

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 032 – General Proficiency

*1 hour 30 minutes***READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. Show ALL working clearly.
5. You may use a silent, non-programmable calculator to answer questions.
6. You are advised to take some time to read through the paper and plan your answers.
7. 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.**
8. **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.**

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

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Instructions: This paper consists of a case study and TEN questions. Read the case study and answer ALL the questions that follow in the spaces provided in this booklet.

Case Study

PART A

Vertis Enterprises, a novelty items company, which started business one and a half years ago, is putting together accounting records for the half-year ended 30 June 2015.

1. State the date at the beginning of Vertis Enterprises' current financial year.

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(1 mark)

2. List ONE journal and ONE ledger Vertis Enterprises would have used to keep its accounts for the half-year ended 30 June 2015.

Journal	
Ledger	

(2 marks)

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3. Vertis Enterprises submits the following figures to its Board of Directors for the half-year ended 30 June 2015.

	\$
Credit sales	186 500
Credit purchases	41 250
Returns Inwards	3 250
Rent paid for three months	3 000
Insurance paid up to end of financial year	14 400
Payments to Accounts Payable	69 750
Balance on Accounts Receivable	4 300
Receipt from 5-year 10% bank loan	24 000
Interest paid for first five months of the financial year	1 000
Wages paid for first six months of the financial year	26 000
Owner's salary paid	18 000
Closing inventory	6 115
Opening inventory	3 125
Opening bank balance	2 560
Receipts from Accounts Receivable	182 200

From the list above, give ONE example of EACH of the following type of account:

Nominal Account	
Personal Account	
Current Liability	
Current Asset	
Long-term Liability	

(5 marks)

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4. From the information provided on page 5, prepare the Trading Account for Vertis Enterprises for the half-year ended 30 June 2015.

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(7 marks)

5. (a) In what section of the Balance Sheet will the balance on Accounts Payable appear?

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(1 mark)

(b) How will the amount labelled "Owner's salary" be treated in the Balance Sheet?

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(1 mark)

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PART B

The owner of Vertis Enterprises has hired an accountant to manage the increasing amount of Accounts Receivable that are unable to pay the amounts owed. The accountant is supplied with the following information:

- Debtors are offered a 2% discount allowed on amounts paid within 30 days. By 30 June 2015, Accounts Receivable totalling \$95 600 had paid their debts within the 30-day period.
- The balance remaining on the Accounts Receivable as at 30 June 2015 included \$2 600 of credit sales made in the month of February 2015.
- The firm writes off 50% of all debts owing for more than 3 months.
- The other 50% of debts owing for more than 3 months is treated as the closing balance in the Provision for Doubtful Debts Account as at 30 June 2015.
- At the end of Vertis Enterprises' first financial year, \$450 had been treated as doubtful debts.

8. (a) Calculate, for Vertis Enterprises, the amount to be shown as cash discount allowed.

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(1 mark)

(b) In what way is a cash discount treated differently from a trade discount?

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(1 mark)

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9. (a) Prepare the Bad Debts Account to show the reduction in Accounts Receivable as well as the appropriate closing entry as at 30 June 2015.

**Vertis Enterprises
Bad Debts Account**

Date	Details	\$	Date	Details	\$

(3 marks)

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- (b) Starting with the balance at the beginning of this financial year, prepare the account to treat with doubtful debts up to 30 June 2015. (Make sure to include relevant dates.)

Vertis Enterprises
Provision for Doubtful Debts Account

Date	Details	\$	Date	Details	\$

(2 marks)



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10. Vertis Enterprises purchased the following assets on 1 January 2014. Taking the date of purchase into consideration, complete the form provided below. (Show workings clearly below the table and round off figures where necessary.)

Asset	Method of Depreciation	Rate per Annum	Cost Price (\$)	Net Book Value as at 31 Dec. 2014 (\$)	Depreciation Expense for Period Ended 30 June 2015 (\$)
Land and buildings	Straight line	25 years useful life	800 000		
Manufacturing equipment	Reducing balance	8%	78 500		

(5 marks)

Total 40 marks

END OF TEST

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

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