

FORM TP 2010024



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CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE
EXAMINATION

PRINCIPLES OF ACCOUNTS

Paper 03/2 – General Proficiency

$1\frac{1}{2}$ hours

07 JANUARY 2010 (p.m.)

0024

1. Answer ALL questions.
2. Write your answers in the Answer Booklet provided and return it.
3. Silent electronic calculators may be used, but ALL necessary workings should be clearly shown.

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INSTRUCTION:

This paper consists of a case study and FIFTEEN questions. Read the case and answer ALL the questions that follow.

CASE

Pilar Gomez imports piñatas and other items for children's parties. Sales have been increasing and she is thinking of expanding her business. Usually, she will hire an accountant and await the preparation of her Income Statement and Balance Sheet. These statements are due on December 31, 2009. However, Pilar is anxious to get certain information quickly. She presents the following sets of information to you.

Section A

Assets	Cost	Accumulated Depreciation as at 31 December 2008	Depreciation Expense (\$) Per Annum
Property	\$30 000	\$9 000	10% on COST
Office Equipment	\$12 000	\$5 200	25% on NET BOOK VALUE at year's end

Other Assets	Value
Bank	\$ 1 100
Accounts Receivable	\$35 900
Closing Inventory	\$ 6 450
Petty Cash	\$ 135

1. State ONE reason why Pilar Gomez might be anxious to receive accounting information. (1 mark)

2. Pilar Gomez uses TWO different methods of depreciation. Identify the TWO methods used. (2 marks)

3. Using the information above, calculate the annual depreciation to be charged on
 - (a) property
 - (b) office equipment.

(Show your workings.) (4 marks)

4. Draw up a Balance Sheet extract as at December 31, 2009 showing Pilar's assets sections. Your Balance Sheet must include the following features:
 - Assets classified correctly
 - Vertical style
 - Order of Liquidity(7 marks)

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Section B

Liabilities

Date Obtained	Liability	Amount
January 1, 2009	8% 5-year bank loan	\$12 000
October 1, 2009	10% 6-month advance credit	\$ 5 800

5. How will the 8% on the bank loan and the 10% on the advance credit be treated in preparing Pilar Gomez’s Income Statement? **(1 mark)**
6. Calculate the interest due on the bank loan and the advance credit as at December 31, 2009. **(2 marks)**
7. Why would the bank loan be classified differently from the advance credit, in Pilar Gomez’s Balance Sheet? **(2 marks)**
8. At year’s end, Pilar Gomez bought goods on credit from the following suppliers:

G. Mezzo	\$4 600
L. Stanza	\$8 300
X. Lopez	\$2 100

Record these transactions in the appropriate Day Book. Complete the folio column appropriately. **(4 marks)**

Section C

Income Statement Items	Amount	Position at December 31, 2009
Sales	\$99 200	
Purchases	\$38 500	Add year-end purchases
Opening Inventory	\$ 4 650	
Transport inwards	\$ 1 300	\$ 1 300 paid in full
Miscellaneous expenses	\$12 271	\$12 271 paid in full
Wages and Salaries	\$14 500	\$ 2 300 owing
Electricity Expense	\$ 4 300	\$ 1 200 paid in advance
Commissions Revenue	\$0	Amount earned not yet collected \$1 200

9. Prepare Pilar Gomez’s Income Statement for the period ended December 31, 2009. **Be sure to include any relevant information from Sections A and B.** **(10 marks)**
10. From your Income Statement, calculate Pilar Gomez’s net profit percentage. **(Show your workings.)** **(2 marks)**

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11. In 2008, Pilar Gomez recorded a net profit percentage of 7%. How does the net profit for 2008 compare with that for 2009? (1 mark)

Section D

Pilar Gomez has decided to create a provision for bad debts since there are certain accounts receivable that have missed their due date for payments.

12. What is the purpose of a Provision for Bad Debts? (1 mark)
13. In which ledger will the Provision for Bad Debts Account appear? (1 mark)
14. How will an increase in the Provision for Bad Debts be recorded in the Income Statement? (1 mark)
15. What account will Pilar Gomez use if a debt becomes uncollectible? (1 mark)

Total 40 marks

END OF TEST