

| | UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level |
|-------------------|---|
| CANDIDATE NAME | |
| CENTRE NUMBER | CANDIDATE NUMBER |

PRINCIPLES OF ACCOUNTS

Paper 2

7110/02 May/June 2007 1 hour 45 minutes

Candidates answer on the Question Paper. Additional Materials: Multi-column Accounting Paper.

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.

Question 5 should be answered on pages 15 and 16 or on multi-column accounting paper. If you use multicolumn accounting paper, attach your answer to Question **5** to this booklet. 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. For Examiner's Use 1 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. 2 3 4 5 Total

This document consists of 12 printed pages, 2 lined pages and 2 blank pages.



1 Sam Stryder received the following documents in the week ended 30 April 2007:

- 1 An invoice from Better Advertising for \$600.
- 2 A credit note from Rossi Rewards for \$20.
- 3 A cheque from Sanji Anwar, a customer, for \$150.

REQUIRED

- (a) State the purpose of the three documents in 1 to 3 above. Name the book of prime entry in which Sam Stryder will enter each document.

For Examiner's Use

The following information was obtained from the books of Sam Stryder.

| | | \$ |
|---------------|--|--------|
| 1 April 2007 | Debtors' balance | 7 190 |
| | Creditors' balance | 4 120 |
| 30 April 2007 | Credit sales for month | 46 300 |
| | Credit purchases for month | 29 900 |
| | Cash sales for month | 14 360 |
| | Cash purchases for month | 9 750 |
| | Sales returns for month | 1 070 |
| | Purchase returns for month | 940 |
| | Cheques received from debtors | 38 900 |
| | Cheques paid to creditors | 28 100 |
| | Discounts allowed | 1 060 |
| | Discounts received | 760 |
| | Balance in sales ledger set off against balance in purchases ledger | 90 |
| | Interest charged to customers on overdue accounts | 20 |
| | Interest charged by supplier on overdue account | 10 |

REQUIRED

(b) Select the appropriate items and prepare the purchases ledger control account for the month of April.

Sam Stryder Purchases ledger control account

| | | | | |
|-------|------|--------|------|-----|
| | | | | |
| | | | | |
| | | | | |
| | | | | [9] |
| ••••• | | •••••• | | [9] |

| (c) | Stat | te two uses of control accounts. | |
|-----|------|---|-----|
| | (i) | | |
| | | [| [1] |
| | (ii) | | |
| | | [| [1] |
| | | [Total: 1 | 7] |

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5

Question 2 is on the following page.

2 Carson's debtors owed \$47 900 on 29 April 2007. The debtors included the following:

| Debtor | Balance |
|----------|---------|
| | \$ |
| lqbal | 72 |
| Johnston | 148 |
| Turner | 880 |

- 1 Iqbal paid Carson \$72 in cash on 30 April.
- 2 Carson was told that Johnston had left the country and decided to write off the outstanding balance as a bad debt.
- 3 On 30 April Carson was informed that Turner was bankrupt. A cheque for \$240 was received in full and final settlement. Carson wrote off the remaining balance as a bad debt.
- 4 Carson decided to create a provision for doubtful debts at 2% of the remaining debtors at 30 April 2007.

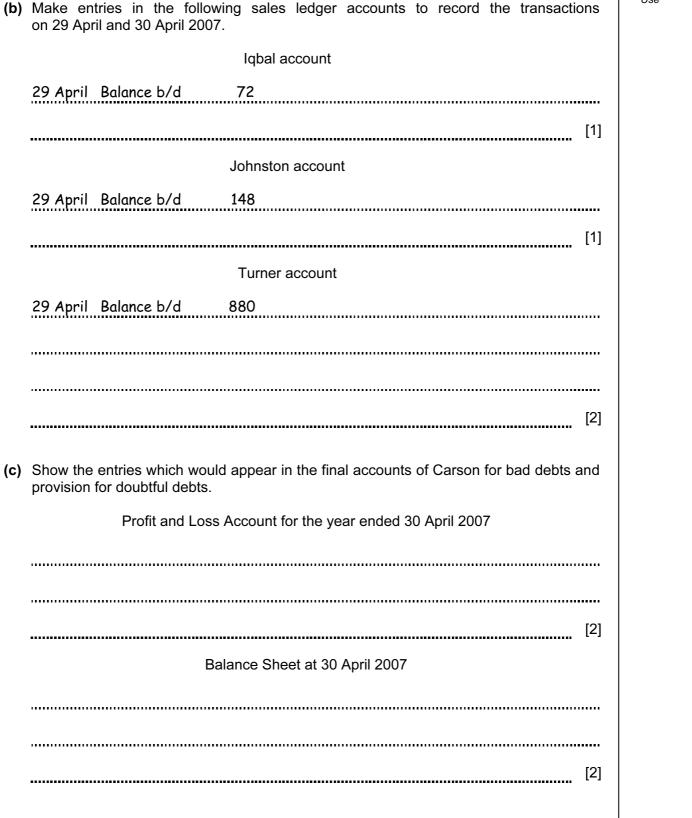
No other transactions occurred on 30 April 2007.

REQUIRED

(a) Prepare the journal entries to record the bad debt write-offs and creation of the provision for doubtful debts. Narratives are **not** required.

| Dr. \$ | Cr. \$ |
|-----------|-----------|
| | |
| | [7] |

Carson Journal



(d) Name **one** accounting principle which is applied in final accounts when making a provision for doubtful debts.

......[1]

[Total: 16]

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3 Falcon, a successful business, agreed to take over Sparrow. Their summarised balance sheets at 30 April 2007 were as follows:

Balance Sheet at 30 April 2007

| | Falcon \$ | Sparrow \$ | Falcon \$ | Sparrow \$ |
|--------------|--------------|-----------------|--------------|---------------|
| Fixed assets | 75 000 | 12 000 Capital | 100 000 | 15 000 |
| Stock | 14 500 | 2 500 Creditors | 19 000 | 1 500 |
| Debtors | 9 500 | 1 500 | | |
| Bank | 20 000 | 500 | | |
| | 119 000 | 16 500 | 119 000 | 16 500 |

It was agreed that Falcon would pay \$18 000 from the business bank account to take over all the assets and liabilities of Sparrow. The assets of Sparrow would be revalued as follows:

| | \$ |
|--------------|--------|
| Fixed assets | 12 500 |
| Stock | 2 400 |
| Debtors | 1 300 |

REQUIRED

(a) Calculate the goodwill paid by Falcon on the takeover of Sparrow.

[5]

(b) Prepare the balance sheet of Falcon after the takeover of Sparrow.

Falcon Balance Sheet at 30 April 2007

[7] [Total: 12] 4 The trial balance of Tom Martin, after preparation of the trading account, was as follows:

Tom Martin Trial Balance at 30 April 2007

| | Dr \$ | Cr \$ |
|------------------------------|----------|----------------|
| Gross profit | | 110 400 |
| Sundry expenses | 84 640 | |
| Stock at 30 April 2007 | 14 700 | |
| Debtors | 26 500 | |
| Bank | 11 100 | |
| Fixed assets | 90 000 | |
| Drawings | 16 600 | |
| Provision for doubtful debts | | 1 900 |
| Creditors | | 28 200 |
| Capital | | <u>103 040</u> |
| | 243 540 | 243 540 |

Tom Martin's cost of sales for the year ended 30 April 2007 was \$257 600.

REQUIRED

(a) Calculate the following for Tom Martin. Show your workings in the box provided.

| | | Workings | % |
|-------|-------------------------------------|----------|---|
| (i) | Gross profit/sales | | |
| (ii) | Net profit/sales | | |
| (iii) | Net profit/capital at start of year | | |

[9]

(c) Calculate Tom Martin's working capital at 30 April 2007.

[4] [Total: 20] **BLANK PAGE**

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Question 5 is on the following page.

Answer Question 5 in this booklet or on separate sheets of paper.

5 Marie Delaney is a trader. The following balances were extracted from her books on 30 April 2007.

| | \$ |
|--|---------|
| Purchases | 106 300 |
| Carriage on purchases | 2 450 |
| Sales | 197 600 |
| Wages and salaries | 33 600 |
| Motor expenses | 14 700 |
| Rent and rates paid | 22 620 |
| Bank interest and charges | 310 |
| Interest paid on loan from Keiley | 375 |
| Discounts received | 680 |
| Sundry expenses | 9 600 |
| Loan from Keiley at 1 May 2006 | 10 000 |
| Debtors | 16 550 |
| Creditors | 7 975 |
| Stock at 1 May 2006 | 8 620 |
| Fixtures and equipment at cost | 8 440 |
| Motor vehicles at cost | 12 400 |
| Provision for depreciation of motor vehicles | 4 960 |
| Bank overdraft | 8 450 |
| Capital | 21 475 |
| Drawings | 15 175 |

Additional information:

- 1 Stock at 30 April 2007 was valued at \$9920.
- 2 At 30 April 2007:
 - (i) Wages and salaries, \$3280, were accrued.
 - (ii) Rent, \$1620, was prepaid.
- 3 Depreciation is to be charged on fixtures and equipment at 25%.
- 4 Motor vehicles are to be depreciated using the diminishing (reducing) balance method at 40% per annum.
- 5 Marie Delaney pays back the loan at the rate of \$2000 per annum on 1 May each year. The balance of Marie Delaney's loan account at 30 April 2006 was \$12 000 and the amount in the list of balances above includes the repayment for 1 May 2006.

Interest is paid quarterly at the rate of 5 % per annum on the outstanding balance at 1 May each year, after the annual repayment has been made.

REQUIRED

- (a) Prepare the trading and profit and loss accounts for the year ended 30 April 2007. [21]
- (b) Prepare the balance sheet at 30 April 2007.

[14]

[Total: 35]

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