UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

| | | | | | | |
|---|---|---|---|---|---|---|
| CANDIDATE NAME | | | | | | |
| CENTRE NUMBER | | | | | CANDIDATE NUMBER | |

*1756588299*

**PRINCIPLES OF ACCOUNTS** **7110/21**

Paper 2 **May/June 2012**

**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 a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, 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.

| For Examiner's Use | |
|---|---|
| **1** | |
| **2** | |
| **3** | |
| **4** | |
| **5** | |
| **Total** | |

This document consists of **11** printed pages and **5** lined pages.

DC (KN) 50369/3


UNIVERSITY *of* CAMBRIDGE
International Examinations

**[Turn over**

For Examiner's Use

1 Yang is a supplier of goods to Win. The following transactions took place in March 2012.

| | |
|---|---|
| 2012 | |
| March 1 | Win owed $3 000 to Yang. |
| March 17 | Win purchased goods from Yang with a list price of $1 000. Yang allowed Win 20% trade discount. |
| March 20 | Win returned goods purchased on 17 March, list price of $200. |
| March 30 | Win informed Yang that he had ceased trading and was unable to pay his debt in full. Win offered Yang $650 in full settlement, which Yang accepted. |

**REQUIRED**

**(a)** Prepare the account of Win in the ledger of Yang.

Win account

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................[7]

**(b)** State the name of the document that Yang would send to Win, following delivery of the goods returned on 20 March 2012.

..........................................................................................................................................[1]

**(c)** State the name of the book of prime entry used to write off the bad debt.

..........................................................................................................................................[1]

**(d)** Yang extracted a trial balance on 31 March 2012.

**(i)** State **one** purpose in preparing a trial balance.

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................[2]

**(ii)** State whether the following accounts would be listed as a debit or a credit in the trial balance. The first account has been completed as an example.



| Account | Debit or Credit |
|---|---|
| Capital | *Credit* |
| Provision for depreciation | |
| Inventory | |
| Bank (overdraft) | |
| Wages | |

[4]

**(e)** State **three** types of errors **not** revealed by the trial balance.

1 ..........................................................................................................................

2 ..........................................................................................................................

3 ..........................................................................................................................[3]

After Yang prepared the trial balance he discovered the following error:

March 5 A sale of goods to Wilbur, $6 000, was debited to sales and credited to Wilbur.

**(f)** Prepare the journal entry to correct the error. A narrative is **not** required.

| | Dr $ | Cr $ |
|---|---|---|

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................[2]

**[Total: 20]**

2 Lau buys and sells goods on credit. The following information is provided by her for the month of March 2012:



| | $ |
|---|---|
| Trade payables 1 March 2012 | 15 300 |
| Purchases returns | 900 |
| Payments by cheque | 82 450 |
| Discount received | 1 350 |
| Refunds from trade payables | 700 |
| Trade payables 31 March 2012 | 9 150 |

**REQUIRED**

**(a)** Prepare the purchases ledger control account for the month of March 2012 clearly showing the value of the purchases for the month.

Purchases ledger control account

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................[8]

**(b)** State **two** benefits to Lau of maintaining control accounts.

1 ......................................................................................................................

..........................................................................................................................

2 ......................................................................................................................

..........................................................................................................................[2]

Lau employed Hui as a sales assistant in March. Hui was paid for 140 hours at $6 per hour and 6 hours at time and a half. Tax and social security deducted from pay were $160. Lau also had to pay $95 for employer's social security contributions. The total tax and social security is due to the tax authorities on 30 June 2012.

For Examiner's Use

**REQUIRED**

**(c)** **(i)** Calculate the net payment to Hui.

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

.......................................................................................................................[3]

**(ii)** Calculate the total cost to Lau of employing Hui in the month of March 2012.

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

.......................................................................................................................[2]

**(d)** Prepare the journal entry for wages and statutory deductions on 31 March 2012. A narrative is **not** required.

Journal

| | Dr<br>$ | Cr<br>$ |
|---|---|---|
| .......................................................... | | |
| .......................................................... | | |
| .......................................................... | | |
| .......................................................... | | |
| .......................................................... | | |
| .......................................................... | | [4] |

**[Total: 19]**

For Examiner's Use

3 The following balances were extracted from the books of Trinity Social Club on 30 April 2012:

| | $ |
|---|---|
| Fixtures and fittings | 1600 |
| Donations income for the year | 150 |
| Subscriptions | 1980 |
| Rent | 1400 |
| Sales of refreshments | 2500 |
| General expenses | 780 |
| Purchases of refreshments | 1150 |
| Bank overdraft | 100 |

**REQUIRED**

**(a)** Complete the following trial balance at 30 April 2012 clearly showing the value of the accumulated fund.

Trinity Social Club
Trial Balance at 30 April 2012

| | **Debit** | **Credit** |
|---|---|---|
| | **$** | **$** |
| Fixtures and fittings | | |
| Donations income | | |
| Subscriptions | | |
| Rent | | |
| Sales of refreshments | | |
| General expenses | | |
| Purchases of refreshments | | |
| Bank overdraft | | |
| Accumulated fund | | |
| | | |

[5]

Additional information at 30 April 2012.

1 Subscriptions of $25 were paid in advance and $60 were in arrears.
2 An invoice for refreshment purchases, $75, had not been entered in the books.
3 Inventory of refreshments $430.
4 General expenses accrued $170.
5 Fixtures and fittings were valued at $1360.

For Examiner's Use

**REQUIRED**

**(b)** Prepare, for the year ended 30 April 2012:

**(i)** Subscriptions account. Balance the account on that date.

Subscriptions account

..........

..........

..........

..........

..........

..........

..........[4]

**(ii)** Refreshments trading account.

Refreshments Trading Account for year ended 30 April 2012

..........

..........

..........

..........

..........

..........

..........

..........[3]

For Examiner's Use

**(c)** Prepare an income and expenditure account for the year ended 30 April 2012.

Income and Expenditure Account for the year ended 30 April 2012

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

.....................................................................................................................................[5]

**(d)** State **two** differences between a receipts and payments account and an income and expenditure account.

1 .......................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

2 .......................................................................................................................................

..........................................................................................................................................

.....................................................................................................................................[4]

**[Total: 21]**

*For Examiner's Use*

**4** Ashok provided the following information for the year ended 31 March 2012:

| | $ |
|---|---|
| Revenue (sales) | 120 000 |
| Inventory 1 April 2011 | 22 500 |
| Inventory 31 March 2012 | 26 500 |
| | |
| Gross profit/sales | 20% |
| Net profit/sales | 8% |

**REQUIRED**

**(a)** Calculate for the year ended 31 March 2012:

**(i)** Cost of sales

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

......................................................................................................................................[3]

**(ii)** Purchases

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

......................................................................................................................................[3]

**(iii)** Expenses

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

..........................................................................................................................................

......................................................................................................................................[3]

For Examiner's Use

**(b)** Calculate to two decimal places the rate of inventory (stock) turnover for the year ended 31 March 2012.

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

.......................................................................................................................[3]

**(c)** Suggest **two** ways in which Ashok might increase his rate of inventory (stock) turnover.

1 .......................................................................................................................

..........................................................................................................................

2 .......................................................................................................................

.......................................................................................................................[2]

Ashok is investigating a possible error in the valuation of the closing inventory on 31 March 2012. The revised valuation may be $30 000.

**(d)** Calculate the profit for the year if the closing inventory is valued at $30 000.

..........................................................................................................................

..........................................................................................................................

..........................................................................................................................

.......................................................................................................................[3]

**(e)** State **three** disadvantages of holding too much inventory.

1 .......................................................................................................................

..........................................................................................................................

2 .......................................................................................................................

..........................................................................................................................

3 .......................................................................................................................

.......................................................................................................................[3]

**[Total: 20]**

*For Examiner's Use*

**5** Thien has a retail business. The following balances were extracted from his books at the end of his financial year on 31 March 2012.

| | $ |
|---|---|
| Leasehold property – 25 years (cost) | 50 000 |
| Equipment (cost) | 54 000 |
| Provisions for depreciation: | |
| Leasehold property | 10 000 |
| Equipment | 17 000 |
| 6% Bank loan repayable 31 December 2015 | 25 000 |
| Bank | 5 150 Dr |
| Trade receivables | 6 750 |
| Trade payables | 4 010 |
| Provision for doubtful debts | 700 |
| Revenue | 78 580 |
| Purchases | 18 240 |
| Purchase returns | 1 600 |
| Inventory at 1 April 2011 | 4 690 |
| Equipment repairs | 850 |
| Equipment running expenses | 2 650 |
| General expenses | 8 400 |
| Wages | 15 300 |
| Insurance | 3 640 |
| Power and water | 2 300 |
| Advertising | 5 100 |
| Discount allowed | 1 650 |
| Discount received | 330 |
| Capital at 1 April 2011 | 50 000 |
| Drawings | 8 500 |

Additional information at 31 March 2012

1 Inventory was valued at $3870.

2 Thien took stock valued at $450 for his own use.

3 Equipment running expenses, $750, were accrued and insurance, $1350, was prepaid.

4 The 6% bank loan was received on 1 December 2011.

5 An appropriate amount is to be written off the lease.

6 The purchase of additional equipment, $10 000, had been omitted from the books. Payment was $5000 by cheque with the remainder on credit.

7 Equipment is to be depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.

8 Provision for doubtful debts is to be maintained at 8% of trade receivables.

**REQUIRED**

**(a)** Prepare the income statement for the year ended 31 March 2012. [20]

**(b)** Prepare the balance sheet at 31 March 2012. [20]

**[Total: 40]**

**Answer Question 5 on the following pages.**

*For Examiner's Use*

*For Examiner's Use*

........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................
........................................................................................................................................................

For Examiner's Use

For Examiner's Use

*For Examiner's Use*