

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

CANDIDATE NAME				
CENTRE NUMBER		CANDIDATE NUMBER		

1723824398

PRINCIPLES OF ACCOUNTS

7110/22

Paper 2 May/June 2013

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.



1 Jamie provided the following information on 1 May 2012.

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Use

	\$
Non-current assets at net book value	14000
Trade receivables	3012
Trade payables	1 2 9 8
Prepayment of insurance	260
Accrual for rent	350
Bank overdraft	324
Capital	?

REQUIRED

(a) Prepare an opening journal entry at 1 May 2012 to show the capital at that date. A narrative is required.

Journal

Debit \$	Credit \$

[4]

The following payments were made during the year.

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- 1 Insurance, \$840, including \$300 for the quarter ended 30 June 2013.
- 2 Rent, \$11350, not including \$1000 for the month of April 2013.

REQUIRED

(b)	Prepare the insurance account for the year ended 30 April 2013. Balance the account and bring down the balance at 1 May 2013.
	Insurance account
	[5]
(c)	Prepare the rent account for the year ended 30 April 2013. Balance the account and bring down the balance on 1 May 2013.
	Rent account
	[5]
(d)	State the accounting principle applied in (b) and (c) .
	[2]

(e)	Explain	the difference between o	capital receipts and r	evenue receipts.		For Examiner's Use
						000
(f)	Indicate	e by placing a tick (✓) v		are capital receipts		
(1)		e receipts.	Willow transactions t	are capital receipts	-	
	Т	ransaction	Capital receipt	Revenue receipt		
	C	Cash sales				
	L	oan from a bank				
	С	Discount received				
	C	Commission received				
	S	Sale of a motor vehicle				

[5]

[Total: 25]

2 John Given's trial balance at 31 May 2013 failed to agree and a suspense account for the difference, \$926 debit, was opened.

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The following errors were discovered:

- 1 Commission received, \$120, had been recorded in the account twice.
- 2 Total trade receivables were understated by \$824.
- A payment for insurance, \$650, had been correctly entered in the cash book, but recorded in the insurance account as \$560.
- 4 The total of the sales returns journal had been overcast by \$108.

REQUIRED

(a) Show the entries in the general journal to correct items 1 to 4 above. Narratives are not required.

Journal

Debit \$	Credit \$

[8]

(b)	Prepare the suspense account at 31 May 2013.	For
	Suspense account	Examiner's Use

(c)

Explain three types of errors not shown by a trial balance.	For
1	Examiner's Use
2	
3	
[6]	
	1

[Total: 18]

3 The following is an extract from David's wages book for January 2013.

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Wages book

Employee Number	Gross pay	Tax	Employee's Social Security	Employer's Social Security	Charitable Donations	Net pay
	\$	\$	Contributions \$	Contributions \$	\$	\$
001	2200	440	132	198	_	?
002	2600	520	156	234	25	?
Total	4800	960	288	432	25	?

REQUIRED

(a)	Calculate the net pay for:
	Employee 001
	Employee 002
	[5]
(b)	Calculate the total wages cost.
	[3]

(c)	State two methods used for recording hours worked.	For .
	1	Examiner's Use
	2[2]	
(d)	Explain a non-statutory deduction.	
	[1]	
	[Total: 11]	

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4

Baljit pro	Baljit provided the following information for the year ended 30 April 2013.				
		Inventory 1 May 2012 Inventory 30 April 2013 Cost of goods sold Administration expenses Selling expenses Capital employed 1 May 2012	\$ 14841 21159 90000 4890 7485 101250		
		Mark up	25%		
REQUIF	RED				
(a) Cal	culate for the	e year ended 30 April 2013:			
(i)	Sales				
an)				[2]	
(ii)	Purchases				
				[2]	
(iii)	Profit for th	e year			
				[2]	
				[2]	

(b) Calculate the following ratios. Comparative figures for the previous year are shown in the last column.

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	Workings	30 April 2013	30 April 2012
Gross profit margin (gross profit to sales)			25%
Net profit margin (net profit to sales)			11%
Rate of inventory turnover			8 times / 45.6 days
Return on capital employed (ROCE)			12%

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-	è	•	۱	

(c)	Give two comments on the performance of Baljit's business over the two years.
	1
	2
	[6]

(d)	Suggest three actions Baljit may take to improve her rate of inventory turnover.	For Examiner's
	1	Use
	2	
	3	
	[6]	
	[Total: 26]	

5 The following balances were extracted from the books of Patricia Chin on 31 March 2013.

	\$
Premises	67000
Fixtures and fittings (cost)	20000
Motor vehicle (cost)	18000
Provisions for depreciation:	
Premises	2680
Fixtures and fittings	9600
Motor vehicle	11520
Revenue	119140
Purchases	60200
Purchases returns	2900
Inventory at 1 April 2012	5430
Wages	20 960
General expenses	9100
Insurance	12600
Motor vehicle expenses	5670
Discount allowed	1 428
Discount received	884
Trade receivables	7546
Trade payables	4920
Provision for doubtful debts	800
Bank overdraft	2330
7% Bank loan (repayable 30 June 2018)	30000
Capital	56 000
Drawings	12840

Additional information

- 1 Inventory at 31 March 2013 was valued at \$4200.
- 2 Insurance relates to a period of fourteen months to 31 May 2013.
- 3 A motor vehicle repair bill \$225 was owing at 31 March 2013.
- 4 Bad debts of \$246 are to be written off.
- 5 During the year Patricia took \$800 from the bank for personal use. No record of this was made in the books.
- A purchase of fixtures and fittings during the year, \$2000, had been recorded in the general expenses account.
- 7 Premises are depreciated at 2% per annum on cost. Fixtures and fittings are depreciated at 8% per annum on cost. Motor vehicles are depreciated at 20% per annum using the diminishing (reducing) balance method.
- The provision for doubtful debts is to be maintained at 6% of trade receivables.

REQUIRED

(a) Prepare the income statement for the year ended 31 March 2013. [20]

(b) Prepare the balance sheet (statement of financial position) at 31 March 2013. [20]

[Total: 40]

Answer Question 5 on the following pages.

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