

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

7110/02

Paper 2

May/June 2005

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 in the spaces provided on the Question Paper.
You may use a soft pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
Question 5 should be answered on pages 14 and 15 or multi-column accounting paper. If you use multi-column accounting paper, attach your answer to Question 5 to this booklet.
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.
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	
2	
3	
4	
5	
Total	

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

- 1 Jackson Ltd had the following transactions on 15 May 2005.
- (i) Goods costing \$900 were bought on credit from Gomez Factors Ltd.
 - (ii) Damaged goods, \$80, were returned to Kimber & Sons.
 - (iii) A new delivery truck, \$20 000, was purchased on credit from Natsui Ltd.

REQUIRED

(a) Post the above transactions to the appropriate book of original entry below. A narrative is required in the general journal.

<u>Purchases Journal</u>		
Date	Details	Amount \$
.....		
.....		

<u>Purchases Returns Journal</u>		
Date	Details	Amount \$
.....		
.....		

<u>General Journal</u>				
Date	Details	Dr \$	Cr \$	
.....				
.....				
.....				
.....				
.....				[5]

Kimber & Sons have an opening credit balance of \$470 on 1 May 2005.

- (b) Record the relevant entries for transactions (i), (ii) and (iii) in the following ledger accounts.

Balance the account of Kimber & Sons and bring down the balance on 16 May 2005.

Gomez Factors Ltd account

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Kimber & Sons account

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Motor vehicles account

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.....[5]

- (c) Name the documents sent by the supplier, which would be used to enter transactions (i) and (ii) above.

- (i) Goods bought on credit

.....

.....[1]

- (ii) Return of damaged goods

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.....[1]

[Total: 12]

(b) Prepare the Profit and Loss Account for the partnership for the year ended 30 April 2005.

Profit and Loss Account for the year ended 30 April 2005

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.....[4]

(c) Prepare the Appropriation Account for the partnership for the year ended 30 April 2005

Appropriation Account for the year ended 30 April 2005

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.....[3]

(d) Draw up the capital account of each partner at 30 April 2005.

Asif Capital account

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Iqbal Capital account

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.....[8]

[Total: 20]

Question 3 is on the following page.

- 3 Mary Goswing is a trader. She does not operate a full double entry system but she does keep books of prime entry from which control accounts are prepared. The following information relates to the year ended 30 April 2005.

	\$
Debtors' control account balance 1 May 2004	24 000
Debtors' control account balance 30 April 2005	48 000
Receipts from debtors	120 000
Receipts from cash sales	18 000
Bad debt written off	4 000
Discount allowed	6 000

REQUIRED

- (a) Calculate the total sales for the year ended 30 April 2005.
Show **all** workings.

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.....[7]

(b) Explain **two** ways in which control accounts can be used by Mary Goswing in her business.

(i)
.....
.....
.....[2]

(ii)
.....
.....
.....[2]

(c) Suggest **two** limitations to the usefulness of control accounts in Mary Goswing's approach to record keeping.

(i)
.....
.....
.....[2]

(ii)
.....
.....
.....[2]

[Total: 15]

4 Carter Ltd is a manufacturing business. The following information relates to the year ended 30 April 2005.

	\$
Direct material	146 300
Direct labour	175 400
Factory overheads	83 800
Work in progress, 1 May 2004	10 000
Work in progress, 30 April 2005	10 000

REQUIRED

(a) Calculate

(i) Prime cost

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.....[3]

(ii) Factory cost of production

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.....[3]

(b) Explain the difference between direct costs and indirect costs.

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.....[4]

The directors of Carter Ltd ensure that they value work in progress following the accounting principles of going concern and prudence (conservatism).

REQUIRED

(c) (i) Explain **two** ways in which the going concern principle affects the value of work in progress.

(1)

.....

.....

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.....[2]

(2)

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.....[2]

(ii) Explain **two** ways in which the prudence (conservatism) principle affects the value of work in progress.

(1)
.....
.....
.....[2]

(2)
.....
.....
.....[2]

[Total: 18]

Answer Question 5 on pages 14 and 15 OR on separate multi-column accounting paper.

- 5 The following balances were extracted from the books of Sandy Marsh, a trader, on 30 April 2005.

	\$
Sales	196 300
Purchases	83 500
Wages and salaries	66 400
Rent and rates paid	9 900
Discount received	1 400
General expenses	21 100
Debtors	16 300
Creditors	6 800
Fixtures and fittings at cost	12 200
Provision for depreciation on fixtures and fittings at 1 May 2004	7 320
Stock at 1 May 2004	13 350
Cash at bank	970
Capital at 1 May 2004	25 000
Drawings	13 100

Additional information

1. Stock at 30 April 2005 was valued at \$12 600.
2. At 30 April 2005 rent prepaid was \$900.
3. Wages and salaries of \$5500 were accrued at 30 April 2005.
4. Fixtures and fittings are to be depreciated by 20% per annum on cost.
5. A provision for doubtful debts of 3% of debtors at 30 April 2005 is to be created.
6. The bank statement for the business was received on 30 April 2005. It included an entry of \$120 for bank charges. Sandy Marsh has not entered this item in her books.

REQUIRED

- (a) Prepare the Trading and Profit and Loss Accounts of Sandy Marsh for the year ended 30 April 2005. [17]
- (b) Prepare the Balance Sheet of Sandy Marsh as at 30 April 2005. [18]

[Total: 35]

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