Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	

CENTRE NUMBER		CANDIDATE NUMBER	

6990106627

PRINCIPLES OF ACCOUNTS **7110/22**

Paper 2 **May/June 2015**

2 hours

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.
The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

DC (ST) 102068/3

1 The following balances were available from the books of Priya on 1 April 2015.

	$
Putil	3000 credit
Wages	1750 debit

The following transactions took place in April 2015.

April 5 Paid Putil half of his outstanding balance on 1 April by cheque, less 2% cash discount
April 8 Bought goods on credit from Putil, $800, less 20% trade discount
April 19 Paid wages in cash $450
April 23 Returned goods, list price $200, purchased on 5 April
April 26 Sold a non-current asset at book value, $2000, on credit

REQUIRED

(a) Complete the following table. The first item has been completed as an example. Where the owner's capital is not affected, write 'No effect'.

Date	Transaction	Source document	Book of prime entry	Effect on owner's capital $
April 5	Paid Putil half of his outstanding balance on 1 April by cheque, less 2% cash discount	*Cheque counterfoil*	*Cash book*	*+30*
April 8	Bought goods on credit from Putil, $800, less 20% trade discount			
April 19	Paid wages in cash $450			
April 23	Returned goods, list price $200, purchased on 8 April			
April 26	Sold a non-current asset at book value, $2000, on credit			

[12]

(b) Prepare the account of Putil for the month of April 2015. Balance the account and bring down the balance on 1 May 2015.

Putil account

Date	Details	$	Date	Details	$

[5]

Priya prepared her income statement on 30 April 2015. She calculated that wages, $150, were prepaid at that date.

REQUIRED

(c) Prepare the wages account for the month of April 2015 including the transfer to the income statement. Balance the account and bring down the balance on 1 May 2015.

Wages account

Date	Details	$	Date	Details	$

[3]

[Total: 20]

2 Atto Electrical had the following non-current assets on 31 March 2013.

	Net book value
	$
Premises (cost $50 000)	48 000
Motor vehicles (cost $16 000)	12 000
Computers	6 000

Atto Electrical has the following depreciation policy.

Premises are depreciated at the rate of 2% per annum by straight-line method.
Motor vehicles are depreciated at the rate of 25% per annum by diminishing (reducing) balance method.
Computers are depreciated by revaluation method.

A full year's depreciation is charged on all non-current assets owned at the end of the financial year.

Additional information

1 There were no purchases or sales of non-current assets during the year ended 31 March 2014.

2 The following purchases of non-current assets were made during the year ended 31 March 2015. Payments were made by cheque.

	$
Premises	30 000
Motor vehicles	9 000
Computers	3 200

3 Computers were valued as follows:

	$
31 March 2014	4 200
31 March 2015	6 000

REQUIRED

(a) Explain the term depreciation.

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....[2]

(b) State **one** cause of depreciation of a computer.

....[1]

(c) Complete the table to show the depreciation to be charged to the income statement for **each** of the years ended 31 March 2014 and 31 March 2015.

	Year ended 31 March 2014 $	Year ended 31 March 2015 $
Premises		
Motor vehicles		
Computers		

[6]

Question 2(d) is on the next page.

(d) Prepare the following ledger accounts for **each** of the years ended 31 March 2014 and 31 March 2015. Balance the accounts and bring down the balances on 1 April.

Motor vehicles account

Date	Details	$	Date	Details	$

[4]

Motor vehicles provision for depreciation account

Date	Details	$	Date	Details	$

[5]

(e) Identify which **two** of the following accounting principles/concepts support the charging of depreciation in an accounting year.

Accruals/Matching
Dual aspect
Going concern
Materiality
Money measurement

1 ....

2 ....[2]

[Total: 20]

3 The following information is available for the Axton Chess Club.

Receipts and Payments Account for the year ended 31 March 2015

	$		$
Balance b/d 1 April 2014	230	Rent of clubroom	2000
Subscriptions	3260	Treasurer's salary	250
Competition entry fees received	1580	Purchase of fixtures and equipment	1100
Donations	350	Competition prizes	750
Balance c/d 31 March 2015	1930	Travelling expenses	1900
		Other operating expenses	1350
	7350		7350
		Balance b/d 1 April 2015	1930

Additional information

1 Balances at:

	1 April 2014 $	31 March 2015 $
Subscriptions in advance	–	450
Subscriptions in arrears	530	750
Fixtures and equipment (valuation)	4000	4400
Rent of clubroom prepaid	–	50
Rent of clubroom accrued	70	–
Other operating expenses accrued	190	20
Accumulated fund	4500	?

2 $280 of the subscriptions in arrears on 1 April 2014 were subsequently received.

3 Subscriptions not paid after 12 months were considered irrecoverable.

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 March 2015, showing the transfer to the income and expenditure account. Balance the account and bring down the balances on 1 April 2015.

Subscriptions account

Date	Details	$	Date	Details	$

[5]

(b) Prepare the income and expenditure account for the year ended 31 March 2015.

Axton Chess Club
Income and Expenditure Account for the year ended 31 March 2015

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[8]

(c) Prepare the statement of financial position at 31 March 2015.

Statement of Financial Position at 31 March 2015

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[Total: 20]

4 Xever provided the following information for the year ended 31 March 2015.

	$
Capital	40 000
Bank loan (repayable 1 Jan 2020)	10 000
Inventory 1 April 2014	15 000
Inventory 31 March 2015	35 000
Cost of sales	125 000
Trade receivables	25 000
Trade payables	70 000
Bank overdraft	30 000
Mark up 20%	
Profit margin (profit for the year to revenue)	5%

REQUIRED

(a) Calculate the following for the year ended 31 March 2015.

(i) Revenue

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....[2]

(ii) Purchases

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....[2]

(iii) Expenses for the year

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(b) Calculate the following ratios, correct to **two** decimal places. The previous year's ratios are shown in the last column.

	Workings	31 March 2015	31 March 2014
Gross profit margin (gross profit to revenue)			25.61%
Return on capital employed (ROCE)			12.00%
Rate of turnover of inventory			2.82 times
Quick ratio (acid test ratio)			0.91:1

[8]

(c) Comment on the changes to Xever's business over the two years under the following headings.

(i) Profitability

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(ii) Liquidity

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[Total: 20]

Question 5 is on the next page.

5 Farah and Hana are in partnership. The partnership agreement states that they share profits and losses equally. Interest on capital is allowed at the rate of 4% per annum. Interest is charged on drawings made during the year at the rate of 5% per annum. No salaries are paid to the partners.

The following balances were extracted from the books on 30 April 2015.

	$
Premises (cost)	60 000
Delivery vehicles (cost)	30 000
Office fixtures (cost)	15 000
Provisions for depreciation	
Premises	3 600
Delivery vehicles	10 000
Office fixtures	11 000
Trade payables	7 900
Trade receivables	18 750
Provision for doubtful debts	500
Bank overdraft	12 200
Capital accounts:	
Farah	50 000
Hana	30 000
Current accounts at 1 May 2014:	
Farah	3 250 Cr
Hana	1 850 Cr
Drawings:	
Farah	6 000
Hana	6 000
Purchases	81 250
Revenue	190 000
Returns inwards	8 600
Inventory at 1 May 2014	15 600
Advertising expenses	11 000
Wages and salaries	31 450
Delivery vehicle expenses	14 900
Heat and light	9 750
Other operating expenses	12 000

Additional information

The following information was available 30 April 2015.

1 Inventory was valued at $13 650.

2 Advertising expenses prepaid were $800.

3 Heat and light $150 was outstanding.

4 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

Premises at the rate of 2% on cost per annum
Delivery vehicles at the rate of 20% per annum using the diminishing (reducing) balance method
Office fixtures at the rate of 10% per annum using the straight-line method.

5 The provision for doubtful debts is to be maintained at 4%.

6 A cheque payment of $550, made to a credit supplier on 15 April, had not been recorded in the books.

Question 5(a) is on the next page.

REQUIRED

(a) Prepare the income statement and appropriation account for the year ended 30 April 2015.

Farah and Hana
Income Statement and Appropriation Account for the year ended 30 April 2015

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[18]

(b) Prepare the current accounts for the year ended 30 April 2015.

Current accounts

Details	Farah $	Hana $	Details	Farah $	Hana $

[7]

(c) Prepare the statement of financial position at 30 April 2015.

Statement of Financial Position at 30 April 2015

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[Total: 40]