CANDIDATE – PLEASE NOTE!

PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

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FORM TP 2017101

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MAY/JUNE 2017

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 01 – General Proficiency

1 hour 30 minutes

18 MAY 2017 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 1 hour and 30 minutes to answer them.
2. In addition to this test booklet, you should have an answer sheet.
3. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.
4. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

   Sample Item

   Prime cost is calculated by adding direct factory expenses to the

   (A) cost of goods sold
   (B) sale of fixed assets
   (C) sale of finished goods
   (D) cost of materials used

   Sample Answer

   

   The best answer to this item is "cost of materials used", so (D) has been shaded.
5. If you want to change your answer, erase it completely before you fill in your new choice.
6. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.
7. The use of silent, electronic calculators is allowed.

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

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1. Accounting is the process of the

I. gathering and recording information
II. raising of funds for a business
III. providing information which influences decisions

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

2. Which of the following groups of persons may be LEAST interested in using accounting information to determine how well businesses are managed?

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

3. Which of the following states the correct order of the stages in the accounting cycle, before Final Accounts?

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

4. Which of the following terms is described in documents showing exchanges of goods and services?

(A) Journal
(B) Transaction
(C) Balance Sheet
(D) Trial Balance

5. A balance sheet serves the purpose of

(A) showing the values of assets, liabilities and capital
(B) calculating the profits and losses made
(C) showing the value of the closing stock in hand
(D) determining the available cash balance

6. Which of the following are examples of Current Liabilities?

I. Mortgages
II. Accounts Payable
III. Accrued Wages

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

7. Which of the following accounts is made up of real accounts ONLY?

(A) Plant, machinery, inventory, receivables
(B) Equipment, furniture, vehicles, plant
(C) Vehicle, capital, building, prepayments
(D) Cash, inventory, building, receivables

8. Which of the following lists of current assets is arranged in order of liquidity from least to most liquid?

(A) Accounts receivable, prepayments, inventory, cash, bank
(B) Prepayments, accounts receivables, cash, bank, inventory
(C) Cash, bank, prepayments, accounts receivables, inventory
(D) Inventory, accounts receivables, prepayments, bank, cash

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9. The Cash Book is BEST used for recording

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

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

(A) Purchases Journal
(B) Sales Journal
(C) General Journal
(D) Cash Book

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

(A) Bank
(B) Cash
(C) Discount allowed
(D) Discount received

12. R. Stevens a petty cashier receives a float of $350. He spends $320 out of this and requests that his float be increased to $400. If his request is granted, how much will he receive?

(A) $320
(B) $350
(C) $370
(D) $400

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

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

14. The total credit of the bank column of a Three-Column Cash Book is greater than the total debit. The MOST likely result for this situation is that

(A) there was an overdraft
(B) transactions were omitted from the debit side
(C) some figures were overstated on the credit side
(D) the incorrect transactions were entered on the credit side

15. Any expenditure which is written off entirely to the Income Statement is known as

(A) liabilities
(B) purchases
(C) revenue expenditure
(D) capital expenditure

16. Which of the following BEST describes the 'double entry' system of accounting?

(A) A ledger account must have two sides.
(B) An account must be written twice in the ledger.
(C) Each transaction must be written in two subsidiary books.
(D) Each transaction must have a debit entry and a credit entry.

17. A businessman incurred the following expenses.

Factory repairs	$6 000
Machinery repairs	$2 000
New machine	$3 000
New vehicle	$7 000

What is the total capital expenditure?

(A) $ 6 000
(B) $ 7 000
(C) $ 8 000
(D) $10 000

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18. Mr Abel and Mr Blue purchased goods valued at $50 and $75 respectively from Mr Kane, on credit. Another customer paid cash for goods amounting to $550. Mr Kane took goods at cost for himself amounting to $500. Which of the following figures represents the total in Mr Kane's Sales Account?

(A) $ 125
(B) $ 425
(C) $ 675
(D) $1 175

19. Which of the following accounts are usually transferred to the Income Statement?

(A) Rent, Premises, Drawings
(B) Drawings, Rent, Purchases
(C) Purchases, Furniture, Commission Received
(D) Commission Received, Rent, Purchases

20. When current liabilities are subtracted from current assets, the result is termed

(A) cash balance
(B) capital owned
(C) working capital
(D) capital employed

21. K. Khan, a debtor of A and B Enterprises, settles his debt of $120 less 2½% discount by cheque. How should the double entry be recorded in the books of A and B Enterprises?

(A)	Dr K Khan Dr Discount received Cr Bank	$117 $ 3 $120
(B)	Dr K Khan Dr Discount allowed Cr Bank	$117 $ 3 $120
(C)	Dr Bank Dr Discount allowed Cr K Khan	$117 $ 3 $120
(D)	Dr Bank Cr Discount received Cr K Khan	$117 $ 3 $120

Items **22–23** refer to the following information.

A calculation to determine gross profit percentage is as follows.

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

22. What does the $529 800 represent?

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

23. $185 530 represents

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

Item 24 refers to the following information.

Machinery Account	$4 000
Stock Account	$3 000
Purchases Account	$1 000
Sales Account	$5 000
Capital Account	$3 000

24. The above balances appeared in the ledger of Mrs G. Dalton. What is the total of the trial balance?

(A) $5 000
(B) $6 000
(C) $7 000
(D) $8 000

25. The working capital of A. Young and Sons is $15 500. The total amount of current assets is $16 500. What is the total amount of current liabilities?

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

Items 26–27 refer to the following table which shows a trader's operation at the end of the trading period.

Sales	$83 868	Inventory at Start	$ 9 850
Sales Returns	$ 1 570	Inventory at Close	$11 075
Discounts Allowed	$ 911	Purchases	$52 640
		Purchases Returns	$ 762

26. What is the cost of goods sold?

(A) $49 742
(B) $50 653
(C) $51 415
(D) $53 103

27. What is the gross profit?

(A) $31 645
(B) $33 215
(C) $34 023
(D) $80 025

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28. In the balance sheet, expenses owing will be listed as

(A) fixed assets
(B) current assets
(C) current liabilities
(D) long-term liabilities

29. A debt is considered a 'bad debt' if the debtor

(A) pays late
(B) fails to pay
(C) clears the debt in parts
(D) does not use money to pay

30. How does an increase in bad debts affect a sole trader's financial statements?

(A) Increases the net profit
(B) Decreases the net profit
(C) Increases the gross profit
(D) Decreases the gross profit

31. The gross profit of a firm is $7200. Bad debts are $200. Insurance paid is $1240, which includes a prepayment of $40. What is the net profit of the firm?

(A) $5 720
(B) $5 760
(C) $5 800
(D) $7 000

32. Control Accounts are needed to

(A) locate errors
(B) calculate ratios
(C) calculate profits
(D) record opening entries

33. Which of the following is a type of Control Account?

(A) Cash Book
(B) Balance Sheet
(C) General Journal
(D) Suspense Account

34. Cash Sales were not entered in the books. This is an error of

(A) omission
(B) principle
(C) commission
(D) complete reversal

Item 35 refers to the following information provided by Kay, a sole trader.

01 May–31 May	Opening Sales Ledger balance (Dr)	$3 000
	Returns inwards	$ 500
	Bad debts	$ 200
	Discounts allowed	$ 100
	Cheques received from debtors	$7 000
	Closing Sales Ledger balance	$4 000

35. What is Kay's credit sales for the month of May?

(A) $ 6 800
(B) $ 8 800
(C) $11 800
(D) $14 800

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36. At the end of the year the capital of a business was $33 000. At the beginning of the year the capital was $28 000. During the year the owner withdrew $2000 for personal use. What is his net profit for the year?

(A) $ 5 000
(B) $ 7 000
(C) $30 000
(D) $61 000

Item 37 refers to the following information.

Inventory at 01 January 2014	$1 500
Purchases during the month	$1 200
Cost of goods sold	$1 400

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

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

38. Which of the following accounts are nominal?

(A) Wages and Rent
(B) Stock and Debtors
(C) Machinery and Plant
(D) Creditors and Fixtures

39. A customer who owed $20 000 returned goods valued at $3 000. He then settled his outstanding balance by paying $15 300. The discount allowed to this customer is

(A) $7 700
(B) $4 700
(C) $3 000
(D) $1 700

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40. The purpose of an appropriation account is to

(A) show how the net profit is distributed in a partnership or co-operative
(B) change capital expenditure as agreed upon in the Articles of Association
(C) enter all capital and revenue expenditure as stipulated in the Partnership Act
(D) make appropriate changes related to net profit as agreed upon in the Articles of Association

41. Which two of the following items are NOT recorded in the Appropriation Account?

I. Interest on loans from partners
II. Interest on capital
III. Interest on drawings
IV. Withdrawals by partners

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

Items **42–43** refer to the following information.

Select the two terms below which correctly complete Items 42 and 43.

I. debited to the Current Account
II. credited to the Current Account
III. debited to the Appropriation Account
IV. credited to the Appropriation Account

42. Interest on drawings is

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

43. Interest on capital is

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

44. Mr Green and Mrs Brown agreed to establish a partnership and each deposited $5000 into a bank account, Green & Brown Co. How should this be recorded in the books of the partnership?

(A) Cr Cash $10 000,
Dr Capital $10 000.
(B) Dr Green & Brown Co. $10 000,
Cr Bank $10 000 each.
(C) Dr Partnership Bank Account $10 000,
Cr partners' Current Accounts $5 000 each.
(D) Dr Partnership Bank Account $10 000,
Cr partners' Capital Accounts $5 000 each.

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

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

46. A company proposes a 10% rate of dividends. A shareholder who owns 500 two-dollar ordinary shares will receive dividends of

(A) $ 10
(B) $ 50
(C) $100
(D) $500

47. A company earned a net profit of $60 000 for the year ending 30 September 2016. Proposed dividends were: ordinary shares $10 000 and preference shares $15 000. The company decided to transfer $8000 to a general reserve. The retained earnings on 30 September 2016 were

(A) $27 000
(B) $33 000
(C) $35 000
(D) $93 000

48. When a company declares a dividend of 15%, the dividend warrant sent to a shareholder who owns 1500 ordinary $1 shares is

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

49. Which of the following is an example of a co-operative?

(A) A bank
(B) A sports club
(C) A corporation
(D) A credit union

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

Appropriation Account			
Taxation Reserve	$10 000.00	By balance	$ 894.50
Preliminary	$ 250.00	Net Profit	$26 106.50
Transfer to General Reserve	$ 4 000.00		
Preference Share Dividend	$ 1 200.00		
Ordinary Share Dividend	$ 6 000.00		

50. What conclusions could be drawn from the Appropriation Account above?

I. The company has recently come into existence.
II. The company is engaged in profitable enterprise.
III. More dividends can be given to the ordinary shareholders.

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

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51. An example of a capital expenditure is money spent for

(A) paying rent
(B) paying wages
(C) purchasing goods
(D) purchasing a new building

Item **52** refers to the following information provided at year end.

Cash in hand	$ 6 000
Subscriptions due	$ 2 000
Grounds	$12 000
Subscriptions in advance	$ 1 000
Bank overdraft	$ 4 000

52. The accumulated fund is

(A) $ 5 000
(B) $15 000
(C) $20 000
(D) $25 000

Item 53 refers to the following information.

Golf Club's Receipts and Payments for the Month of April

Donations received	$ 2 000	Rates expenses	$ 1 000
Subscriptions received	$15 000	General expenses	$ 3 000
Cash	$ 4 000		
Bar takings	$15 300	Bar purchases	$10 200

53. What is Golf Club's ending cash balance for the month of April?

(A) $ 4 000
(B) $14 200
(C) $22 100
(D) $36 300

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54. The balance in the Income and Expenditure Account represents the

(A) assets owned or liabilities owed by firms
(B) profits or losses made from a profit-making activity
(C) cash available to spend or amount owed to the bank
(D) surplus or deficit arising from the operation of a non-trading entity

Item 55 refers to the following information relating to the pay of different categories of workers in a garment factory.

Machine operator	$ 6 000
Supervisor	$ 7 300
Maintenance worker	$ 4 500
Accountant	$10 000

55. The direct labour cost is

(A) $ 6 000
(B) $11 800
(C) $17 800
(D) $27 800

56. Which of the following may be used to calculate the cost of production?

(A) Prime cost + factory overheads − opening work in progress + closing work in progress
(B) Prime cost − factory overheads − opening work in progress + closing work in progress
(C) Prime cost + factory overheads − opening work in progress − closing work in progress
(D) Prime cost + factory overheads + opening work in progress − closing work in progress

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57. The items raw materials inventory, work-in-progress inventory and finished goods inventory are MOST likely seen together on the balance sheet of a

(A) garage
(B) supermarket
(C) shoe factory
(D) bus company

58. Ms Hawk has a manufacturing business. The cost of her raw materials was $1900. Rates and rent totalled $2000, and factory wages amounted to $2500.

The number of units produced was 640. What was the cost of ONE unit?

(A) $ 4
(B) $ 6
(C) $10
(D) $13

59. Which of the following is NOT considered a source document for the payroll?

(A) Electronic timecard
(B) Medical certificate
(C) Attendance register
(D) Clock card

60. Mr Amos is employed by a construction company at a rate of $7 per hour. During the week of 6 April 2008, he worked his basic week of 40 hours. The income tax due on his pay is $20, and he is also liable to pay social security contributions of 5% of his gross pay.

What is Mr Amos' net pay?

(A) $246
(B) $260
(C) $266
(D) $280

END OF TEST

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