

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.



Yan	ng is a supplier of goods to win. The following transactions took place in March 2012.				
Mai Mai	2 rch 1 rch 17 rch 20 rch 30	20% trade discount. Win returned goods purchased on 17 March, list price of \$200.			
RE	QUIRE	ED .			
(a)	Prepa	are the account of Win in the ledger of Yang.			
		Win account			
		[7]			
(b)		the name of the document that Yang would send to Win, following delivery of the s 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) S	State one purpose in preparing a trial balance.			
		[2]			

[Total: 20]

	Account	Debit or Credit	
	Capital	Credit	
	Provision for depreciation		
	Inventory		
	Bank (overdraft)		
	Wages		
			[4
State thre	e types of errors not revealed b	v the trial halance	
Otate tine	e types of entits not revealed b	y the that balance.	
	e types of enois not revealed b		
1			
1 2			
1 2 3			[3
1	pared the trial balance he discov	vered the following error:	·
1		vered the following error:	·
1	pared the trial balance he discov	vered the following error:	dited to Wilbur.
1	pared the trial balance he discover of goods to Wilbur, \$6 000, wa	rered the following error: s debited to sales and cre- ror. A narrative is not requ	dited to Wilbur. ired. Cr
1	pared the trial balance he discover of goods to Wilbur, \$6 000, wa	vered the following error: as debited to sales and cre- ror. A narrative is not requ	dited to Wilbur.
1	pared the trial balance he discover of goods to Wilbur, \$6 000, wa	rered the following error: s debited to sales and cre- ror. A narrative is not requ	dited to Wilbur. ired. Cr
1	pared the trial balance he discover of goods to Wilbur, \$6 000, wa	rered the following error: s debited to sales and cre- ror. A narrative is not requ	dited to Wilbur. ired. Cr

		4	
2		ı buys and sells goods on credit. The following March 2012:	g information is provided by her for the month
			\$
		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
	RE	QUIRED	
	(a)	Prepare the purchases ledger control acc showing the value of the purchases for the	count for the month of March 2012 clearly month.
		Purchases ledger co	ntrol account
			[8]
	(b)	State two benefits to Lau of maintaining co	ntrol accounts.
		1	

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	ne month of	March 2012.
				[2]
(d)		epare the journal entry for wages and statutory dec	luctions on	31 March 2012. A
		Journal		
			Dr \$	Cr \$
				[4]
				[Total: 19]

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

For Examiner's Use

	\$
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.

- 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.

RE	REQUIRED				
(b)	Pre	pare, 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			

For Examiner's Use

.....[3]

(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 ${\it two}$ differences between a receipts and payments account and an income and expenditure account.
	1
	2
	[4]
	[Total: 21]

4

Ash	ok p	ovided the following informat	ion for the year ended 31 March 2012:	For
		Revenue (sales) Inventory 1 April 2011 Inventory 31 March 2012	\$ 120 000 22 500 26 500	Examiner's Use
		Gross profit/sales Net profit/sales	20% 8%	
REC	QUIR	ED		
(a)	Cal	culate for the year ended 31 N	March 2012:	
	(i)	Cost of sales		
			[3]	
	(ii)	Purchases		
			[3]	
((iii)	Expenses		
			[3]	

(b)	Calculate to two decimal places the rate of inventory (stock) turnover for the year ended 31 March 2012.
	rol .
(c)	Suggest two ways in which Ashok might increase his rate of inventory (stock) turnover.
	1
	2
	ok is investigating a possible error in the valuation of the closing inventory on March 2012. The revised valuation may be \$30 000.
	Calculate the profit for the year if the closing inventory is valued at \$30 000.
(a)	State three disadventages of holding too much inventory.
(e)	State three disadvantages of holding too much inventory. 1
	2
	3
	[3]

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.

For Examiner's Use

incial year on or 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.
- 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

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.