Name

# CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

# PRINCIPLES OF ACCOUNTS

7110/02

Paper 2

May/June 2003

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 11 and 12 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.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Examiner's Use		
1		
2		
3		
4		
5		
Total		

This document consists of 10 printed pages and 2 lined pages.

1 Peter Dlamini's Cash Book (bank column) had a debit balance of \$515 on 30 April 2003. This did not agree with the bank statement of the same date, which showed a balance of \$290.

The Cash Book was checked against the bank statement and the following differences were found:

- 1. Cheques totalling \$620 issued to creditors had not been presented to the bank for payment.
- 2. An amount of \$950 paid into the bank did not appear on the bank statement.
- 3. Cash sales deposited into the bank amounting to \$390 had been omitted from the Cash Book.
- 4. The bank had received \$150 by credit transfer (bank giro) from Klerk for Dlamini's account. Dlamini had not been advised.
- 5. A cheque for \$315 received from Joseph had been paid into the bank but it had now been returned unpaid. No action has been taken by Dlamini.
- 6. The following transaction by the bank had not been recorded in the Cash Book:

Bank charges \$120

## **REQUIRED:**

Prepare an up-dated and balanced Cash Book.	
	[6]

o)	the bank statement balance at 30 April 2003.
	[9]

2 N. Mann is a sole trader who does not keep the books of the business on the double entry system. However, the following information is available from the records:

	1 January 2002	31 December 2002
	\$	\$
Debtors	8 480	10 160
Creditors	7 560	6 200
Stock	4 360	5 640

All sales and purchases are made on a credit basis.

Receipts from debtors during the year ended 31 December 2002 amounted to \$54800.

Payments to creditors during the year ended 31 December 2002 amounted to \$32 640.

# **REQUIRED:**

(a)

Calculate the sales and purchases totals for the year ended 31 December 2002.
[8]

(b)	Give the basis for the valuation of stock. Suggest why businesses use this basis.
	[4]
(c)	Calculate the rate of stock turnover.
	[4]
(d)	Explain how Mann could use the information from (c).
	[4]

**3** The details of the capital structure of Mahon Ltd are as follows:

**Authorised Share Capital** 

3 000 000 ordinary shares of \$1 each 300 000 12% preference shares of \$1 each

300 000 10% preference shares of \$1 each

Issued Share Capital

800 000 ordinary shares of \$1 each, fully paid, issued on 15 May 1971 200 000 12% preference shares \$1 each, fully paid, issued on 15 May 1995 150 000 10% preference shares \$1 each, fully paid, issued on 30 June 2002 150 000 10% preference shares \$1 each, fully paid, issued on 31 December 2002

Loan Capital

\$400 000 10% debentures repayable 31 December 2009, issued on 1 January 1999

During the year ended 31 December 2002, the company made a trading profit of \$284 000 **before** payment of interest.

No interim dividends were paid during the year. The directors decided to pay the dividends due on the preference shares, to transfer \$50 000 to General Reserve, and to recommend a dividend of 15% on the ordinary shares.

The balance of profit brought forward from 2001 was \$10600.

#### **REQUIRED:**

(a)	Prepare the Profit and Loss Appropriation Account for the year ended 31 December 2002.
	[7]

(b)	Describe <b>three</b> features of <b>each</b> of the following different types of capital:			
	1.	Preference shares		
	2.	Debentures		

# Summarised Balance Sheet of W. Chell at 31 December 2002

			\$			\$
Fixed As Current A Stock Debto Cash	Assets Cors	29 000 12 200 1 800	37 400 43 000	Capital Net Profit  Drawings  Long Term Loan Current Liabilities Trade Creditors Accrued Expenses	25 000 1 600	60 000 18 800 78 800 30 000 48 800 5 000
			80 400			80 400
REQUIR	ED					
(a) Cald	culate as at	31 Decem	ber 2002:			
(i)	the Workin	g Capital				
						ופו
<b></b> .						[0]
(ii)	the owner's	s capital				
						[1]
(iii)	the Capital	Employed				
						[3]

rmation regarding the	years 2000 and 2001:	:	
	Working Conital	0 10 11	Not Duefit
	Working Capital \$	Owner's Capital \$	Net Profit \$
31 December 2000 31 December 2001	_		
	\$ 37 000 28 000  your calculations for	\$ 70 000 60 000  (a)(i) and (ii) and t	\$ 16 000 17 500 the information al
31 December 2001 Using the results of comment on the trend	\$ 37 000 28 000  your calculations for	\$ 70 000 60 000  (a)(i) and (ii) and t	\$ 16 000 17 500 the information al
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**5** A. Tree was in business as an import merchant and the following balances were extracted from his books on 31 December 2002:

	\$
Purchases	124 000
Sales	236 000
Wages	32 800
Motor Expenses	10 700
Sundry Expenses	600
Air Freight Charges on Purchases	20 200
Rent and Rates paid	11 200
Interest on loan from Sure	900
Loan from Sure at 1 January 2002	10 000
Creditors	10 280
Debtors	25 200
Stock at 1 January 2002	14 240
Fittings and Equipment	9 800
Motor Vehicles	44 000
Cash at Bank	4 360
Capital	61 720
Drawings	20 000

## Additional information:

- 1. Stock at 31 December 2002 was valued at \$17 920.
- 2. Motor vehicles are to be depreciated by 20%.
- 3. Interest on the loan by Sure is at the rate of 12% per annum and has been paid to 30 September 2002.
- 4. A provision for doubtful debts of 5% of debtors is to be made.
- 5. One-quarter of the wages was for staff employed in re-packaging the goods for sale.
- 6. Rates amounting to \$800 had been paid in advance for the year 2003.

# **REQUIRED:**

- (a) Prepare the Trading Account and the Profit and Loss Account for the year ended 31 December 2002. [19]
- **(b)** Prepare the Balance Sheet as at 31 December 2002. [15]

