TEST CODE **01239020**

FORM TP 2024113

MAY/JUNE 2024

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 02 – General Proficiency

3 hours

857

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper 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. Show ALL working clearly.
6. You may use a silent, non-programmable calculator to answer questions.
7. You are advised to take some time to read through the paper and plan your answers.
8. 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.**
9. **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.**

A013

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

Copyright © 2023 Caribbean Examinations Council
All rights reserved.

0 1 2 3 9 0 2 0 0 3

1. (a) On 1 November 2023, Jon Jon Enterprises had cash in hand of $1 475. The business also had a bank overdraft of $1 125 on its bank account. During November, the following transactions occured.

Date		Transactions
2023 Nov	4	Sales by cheque totalled $2 635.
	10	Paid the following accounts less a 5% discount by cheque: L. Smith, $840 and K. Peters, $920.
	13	B. French paid $1 900 in cash in full settlement of his account of $2 000.
	16	Cash sales paid directly into the bank totalled $1 125.
	19	Mr Jon Jon, the owner, gave the business $3 000 by cheque, which must be repaid in one year's time.
	27	The owner took $800 of the cash in hand to deposit into the business' bank account.
	30	Rent paid in cash totalled $1 540.

Required

- Using the form provided **on page 5**, prepare the three-column cash book.
- Balance the cash book at month end and bring down the balances into the next period.
- Total the discount columns.

(15 marks)

857

A013

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA
A013
857

Date	Details	F/O	Disc. All'd	Cash	Bank	Date	Details	F/O	Disc. Rec'd	Cash	Bank

GO ON TO THE NEXT PAGE

0 1 2 3 9 0 2 0 0 5

(b) The following information is available for Jon Jon Enterprises for the month ended 31 December 2023.

•	Balance as per the bank statement was $9 275.
•	Cheque #103 for $1 223 and cheque #107 for $830 were not shown on the 31 December bank statement.
•	A deposit of $2 270 made on 31 December was not reflected in the month-end bank statement.

Required

Prepare the bank reconciliation statement for Jon Jon Enterprises for the month ended 31 December 2023, to arrive at the cash book balance. **(5 marks)**

Total 20 marks

857

A013

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA
857
A013

NOTHING HAS BEEN OMITTED.

2. (a) (i) State ONE advantage of a limited liability company.

.....

.....

(1 mark)

(ii) State ONE disadvantage of a limited liability company.

.....

.....

(1 mark)

(b) In May 2023, Rosedale Company Limited sold the following shares and debentures to increase its liquidity.

2023	
May 5	180 000 $1 ordinary shares at par
May 10	100 000 8% $4 preference shares at par
May 17	$150 000 5% debentures (2023–2025)

Using the form provided below, prepare journal entries to record the issue of shares and debentures for Rosedale Company Limited. **Narratives are required.**

JOURNAL			
Date	**Details**	**Debit**	**Credit**

(8 marks)

GO ON TO THE NEXT PAGE

857
A013
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(c) State ONE ratio that can be used to calculate the liquidity position of the company.

.....

.....

(1 mark)

(d) Calculate the total annual dividend payable at the end of the financial year for the transaction on 10 May 2023 listed **on page 8**. **Show ALL working clearly.**

(2 marks)

(e) Calculate the total annual amount payable for debenture interest expense at the end of **one** year. **Show ALL working clearly.**

(2 marks)

GO ON TO THE NEXT PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
857
A013

(f) At the end of the year's operations, Rosedale Company Limited calculated a net profit of $48 500 before debenture interest payments.

(i) Calculate the total amount available for paying dividends to ordinary shareholders. **Show ALL working clearly.**

(3 marks)

(ii) Calculate the percentage return on investment for ordinary shareholders. **Show ALL working clearly.**

(2 marks)

Total 20 marks

857

A013

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA
857
A013

3. Ban and Jay are partners sharing profits and losses in the ratio of 3:2 respectively. At the end of the financial year, 31 December 2023, the following balances were extracted from the books of the partnership after calculation of the gross profit.

	$
Gross profit	284 000
Operating expenses	107 000
Non-current assets @ cost price	695 000
Acc. provision for depreciation on non-current assets @ 1 January 2023	215 000

	Ban	Jay
Current accounts	$11 000 Dr	$7 300 Cr
Drawings	$37 000	$26 000
Interest on drawings	$3 200	$2 700
Partnership salary	—	$36 000
Capital accounts	$280 000	$260 000
Interest on capital	3%	
Loan to the partnership	$25 000	—
Interest on loan	8%	—

Additional information

- Closing inventory at 31 December 2023 had been understated by $3 500.
- Non-current assets are to be depreciated by 20% per annum, using the reducing balance method.

GO ON TO THE NEXT PAGE

Required

(a) Prepare the income statement for the partnership for the year ended 31 December 2023, using the balances and the additional information provided.

(9 marks)

857

A013

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

(b) Prepare the appropriation account for the partnership for the year ended 31 December 2023.

(6 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA
857
A013

(c) Prepare Jay's current account for the year ended 31 December 2023.

(5 marks)

Total 20 marks

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

4. Arianna manufactures a component which is used in the production of cellphones. Sales of the component for each of the first three quarters of 2023 are forecast as follows.

2023 Sales Forecast	
Quarter	**Units**
1: January–March	5 100
2: April–June	6 300
3: July–September	6 760

Arianna has been operating with a policy whereby she maintains a closing inventory sufficient to cover 5% of the next quarter's sales. Arianna forecasts that sales in the last quarter of 2023 will be 8 880 units.

Required

(a) Prepare a production budget for EACH of Quarters 1 to 3 of 2023.

	Quarter 1 January–March	Quarter 2 April–June	Quarter 3 July–September
	Units	**Units**	**Units**

(7 marks)

GO ON TO THE NEXT PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
857
A013

(b) The selling price per unit during the budget period will be $8 per unit. How many units should Arianna plan to sell if she wishes to achieve a sales revenue target of $45 000 in a quarter?

(3 marks)

857

A013

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Arianna employed Salina Smith, as a production worker. Salina is required to work a 40-hour week and is paid at the rate of $200 per hour. Hours worked in excess of 40 hours are overtime and are paid at the rate of time and a half. During the second week of April, Salina worked a total of 44 hours.

(i) Calculate Miss Smith's gross pay for the week.

(4 marks)

For the month of April, Salina Smith earned a gross pay of $33 200. The following data is to be applied to gross pay.

National insurance (Social Security) deduction	5%
Income tax deduction	10%
Monthly credit union contribution	$300

(ii) Calculate Miss Smith's net pay for the month.

(3 marks)

GO ON TO THE NEXT PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
857
A013

(iii) Complete the following cheque for the net pay amount which is due to Salina Smith at the end of April.

DATE _____

PAY TO _____

THE SUM OF _____

_____ Dollars

_____ Cents

$ _____ _____

(3 marks)

Total 20 marks

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

5. Bobby, a sole proprietor, presented the following list of transactions for the month of May 2023.

		$
2023 May 1	Owner made a bank deposit from his personal resources.	75 000
6	Withdrew cash from the bank for business use.	4 000
8	Proceeds of sales for the week were banked.	55 000
9	Used cheque to purchase a used delivery van with extra spare parts. Use a delivery van and spare parts account.	24 800
12	Bought inventory on credit from Rob Smith. The terms were 5/10, net 30.	17 000
13	Sold inventory on credit terms of 2/10, net 30 to S. Peters.	9 000
15	Cash sales	3 600
18	Paid cash for petrol and servicing of delivery van.	800
21	Settled account with Rob Smith in full by cheque.	
25	Paid cash for miscellaneous business expenses.	1 900
26	Bobby paid his home insurance premium in cash.	2 500
27	Settled the business' electricity bill by cheque.	500
28	S. Peters settled his account in full by cheque.	
29	Owner made a bank withdrawal for his personal use.	5 000
31	Received total of $1 200 cash from the sale of some old van spare parts and realized a profit of $200 on this sale.	

Required

Working in chronological order (in order of date) and using the forms provided **on pages 20 to 23**, record the double entries for the transactions given above in the relevant ledger accounts. **Be sure to name the ledger accounts appropriately**. After an account has been opened, use the same account throughout for recording subsequent transactions.

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA
857
A013

857

A013

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA





DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
857
A013

857

A013

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

Total 20 marks

END OF TEST

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

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA
857
A013