUNTS
SECTION 14	-	PAYROLL ACCOUNTING

## ◆ SUGGESTED TIMETABLE ALLOCATION

It is recommended that a minimum of five 40-minute periods per week (over a two-year period) or the equivalent should be allocated to the syllabus.

## ◆ CERTIFICATION AND DEFINITION OF PROFILE DIMENSIONS

The **CSEC®** Principles of Accounts syllabus will be examined at General Proficiency only. Candidates will be awarded an overall grade on a six-point scale. In addition to the overall grade, candidates' performance will be reported by a letter grade under profile dimensions of Knowledge, Application and Interpretation.

### 1. **Knowledge**

The ability to:

- (a) state, list or identify accounting concepts, terms and principles;
- (b) define and explain accounting concepts, principles, theories and procedures; and,
- (c) demonstrate an understanding of basic accounting concepts, conventions and principles.

### 2. **Application**

The ability to:

- (a) apply accounting concepts and principles to analyse issues; and,
- (b) apply accounting concepts, principles and theories to solve accounting problems in various situations.

### 3. **Interpretation**

The ability to:

- (a) select, organise and interpret accounting data presented in a variety of forms; and,
- (b) organise and present, logically and effectively, accounting ideas and arguments using verbal, graphical and numerical forms of communication.

## ◆ FORMAT OF THE EXAMINATIONS

The examination for General Proficiency certification will be set on the entire syllabus and will consist of two papers in the final examination and a School-Based Assessment component.

**Paper 01**  
(1 hour  
30 minutes)

A multiple-choice test of 60 items testing the profile dimensions Knowledge, Application and Interpretation in the ratio 1:2:1.

**Paper 02**  
(3 hours)

A problem-solving paper *which* will test the profile dimensions, Knowledge, Application (of accounting principles) and Interpretation (of accounts) in the ratio 1:2:1.

*Paper 02 consists of five compulsory questions drawn from the entire syllabus.*

Each question will be worth 20 marks; the total for five questions is 100 marks.

### School-Based Assessment (SBA)

**Paper 031** A School-Based Assessment component (SBA) comprising an individual report on a group or (SBA) individual project. Details of the SBA requirements are given on pages 26–28.

**Paper 032** An alternative to the School-Based Assessment component for private candidates consisting of 20 compulsory short answer questions based on case studies. Details of the Paper 032 requirements are given on page 31.

### Distribution of Items for Paper 01 (Multiple Choice Test)

Section	Title	No. of items
1	Introduction to Principles of Accounts	4
2	The Classified Balance Sheet	4
3	Books of Original Entry	6
4	Ledgers and the Trial Balance	7
5	The Preparation and analysis of financial Statements of the Sole-Trader	6
6	End of Period Adjustments	4
7	Control Systems	4
8	Incomplete Records	4
9	Accounting for Partnerships	5
10	Accounting for Corporations (Limited Liability	4
11	Accounting for Co-operative Societies	2
12	Accounting for Non-Trading (Non Profit)	4
13	Manufacturing Accounts	4
14	Payroll Accounting	2
	<b>TOTAL</b>	<b>60</b>

The profile dimensions and examination papers will be weighted as set out below.

PROFILES	PAPER 01	PAPER 02	PAPER 031 (SBA)	TOTAL	(%)
Knowledge	15	25	10	50	(25)
Application	30	50	20	100	(50)
Interpretation	15	25	10	50	(25)
<b>TOTAL</b>	<b>60</b>	<b>100</b>	<b>40</b>	<b>200</b>	<b>(100)</b>

## ◆ SECTION 1: INTRODUCTION TO PRINCIPLES OF ACCOUNTS

The examination for General Proficiency certification will be set on the entire syllabus and will consist of two papers in the final examination and a School-Based Assessment component.

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain the concept of accounting;
2. state the purpose of accounting;
3. identify the users of accounting information;
4. outline the distinguishing features of various types of business organisations;
5. identify the main financial statements prepared by various business organisations;
6. describe the accounting cycle;
7. outline the concepts and conventions that guide the accounting process; and,
8. assess the role and impact of technology on the accounting process.

### CONTENT

1. Concept of “Accounting” and “Principles of Accounting”.
2. Accounting as a business practice – the purpose of Accounting.
3. Internal and External users of Accounting information and their needs.
4. Types of business organisations – Sole-Traders, Partnerships, Corporations (Limited Liability companies), Cooperatives, Non-Profit Organisations.
5. Financial Statements – Income statement/Trading and Profit & Loss A/C, Income and Expenditure A/C, Balance Sheets, Cash Flow Statements. ***(Teachers are not expected to teach how to prepare the cash flow statements but it should be identified as one of the financial statements which must be prepared by corporations).***
6. The Accounting cycle with its diagrammatic representations.
7. Accounting concepts and conventions – principles which guide the accounting process – accrual and matching concept, prudence (conservatism) concept, consistency concept, separate entity concept.

## SECTION 1: INTRODUCTION TO PRINCIPLES OF ACCOUNTS (cont'd)

8.
  - (a) Accounting processes which could be readily performed by the use of the computer, for example, payroll, stock control, debtors' and creditors' schedules.
  - (b) Software currently being used in Accounting.
  - (c) Advantages and disadvantages of using the computer in Accounting.

## ◆ SECTION 2: THE CLASSIFIED BALANCE SHEET

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain the concept of a Balance Sheet;
2. identify the components of a Balance Sheet;
3. use the Balance Sheet/Accounting equation;
4. construct a simple Balance Sheet;
5. give examples of different types of assets and liabilities;
6. construct classified Balance Sheets; and,
7. determine which items in a Balance Sheet will change as a result of various transactions.

### CONTENT

1. Definition and purpose of a Balance Sheet.
2. Definition and examples of Assets, Liabilities, Capital.
3. Balance Sheet Equation  $A = C + L$ .
4. Preparation of Balance Sheets.
5. Definition and examples of Fixed Assets, Currents Assets, Current Liabilities, Long-term Liabilities.
6. Arrangement of Assets and Liabilities in order of:
  - (a) permanence; and,
  - (b) liquidity.
7. Effect of transactions on Balance Sheet items – increase or decrease in items while maintaining the Balance Sheet equation.

## ◆ SECTION 3: BOOKS OF ORIGINAL ENTRY

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain the uses of books of original entry;
2. distinguish between cash and credit transactions;
3. identify source documents related to books of original entry;
4. use source documents to make entries into books of original entry;
5. distinguish between trade and cash discounts;
6. distinguish between discounts allowed and discounts received;
7. balance the cash book;
8. interpret the balances of the cash book;
9. balance the petty cash book; and,
10. indicate treatment of totals from books of original entry.

### CONTENT

1. The uses of Books of Original Entry:
  - (a) general journal;
  - (b) purchases book;
  - (c) sales book;
  - (d) returns outwards book;
  - (e) returns inwards book;
  - (f) cash book; and,
  - (g) petty cash book.



### SECTION 3: BOOKS OF ORIGINAL ENTRY (cont'd)

2. Cash and credit transactions:

The use of:

- (a) cash;
- (b) cheques;
- (c) credit cards; and,
- (d) debit cards.

3. Source documents and the books of original entry to which they are related – sales invoice, purchases invoice, credit notes, debit notes, petty cash vouchers, receipts from cash transactions and non-cash transactions.

4. Record transactions using source documents:

- (a) purchases book;
- (b) sales book;
- (c) returns inwards book;
- (d) returns outwards book;
- (e) cash book; and,
- (f) petty cash book.

5. Treatment of trade discounts and cash discounts.

6. Cash discounts – discounts allowed and discounts received.

7. Balancing of the cash book.

8. The significance of the balances brought down on the cash book.

9. Balancing the petty cash book using the Imprest System.

10. Posting totals of books of original entry to the General Ledger.

## ◆ SECTION 4: LEDGERS AND THE TRIAL BALANCE

### SPECIFIC OBJECTIVES

Students should be able to:

1. identify the different types of ledgers;
2. describe the different classes of accounts;
3. explain the significance of debit and credit in each class of account;
4. distinguish between capital expenditure and revenue expenditure;
5. draw up simple account formats, neatly and accurately;
6. post from books of original entry to the general ledger and the subsidiary ledgers;
7. balance and close accounts;
8. use the balances brought down to prepare the trial balance; and,
9. outline the uses and limitations of the trial balance.

### CONTENT

1. Different types of ledgers for recording nominal, real and personal accounts:
  - (a) general ledger;
  - (b) sales/debtors' ledger; and,
  - (c) purchases/creditors' ledger.
2. Classification of accounts:
  - (a) Nominal – expenses and revenue;
  - (b) Real – assets; and,
  - (c) Personal – debtors and creditors.
3. Rules of entry for assets, liabilities, income, capital and expenses.
4. Capital expenditure; revenue expenditure.

#### **SECTION 4: LEDGERS AND THE TRIAL BALANCE (cont'd)**

5. Recording transactions in accounts using the double entry system.
6. Posting to general and subsidiary ledges.
7. Balancing accounts: calculation of the balances c/d and bringing down those balances.
8. Trial balances.
9. Uses and limitations of the trial balance.

## ◆ SECTION 5: THE PREPARATION AND ANALYSIS OF FINANCIAL STATEMENTS OF THE SOLE-TRADER

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain the purpose of preparing financial statements;
2. list methods of inventory (stock) valuation;
3. calculate the value of closing inventory (stock);
4. assess the effect of different methods of inventory (stock) valuation on profit;
5. prepare closing journal entries;
6. identify the components of the Financial Statements;
7. draw up the Trading and the Profit and Loss account to determine gross profit or loss and net profit or loss;
8. show the effect of net profit or loss on capital;
9. use ratios to determine the performance (profitability) of the business;
10. prepare classified balance sheet in vertical style;
11. explain the significance of the working capital for the operation of a business;
12. calculate ratios to demonstrate the financial position of a business; and,
13. make recommendations about a business based on ratio analysis.

### CONTENT

1. The purpose of preparing Financial Statements to satisfy the needs of the users.
2. Methods of inventory (stock) valuation: First in, First out (FIFO), Last in, First out (LIFO), Average Cost (AVCO).
3. Calculation of closing inventory (stock); using: FIFO, LIFO, AVCO.
4. The effect on profit of different methods of (inventory) stock valuation.

## SECTION 5: THE PREPARATION AND ANALYSIS OF FINANCIAL STATEMENTS OF THE SOLE-TRADER (cont'd)

5. (a) Journal entries to close off accounts in the ledger.  
(b) Linkage with Trading and Profit and Loss account.
6. Trading and Profit and Loss Account and Balance Sheet.
7. Trading and Profit and Loss account for sole-traders including adjustment for return inwards and outwards; closing stock.
8. Treatment of net profit or loss on the Balance Sheet.
9. Trading results: simple ratios such as stock turn, average stock, gross profit percentage, net profit percentage.
10. Definition of working capital, calculation of working capital; preparation of classified Balance Sheet showing working capital.
11. Working capital as a basic tool for solvency; working capital formula.
12. Analysis and interpretation of the financial position of a business using ratios: current ratio; acid test ratio; return on investment.
13. Preparation of simple reports evaluating a business based on ratios and making recommendations.

## ◆ SECTION 6: END OF PERIOD ADJUSTMENTS

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain why adjustments are made to financial statements;
2. prepare journal entries for pre-payments and advanced revenues;
3. prepare journal entries for accrued expenses and revenues;
4. determine the amount of expenses or revenues to be transferred to the Profit and Loss Account/Income Statement;
5. indicate where accruals and prepayments will appear on the Balance Sheet;
6. distinguish between bad and doubtful debts;
7. prepare journal entries and ledger accounts to write off bad debts and create provision for doubtful debts;
8. explain the nature of depreciation;
9. calculate annual depreciation expenses using straight line method and reducing balance method;
10. prepare journal entries and ledger accounts for provision for depreciation; and,
11. prepare Financial Statements after adjustments.

### CONTENT

1. The reasons for adjustments; application of the matching/accruals concept.
2. Journal entries for prepaid expenses and advanced revenues.
3. Journal entries for accrued expenses and revenues.
4. Ledger accounts for expenses and revenues.
5. The treatment for prepayments and accruals on the balance sheet.
6. The reasons for bad debts: aging debtors; creation of provision for doubtful debts.

## SECTION 6: END OF PERIOD ADJUSTMENTS (cont'd)

7. Accounting entries for bad and doubtful debts; the treatment of bad and doubtful debts in the Profit and Loss Account and Balance Sheet.
8. Definition of depreciation; causes of depreciation; factors to be considered when calculating depreciation (cost, estimated useful life and scrap value).
9. Straight line method (using formula) and reducing balance method of depreciation.
10. Journal entries for the provision for depreciation; the maintenance of the provision for depreciation account; the treatment of accumulated depreciation on the Balance Sheet; the determination of Net Book Value (NBV).
11. The preparation of adjusted Financial Statements (*the use of worksheets would be helpful*).

## ◆ SECTION 7: CONTROL SYSTEMS

### SPECIFIC OBJECTIVES

Students should be able to:

1. explain the need for control systems;
2. identify common control systems;
3. distinguish between those errors which affect and those which do not affect the trial balance;
4. explain the need for suspense account;
5. prepare journal entries for the correction of errors;
6. construct a suspense account;
7. construct a statement of revised profit after the correction of errors;
8. explain the purposes of control accounts and how they are prepared;
9. identify the sources of information for entries made in control accounts;
10. construct sales and purchases ledger control accounts;
11. explain the significance of the balances on control accounts;
12. account for differences between cash book and bank statement balances; and,
13. construct a bank reconciliation statement using the adjusted cash book balance.

### CONTENT

1. The need for control systems.
2. Common control systems:
  - (a) Suspense Account;
  - (b) Control Accounts; and,
  - (c) Bank Reconciliation Statements.



## SECTION 7: CONTROL SYSTEMS (cont'd)

3. Types of errors.
4. Uses of the suspense account.
5. Correction of errors via journal entries.
6. Suspense accounts.
7. The effect of errors on the Trading and Profit and Loss account and the Balance Sheet.
8. Uses of control accounts.
9. Sources of information for entries in control accounts.
10. Sales Ledger Control Accounts, Purchases Ledger Control Accounts.
11. Meaning (significance) of the balances on Control Accounts.
12. Identification of the items that cause the difference between cash book and Bank statement balances and updating of the cash book.
13. Uses and construction of the Bank Reconciliation Statement.

## ◆ SECTION 8: INCOMPLETE RECORDS

### SPECIFIC OBJECTIVES

Students should be able to:

1. state the meaning and limitations of single entry records;
2. prepare opening and closing statement of affairs from incomplete records;
3. convert from single entry recording to double entry recording;
4. calculate missing figures in Trading and Profit and Loss Accounts;
5. prepare final accounts from incomplete records.

### CONTENT

1. The meaning and limitation of single entry recording.
2. Preparation of opening and closing statement of affairs from incomplete records.
3. Calculation of missing amounts such as sales, purchases, expenses, depreciation and drawings.
4. The use of mark-up, margin and stock turnover to find missing amounts, such as, purchases, sales and gross profit.
5. Preparation of Trading and Profit and Loss Account and Balance Sheet from incomplete records.

## ◆ SECTION 9: ACCOUNTING FOR PARTNERSHIPS

### SPECIFIC OBJECTIVES

Students should be able to:

1. define a partnership business;
2. state the features of a partnership;
3. give reasons for establishing partnerships;
4. outline the essential components of a partnership agreement;
5. prepare journal entries and ledger accounts to record the capital of partnership;
6. use various methods to share profit/loss among partners;
7. prepare appropriation account of partnerships;
8. prepare current account of partners;
9. explain the significance of the brought down balances on partners' current accounts;
10. prepare balance sheet of partnerships; and,
11. analyse performance and position using ratios.

### CONTENT

1. Definition of partnership; comparison of a partnership with sole-traders and corporations; types of partners.
2. Features of partnership – voluntary association, mutual agency, unlimited liability.
3. Reasons for formation of partnership, for example, increased capital, diverse skills.
4. Features of partnership agreement, including share of profits, interest on capital and drawings, salaries.
5. The capital account of partners – cash and non-cash resources; types of capital account –fixed and fluctuating capital accounts and their implications.
6. Methods of sharing profit/loss: capital ratio; fixed percentage, equally.
7. The preparation of the appropriation account.

## SECTION 9: ACCOUNTING FOR PARTNERSHIPS (cont'd)

8. The current account prepared with items posted from the appropriation account; columnar form and single accounts.
9. The significance of the debit and credit balances brought down on the current accounts.
10. The treatment of current account balances on the balance sheet; (*emphasis on capital section*).
11. The calculation and interpretation of accounting ratios.

## ◆ SECTION 10: ACCOUNTING FOR CORPORATIONS (LIMITED LIABILITY COMPANIES)

### SPECIFIC OBJECTIVES

Students should be able to:

1. identify the essential features of a limited liability company;
2. outline the advantages and disadvantages of a limited liability company in relation to sole proprietorship and partnership;
3. describe the various methods of raising capital available to limited liability companies;
4. prepare journal entries to record the issue of shares and debentures;
5. identify the various types of shares and the rights of the owners of each type of share;
6. identify the various components of shareholders' equity;
7. calculate dividend payments for various types of shares;
8. appropriate profits between dividends and reserves;
9. prepare the final accounts of a limited liability company; and,
10. analyse performance and position using ratios.

### CONTENT

1. Nature of limited liability companies; public and private.
2. Advantages and disadvantages of limited liability companies.
3. Methods of raising capital – equity (preference and ordinary shares), debt (debentures, bank loans).
4. Issue of shares and debentures.
5. Types of shares; rights and privileges of owners of each type of share.
6. Elements of shareholders' equity: share capital, reserves.
7. Calculation of dividend payments.
8. Appropriation of profits (dividends and reserves).
9. Final accounts of limited liability companies.
10. Calculation and interpretation of accounting ratios.

## ◆ SECTION 11: ACCOUNTING FOR CO-OPERATIVE SOCIETIES

### SPECIFIC OBJECTIVES

Students should be able to:

1. identify the essential features of a Co-operative;
2. identify types of Co-operatives;
3. describe the various methods of raising capital for a Co-operative;
4. prepare the Income Statement showing how surplus is distributed; and,
5. prepare the Balance Sheet of a Co-operative.

### CONTENT

1. Nature of Co-operative societies; Co-operative principles.
2. Types of Co-operatives, for example, credit unions, agricultural societies.
3. Raising capital for a Co-operative society; journal entries to record capital.
4. Preparation of Income Statement showing distribution of surplus.
5. Preparation of Balance Sheet.

## ◆ SECTION 12: ACCOUNTING FOR NON-TRADING (NON- PROFIT) ORGANISATIONS

### SPECIFIC OBJECTIVES

Students should be able to:

1. identify types of non-trading and non-profit organisations;
2. outline the differences in accounting procedures for trading and non-trading (non-profit) organisations;
3. prepare receipts and payment accounts;
4. prepare income generating accounts for non-trading organisations;
5. distinguish between capital expenditure and revenue expenditure;
6. prepare the Income and Expenditure Account; and,
7. prepare the Balance Sheet.

### CONTENT

1. Non-trading and Non-profit organisations, for example, clubs and societies.
2. Accounting procedures for trading and non-trading organisations.
3. Preparation of receipts and payments A/c.
4. Preparation of income generating accounts: subscription A/c; bar/trading A/c; dance A/c.
5. Distinction between capital expenditure and revenue expenditure.
6. Preparation of Income and Expenditure Account treating transfer from income generating accounts (deficit/surplus).
7. Preparation of Balance Sheets including calculation of accumulated fund; treatment of deficit or surplus on accumulated fund.

## ◆ SECTION 13: MANUFACTURING ACCOUNTS

### SPECIFIC OBJECTIVES

Students should be able to:

1. distinguish between direct and indirect costs;
2. prepare manufacturing accounts;
3. calculate unit cost of items produced; and,
4. prepare final accounts for a manufacturing concern.

### CONTENT

1. Elements of cost: direct materials, direct labour and factory overheads.
2. Preparation of manufacturing account showing:
  - (a) cost of raw material consumed;
  - (b) prime cost;
  - (c) factory overheads;
  - (d) work in progress; and,
  - (e) cost of production.
3. Calculation of unit cost of items produced.
4. Preparation of Trading, Profit and Loss Account and Balance Sheet of a manufacturer.



## ◆ SECTION 14: PAYROLL ACCOUNTING

### SPECIFIC OBJECTIVES

Students should be able to:

1. identify basic source documents of the payroll;
2. transfer information from time cards or sheets to payroll;
3. calculate employees' gross earnings;
4. calculate employees' net pay; and,
5. distinguish between voluntary and statutory deductions.

### CONTENT

1. Use of time cards, time books, electronic clock-in cards, employee earnings records.
2. Calculation of gross earnings (wages) from employee records.
3. Preparation of payroll and wage documents from time cards, computer records.
4. Calculation of statutory deductions and non-statutory deductions, for example, income tax, social security and mortgage.
5. Statutory and non-statutory deductions.

## ◆ GUIDELINES FOR THE CONDUCT OF THE SCHOOL-BASED ASSESSMENT IN PRINCIPLES OF ACCOUNTS

School-Based Assessment (SBA) is an integral part of student assessment in the course covered by this syllabus. It is intended to assist students in acquiring certain knowledge, skills and attitudes that are associated with the subject. The activities for the School-Based Assessment are based on the syllabus and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During this course of study, students obtain marks for the competencies they develop and demonstrate in undertaking their SBA assignments. These marks contribute to the final marks and grades that are awarded to students for their performance in the examination.

The guidelines provided in this syllabus for selecting appropriate tasks are intended to assist teachers and students in the selection of assignments that are valid for the purpose of School-Based Assessment. The guidelines provided for the assessment of these assignments are intended to assist teachers in awarding marks that are reliable estimates of the achievement of students in the School-Based Assessment component of the course. In order to ensure that the scores awarded by the teachers are consistent with the Caribbean Examinations Council's standards, the Council undertakes the moderation of a sample of the SBA assignments submitted by the school.

School-Based Assessment provides an opportunity to individualise a part of the curriculum to meet the needs and interests of students. It facilitates feedback to the student at various stages of the experience. This helps to build the self-confidence of students as they proceed with their studies. The SBA also facilitates the development of critical skills and abilities, emphasised by the subject and enhances the validity of the examination scores.

### RESEARCH PROJECT

The School-Based Assessment component of the Principles of Accounts syllabus is a single guided research project for school candidates. The project should involve the manipulation of accounting data in real-life situations, obtained through the SIMULATION OR ACTUAL OPERATION of a business entity. All activities selected must be within the law and must lend themselves to the collection of accounting data and application of accounting principles identified in the mark scheme on pages 29–30 of the syllabus. Others are advised to gather data from entities and situations with which they are familiar and from data which may be easily obtained, for example,

1. school's cafeteria and stationery shop;
2. snack shop at school events;
3. events coordinated by students such as concerts and fashion shows; and,
4. sporting and other cultural clubs at school.

The project must satisfy the objectives in the syllabus that are related to:

1. books of original entry, including cash book, general journal sales and purchases journal;
2. the ledger: 12–20 transactions;
3. trial balance; and,
4. financial statements and ratio analysis.

### **SBA REQUIREMENTS**

Every candidate who enters for the **CSEC**<sup>®</sup> Principles of Accounts examination must submit a report on a project. Students may work individually or in groups to gather data. However, each candidate must produce a complete report. No two reports from the same group should be identical. The report should *not exceed 1,000 words*, (not including appendices). Wherever a candidate exceeds the maximum length for the project by more than 10 per cent, the teacher must impose a penalty of 10 per cent of the score that the candidate achieves on the project. On the candidate's script, the teacher should clearly indicate the candidate's original score – that is, the score before the deduction is made – the marks which are to be deducted, and the final score that the candidate receives after the deduction has been made.

Only the final score is to be indicated on the record sheets which are submitted to **CXC**<sup>®</sup> *electronically via the SBA data capture module on the Online Registration System (ORS) on the Council's website.*

*Students doing more than one subject in the Business cognate group may submit one SBA project under a theme which covers the group.*

### **PROJECT REPORTS**

A student's report should be presented *electronically or* in a soft folder bearing the student's name, number, name of subject, school, centre number and the date submitted. The project document should comprise the following in the order prescribed below.

1. Table of contents
2. Aim of the project
3. Information about the entity operated or simulated, namely:
  - (a) name of entity and description of activity;
  - (b) actual accounting procedures used and records kept;
  - (c) performance of the business; and,
  - (d) interpretation of results: by simple ratios, comparisons;
  - (e) conclusion.

In addition, all appendices should be attached, including source documents, diagrams, charts and statistical data.

## MANAGEMENT OF THE PROJECT

School-Based Assessment tasks should be completed in the course of normal teaching time and supervised and marked by the teacher. Although some of the data collection and research work must be undertaken outside of normal school time, the teacher must be satisfied that the work submitted for assessment is the student's own work.

The teacher must:

1. provide assistance to students in the selection of projects and identification of appropriate stationery;
2. advise students of the nature of the task, the scope and depth required to fulfil it and the availability of resource materials;
3. monitor students' progress by advising them of the quality of their work and by recommending ways to improve the quality of the project;
4. collect and grade students' projects;
5. keep records of students' marks and submit these, together with samples of their work, as requested by **CXC**<sup>®</sup>; and,
6. ensure that the SBA guidelines are closely followed and the marking criteria are adequately met.

## MARK SCHEME FOR RESEARCH PROJECTS

The project should be marked out of 40, weighted as follows:

- |    |                    |   |          |
|----|--------------------|---|----------|
| 1. | Knowledge (K)      | - | 10 marks |
| 2. | Application (A)    | - | 20 marks |
| 3. | Interpretation (I) | - | 10 marks |

CRITERIA		P1- K	P2- A	P3- I
<b>1. PRESENTATION (Total 12 marks)</b>				
<b>(a) Layout (7 marks)</b>				
▪ Table of contents included		1		
▪ Aims clearly stated		2		
▪ 4 different types of source documents used		1		
▪ Diagrams, pictures and tables used		1		
▪ Information properly sequenced		1		
▪ Report is neatly and tidily presented			1	
<b>(b) Relevance (2 marks)</b>				
▪ Simulated or actual business entity identified and activities described			1	
<b>CRITERIA</b>		<b>P1- K</b>	<b>P2- A</b>	<b>P3- I</b>
▪ Relevant information and records of entity provided			1	
<b>(c) Completeness (3 marks)</b>				
▪ Specified period under review stated			1	
▪ A minimum of five accounts completed and balanced to			1	
▪ All sections of the project are in evidence and report duly completed			1	
<b>Sub-Total</b>		<b>6</b>	<b>6</b>	<b>0</b>
<b>2. APPLICATION OF PRINCIPLES (Total 14 marks)</b>				
<b>(a) Accurate use of principles (5 marks)</b>				
▪ Cash/Bank Account			1	
▪ Income Statements			1	
▪ Any other accounts			1	
▪ Any book or books of original entry			1	
▪ Classified Balance Sheet			1	
<b>(b) Correct recording of data from (4 marks)</b>				
▪ Cash Receipt			1	
▪ Bank document			1	
▪ Invoice			1	
▪ Any other related document			1	
<b>(c) Accuracy of results as stated in (5 marks)</b>				
▪ Balances c/d			1	
▪ Profits/Losses			1	
▪ Balances transferred			1	
▪ Trial Balance totals agreeing			1	
▪ Balance Sheet balancing			1	
<b>Sub-Total</b>		<b>0</b>	<b>14</b>	<b>0</b>

<b>3. CONCLUSION: SUMMARY: EVALUATION (Total 14 marks)</b>			
<b>(a) A correct statement about the performance of the business operated or simulated (2 marks)</b>			2
<b>(b) Further Interpretation of Results (4 marks)</b>			
▪ Ratios included (2 mark each; maximum 2 marks)			2
▪ Comparisons made (beginning with end)			2
<b>(c) Suggestions And Recommendations (2 marks)</b>			
▪ Any two recommendations or suggestions regarding the business operated or simulated			2
<b>(d) Conclusion (2 marks)</b>			
▪ Relevance of conclusion in relation to stated aim of the project			2
<b>Sub-Total</b>	<b>0</b>	<b>0</b>	<b>10</b>
<b>(e) Communication of information in a logical way using correct grammar (4 marks)</b>			
▪ No grammatical errors or flaws and extensive use of appropriate accounting terms. <b>(4 marks)</b>	<b>4</b>		
▪ Some grammatical errors and good use of appropriate accounting terms. <b>(3 marks)</b>			
▪ Some grammatical errors and limited use of appropriate accounting terms. <b>(2 marks)</b>			
▪ Numerous grammatical errors and poor use of appropriate accounting terms. <b>(1 mark)</b>			
▪ Numerous grammatical errors and no use of appropriate accounting terms. <b>(0 mark)</b>			
<b>Sub-Total</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>	<b>10</b>	<b>20</b>	<b>10</b>

## ◆ GUIDELINES FOR THE ALTERNATIVE TO SCHOOL-BASED ASSESSMENT

The present syllabus for Principles of Accounts has been developed for examination and certification at General Proficiency only.

Paper 032 is the Alternative to School-Based Assessment (SBA) of the **CXC**<sup>®</sup> examination in Principles of Accounts. Paper 01 is a multiple choice paper and Paper 02 is a problem-solving paper. Paper 031 is the SBA for school candidates and Paper 032 is for private candidates.

The Alternative to the School-Based Assessment in Principles of Accounts (Paper 032), takes the form of a written examination in lieu of internal teacher assessment for school candidates. This paper, of 90 minutes' duration, will be based on the same area of the syllabus as the SBA component defined in the syllabus and weighted in the same way as the Paper 031 (SBA) for school candidates, as shown in the table below.

WEIGHTING OF PAPER (032) SBA					
Proficiency	Knowledge P1	Application P2	Interpretation P3	Total Marks	% of Total Exam
General	10	20	10	40	20

Paper 032 will consist of a case study and candidates will be required to answer between 10 and 15 questions based on the case study. Candidates are advised to familiarise themselves with the areas of the syllabus listed below, in order to prepare adequately for Paper 032. **Please note that candidates taking Paper 032 are NOT required to submit a project.**

Questions derived from the case studies should satisfy the objectives and content of:

**Section 2: The Classified Balance sheet**

**Section 3: Books of Original Entry**

**Section 4: Ledgers and the Trial Balance**

**Section 5: The Preparation and Analysis of Financial Statements of The Sole-Trader**

**Section 6: End of Period Adjustments**

## ◆ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates must be entered for the examination through the Local Registrar in their respective territories. They will be required to sit Papers 01, 02, and **EITHER** Paper 031 or Paper 032.

Paper 031 is a single guided research project for candidates whose research must be monitored by tutors in a recognised educational institution. The reports must be original work and must be validated by the principal and the candidates' tutors.

Paper 032 is a written examination designed for candidates whose research projects cannot be monitored by tutors in a recognised educational institution and who have been assigned by the Local Registrar to write Paper 032 at a designated examination centre.

## ◆ REGULATIONS FOR RESIT CANDIDATES

Resit candidates who have obtained a **MODERATED** score of 50 per cent or more of the SBA marks will not be required to repeat this component of the examination provided that they write the examination in the academic year immediately following their first sitting of the examination. Resit candidates who failed to achieve 50 per cent of the total SBA marks must repeat the project during the academic year in which the examination is repeated. Resit candidates must indicate at registration that they are resit candidates.

## ◆ REGULATIONS FOR THE JANUARY SITTING

1. All candidates for the January sitting who are taking **CSEC®** Principles of Accounts examination for the first time **MUST** write Paper 032.
2. There is no SBA option (Paper 031) available for January candidates.
3. Resit candidates fall into two categories:
  - (a) those resit candidates who wrote Paper 031 (SBA) in the year immediately preceding the January examination. Those who obtained a **MODERATED** score of 50 per cent or more are **NOT** required to write Paper 032 in January;
  - (b) those resit candidates who wrote Paper 032 (Alternative to SBA) in the year immediately preceding the examination. Those who obtained a **MODERATED** score of 50 per cent or more are **NOT** required to rewrite Paper 032 in January.
4. A candidate who qualified under 3(a) and 3(b) above who obtained a **MODERATED** score of 50 per cent or more, but who wish to try to improve on his/her grade may write Paper 032 in January.
5. All resit candidates who did **NOT** satisfy the 50per cent requirement (either on 031 or 032) are required to write Paper 032 in January.

Western Zone Office  
7 March 2017



# CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Secondary Education Certificate®  
CSEC®



## PRINCIPLES OF ACCOUNTS

### Specimen Papers and Mark Schemes/Keys

**Specimen Paper:** - Paper 01  
Paper 02  
Paper 03

**Mark Scheme and Key:** - Paper 01  
Paper 02  
Paper 03



**CARIBBEAN EXAMINATIONS COUNCIL**  
**CARIBBEAN SECONDARY EDUCATION CERTIFICATE**  
**EXAMINATION®**

**SPECIMEN**  
**MULTIPLE CHOICE QUESTIONS**  
**FOR**

**PRINCIPLES OF ACCOUNTS**

**READ THE FOLLOWING DIRECTIONS CAREFULLY**

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.

Sample Item

Sample Answer

Prime cost is calculated by:

A   B   C   D

- (A) adding direct factory expenses to cost of materials used;
- (B) adding indirect factory expenses to cost of materials used;
- (C) subtracting direct factory expenses from cost of materials used;
- (D) subtracting indirect factory expenses from cost of materials used.

The best answer to this item is “adding direct factory expenses to cost of materials used”, so answer space (A) has been blackened.

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1. Which of the following is entered in the Purchases Account of a Grocery?
- (A) Goods for sale
  - (B) Duplicating Machines
  - (C) Typewriters
  - (D) Office stationery

2. The following correcting entries appear in the general journal:

GENERAL JOURNAL		
	DR	CR
R. Scott	\$20	
S. Scott		\$20

Which of the following gave rise to the correcting Entry?

- (A) S. Scott paid R. Scott.
  - (B) R. Scott's account was debited instead of S. Scott's account.
  - (C) R. Scott paid S. Scott.
  - (D) R. Scott's account was credited instead of S. Scott's Account.
3. Which of the following transactions should be debited in the Cash Account?
- (A) Bought goods for cash from J. Jones
  - (B) Sold goods for cash
  - (C) Paid office cleaner cash
  - (D) Paid on loan account
4. Patrick is to join Dennis and Tony in partnership. Patrick brings to the partnership furniture valued at \$3 000 and a motor van worth \$5 000. How much would be the amount of Patrick's capital?
- (A) \$4 000
  - (B) \$6 000
  - (C) \$8 000
  - (D) \$9 000

Item 5 refers to the following list of balances:

	\$
Work in progress Jan 1	1 600
Work in progress Dec 31	1 700
Cost of materials used	3 000
Indirect expenses	3 200
Factory wages	5 000

5. From the above list of balances, what is the cost of goods produced?
- (A) \$ 8 000
  - (B) \$ 8 700
  - (C) \$11 100
  - (D) \$11 200
6. Which of the following statements BEST describe the purpose of Accounting?
- I. Keeping proper records of business Transactions
  - II. Keeping proper control of the finances of a business
  - III. Assisting management in making decisions
  - IV. Using the accounting transactions to make proper decisions
- (A) I and II only
  - (B) II and IV only
  - (C) I, II and III only
  - (D) I, III and IV only
7. John Jones buys goods on credit from Henry Stokes for \$15. The correct entry for recording this transaction in the books of Henry Stokes is a
- (A) credit entry in the account of Henry Stokes
  - (B) credit entry in the account of John Jones in the Ledger
  - (C) debit entry in the account of Henry Stokes
  - (D) debit entry in the account of John Jones in the Ledger

8. The recording and analysis of financial records is called

- (A) accounting
- (B) adjusting
- (C) record keeping
- (D) decision making

9. A trader started with a capital of \$20,000 and used \$12 000 of it to purchase building and plant. What is his new capital balance?

- (A) \$32 000
- (B) \$20 000
- (C) \$12 000
- (D) \$ 8 000

10. A trade discount can be described as an amount deducted from the

- (A) catalogue price in determining the actual price
- (B) selling price when the customer pays within a specific period
- (C) invoice price because a large quantity of goods is bought
- (D) selling price when an article has a flaw

11. If a buyer's invoice has been overstated the seller should send him a

- (A) debit note
- (B) corrected invoice
- (C) credit note
- (D) returns voucher

12. In a partnership a partner, Mr. B., takes home merchandise costing \$80. This amount should be charged to

- (A) Merchandise/Purchase Account
- (B) Sales Account
- (C) Mr. B's Drawings Account
- (D) Mr. B's Capital Account

Item 13 refers to the following journal entry:

Bad Debts	\$70
K. Lamb	\$70

13. How would the above journal entry be posted in the Ledger?

- (A) Debit Profit & Loss;  
Credit Bad Debts
- (B) Debit K. Lamb;  
Credit Profit & Loss
- (C) Debit K. Lamb;  
Credit Bad Debts
- (D) Debit Bad Debts;  
Credit K. Lamb

Item 14 refers to the following information obtained from a petty cashier.

	\$
Imprest amount	200
Petty cash expenses	150
Received for stamps	10

14. What amount will be reimbursed to restore the imprest?

- (A) \$ 40
- (B) \$140
- (C) \$150
- (D) \$200

Item 15 refers to the following information.

	\$
Debtors at start of the year	8 200
Cash received from debtors during the year	17 400
Debtors at end of the year	9 300

15. The above information was provided by a trader. What was his credit sales for the year?

- (A) \$16 300
- (B) \$18 500
- (C) \$25 600
- (D) \$26 700

16. Which of the following statements best describe principles concerning the distribution of profits and losses in a Partnership?

- I. All profits are appropriated
  - II. Each partner is entitled to a share of the profit or loss
  - III. Profits are retained for the next accounting period
  - IV. Only losses are distributed
- (A) I and II only
  - (B) I and III only
  - (C) II and III only
  - (D) II and IV only

17. You are required to reconcile the debit balance in the Cash Book with the balance found in the Bank Statement. A credit entry recorded on the Bank Statement, but not in the Cash Book should be

- (A) added to the Cash Book balance
- (B) deducted from the Cash Book balance
- (C) added to the balance from the Bank Statement
- (D) deducted from the balance from the Bank Statement

18. A. Gill purchased a machine for \$3 500 from Wayne and Co. Ltd. paying \$1 500 in cash and the balance in 10 days. Which is the CORRECT procedure for recording this transaction?

- (A) Debit machinery a/c \$3 500  
Credit cash a/c \$2 000
- (B) Debit purchases a/c \$3 500  
Wayne & Co. Ltd \$3 500
- (C) Debit Machinery \$3 500  
Credit cash a/c \$1 500  
Wayne & Co. Ltd \$2 000
- (D) Debit Wayne & Co.a/c \$2 000  
Debit cash a/c \$1 500  
Credit purchases a/c \$3 500

Item 19 refers to the journal entries below showing credit sale of a machine to John Brown.

	Dr\$	Cr\$
July 1 John Brown	500	
Machine		500

19. Which of the following are the corresponding ledger entries?

I.

Machine A/c	
John	Brown
500	

II.

John Browne's A/c	
Machine	
500	

III.

Machine A/c	
	John
	Brown
	500

IV.

Sales A/c	
	John
	Brown
	500

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

20. The Gross Profit of a firm is \$3 600; bad debts \$100; rent paid \$120 which includes rent prepaid \$20; general expenses \$80; discount received \$110. What is the net profit?

- (A) \$3 400
- (B) \$3 410
- (C) \$3 430
- (D) \$3 710

21. The accounting cycle consists of a sequence of steps beginning with analysis and recording of raw transactions. Which of the following sequences BEST describes the other steps in the cycle?

- I. Take Trial Balance
- II. Close the Accounts
- III. Posting Transactions
- IV. Adjust the Accounts
- V. Prepare Trading and Profit and Loss Account
- VI. Prepare Balance Sheet

- (A) III, I, IV, II, V, VI
- (B) I, III, IV, II, V, VI
- (C) III, I, IV, II, VI, V
- (D) III, IV, I, VI, V, II

Item 22 refers to the following information which relates to the business of T & T Ltd.

	\$
Opening stock (cost price)	3 500
Closing stock (cost price)	4 200
Cost of sales	34 650

22. What is the rate of stock turn over?

- (A) 4.5
- (B) 9
- (C) 10
- (D) 8

23. Which of the following are characteristics of a public limited company?

- I. The minimum number of members is two.
- II. It restricts the right to transfer shares.
- III. It offers shares for sale to the public.
- IV. There is no limit to the size of its membership.

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

24. Which of the following describe methods used in inventory valuation?

- I. LIFO
- II. Straight Line
- III. FIFO
- IV. Periodic

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

25. A trader sent Mr. Jones an invoice for \$68 instead of \$65. Which note should the trader subsequently send to Mr. Jones?

- (A) Promissory note
- (B) Advice note
- (C) Debit note
- (D) Credit note

26. Which of the following is shown in the Appropriation account of a Limited Liability Company?

- I. Proposed dividends
- II. Debenture interest
- III. Transfers to general reserves
- IV. Directors' remuneration

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

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

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

28. Which of the following is a prime cost in Manufacturing Accounts?

- (A) Depreciation
- (B) General expenses
- (C) Direct wages
- (D) Production overhead

29. In preparing an Income and Expenditure Account, subscriptions paid in advance should be

- (A) added this year and subtracted next year
- (B) subtracted this year and added next year
- (C) subtracted this year and entered into the Receipts and Payments Account next year
- (D) added this year and entered into the Receipts and Payments Account this year

30. Which of the following documents should NOT be used when calculating total wages?

- (A) Employees' Register
- (B) Income Tax Return Forms
- (C) Pay Sheet
- (D) Time Sheet

Item 31 refers to the information below.

	\$		\$
Stock	2 000	Bank overdraft	3 000
Machinery	4 000	Debtors	700
Creditors	500	Cash	5 000

31. What is the working capital?

- (A) \$2 200
- (B) \$4 200
- (C) \$7 200
- (D) \$8 200

32. A vehicle was bought on January 1, 2005 for \$30 000. It is depreciated at the rate of 10% per annum using the diminishing balance method. What will be the depreciated charge for the year ended December 31, 2006?

- (A) \$2 700
- (B) \$2 970
- (C) \$5 970
- (D) \$6 000

33. Nate began his retail business with \$80 000 capital. Drawings during the year amount to \$15 000 and his closing capital was \$70 600. What was the amount of his net profit?

- (A) \$ 5 600
- (B) \$24 000
- (C) \$55 000
- (D) \$65 000

34. An asset purchased for \$1,000 is depreciated at 10% per annum using the diminishing balance method. What would be the value of the asset at the beginning of the third year?

- (A) \$ 800
- (B) \$ 810
- (C) \$ 900
- (D) \$1 190

35. A form on which details of employees earnings and deductions for each pay period are assembled and summarized is frequently referred to as

- (A) payroll register
- (B) payroll distribution
- (C) employees' earnings record
- (D) payroll

36. On January 01, 2005 a firm owed \$60 for electricity. During the year \$1 250 was paid towards electricity. On December 31, 2005 total electricity usage for the year amounted to \$1 800. What is the amount owing for electricity for year ending December 31, 2005?
- (A) \$ 550  
(B) \$ 610  
(C) \$1 190  
(D) \$1 800
37. The credit entry of rent of \$80 in the cash book is posted to the ledger as
- (A) a credit rent account \$80  
(B) a debit rent account \$80  
(C) a debit in the cash account  
(D) a credit in the cash account
38. Which of the following is NOT a book of original entry?
- (A) General Journal  
(B) Cash Book  
(C) Sales Day Book  
(D) Ledger
39. Which of the following errors would **NOT** affect the profit of a business?
- (A) Purchase of a motor van debited in Purchases account  
(B) Sale of machinery credited in Sales account  
(C) An amount credited to Discount received instead of debited to discount allowed  
(D) Jim Khan's account debited instead of Joe Khan's account
40. The sum of \$375 imprest cash was advanced to the petty cashier on February 1. During the month the following payments were made:
- Travelling expenses \$46; postage \$20; and stationery \$123.
- On February 28 the petty cash was reimbursed and no further payments were made. What was the petty cash balance after reimbursement?
- (A) \$186  
(B) \$189  
(C) \$375  
(D) \$564
41. A firm has sales of \$24 000 during the period and it adds a mark-up of 20%. What is the Gross Profit?
- (A) \$4 000  
(B) \$4 800  
(C) \$6 000  
(D) \$6 800
42. A public limited liability company wishes to increase its share capital. The company may do so by issuing the following:
- I. ordinary shares  
II. preference shares  
III. debentures  
IV. dividends
- (A) I and II only  
(B) III and IV only  
(C) I, II and III only  
(D) I, II and IV only



Items **43** and **44** refer to the following information.

**Acme Co-operative Society  
Appropriation A/c  
for year ended December 31, 2005**

	\$	\$		\$
Transfers to reserves:			Net income for the year	35 000
Statutory reserve	4 000		Undistributed income from last year	1 600
Special reserve	2 500	7 500		
Debenture interest		3 000		
Honorarium		6 000		
Proposed dividend		15 000		
Undistributed income earned		5 100		
		36 000		36 000

**43.** Which item should NOT have been included in the Appropriation account?

- (A) Debenture interest \$ 3 000
- (B) Statutory reserve \$ 4 000
- (C) Honorarium \$ 6 000
- (D) Proposed dividend \$15 000

**44.** Which of the following items will be carried forward to the Appropriation Account in the new accounting period?

- (A) Undistributed income from last year, \$1 600
- (B) Statutory and special reserves, \$7 500
- (C) Honorarium, \$6 000
- (D) Undistributed income earned \$5 100

**45.** Edward Broomes has just started a business. He owns a motor car valuing \$20,000 and a truck valuing \$45,000. He decides to bring the truck into the business. In determining the total value of the business's fixed assets he does not include the value of the motor car. Which accounting concept is Edward Broom observing?

- (A) Money measurement
- (B) Separate entity
- (C) Prudence
- (D) Matching

**46.** Albert and Bernard are in partnership with capitals of \$6 000 and \$4 000 respectively. Interest on capital is charged at the rate of 5% per annum. The firm's net profit was \$12 500.

What was Albert's share of the net profit?

- (A) \$4 800
- (B) \$5 200
- (C) \$6 000
- (D) \$6 500

47. From which of the following does the accumulated fund arise?

- I. Initial contributions of members of a club
  - II. Several years' surplus of income over expenditure
  - III. Gifts and donations to a club
  - IV. Special fund of a club
  - V. Gifts and donations for a
- (A) I and II only
  - (B) III and IV only
  - (C) I, II and III only
  - (D) II, III and IV only

Items 48 – 49 refer to the following information.

Assets	\$	Liabilities	\$
Cash-in-hand	55	Bank overdraft	1 750
Prepaid rent	120	Creditors	1 250
Furniture & Fittings	800	Wages due	75
Debtors	1 650		
Land & Buildings	8 000		
Bank Account	1 500		
Motor Vehicles	4 000		
Stock	800		

48. What is the value of the current assets?

- (A) \$2 625
- (B) \$3 125
- (C) \$4 005
- (D) \$4 125

49. What is the capital?

- (A) \$13 750
- (B) \$13 850
- (C) \$14 750
- (D) \$14 850

- 50.** Fruit and Cake are in partnership. At the end of the trading period Fruit has a debit balance of \$1 525 on her account. What is the significance of the balance on Fruit's current account?
- (A) Fruit is entitled to \$1 525 from the partnership
  - (B) Fruit has overdrawn her profits by \$1 525
  - (C) Fruit is entitled to a salary of \$1 525
  - (D) Fruit may withdraw a further \$1 525 from the business

Items 51 – 52 refer to the following information.

	\$
Sales	100 000
Stock of finished goods at 31.12.05	4 000
Stock of finished goods at 1.1.05	3 890
Production cost of goods completed	79 345
Sundry expenses	11 785

- 51.** What is the gross profit?
- (A) \$20 545
  - (B) \$20 765
  - (C) \$23 765
  - (D) \$28 545
- 52.** What is the net profit?
- (A) \$8 115
  - (B) \$8 870
  - (C) \$8 880
  - (D) \$8 980

Item 53 refers to the following information.

**Balance Sheet of Boots' Sports Store  
as at December 31, 2005**

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

**53.** What is the acid test ratio?

- (A) 1.2: 1
- (B) 1.4: 1
- (C) 7.0: 1
- (D) 8.4: 1

Item 54 refers to the following bank statement information.

			Dr	Cr	Balance
			\$	\$	
Dec	1	Bal b/f			60
	5	Cheque		90	
	14	Unit Trust: Standing order	100		
	20	P. Palmer: Credit Transfer			
	29	Bank Charges	85	30	

**54.** The Balance as per Bank Statement was

- (A) a credit balance of \$5
- (B) a debit balance of \$65
- (C) a credit balance of \$125
- (D) a debit balance of \$5

55. Which of the following lists of assets are arranged in the order of liquidity?
- (A) Land, machinery, stock, debtors, bank, cash
  - (B) Land, stock, machinery, cash, debtors, bank
  - (C) Cash, bank, debtors, stock, machinery, land
  - (D) Bank, debtors, stock, cash, land, machinery
56. Mr. Dee's gross earnings is \$9 500 per month, his income tax is 8% on gross earnings and national insurance contribution is \$145 monthly. What is his net pay for June 2005?
- (A) \$9 355
  - (B) \$8 595
  - (C) \$8 740
  - (D) \$7 687
57. Use the information below to determine credit purchases for the period ending December 31, 2005.
- |                       |          |
|-----------------------|----------|
| Creditors at Jan 2005 | \$ 6 000 |
| Creditors at Dec 2005 | \$ 4 200 |
| Receipts from debtors | \$12 300 |
| Payments to creditors | \$15 000 |
- (A) \$16 000
  - (B) \$14 100
  - (C) \$10 500
  - (D) \$13 200
58. A company's net income for the year is \$109 000. The company proposes to transfer \$16 000 to general reserve, pay \$11 000 ordinary dividends and \$5 000 preference dividends. What will be the value of the company's retained profit for the year?
- (A) \$77 000
  - (B) \$82 000
  - (C) \$88 000
  - (D) \$93 000
59. From which of the following items in the Trading Account should Return Outwards be deducted?
- (A) Carriage outwards
  - (B) Carriage inwards
  - (C) Purchases
  - (D) Sales
60. Which of the following transactions should be treated as a capital expenditure in the accounts?
- (A) Paid \$275 for cleaning the office
  - (B) Purchased a new printing machine for use in the Printing Department
  - (C) Purchased four computers for resale
  - (D) Paid for repairing the air conditioner.

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SECONDARY EDUCATION CERTIFICATE  
EXAMINATION

PRINCIPLES OF ACCOUNTS

SPECIMEN PAPER 2006

ITEM NO.	KEY
1	A
2	D
3	B
4	C
5	C
6	C
7	D
8	A
9	B
10	A
11	C
12	C
13	D
14	B
15	B
16	A
17	A
18	C
19	C
20	C
21	A
22	B
23	D
24	B
25	D
26	B
27	D
28	C
29	B
30	B

ITEM NO.	KEY
31	B
32	A
33	A
34	B
35	C
36	B
37	B
38	D
39	D
40	C
41	B
42	A
43	A
44	D
45	B
46	C
47	A
48	D
49	B
50	B
51	B
52	D
53	A
54	D
55	C
56	B
57	D
58	A
59	C
60	B



TEST CODE **01239020**

**SPEC 2017/01239020**

**C A R I B B E A N   E X A M I N A T I O N S   C O U N C I L**

**C A R I B B E A N   S E C O N D A R Y   E D U C A T I O N   C E R T I F I C A T E<sup>®</sup>  
E X A M I N A T I O N**

**P R I N C I P L E S   O F   A C C O U N T S**

**S P E C I M E N   P A P E R**

**P a p e r   0 2 – G e n e r a l   P r o f i c i e n c y**

*3 hours*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. This test consists of FIVE questions.
2. Answer ALL questions.
3. Write your answers in the spaces provided in this answer booklet.
4. Do NOT write in the margins.
5. You may use a silent, non-programmable calculator to answer questions.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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

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**SECTION I**

**Answer ALL Questions.**

**Write your answers in the spaces provided in this booklet.**

1. The following list of transactions for Len Hanson occurred during the month of April 2014:

April

- 01 Started business with \$7 800 in the bank.
- 05 Bought on credit from Yazmin Company, goods with a total list price of \$1 800 less 10% trade discount. A cash discount of 5% is available, if accounts are settled within 30 days.
- 06 Sold goods valued at \$290 to Jon, who paid \$120 by cheque, with the balance to be paid later.
- 10 Len Hanson took \$60 worth of goods from the business to give to his friend as a birthday gift.
- 15 Purchased equipment on credit from Equipo Company, \$3 500.
- 16 Returned goods to Yazmin Company with a list price of \$160.
- 20 Returned \$250 worth of equipment to Equipo Company.
- 25 Settled the account with Yazmin Company by cheque.
- 28 Settled the account with Equipo Company by cheque, and was allowed \$50 off for early payment.

- (a) From 01 April 2014, analyse and record EACH of the transactions above in appropriate accounts in the General Ledger provided on **pages 3–6**. **(Round off all figures to the nearest whole number.)** **(16 marks)**

**GO ON TO THE NEXT PAGE**



Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

Date	Details	\$		Date	Details	\$

- (b) Extract a Trial Balance for Len Hanson at 30 April 2014.

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**(4 marks)**

**Total 20 marks**  
**GO ON TO THE NEXT PAGE**

2. (a) State TWO distinguishing features of a partnership.

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(2 marks)

(b) Barney and Swiper are in partnership. Their Current Account balances as at 31 March 2015 before appropriation were:

Current Accounts	\$
Barney	2 500
Swiper	(600)

State the significance of the brought down balance on EACH partner's current account.

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(2 marks)

(c) Other balances extracted from the books of Barney and Swiper include:

		\$
Capital Accounts	Barney	60 000
	Swiper	35 000
Drawings	Barney (01 October 2014 to 31 March 2015)	4 000
	Swiper (01 January 2015 to 31 March 2015)	12 000

Additional information:

- The net income for the year ended 31 March 2015 is \$82 000.
- Barney earns an annual salary of \$36 000.
- Interest on capital is to be paid at the rate of 5% per annum.
- Interest on drawings is to be charged at the rate of 10% per year.
- Barney and Swiper share profits and losses in the ratio of 3:2 respectively.

Prepare the Profit and Loss Appropriation Account of Barney and Swiper for the year ended 31 March 2015 in the space provided on **page 9**. (9 marks)

GO ON TO THE NEXT PAGE



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**NOTHING HAS BEEN OMITTED**

3. Seris Lann, a sole trader, is to present financial information to its bankers to support a loan request to buy computers for the business. The following list of figures is provided for the year ended 31 December 2014.

	\$
Plant and machinery	163 450
Motor vehicles	37 000
Long-term investments	38 580
Accounts receivable	8 070
Closing inventories	24 550
Accounts payable	3 910
Bank overdraft	6 180
Sales revenue	363 170
Cost of goods available for sale	206 850
Insurance prepaid at year end	1 070
Insurance paid	3 790
Interest expense paid	9 360
Salaries and wages paid	90 820
Miscellaneous expenses owing at year end	4 220
Miscellaneous expenses paid	4 880
Mortgage	93 600
Opening capital	95 940

- (a) Using the information provided, prepare an Income Statement for the year ended 31 December 2014. Show clearly the amounts for EACH of the following in the space provided on **page 13**.
- (i) Cost of goods sold
  - (ii) Insurance expense
  - (iii) Miscellaneous expenses
- (8 marks)**

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(b) Prepare a list showing EACH of the following amounts as at 31 December 2014.

**(Marks will be awarded for showing clearly how you arrived at the dollar amount.)**

(i) Total non-current (fixed) assets

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**(2 marks)**

(ii) Total current assets

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**(2 marks)**

**GO ON TO THE NEXT PAGE**

(iii) Total current liabilities

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**(2 marks)**

(c) Name and use an appropriate ratio to decide whether Series Lann should or should not be given the bank loan. **(Show your calculation and give your reason.)**

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**(4 marks)**

(d) State ONE advantage and ONE disadvantage of using a computer system to maintain accounts.

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**(2 marks)**

**Total 20 marks**

**GO ON TO THE NEXT PAGE**

4. The Bank Statement and Cash Book (bank columns only) for Orvie Elwin for the month of October 2014 are as follows.

**Bank Statement**

		Dr	Cr	Balance	
2014		\$	\$	\$	
Oct 01	Balance			900	
03	T. Simeon		150	1 050	
07	Cash sales deposit		850	1 900	
13	Vehicle loan	1 700		200	
15	Standing order	1 000		(800)	O/D
21	Debit transfer	825		(1 625)	O/D
29	Rent	2 300		(3 925)	O/D
29	Credit transfer		4 000	75	
30	Bank charges	400		(325)	O/D

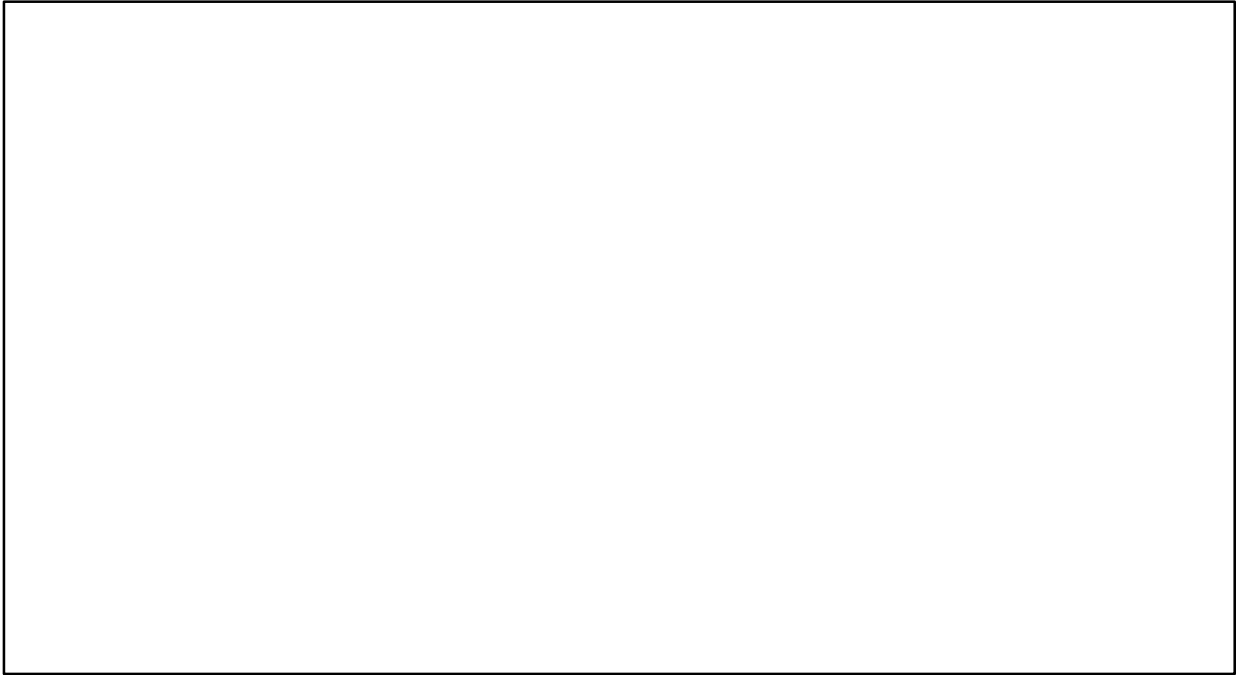
**Cash Book (bank columns only)**

2014		\$	2014		\$
Oct 01	Balance b/f	900	Oct 10	Light & Power Company	180
03	T. Simeon	150	13	Vehicle loan	1 700
07	Cash sales	850	29	Rent	2 300
24	D. Elwin	500			
31	Balance c/d	1 780			
		4 180			4 180
			2014		
			Nov 1	Balance B/d	1 780

GO ON TO THE NEXT PAGE

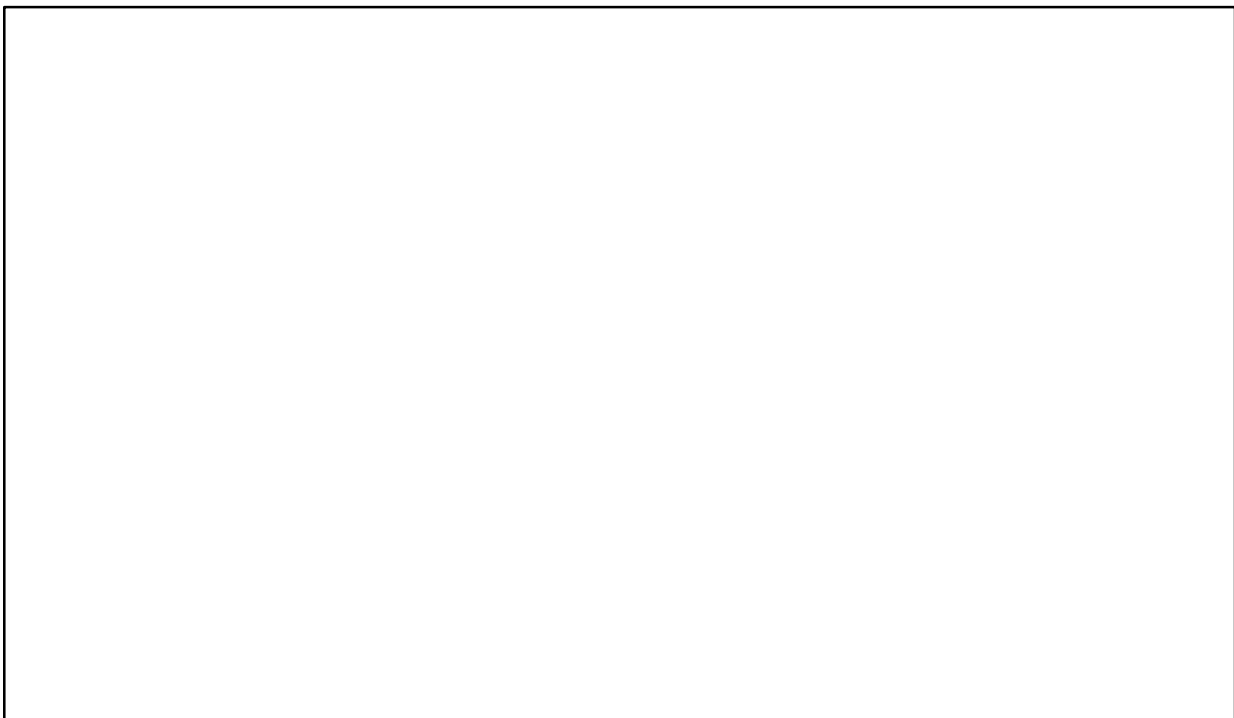


- (a) Prepare the updated Cash Book to show the adjusted balance.



**(6 marks)**

- (b) Starting with the updated cash book balance, draw up a Bank Reconciliation Statement for Orvie Elwin for the month of October 2014.



**(5 marks)**

GO ON TO THE NEXT PAGE

- (c) The following transactions were recorded in the books of Orvie Elwin for the month of April.

April	Credit sales made to the following:	
11	Jack Long	\$6 000
18	Mary King	\$2 600
24	June Phillip	\$3 800
	Credit purchases from:	
05	Up Top Ltd	\$2 500
19	Harry & Sons	\$3 800
27	Sealey's Ltd	\$4 250
16	Jack Long returned goods costing \$300	
28	June Phillip returned goods costing \$150	

- (i) Record the above transactions in the correctly labelled day books provided below and on page 19. **(Include folio references.)** **(5 marks)**
- (ii) Total EACH day book at the end of the period. **(Narratives required.)** **(4 marks)**

Date	Details	Folio	Amount (\$)

GO ON TO THE NEXT PAGE

<b>Date</b>	<b>Details</b>	<b>Folio</b>	<b>Amount (\$)</b>

<b>Date</b>	<b>Details</b>	<b>Folio</b>	<b>Amount (\$)</b>

Date	Details	Folio	Amount (\$)

**Total 20 marks**

5. (a) The accounting department of Cav Crafts provided the following information from its various books.

	<b>September 2013</b>	<b>August 2014</b>
	\$	\$
Credit purchases		196 700
Credit sales		262 920
Accounts receivable	5 010	7 800
Accounts payable	3 950	2 830
Cash received from accounts receivable		257 800
Cash paid to accounts payable		194 400
Discounts allowed		1 040
Discounts received		3 560
Sales returns		1 290
Purchases returns		1 740
Interest on late payments received from accounts receivable		660
Refunds for overpayments from accounts payables		1 880

GO ON TO THE NEXT PAGE





- (b) Sedeno Knitted Goods sold 100% of its completed goods during the year ended 30 November 2014. The following additional information is provided.

Raw materials consumed	\$138 500
Production wages	45 700
Direct packaging expenses	2 400
Factory overheads	51 900
Opening work in progress	3 600
Closing work in progress	4 800
Mark-up percentage on total cost of production	50%

For the year ended 30 November 2014, prepare EACH of the following accounts for Sedeno Knitted Goods:

- (i) A manufacturing account showing clearly the total cost of production

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(ii) A trading account

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**(9 marks)**

**Total 20 marks**

**END OF TEST**

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



**EXTRA SPACE**

**If you use this extra page, you MUST write the question number clearly in the box provided.**

Question No.

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C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION

PRINCIPLES OF ACCOUNTS

SPECIMEN PAPER

PAPER 02 — GENERAL PROFICIENCY

MARK SCHEME

Principles of Accounts  
 Specimen Paper  
 Paper 02 — General Proficiency  
 Mark Scheme

Question 1

Len Hanson Ledger & Trial Balance

		<b>K</b>	<b>A</b>	<b>I</b>	<b>TOTAL</b>
(a)	General Ledger Entries Analysis of Transactions in Ledger A/cs				
	Dates included <b>(1 mark for 3)</b>	1			
	Account Titles opened <b>(1 mark for 3, max 2)</b>	2			
	Debit entries correct <b>(1 mark for 2, max 4)</b>		4		
	Correct amount calculated for Returns Out			1	
	Included Discount Received to settle Yazmin's A/c			1	
	Debited or balanced Jon (Debtor) A/c with correct amount			1	
	Correct Bank amount debited to Equipo Co. A/c			1	
	Credit entries correct <b>(1 mark for 2, max 4)</b>		4		
	Correct treatment for discount from Equipo Co.			1	
	<b>Sub-Total</b>	<b>3</b>	<b>8</b>	<b>5</b>	<b>16</b>
(b)	Trial Balance				
	Correct statement heading	1			
	Debit entries correct account titles <b>(OF 1 mark for 3)</b>		1		
	Credit entries correct account titles <b>(OF 1 mark for 2)</b>		1		
	Totalled the Trial Balance	1			
	<b>Sub-Total</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>4</b>
		<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>

Principles of Accounts  
Specimen Paper  
Paper 02 — General Proficiency  
Mark Scheme

Question 2

**Barney and Swiper —Partnership**

	<b>K</b>	<b>A</b>	<b>I</b>	<b>TOTAL</b>
Any two appropriate features (1 mark each)	2			
	<u>2</u>			<b>2</b>
Two appropriate explanations (1 mark each)			2	
			<u>2</u>	<b>2</b>
<b>Appropriation Account</b>				
Correct heading	1			
Correct treatment of interest on drawings		1		
Correct amount for interest on drawings (any 1)			1	
Correct amounts for interest on capital (1 each)		2		
Treated either interest on capital or salary correctly		1		
Used a ratio other than equal parts to share residual income	1			
Showed share of residual income for each partner (1 each)		2		
	<u>2</u>	<u>6</u>	<u>1</u>	<b>9</b>
<b>Current Accounts</b>				
Correctly recorded opening balances (both)			1	
Included drawings as debit entries (any one)		1		
Included interest on drawings as debit entry (any one)			1	
Included interest on capital, salary & share of residual income as credit entries (1 mark each)		3		
Correctly balanced the accounts (any 1)	1			
	<u>1</u>	<u>4</u>	<u>2</u>	<b>7</b>
	<u>5</u>	<u>10</u>	<u>5</u>	<b>20</b>

Principles of Accounts  
Specimen Paper  
Paper 02 — General Proficiency  
Mark Scheme

Question 3

Seris Lann

		<b>K</b>	<b>A</b>	<b>I</b>	<b>TOTAL</b>
(a)	<b>Income Statement</b>				
	Correct heading	1			
	Included sales revenue		1		
	Treated with closing inventories		1		
	Correct Cost of Goods Sold (COGS)		1		
	Treated with prepaid insurance		1		
	Treated with miscellaneous expenses owing		1		
	Included any other expense		1		
	Indicated Net Income	1			
		<b>2</b>	<b>6</b>	<b>0</b>	<b>8</b>
(b)	<b>Total Sections</b>				
	Included any two non-current (fixed) assets		1		
	Correct total for non-current assets section			1	
	Included any two current assets		1		
	Correct total for current assets section			1	
	Included any two current liabilities		1		
	Correct total for current liabilities section			1	
		<b>0</b>	<b>3</b>	<b>3</b>	<b>6</b>
(c)	<b>Ratio Analysis</b>				
	Named an appropriate ratio	1			
	Showed appropriate formula			1	
	Included relevant amount in calculation		1		
	Provided acceptable reason			1	
		<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>
(d)	Acceptable advantage and disadvantage provided from use of computer	2			
		<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>
		<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>

Principles of Accounts  
 Specimen Paper  
 Paper 02 — General Proficiency  
 Mark Scheme

Question 4

Orvie Elwin — Adjusted Cashbook, Bank Reconciliation & Journals

		K	A	I	TOTAL
(a)	<b>Adjusted Cashbook Statement</b>				
	Started with closing Cash Book Overdraft		1		
	Added/credited Standing Order item			1	
	Credited/debited Transfer item			1	
	Added/credited Bank Charges item			1	
	Deducted/debited Credit Transfer item		1		
	Arrived at Updated Cash Book Balance		1		
	<b>Sub-Total</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>6</b>
(b)	<b>Bank Reconciliation Statement</b>				
	Correct heading	1			
	Started with Updated Cashbook Balance	1			
	Added Outstanding Cheque			1	
	Deducted Outstanding Deposit			1	
	Labelled final figure correctly		1		
	<b>Sub-Total</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>5</b>
(a) & (b)	<b>Daybooks</b>				
	Labelled any two books appropriately	2			
	Folio reference used correctly (at least two)		1		
	Totalled at least one day book		1		
	Correct totals in day books		3		
	Correctly labelled any total		1		
	Included any two dates	1			
	<b>Sub-Total</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>9</b>
		<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>

Principles of Accounts  
Specimen Paper  
Paper 02 — General Proficiency  
Mark Scheme

Question 5

Cav Crafts - Control Accounts & Manufacturing & Trading A/Cs

		K	A	I	TOTAL
a (i)	Accounts Receivable Control Account/Statement				
	Either opening or closing balance entered correctly		1		
	Correct amount for balance b/d on 1 Sept 2014		1		
	Credit sales treated correctly		1		
	Any two (2) credit entries correct (Bank, discount allowed, sales returns, interest payment)		2		
	Interest payments entered on both debit and credit side			1	
			<b>5</b>	<b>1</b>	<b>6</b>
a (ii)	Accounts Payable Control Account				
	Either opening or closing balance entered correctly		1		
	Correct amount for balance b/d on 1 Sept 2014		1		
	Credit purchases treated correctly		1		
	Any debit entry correct (Bank, discount received, purchases returns)		1		
	Refunds correctly entered			1	
			<b>4</b>	<b>1</b>	<b>5</b>
b (i) and (ii)	Manufacturing and Trading Accounts				
	Either heading correct	1			
	Included any of the following: raw materials consumed, production wages, direct packaging expenses, factory overheads <b>(1 mark each)</b>	4			
	Treated either opening or closing work in progress correctly		1		
b (iii)	Adjusted cost of production for given mark up to arrive at Sales			1	
	Subtracted cost of production			1	
	Arrived at gross profit			1	
		5	1	3	<b>9</b>
		<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>



C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION

PRINCIPLES OF ACCOUNTS

SPECIMEN PAPER

PAPER 02 – GENERAL PROFICIENCY

KEY and MARK SCHEME

Principles of Accounts  
 Specimen Paper  
 Paper 02 – General Proficiency  
 Key and Mark Scheme

Question 1 KEY

(a) **Len Hanson - Ledger**

Bank Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	1	Capital	7 800	2014 Apr	25	Yazmin Co.	1 402
	6	Sales / Jon	120		28	Equipo Co.	3 200
					30	Balance c/d	3 318
			<u>7 920</u>				<u>7 920</u>
May	1	Balance b/d	<u>3 318</u>				

Capital Account

DATE		DETAILS	\$	DATE		DETAILS	\$
Apr	30	Balance c/d	<u>7 800</u>	2014 Apr	1	Bank	7 800
				May	1	Balance b/d	7 800

Purchases Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	5	Yazmin Co.	1 620	2014 Apr	10	Drawings	60
				Apr	30	Balance c/d	<u>1 560</u>
			<u>1 620</u>				<u>1 620</u>
May	1	Balance b/d	1 560				

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Yazmin (Creditor) Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	16	Returns Out	<b>144</b>	2014 Apr	5	Purchases	1 620
	25	Discount Received	<b>74</b>				
	25	Bank	1 402				
			<u>1 620</u>				<u>1 620</u>

Sales Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	30	Balance c/d	290	2014 Apr	6	Bank	120
					6	Jon (Debtor)	170
			<u>290</u>				<u>290</u>
				May	1	Balance b/d	290

**Alternative Sales A/c:**

DATE		DETAILS	\$	DATE		PARTICULARS	\$
2014 Apr	30	Balance c/d	<u>290</u>	2014 Apr	25	Jon	<u>290</u>
				May	1	Balance b/d	290

Jon Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	6	Sales	<b>290</b>	2014 Apr	6	Bank	120
				Apr	30	Balance c/d	<b>170</b>
			<u>290</u>				<u>290</u>
May	1	Balance b/d	170				

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Drawings Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	10	Purchases	60	2014 Apr	30	Balance c/d	60
May	1	Balance b/d	60				

Equipment Account

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	15	Equipo Company.	3 500	2014 Apr	20	Equipo Company.	250
					30	Balance c/d	3 250
			3 500				3 500
May	1	Balance b/d	3 250				

Equipo Company

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	20	Equipment	250	2014 Apr	15	Equipment	3 500
	28	<b>Discount received</b>	50				
	28	Bank	<b>3 200</b>				
			3 500				3 500

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Returns Outwards

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	16	Balance c/d	<u>144</u>	2014 Apr	16	Yazmin Co.	<u>144</u>
				2014 Apr	16	Balance b/d	144

Discount Received and Allowances

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	30	Balance c/d	124	2014 Apr	25	Yazmin Co.	74
						Equipco Co.	50
			<u>124</u>				<u>124</u>
				May	1	Balance b/d	124

Alternative to above account (separate accounts)

Discount Received

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	30	Balance c/d	<u>74</u>	2014 Apr	25	Yazmin Co.	<u>74</u>
				May	1	Balance b/d	74

Asset Purchase Allowance

DATE		DETAILS	\$	DATE		DETAILS	\$
2014 Apr	30	Balance c/d	<u>50</u>	2014 Apr	25	Equipo Co.	<u>50</u>
				May	1	Balance b/d	50

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(b)

Len Hanson  
Trial Balance  
As at April 30, 2014

Bank	3 318	
Capital		7 800
Purchases	1 560	
Sales		290
Jon (Debtor)	170	
Drawings	60	
Equipment	3 250	
Returns Out		144
Discounts Received		124
	8 358	8 358

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QUESTION 1      **MARK SCHEME**

Len Hanson Ledger & Trial Balance

		<b>K</b>	<b>A</b>	<b>I</b>
(a)	General Ledger Entries			
	Dates included (1 mark for 3)	1		
	Account Titles opened (1 mark for 3, max 2)	2		
	Debit entries correct (incl. corr. bals) (1 mark for 2, max 4)		4	
	Credit entries correct (incl. corr. bals) (1 mark for 2, max 4)		4	
	Correct amount calculated for Returns Out (\$144)			1
	Included correct Discount Received to settle Yazmin's A/c (\$73/\$74)			1
	Debited with (\$290) or balanced (\$170) Jon's (Debtor) A/c			1
	Correct Bank amount (\$3200) debited to Equipo Co. A/c			1
	Correct treatment of returns of Equipment (\$250) in Equipo Co. A/c i.e. Equipment A/c shown on Dr. side NOT RETURNS OUTWARDS			1
	<b>Sub-Total</b>	<b>3</b>	<b>8</b>	<b>5</b>
(b)	Trial Balance			
	Correct statement heading	1		
	Debit entries correct account titles (OF 1 mark for 3)		1	
	Credit entries correct account titles (OF 1 mark for 2)		1	
	Totalled the Trial Balance	1		
	<b>Sub-Total</b>	<b>2</b>	<b>2</b>	<b>0</b>
		<b>5</b>	<b>10</b>	<b>5</b>

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QUESTION 2

**KEY**

- (a)
- Unlimited Liability
  - Voluntary Association
  - Mutual agency

Any other acceptable feature

- (b) Barney - opening credit Balance indicates that he is owed by the business  
Swiper - opening debit balance indicates that he is owing the business

**Any other acceptable explanation**

(c)

Barney and Swiper  
Appropriation Account for the year ended March 31 2015

	\$	\$	\$
Net Income			82 000
Add Interest on Drawings			
Barney (10/100 x 4 000 x 6/12)		200	
Swiper (10/100 x 12 000 x 3/12)		<u>300</u>	<u>500</u>
			82 500
Less Interest on Capital			
Barney (5% x 60 000)	3 000		
Swiper (5% 35 000)	<u>1 750</u>	4 750	
Salary - Barney		<u>36 000</u>	<u>(40 750)</u>
			<u>(41 750)</u>
Share of residual income			
Barney (3/5 x 41 750)		25 050	
Swiper (2/5 x 41 750)		<u>16 700</u>	<u>(41 750)</u>



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Question 2 **KEY** cont'd

(d)

Barney and Swiper Current Accounts

	Barney	Swiper		Barney	Swiper
Bal b/d		600	Bal b/d	2 500	
Drawings	4 000	12 000	Interest on Capital	3 000	1 750
Interest on Drawings	200	300	Salary	36 000	
Bal c/d	62 350	5 550	Share of Residual Income	<u>25 050</u>	<u>16 700</u>
	<u>66 550</u>	<u>18 450</u>		<u>66 550</u>	<u>18 450</u>
			Bal b/d	62 350	5 550

Alternative Key to Question 2 (d)

Barney Current Account

	\$		\$
Drawings	4 000	Bal b/d	2 500
Interest on drawings	200	Interest on capital	3 000
Bal c/d	62 350	Salary	36 000
		Share of residual income	<u>25 050</u>
	66 550		<u>66 550</u>
		Bal b/d	62 350

Swiper Current Account

	\$		\$
Bal b/d	600	Interest on capital	1 750
Drawings	12 000	Share or residual income	16 700
Interest on drawings	300		
Bal c/d	<u>5 550</u>		
	<u>18 450</u>		<u>18 450</u>
		Bal b/d	5 550

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Question 2    **MARK SCHEME**

**Barney and Swiper – Partnership**

	K	A	I	TOTAL
Any two appropriate features <b>(1 mark each)</b>	2			
	<b>2</b>			<b>2</b>
Two appropriate explanations <b>(1 mark each)</b>			2	
			<b>2</b>	<b>2</b>
<b>Appropriation Account</b>				
Correct heading	1			
Correct treatment of interest on drawings		1		
Correct amount for interest on drawings <b>(any one)</b>			1	
Correct amounts for interest on capital <b>(1 each)</b>		2		
Treated either interest on capital or salary correctly		1		
Used a ratio other than equal parts to share residual income	1			
Showed share of residual income for each partner <b>(1 each)</b>		2		
	<b>2</b>	<b>6</b>	<b>1</b>	<b>9</b>
<b>Current Accounts</b>				
Correctly recorded opening balances (both)			1	
Included drawings as debit entries <b>(any one)</b>		1		
Included interest on drawings as debit entry <b>(any one)</b>			1	
Included interest on capital, salary & share of residual income as credit entries <b>(1 mark each)</b>		3		
Correctly balanced the accounts <b>(any one)</b>	1			
	<b>1</b>	<b>4</b>	<b>2</b>	<b>7</b>
	<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>

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**QUESTION 3**                      **KEY**

(a)    Seris Lann

Income Statement  
For the year ended 31 December 2014

	\$	\$	\$
Sales revenue			363 170
<u>Less: Cost of Goods Sold</u>			
Cost of Goods Available for sale		206 850	
Less: Closing Inventories		<u>(24 550)</u>	
<b>Cost of Goods Sold</b>			<u>(182 300)</u>
<b>Gross Profit</b>			180 870
<u>Less: Expenses</u>			
Insurance paid	3 790		
Less: Insurance prepaid at year end	<u>(1 070)</u>	2 720	
Interest expense paid		9 360	
Salaries and wages paid		90 820	
Miscellaneous expenses paid	4 880		
Add: Miscellaneous expenses owing at year end	<u>4 220</u>	<u>9 100</u>	<u>(112 000)</u>
<b>Net Income</b>			<u>68 870</u>

(b)    Seris Lann

(i) Total Fixed Assets

	\$
Plant and Machinery	163 450
Motor vehicles	37 000
Long-term Investments	<u>38 580</u>
Total fixed assets	<u>239 030</u>

(ii) Total Current Assets

	\$
Accounts receivable	8 070
Closing Inventories	24 550
Insurance prepaid at year end	<u>1 070</u>
Total current assets	<u>33 690</u>

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QUESTION 3      **KEY** cont'd

(iii) Total Current Liabilities

	\$
Accounts payable	3 910
Bank overdraft	6 180
Miscellaneous expenses owing at year end	<u>4 220</u>
Total current liabilities	<b><u>14 310</u></b>

(c) Possible ratios and calculations

Candidate provides name formula, calculation and acceptable reason

Current ratio	Current Assets/Current Liabilities	$33\ 690/14\ 310 = 2.35:1$
Liquid or Acid-test ratio	Current Assets - Inventory/Current Liabilities	$9\ 140/14\ 310 = 0.64:1$
Gross Profit percentage	Gross Profit/Sales	$180\ 870/363\ 170 \times 100 = 49.8\%$
Net Profit percentage	Net Profit/Sales	$68\ 870/363\ 170 \times 100 = 19.6\%$
Return on Capital Employed	Net Profit/Opening Capital	$68\ 870/95\ 940 \times 100 = 71.8\%$

**Any one of the following**

(d) Advantages

- Quick processing of data
- Efficient
- Accurate output once input information is accurate
- Analyse data into summaries such as various financial statements
- Does not need special accounting skills throughout the process

**Or any acceptable answer**

**Any one of the following**

Disadvantages

- Costs for purchasing, installing, maintaining computer equipment and programmes
- Some staff training and retraining involved
- Need for security of information
- Putting in wrong information at the start of the process can result in wrong conclusions for making business decisions

**Or any acceptable answer**

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QUESTION 3    **MARK SCHEME**

Seris Lann

	<b>K</b>	<b>A</b>	<b>I</b>	<b>TOT</b>
<b>Income Statement</b>				
Correct heading	1			
Indicated Net Income	1			
Included sales revenue		1		
Treated with closing inventories		1		
Correct Cost of Goods Sold (COGS)		1		
Treated with prepaid insurance		1		
Treated with miscellaneous expenses owing		1		
Included any other expense		1		
	<b>2</b>	<b>6</b>	<b>0</b>	<b>8</b>
<b>Total Sections</b>				
Included any two non-current (fixed) assets		1		
Correct total for non-current assets section			1	
Included any two current assets		1		
Correct total for current assets section			1	
Included any two current liabilities		1		
Correct total for current liabilities section			1	
	<b>0</b>	<b>3</b>	<b>3</b>	<b>6</b>
<b>Ratio Analysis</b>				
Named an appropriate ratio	1			
Showed appropriate formula			1	
Included relevant amount in calculation		1		
Provided acceptable reason			1	
	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>
Acceptable advantage and disadvantage provided from use of computer	2			
	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>

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**Question 4**

**KEY**

(a) Orwie Elwin

Updated cash book ( <i>Bank Columns only</i> )			
Credit Transfer	4 000	Balance b/f	\$1 780
Balance c/d	5	Standing Order	1 000
		Debit Transfer	825
		Bank Charges	400
	4 005		4 005
		Balance b/d	5

**Alternative Statements**

Orwie Elwin UPDATED CASH BOOK STATEMENT November 1, 2014		
Overdraft as per Cash Book		(1 780)
Add: Standing Order	1 000	
Debit Transfer	825	
Bank Charges	400	2 225
		(4 005)
<del>Less:</del> Credit Transfer		4 000
Updated Cashbook Balance		(5)

Orwie Elwin UPDATED CASH BOOK STATEMENT November 1, 2014		
Overdraft as per Cash Book		(1 780)
Add: Credit Transfer		4 000
		2 220
<del>Less:</del> Standing Order	1 000	
Debit Transfer	825	
Bank Charges	400	2 225
Updated Cashbook Balance		(5)

(b)

Orwie Elwin		
Bank Reconciliation Statement		
For the month of October, 2014		
Updated Cashbook OVERDRAFT		(5)
Add: Outstanding Cheque - Light & Power Co.		180
		175
Less: Outstanding Deposit - D. Elwin		(500)
Bank Statement Overdraft		(325)

O/D

O/D

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QUESTION 4 **KEY** cont'd

Alternative Bank Reconciliation Statement

Orvie Elwin			
Bank Reconciliation Statement			
For the month of October, 2014			
	Bank Statement Overdraft	(325)	O/D
(c)	Less: Outstanding Cheque - Light & Power Co.	(180)	
Orvie Day		(505)	Elwin Books
	Add: Outstanding Deposit - D. Elwin	(500)	
	Updated Cashbook OVERDRAFT	(5)	O/D

Purchases Day Book

---

Date	Particulars	Folio	Amount
5 April	Up Top Ltd	PL	2 500
19 April	Harry & Sons	PL	3 800
27 April	Sealey's Ltd	PL	<u>4 250</u>
30 April	Total debited to Purchases Ac GL		<u>10 550</u>

Sales Day Book

---

Date	Particulars	Folio	Amount
11 April	Jack Long	SL	6 000
18 April	Mary King	SL	2 600
24 April	June Phillip	SL	<u>3 800</u>
30 April	Total credited to Sales Ac GL		<u>12 400</u>

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Sales Returns Day Book>Returns Inwards Day Book

---

Date	Particulars	Folio	Amount
16 April	Jack Long	SL	300
28 April	June Phillip	SL	<u>150</u>
30 April	Total debited to Return Inwards AC GL		<u>450</u>



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Question 4

**MARK SCHEME**

Orvie Elwin – Adjusted Cashbook, Bank Reconciliation & Journals

		<b>K</b>	<b>A</b>	<b>I</b>	<b>TOTAL</b>
(a)	<b>Adjusted Cashbook Statement</b>				
	Started with closing Cash Book Overdraft		1		
	Deducted/debited Credit Transfer item		1		
	Arrived at Updated Cash Book Balance		1		
	Added/credited Standing Order item			1	
	Added/Credited Debit Transfer item			1	
	Added/credited Bank Charges item			1	
	<b>Sub-Total</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>6</b>
(b)	<b>Bank Reconciliation Statement</b>				
	Correct heading	1			
	Started with Updated Cashbook Balance	1			
	Labelled final figure correctly		1		
	Added Outstanding Cheque			1	
	Deducted Outstanding Deposit			1	
	<b>Sub-Total</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>5</b>
(a) & (b)	<b>Daybooks</b>				
	Labelled any two books appropriately	2			
	Included any two dates	1			
	Folio reference used correctly (at least two)		1		
	Labelled at least one day book		1		
	Correct totals in day books		3		
	Correctly labelled any total		1		
	<b>Sub-Total</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>9</b>
		<b>5</b>	<b>10</b>	<b>5</b>	<b>20</b>

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**QUESTION 5**

**KEY**

(a) (i)

Cav Crafts  
Accounts Receivable Control Account

Date	Details	\$	Date	Details	\$
2013 30 Sept. 2014 31 August	Balance b/d  Credit sales Interest on late payments	5 010  262 920 660	2014 31 August	Balance c/d Bank Discounts allowed Sales returns Interest received on late payments	7 800 257 800 1 040 1 290 660
		<u>268 590</u>			<u>268 590</u>
2014 01 Sept.	Balance b/d	7 800			

Alternative answer - dependent on figure treated as starting amount

Accounts Receivable Control Statement

	\$	\$
Opening balance - Accounts Receivable		5 010
Add: Credit Sales		262 920
Interest due on late payments		660
		<u>268 590</u>
Less: Bank	257 800	
Discounts allowed	1 040	
Sales returns	1 290	
Interest received on late payments	660	<u>(260 790)</u>
Closing balance - Accounts Receivable		<u>7 800</u>

Accounts Payable Control Account

Date	Details	\$	Date	Details	\$
2014 31 August	Balance c/d Bank Discounts Received Purchases returns	2 830 194 400 3 560 1 740	2013 30 Sept. 2014 31 August	Balance b/d Credit purchases Refunds for overpayments	3 950 196 700 1 880
		<u>202 530</u>			<u>202 530</u>
			2014 1 Sept.	Balance b/d	2 830

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QUESTION 5

**KEY** cont'd

Alternative answer - dependent on figure treated as starting amount

Accounts Payable Control Statement

	\$	\$
Opening balance - Accounts payable		3 950
Add: Credit purchases		196 700
Refunds for overpayments		<u>1 880</u>
		202 350
Bank	194 400	
Discounts received	3 560	
Purchases returns	1 740	<u>(199 520)</u>
Closing balance - accounts payable		<u><u>2 830</u></u>

(b) (i)

Sedeno Knitted Goods

Manufacturing Account for the year ended 30 November 2014

	\$	
Raw materials consumed	138 500	
Production wages	45 700	
Direct packaging expenses	<u>2 400</u>	
Prime Cost		<b>186 600</b>
Add: Factory overheads		<u>51 900</u>
		238 500
Add: Opening work in progress	3 600	
Less: Closing work in progress	<u>(4 800)</u>	(1 200)
Total Cost Of Production		<u><u>237 300</u></u>

(ii)

Sedeno Knitted Goods

Sales Account for the year ended 30 November 2014

	\$
Sales (\$237 300 x 1.5)	355 950
Less: Cost of production	<u>(237 300)</u>
Gross Profit	<u><u>118 650</u></u>

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**QUESTION 5**      **MARK SCHEME**

Cav Crafts – Control Accounts & Manufacturing & Trading A/Cs

		<b>K</b>	<b>A</b>	<b>I</b>
a (i)	Accounts Receivable Control Account/Statement			
	Either opening or closing balance entered correctly		1	
	Correct amount for balance b/d on 1 Sept 2014		1	
	Credit sales treated correctly		1	
	Any two (2) credit entries correct (Bank, discount allowed, sales returns, interest payment)		2	
	Interest payments entered on both debit and credit side			1
			<b>5</b>	<b>1</b>
a (ii)	Accounts Payable Control Account			
	Either opening or closing balance entered correctly		1	
	Correct amount for balance b/d on 1 Sept 2014		1	
	Credit purchases treated correctly		1	
	Any debit entry correct (Bank, discount received, purchases returns)		1	
	Refunds correctly entered			1
			<b>4</b>	<b>1</b>
b(i)and(ii)	Manufacturing and Trading Accounts			
	Either heading correct OR ending figure (Cost of Production or Gross Profit)	1		
	Treated correctly with any of the following: raw materials consumed, production wages, direct packaging expenses, factory overheads <b>(1 mark each)</b>	4		
	Treated either opening or closing work in progress correctly		1	
	Adjusted cost of production for given mark up to arrive at Sales			1
	Included cost of production (OF) in Trading Account			1
	Arrived at an amount for gross profit			1
		<b>5</b>	<b>1</b>	<b>3</b>
		<b>5</b>	<b>10</b>	<b>5</b>



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**PRINCIPLES OF ACCOUNTS**

**Paper 03/2 – General Proficiency**

*1½ hours*

**Specimen**

- 1. Answer ALL the questions.**
- 2. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**
- 3. Answer the questions on the Answer Booklet provided and return it.**
- 4. Attach additional completed sheets (Ledger, Journal, Cash Book) to this Answer Booklet, where necessary.**

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01239032/SPEC

**CASE STUDY**

Thomas Timberland inherited a small restaurant - “**The Junction**” – along with a sum of money from his Aunt Joan Smart. On January 1, 2006, he invested some of his savings to expand the operations of the restaurant.

The assets of the business as at January 1, 2006 were:

	\$
Stoves	1 500
Tables	850
Chairs	720
Pots and pans	475
Refrigerator	2 500
Freezer	1 200
Cutlery	600
Cash at Bank	5 500
Cash in Hand	1 400

### PART A

1. What type of business entity is Thomas Timberland about to operate?  
 .....  
 (1 mark)
2. List TWO features of this type of business entity.  
 .....  
 .....  
 (2 marks)
3. Determine the opening capital of this business.  
 .....  
 (1 mark)
4. Prepare Thomas Timberland’s opening Journal entry.  
 (*A Journal Sheet is provided for this answer*) (6 marks)
5. What is the value of his current assets?  
 .....  
 (1 mark)

**PART B**

The following transactions took place during the first two weeks of January:

<b>2006</b>	<b>\$</b>
January 6 Bought chicken and lamb	3 750
Bought rice	1 900
7 Withdrew \$ 2 000 from the bank for business use	
8 Bought pasta products	780
9 Sold 20 lunches to Harry Smith at \$18 each for cash	
11 Purchased peas	150
Purchased seasonings	175
Purchased drinks	1 200
Purchased vegetables	600
12 Returned unsuitable vegetables	60
14 Obtained a loan from Overland Credit Union and received a cheque for \$5 000	

All payments which were less than \$200 were paid in cash.

6. Prepare and balance the Two-column cash Book for the first two weeks of January.

**(10 marks)**

## PART C

At the end of the month it was observed that the business had incurred the following expenses:-

	\$
Electricity	1 240
Cooking gas	1 180
Wages	2 720
Transportation	175
Telephone	45

The business also bought a new food processor on credit from Courts Ltd. for \$1 200. Revenue earned from sales for the period was \$20 000. The value of closing stock was \$650.

7. Name TWO other items of expense which Timberland may have incurred.

.....

.....

**(2 marks)**

8. Prepare the Trading and Profit and Loss Account for the period ended January 31, 2006.

**(13 marks)**



9. Thomas experienced a high level of spoilage of vegetables during the first month of operation. State TWO ways this problem can be avoided in the future.

.....  
.....

**(2 marks)**

10. List TWO ways by which Thomas could have increased sales.

.....  
.....

**(2 marks)**

**Total 40 marks**



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		Profiles		
		K	A	I
1.	Correctly stated the type of business	1		
2.	Listed any TWO features correctly	2		
3.	Correctly calculated opening capital		1	
4.	Recorded debit entries correctly (1 mark for 2, max. 4)		4	
	Showed capital	1		
	Suitable narration	1		
5.	Correct calculation of current assets		1	
6.	Correct heading	1		
	Included opening cash and bank balances (1 mark each)		2	
	Correctly entered all other transactions (1 mark for 2, max. 4)		4	
	Correctly recorded contra entries			2
	Balanced Cash Book correctly	1		
7.	Correctly identified any other TWO expenses			2
8.	Correct heading for Trading and Profit and Loss Account	1		
	Correct treatment of Returns Outwards		1	
	Correct amount for purchases			1
	Included Returns Outwards			1
	Included sales amount		1	
	Correctly included closing stock		1	
	Indicated Gross Profit	1		
	Included 5 expenses (1 mark each)		5	
	Indicated Net Profit	1		
9.	Listed TWO appropriate ways of dealing with the problem			2
10.	Listed two suitable ways of increasing sales			2
<b>Total Marks</b>		<b>10</b>	<b>20</b>	<b>10</b>

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1. Sole trader/sole proprietorship.
2.
  - (a) Owned and operated by the same person
  - (b) Capital invested by one individual
  - (a) All of the profits go to the owner
  - (c) Risks borne by one individual

3.
 

A	-	L	=	C
\$14 745	-	0	=	\$14 745

Capital = \$14 745

4. **JOURNAL**

	\$	\$
Stoves	1 500	
Tables	850	
Chairs	720	
Pots and Pans	475	
Refrigerator	2 500	
Freezer	1 200	
Cutlery	600	
Cash at bank	5 500	
Cash in hand	1 400	
<b>Capital</b>		1 4745
Opening entries to start business on Jan. 1 2006		

5.
 

Current Assets:	Cash at Bank	\$5 500
	Cash in Hand	<u>\$1 400</u>
		<u>\$6 900</u>

PRINCIPLES OF ACCOUNTS  
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**KEY**

6. **CASH BOOK**

		C	B			C	B
		\$	\$			\$	\$
Jan 1	Balances	1 400	5 500	Jan 6	Purchases		3 750
7	Bank C	2 000			Purchases		1 900
9	Sales	360		7	Cash (C)		2 000
14	Loan		5 000	8	Purchases		780
				11	Purchases	150	
					Purchases	175	
					Purchases		1 200
					Purchases		600
				Jan 14	Bal C/D	3 435	270
		<b>3 760</b>	<b>10 500</b>			<b>3 760</b>	<b>10 500</b>
Jan 15	Bal B/D	3 435	270				

7. Water, advertising, taxes or any other suitable expense.

8.

Thomas Timberland  
Trading and Profit and Loss Account  
For the month of January 31, 2006

	\$	\$
Sales		20 000
Purchases	8 555	
Less: Returns Outwards	<u>60</u>	
	8 495	
Less: Closing Stock	<u>650</u>	
Cost of Goods Sold		<u>7 845</u>
Gross Profit		<u>12 155</u>
<u>Expenses</u>		
Electricity Owing	1 240	
Cooking gas	1 180	
Wages	2 720	
Transportation	175	
Telephone	<u>45</u>	
Net Profit		<u>5360</u> <u>6795</u>

9.
  - (a) Buy small quantities
  - (b) Better storage
  - (c) Change the supplier
  - (d) Change the variety of vegetables
  
10.
  - (a) Promotions
  - (b) Advertising
  - (c) Reduction in price
  - (d) Change of menu



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1. (a) (i) Pooling of resources  
(ii) Sharing of skills  
(iii) Increase capital
- (b) (i) Partnership has limited liability while a sole trader's liability is not limited.  
(ii) Profits and losses in a partnership are shared among partners while a sole trader takes all of the profits and must absorb all losses.
- (c)

**Rock and Lumber**

Appropriation Account

For the ½ year ended December 31, 2005

		\$
Net Profit		32 500
Add: Interest on Drawings		
Rock	100	
Lumber	<u>64</u>	<u>164</u>
		32 664
Less:		
Salary - Rock	3 000	
Interest on capital (½ year) - Rock	1 800	
Interest on capital (½ year) - Lumber	<u>1 200</u>	<u>6 000</u>
		<u>26 664</u>
<u>Share of residue</u>		
Rock (½)	13 332	
Lumber (½)	<u>13 332</u>	<u>26 664</u>

PRINCIPLES OF ACCOUNTS  
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**KEY**

(d)

**Rock and Lumber**

Current Account

For the ½ year ended December 31, 2005

	ROCK	LUMBER		ROCK	LUMBER
	\$	\$		\$	\$
Drawings	5 000	4 800	Interest on capital	1 800	1 200
Interest on Drawings	100	64	Salary	3 000	----
Balance C/D	<u>13 032</u>	<u>9 668</u>	Share of residue	<u>13 332</u>	<u>13 332</u>
	<u>18 132</u>	<u>14 532</u>		<u>18 132</u>	<u>14 532</u>
			Balance B/D	13 032	9 668

- (e) A debit balance on a partner's account means that he has overdrawn on amounts due to him by the partnership.

2.

(a)

## Suspense Account

Difference as per Trial Balance	1 978	Furniture	2 200
Sales	320	Discount allowed	98
	2 298		2 298

## GENERAL JOURNAL

(b) (ii)

1.	Purchases	280	
	T. Trading		280
	Correction of transaction omitted from books		
2.	Suspense	320	
	Sales		320
	Correction of sales journal which was understated		
3	Furniture	2 200	
	Suspense		2 200
	Purchase of furniture not recorded in the ledger		
4	Discount allowed	98	
	Suspense		98
	Correction of error in crediting discount allowed instead of debiting		

- (b) (iii) In situations where a creditor (supplier) is also a debtor (customer).

PRINCIPLES OF ACCOUNTS  
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**KEY**

(c)

L. Martin  
Purchases Ledger Control Account  
For the month ending March 31, 2005

Balance b/f	150	Balance b/f	14 890
Payments to suppliers	16 890	Credit Purchases	9 250
Returns outwards	275		
Discount received	190		
Balance c/d	6 635		
	24 140		24 140

3. (a) (i) General Journal  
(ii) Cash Book  
(iii) Returns Inwards Book  
(iv) Purchases Day Book  
(v) General Journal

(b)

Kriss Kross  
Balance Sheet  
as at December 31, 2005

<u>ASSETS</u>			<u>LIABILITIES</u>	
<u>FIXED</u>		\$		\$
Land	30 000		Capital	61 554
Equipment	<u>28 000</u>		Less Drawings	<u>7 800</u>
		58 000		53 754
<u>CURRENT</u>			<u>Long Term Liabilities</u>	
Stock	11 926		Loan	20 000
Debtors	4 120		<u>Current Liabilities</u>	
Cash at Bank	<u>6 178</u>	<u>22 224</u>	Creditors	<u>6 470</u>
		<u>80 224</u>		<u>80 224</u>

PRINCIPLES OF ACCOUNTS  
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**KEY**

- (c) Complete the table to show the effects on working capital and net profit of the following.

Transactions		Effect on Working Capital	Effect on Net Profit
1.	A cheque for \$500 sent by a creditor was not recorded	0	0
2.	Stock no longer usable, \$350 worth, is to be written off	- 350	+350
3.	Bad debts \$500 to be written off	- 500	- 500
4.	The depreciation provision is to be increased by \$800	0	- 800
5.	A machine with a net book value of \$4 000 was sold for \$4 000	+4 000	0

OPTIONAL SECTION

4. (a) (i) French Ruby A/c – Creditors Ledger; Accounts Payable Ledger  
Repairs – General Ledger
- (ii) French Ruby is a creditor to whom Jah Mayea owes \$1,275
- (iii) May 5 – Cheque of \$1,306 was paid out for repairs  
May 10 – cash of \$384 was paid out for repairs  
May 18 – a cheque of \$1,250 was paid to French Ruby
- (iv) May 25 – Goods purchased on May 15 were returned to French Ruby maybe because they were the wrong order or they were damaged.
- (v) French Ruby's balance would be under the heading Current Liabilities.  
Repairs balance would be under the heading Current Assets.

PRINCIPLES OF ACCOUNTS  
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**KEY**

- (b)  
(i)

GENERAL JOURNAL

	DEBIT	CREDIT
Cash	2 000 000	
Ordinary Share Capital a/c		1 500 000
8% Preference Share Capital a/c		500 000
<i>To record the receipt of cash on a fully subscribed issue</i>		

- (ii) 8% Preference =  $100\,000 \times 10 = \$1\,000\,000$  + Ordinary shares of \$1 500 000

\$2 500 000

- (iii) Total value of Issued Share Capital:- \$2 000 000:

1 500 000 Ordinary Shares @ \$1 each = \$1 500 000

50 000 %8 Preference Shares @ \$10 each = \$500 000

- (iv) Authorised capital is the registered capital and the total amount of capital the company is allowed to issue. The Issued capital is the total amount of capital the company has issued to the public.
- (v) Other alternatives are: The issue of debentures or bonds; bank loans;

PRINCIPLES OF ACCOUNTS  
PAPER 02 – GENERAL PROFICIENCY  
**KEY**

5. (a)

Johnson Clothings Manufacturing Account  
For the year ending December 31, 2006

	\$	\$	\$
Opening stock of raw materials			25 470
Add: Purchases of raw materials		225 600	
Less: Returns		<u>7 500</u>	218 100
<b>Raw materials available</b>			<b>243 570</b>
Less: Closing stock of raw materials			<u>18 400</u>
<b>Cost of materials consumed</b>			<b>225 170</b>
Factory wages			<u>170 000</u>
<b>Prime Cost</b>			<b>395 170</b>
<b>Factory Overheads</b>			
Salaries		140 500	
Factory power and fuel	56 000		
Add: Arrears	<u>900</u>		
		56 900	
Insurance		6 800	
Rent		33 600	
Dep.: Machinery		<u>50 000</u>	
			<u>287 800</u>
			682 970
Add: Opening stock of work-in-progress			<u>59 000</u>
			741 970
Less: Closing stock of work-in-progress			<u>6 500</u>
<b>Total cost of Production</b>			<b><u>735 470</u></b>

(b)

Johnson Clothings Trading & Profit & Loss Account  
For the year ending December 31, 2006

	\$	\$	
Sales		950 400	
Opening stock of finished goods	11 460		
Cost of goods produced	<u>735 470</u>		
		746 930	
Less: Closing stock of finished goods		<u>30 100</u>	
Cost of sales		<u>716 830</u>	
Gross Profit		233 570	
<b>Expenses</b>			
Rent	8 400		
Advertising	7 500		
Administrative expenses	<u>125 000</u>	<u>140 900</u>	
<b>Net Profit</b>		<b>92 670</b>	

(c) Unit cost of items produced = \$735 470 ) 2 500  
= \$294.18

PRINCIPLES OF ACCOUNTS  
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**KEY**

6. (i)

**The Pig Farmers' Cooperative  
Balance Sheet  
as at December 31, 2006**

	\$	\$	\$	\$
<b>Fixed Assets</b>				
Farm Land and Buildings			271 250	
Equipment (NBV)			67 500	
Motor Vehicles (NBV)			<u>32 187</u>	370 937
Investments				18 750
<b>Current Assets</b>				
Stock of supplies		33 750		
Debtor	11 000			
Less prov. For bad debts	<u>1 000</u>	10 000		
Bank		22 000		
Cash		<u>3 750</u>	69 500	
<b>Currently Liabilities</b>				
Dividends owing		41 250		
Creditors		16 875		
Loan interest		2 375		
Rent		1 000		
Telephone		<u>937</u>	<u>62 437</u>	
<b>Working Capital</b>				<u>7 063</u> <b><u>396 750</u></b>
<b>Capital and Reserves</b>				
Share Capital (312 500 @ \$1 each)				312 500
Accumulated Reserves				46 750
<b>Long-Term Liability</b>				
Loan				<u>37 500</u> <b><u>396 750</u></b>

- (i) Current ration: current assets/current liabilities:  $69500/62437 = 1.1:1$
- (ii) A good current ration is 2:1. This means the value of current assets is twice as much as the current liabilities, allowing a business to pay its short-term debts if required to do so. At 1.1:1, the cooperative needs to improve its current ratio.

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**KEY**

7. (a)

**Kensington Domino Club  
Income & Expenditure A/c  
For the year ended April 30, 2006**

	\$	\$
<b>Assets</b>		
Furniture	3 000	
Stock	1 500	
Subscriptions due	300	
Bank and Cash	<u>1 200</u>	6 000
<b>Liabilities</b>		
Subscriptions in advance		<u>30</u>
<b>Accumulated Fund</b>		<b><u>5 970</u></b>

(b)

**Subscriptions Account**

	\$		\$
Balance owing b/f	300	Balance owing c/d	275
Balance in advance c/d	50	Balance in advance b/f	30
Income and Expenditure Account	<u>9 155</u>	Receipts and Payments Account	<u>9 200</u>
	<b><u>9 505</u></b>		<b><u>9 505</u></b>
Balance owing b/d	275	Balance in advance b/d	50

(c)

**Bar Trading Account  
For year ended April 30, 2006**

	\$		\$
Opening Stock	1 500	Bar Takings	17 300
Purchases	<u>10 200</u>		
	11 700		
Less ending stock	<u>1 750</u>		
Goods available for sale	9 950		
Gross Profit	<u>7 350</u>		
	<b><u>17 300</u></b>		<b><u>17 300</u></b>



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**KEY**

(d)

**Kensington Domino Club**  
**Income & Expenditure Account**  
**For the year ended April 30, 2006**

	\$	\$	\$
<b>Income</b>			
Subscriptions		9 155	
Donations		1 000	
Bar Profit		7 350	
Dance Profit		<u>1 800</u>	19 305
 <b>Expenses</b>			
Depreciation on Furniture		300	
Rates	500		
Add accrual	<u>230</u>	730	
General Expenses		<u>2 500</u>	<u>3 530</u>
<b>Surplus</b>			<b><u>15 775</u></b>



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<b>Question 1</b>	<b>Profiles</b>		
	<b>K</b>	<b>A</b>	<b>I</b>
(a) Stated TWO possible reasons.			2
(b) Distinguishing features (any TWO)	2		
(c) Correct heading of appropriation account	1		
Added interest on drawings to net profit			1
Correct amounts for drawings (any one correct)		1	
Correct treatment of salary		1	
Correct amounts for interest on capital (1 mark each)		2	
Share of residue in correct proportion			1
Correct amounts for share of profit		1	
(d) Correct heading	1		
Debited drawings		2	
Credited interest on capital		1	
Credited salary		1	
Credited share of profits		1	
Balanced accounts correctly	1		
(e) Correct explanation of the significance			1
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>

PRINCIPLES OF ACCOUNTS  
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MARK SCHEME

	Profiles		
	K	A	I
<b><u>Question 2</u></b>			
<b><u>Suspense Account</u></b>			
Opened suspense account and debited the account with trial balance difference	1		
Correct amount of the difference		1	
Completed the suspense account appropriately (debited account with 320 and credited with 98 and 2200)			2
<b><u>General Journal</u></b>			
Correct debit entries for items 1-3 (1 mark each – max. 2 marks)		2	
Correct credit entries for items 1-3(1 mark each – max 2 marks)		2	
Correct debit and credit for item 4 (1 mark each)			2
Any two appropriate narrations (1 each)	2		
<b><u>Purchase Ledger Control Account</u></b>			
Appropriate explanation for debit balance on Purchases Ledger Control Account			1
Purchase Ledger Control Account selection of correct opening balance	1		
Opening balances recorded correctly		1	
3 correct debit entries other than opening balance		3	
Correct credit entry other than balance		1	
Balanced account correctly	1		
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>

PRINCIPLES OF ACCOUNTS  
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**MARK SCHEME**

<b><u>Question 3</u></b>	<b>Profiles</b>		
	<b>K</b>	<b>A</b>	<b>I</b>
(a) Identified day books (1 mark for each)	5		
(b) (i) Correct heading for Balance Sheet		1	
(ii) Suitable classification heading - (1 for 2)		2	
(iii) Listed fixed assets correctly		2	
(iv) Any TWO correct current assets		2	
(v) Correctly listed liabilities		2	
(vi) Correct treatment of drawings		1	
(vii) Correct capital figure			1
(c) Correct entries (1 mark for 2 – max. 4 marks)			4
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>

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<b>Question 4</b>	<b>Profiles</b>		
	<b>K</b>	<b>A</b>	<b>I</b>
<b>(a)</b>			
(i) Correctly identified ledgers (1 for 1)	2		
(ii) Correctly explained the significance of the balance			1
(iii) Each transaction correctly described (1 for 1 – max. 3 marks)		3	
(iv) Appropriate reason given		1	
(v) Balance Sheet headings correctly identified (1 mark for 1)			2
<b>(b)</b>			
(i) Correct debit entry		1	
2 correct credit entries		2	
Appropriate narration		1	
(ii) Correct amount calculated		2	
(iii) Total value of issued capital correctly calculated			2
(iv) Distinction made between issued and authorized capital	2		
(v) Identified suitable alternatives	1		
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>

PRINCIPLES OF ACCOUNTS  
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<b>Question 5</b>	<b>Profiles</b>		
	<b>K</b>	<b>A</b>	<b>I</b>
<b>(a) <u>Manufacturing Account</u></b>			
Correct heading	1		
Subtracted returns outwards from purchase of raw materials		1	
Showed cost of raw material used	1		
Correct amount for raw material used		1	
Added factory wages to cost of raw materials consumed	1		
Showed prime cost	1		
Allocated correct proportion of rent to factory overhead			1
Included depreciation among the factory overheads		1	
Added factory power in arrears to factory power			1
Included two other expenses (1 mark for 2)		1	
Correct treatment of opening and closing work-in-progress (1 mark each)			2
<b>(b) <u>Trading and Profit and Loss Account</u></b>			
Included cost of production in Trading Account		1	
Used opening and closing stocks of finished goods in Trading Account	1		
Indicated gross profit		1	
Indicated 3 expenses in Profit and Loss Account (1 mark each)		3	
<b>(c) Correct formula to arrive at unit cost</b>			1
Correct amount for unit cost		1	
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>

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<b>Question 6</b>	<b>Profiles</b>		
	<b>K</b>	<b>A</b>	<b>I</b>
<b>(a)</b>			
Correct heading of Balance Sheet	1		
Suitable classification of items (max.2 marks)	2		
Correct placement of investments			1
Correctly identified fixed assets (1 for 1 – max.2 marks)		2	
Correctly identified current assets (1 for 2 – max. 2 marks)		2	
Subtracted provision for bad debt from debtors		1	
Correctly identified current liabilities (1 mark each – max. 4 marks)		4	
Identified share capital	1		
Correct computation of share capital			1
Included reserves		1	
Showed loan as a long-term liability	1		
<b>(b)</b>			
(i) Correct computation of current ratio			1
(ii) Suitable interpretation of ratio including what needs to be done			2
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>



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<b>Question 7</b>	<b>Profiles</b>		
	<b>K</b>	<b>A</b>	<b>I</b>
<p><b>(a) Statement of Accumulated Fund</b></p> <p>Correct heading Showed Assets and Liability Showed Accumulated Fund</p>	1	2 1	
<p><b>(b) Subscriptions Account</b></p> <p>Treated amounts owing and prepaid correctly (1 mark for 2 – max. 2 marks) Included receipts correctly Showed amount being transferred to Income and Expenditure Account Brought down balances</p>	1  1	1	2
<p><b>(c) Bar Trading Account</b></p> <p>Added opening stock to purchases Subtracted closing stock Included bar takings Showed profit on bar Correct bar profit</p>	1	1 1 1 1	
<p><b>(d) Income and Expenditure Account</b></p> <p>Used bar profit and amount transferred to the Income and Expenditure Account from the Subscriptions Account Recognized that there was depreciation on Furniture Added rates accrued Correct income items (1 for 2 – max. 2 marks) Used correct term to denote excess income over expenditure</p>	1	2	1 1 1
<b>Total Marks</b>	<b>5</b>	<b>10</b>	<b>5</b>



TEST CODE 01239020

## FORM TP 2005122/SPEC 2006

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**PRINCIPLES OF ACCOUNTS**

**Paper 02 – General Proficiency**

*3 hours*

**Specimen**

1. Answer **ALL** the questions in Section I and **TWO** questions from Section II.
2. Begin **EACH** answer on a separate page.
3. Keep **ALL** parts of **EACH** answer together.
4. Silent electronic calculators may be used, but **ALL** necessary working should be clearly shown.
5. Each question is worth 20 marks.

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**SECTION I**

**Answer ALL questions in this section.**

1. Rock, a mason and Lumber, a carpenter decided to form a partnership business. Rock invested \$60 000 and Lumber \$40 000 on **July 1, 2005**.

The partnership agreement provided for the following:

- 1) Rock is to receive an annual salary of \$6000.
- 2) Interest on capital 6% per annum.
- 3) Interest on drawings 8% per annum.

The business made a profit of \$32 500 for the period of operation ending **December 31, 2005**.

Rock made drawings of \$5000 on October 1, 2005; Lumber made drawings of \$4800 on November 1, 2005.

- a) Give **TWO** possible reasons why Rock and Lumber decided to form a partnership.  
**(2 marks)**
- b) State **TWO** distinguishing features between a partnership and a sole trader.  
**(2 marks)**
- c) Prepare the partnership profit and loss appropriation account for the **six months** ended December 31, 2005.  
**(8 marks)**
- d) Prepare the partnership current accounts as at December 31, 2005.  
**(7 marks)**
- e) Explain the significance of a debit balance on a partner's current account.  
**(1 mark)**

**Total 20 marks**

2. (a) The trial balance of Tone Enterprises failed to agree at the end of the trading period. The debit side was \$11 772 and the credit side was \$13 750. A suspense account was opened with the difference.

Open the suspense account and insert the difference. **(2 marks)**

- (b) Subsequently the following errors were discovered:

1. An invoice for \$280 received from T. Trading for goods purchased was not recorded on the books.
2. The Sales Journal was understated by \$320.
3. Furniture purchased for \$2 200 had been entered in the cash book but **NOT** posted to the ledger.
4. Discount allowed \$49 was credited in error in the discount allowed account.

(i) Prepare journal entries necessary to correct the above errors. **(8 marks)**

(ii) Complete the suspense account opened in (a) above. **(2 marks)**

(iii) Explain why a purchases ledger control account may carry a debit balance.

**(1 mark)**

- (c) L. Martin's Sales Ledger and Purchases Ledger Control accounts showed the following opening balances at March 1<sup>st</sup>, 2005:

	<b>DR</b>	<b>CR</b>
Sales Ledger Control	\$13 750	\$ 280
Purchases Ledger Control	150	14 890

During the month the following summary of entries were drawn from the day journals.

Receipts from debtors	\$15 900
Payments to creditors	16 890
Credit Sales	10 260
Credit Purchases	9 250
Returns Outwards	275
Returns Inwards	123
Discount Received	190
Discount Allowed	110

Prepare the **Purchases Ledger Control account** for month ending March 31<sup>st</sup>, 2005.

**(7 marks)**

**Total 20 marks**

3(a) Identify the Day Book in which EACH of the following transactions would be recorded:

- (i) Purchased motor lorry on credit from Auto Sales Ltd.
- (ii) Sold an old printer for cash to G. Grimes.
- (iii) Credit note sent to O. Rind.
- (iv) Purchased Stock on credit from Standards Inc. for resale.
- (v) S. Windle owed the business and migrated. It was decided to write off the amount as a bad debt.

**(5 marks)**

(b) The following Balance Sheet (including the heading) has errors.

Balance Sheet of Kris Cross for the year ended  
December 31, 2005

<u>ASSETS</u>		<u>LIABILITIES &amp; CAPITAL</u>	
	\$		\$
Drawings	7 800	Creditors	6 470
Debtors	4 120	Land	30 000
Loan (10 years)	20 000	Equipment	28 000
Stock	11 926	Cash at Bank	6 178
Capital			
	105 400		70 648

Redraft the Balance Sheet in classified form and include the Capital amount.

**(11 marks)**

- (c) Complete the table to show the effects on **working capital** and **net profit** of the following:-

The first item has been completed for you as an example:

<b>Transactions</b>	<b>Effect on Working Capital</b>	<b>Effect on Net Profit</b>
1. A cheque for \$500 sent by a creditor was not recorded.	0	0
2. Stock no longer usable, \$350 worth, is to be written off.		
3. Bad debts \$500 to be written off.		
4. The provision for depreciation is to be increased by \$800.		
5. A machine with a net book value of \$4000 was sold for \$4000.		

**(4 marks)**

**Total 20 marks**

6  
SECTION II

**Answer TWO questions from this Section.**

- 4.(a) The two accounts shown below appear in the ledger of Jah Mayca a trader. Answer the questions following.

<b>French Ruby A/C</b>					
\$			\$		
18 May	Bank	1 250	1 May	Balance b/d	1 275
25 May	Returns Outwards	175	15 May	Purchases	2 975
31 May	Balance c/d	2 825			
		4 250			4 250
		4 250	1 June	Balance b/d	2 825

<b>Repairs A/C</b>					
\$			\$		
5 May	Bank	1 306	31 May	Profit and loss	1 490
10 May	Cash	384	31 May	Balance c/d	200
		1 690			1 690
		1 690	1 June	Balance b/d	200

- (i) Name the specific ledgers in which you will find each of these two accounts.  
**(2 marks)**
  
- (ii) What is the significance of the balance b/d on May 1 in French Ruby's account?  
**(1 mark)**
  
- (iii) Describe the transactions that would give rise to the entries on May 5 and 10 on the Repairs account and May 18 on French Ruby's account.  
**(3 marks)**
  
- (iv) Give one reason to explain the entry on May 25 in French Ruby's account.  
**(1 mark)**
  
- (v) State under which classified heading(s) on Jah Mayca's Balance Sheet you would list the balances b/d on French Ruby's and the Repairs account on June 1.  
**(2 marks)**

- (b) The Chutney Company, a public limited liability company, was formed with an authorized capital of \$3 000 000 made up of 2 000 000 ordinary shares at \$1 each and 100 000 8% preference shares at \$10 each.

On December 1, 2005, the Company issued 1 500 000 ordinary shares for \$1 each and 50 000 8% preference shares at \$10 each. The issue was fully subscribed and all cash received.

- (i) Prepare journal entries, with appropriate narratives, to record the share issue.  
**(4 marks)**
- (ii) Calculate the amount of cash that would have been received by the company if all the 8% Preference Shares together with the 1 500 000 ordinary shares were issued and fully subscribed.  
**(2 marks)**
- (iii) Calculate the total value of the Chutney Company's issued share capital.  
**(2 marks)**
- (iv) Distinguish between the authorized capital and the issued capital.  
**(2 marks)**
- (v) State one other method of raising capital that is available to the Chutney Company.  
**(1 mark)**

**Total 20 marks**



5. Johnson Clothings is a small manufacturing concern. At the end of the accounting year December 31, 2006, the following information was available.

	\$
Stocks, January 1, 2006	
Raw materials	25 470
Finished goods	11 460
Work-in-progress	59 000
Factory wages	170 000
Factory salaries	140 500
Purchases of raw materials	225 600
Returns outwards	7 500
Factory power and fuel	56 000
Sales	950 400
Factory insurance	6 800
Advertising	7 500
Machinery at cost	250 000
Rent	42 000
Administrative expenses	125 000
Stocks, December 31, 2006	
Raw materials	18 400
Finished goods	30 100
Work-in-progress	6 500

You are given the following additional information:

1. Rent is to be divided in the ratio 4:1 between factory and office.
  2. Machinery to be depreciated at the rate of 20 per cent per annum.
  3. Factory power is in arrears of \$900.
  4. 2 500 items of finished goods were produced.
- (a) Prepare a manufacturing account for the year ended December 31, 2006, showing clearly the following:
- (i) The cost of raw materials consumed.
  - (ii) The prime cost.
  - (iii) Factory overheads.
  - (iv) The total cost of production.
- (12 marks)**
- (b) Prepare the Trading and Profit and Loss Account for the year ended December 31, 2006.
- (6 marks)**
- (c) Calculate the unit cost of items produced.  
(show workings)
- (2 marks)**

**Total 20 marks**

6. The Pig Farmers' Cooperative has a membership of 50 farmers. Each member has 6 250 shares of \$1 each. The balances on the books of the Cooperative on December 31, 2006, were as follows:

	\$
Unpaid dividend to members	41 250
Debtors	11 000
Provision for bad debts	1 000
Stock of supplies	33 750
Investments in other cooperatives	18 750
Net book value of Motor Vehicles	32 187
Net book value of equipment	67 500
Farm land and buildings	271 250
Long term loan	37 500
Cash	3 750
Bank	22 000
Creditors	16 875
Accumulated Reserves	46 750
Amounts owing:	
Loan interest	2 375
Rent	1 000
Telephone	937

- (i) Prepare the Balance Sheet of the Pig Farmers' Cooperative as at December 31, 2006.

**(17 marks)**

- (ii) Calculate the current ratio of the cooperative.

**(1 mark)**

- (iii) Based on the ratio (i) above, advise the Board of Directors (**in a very short statement**) about the current financial position of the cooperative.

**(2 marks)****Total 20 marks**

7. The following is a summary of the receipts and payments for the year to April 30, 2006, of the Kensington Domino Club.

	\$
<b>Receipts</b>	
Club subscriptions	9 200
Donations	1 000
Christmas dance	2 500
Bar takings	17 300
<b>Payments</b>	
Rates	500
General expenses	2 500
Bar purchases	10 200
Christmas dance expenses	700

Other relevant information at the beginning and end of the year is as follows:-

	May 1, 2005	April 30, 2006
	\$	\$
Subscriptions due	300	275
Subscriptions in advance	30	50
Rates owing	-	230
Bar stock	1 500	1 750
Furniture	3 000	2 700
Bank and cash	1 200	17 300

Prepare the following:

- (a) A statement to show the accumulated fund at the start of the period. **(4 marks)**
- (b) A Subscriptions Account. **(5 marks)**
- (c) A Bar Trading Account. **(5 marks)**
- (d) An Income and Expenditure Account for period. **(In preparing the account, use information from the Bar Trading Account and the Subscriptions Account appropriately.)** **(6 marks)**

**Total 20 marks**

**END OF TEST**



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**PRINCIPLES OF ACCOUNTS**

**PAPER 03/2 – GENERAL PROFICIENCY**

**KEY**

**SPECIMEN**

PRINCIPLES OF ACCOUNTS  
PAPER 03/2 – GENERAL PROFICIENCY  
**KEY**

1. Sole trader/sole proprietorship.
2.
  - (a) Owned and operated by the same person
  - (b) Capital invested by one individual
  - (a) All of the profits go to the owner
  - (c) Risks borne by one individual

3.
 

A	-	L	=	C
\$14 745	-	0	=	\$14 745

Capital = \$14 745

4. **JOURNAL**

	\$	\$
Stoves	1 500	
Tables	850	
Chairs	720	
Pots and Pans	475	
Refrigerator	2 500	
Freezer	1 200	
Cutlery	600	
Cash at bank	5 500	
Cash in hand	1 400	
<b>Capital</b>		1 4745
Opening entries to start business on Jan. 1 2006		

5.
 

Current Assets:	Cash at Bank	\$5 500
	Cash in Hand	<u>\$1 400</u>
		<u>\$6 900</u>

PRINCIPLES OF ACCOUNTS  
PAPER 03/2 – GENERAL PROFICIENCY  
**KEY**

6. **CASH BOOK**

		C	B			C	B
		\$	\$			\$	\$
Jan 1	Balances	1 400	5 500	Jan 6	Purchases		3 750
7	Bank C	2 000			Purchases		1 900
9	Sales	360		7	Cash (C)		2 000
14	Loan		5 000	8	Purchases		780
				11	Purchases	150	
					Purchases	175	
					Purchases		1 200
					Purchases		600
				Jan 14	Bal C/D	3 435	270
		<b>3 760</b>	<b>10 500</b>			<b>3 760</b>	<b>10 500</b>
Jan 15	Bal B/D	3 435	270				

7. Water, advertising, taxes or any other suitable expense.

8.

Thomas Timberland  
Trading and Profit and Loss Account  
For the month of January 31, 2006

	\$	\$
Sales		20 000
Purchases	8 555	
Less: Returns Outwards	<u>60</u>	
	8 495	
Less: Closing Stock	<u>650</u>	
Cost of Goods Sold		<u>7 845</u>
Gross Profit		12 155
<u>Expenses</u>		
Electricity Owing	1 240	
Cooking gas	1 180	
Wages	2 720	
Transportation	175	
Telephone	<u>45</u>	
Net Profit		<u>5360</u> <u>6795</u>

9.
  - (a) Buy small quantities
  - (b) Better storage
  - (c) Change the supplier
  - (d) Change the variety of vegetables
  
10.
  - (a) Promotions
  - (b) Advertising
  - (c) Reduction in price
  - (d) Change of menu



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**PAPER 03/2 – GENERAL PROFICIENCY**

**MARK SCHEME**

**SPECIMEN**



PRINCIPLES OF ACCOUNTS  
PAPER 03/2 – GENERAL PROFICIENCY  
MARK SCHEME

Question		Profiles		
		K	A	I
1.	Correctly stated the type of business	1		
2.	Listed any TWO features correctly	2		
3.	Correctly calculated opening capital		1	
4.	Recorded debit entries correctly (1 mark for 2, max. 4)		4	
	Showed capital	1		
	Suitable narration	1		
5.	Correct calculation of current assets		1	
6.	Correct heading	1		
	Included opening cash and bank balances (1 mark each)		2	
	Correctly entered all other transactions (1 mark for 2, max. 4)		4	
	Correctly recorded contra entries			2
	Balanced Cash Book correctly	1		
7.	Correctly identified any other TWO expenses			2
8.	Correct heading for Trading and Profit and Loss Account	1		
	Correct treatment of Returns Outwards		1	
	Correct amount for purchases			1
	Included Returns Outwards			1
	Included sales amount		1	
	Correctly included closing stock		1	
	Indicated Gross Profit	1		
	Included 5 expenses (1 mark each)		5	
	Indicated Net Profit	1		
9.	Listed TWO appropriate ways of dealing with the problem			2
10.	Listed two suitable ways of increasing sales			2
<b>Total Marks</b>		<b>10</b>	<b>20</b>	<b>10</b>



TEST CODE 01239032  
SPECIMEN

## FORM 01239032/SPEC 2006

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PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

*1½ hours*

**Specimen**

1. Answer ALL the questions.
2. Silent electronic calculators may be used, but ALL necessary working should be clearly shown.
3. Answer the questions on the Answer Booklet provided and return it.
4. Attach additional completed sheets (Ledger, Journal, Cash Book) to this Answer Booklet, where necessary.

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**CASE STUDY**

Thomas Timberland inherited a small restaurant - “**The Junction**” – along with a sum of money from his Aunt Joan Smart. On January 1, 2006, he invested some of his savings to expand the operations of the restaurant.

The assets of the business as at January 1, 2006 were:

	\$
Stoves	1 500
Tables	850
Chairs	720
Pots and pans	475
Refrigerator	2 500
Freezer	1 200
Cutlery	600
Cash at Bank	5 500
Cash in Hand	1 400

**PART A.**

1. What type of business entity is Thomas Timberland about to operate?

---

2. List TWO features of this type of business entity. **(1 mark)**

---

3. Determine the opening capital of this business.

**(2 marks)**

4. Prepare Thomas Timberland’s opening Journal entry.  
(A *Journal Sheet* is provided for this answer)

**(1 mark)**

**(6 marks)**

5. What is the value of his current assets?

**(1 mark)**

**PART B.**

The following transactions took place during the first two weeks of January:

<b>2006</b>		<b>\$</b>
January 6	Bought chicken and lamb	3 750
	Bought rice	1 900
7	Withdrew \$ 2 000 from the bank for business use	
8	Bought pasta products	780
9	Sold 20 lunches to Harry Smith at \$18 each for cash	
11	Purchased peas	150
	Purchased seasonings	175
	Purchased drinks	1 200
	Purchased vegetables	600
12	Returned unsuitable vegetables	60
14	Obtained a loan from Overland Credit Union and received a cheque for \$5 000	

All payments which were less than \$200 were paid in cash.

6. Prepare and balance the Two-column cash Book for the first two weeks of January.

**(10 marks)**

## PART C

At the end of the month it was observed that the business had incurred the following expenses:-

	\$
Electricity	1 240
Cooking gas	1 180
Wages	2 720
Transportation	175
Telephone	45

The business also bought a new food processor on credit from Courts Ltd. for \$1 200. Revenue earned from sales for the period was \$20 000. The value of closing stock was \$650.

7. Name TWO other items of expense which Timberland may have incurred.

---



---

**(2 marks)**

8. Prepare the Trading and Profit and Loss Account for the period ended January 31, 2006.

**(13 marks)**

9. Thomas experienced a high level of spoilage of vegetables during the first month of operation. State TWO ways this problem can be avoided in the future.

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**(2 marks)**

10. List TWO ways by which Thomas could have increased sales.

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**(2 marks)**

**Total: 40 marks**