Name

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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 multicolumn 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	
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Total	

www.papaCambridge.com 1 Peter Dlamini's Cash Book (bank column) had a debit balance of \$515 on 30 Aph This did not agree with the bank statement of the same date, which showed a balance \$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.
- The bank had received \$150 by credit transfer (bank giro) from Klerk for Dlamini's account. Dlamini had not been advised.
- A cheque for \$315 received from Joseph had been paid into the bank but it had now 5. 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:

(a)

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

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)	Prepare a correctly headed statement to reconcile the adjusted Cash Book balanthe bank statement balance at 30 April 2003.
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	L'OM
	[9]

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

	1 January 2002	31 December 2002
	\$	\$
Debtors	8 480	10 160
Creditors	7 560	6200
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 \$54 800.

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]

	5 Give the basis for the valuation of stock. Suggest why businesses use this basis.
	5
(Give the basis for the valuation of stock. Suggest why businesses use this basis.
	[4]
	Calculate the rate of stock turnover.
	[4]
	Explain how Mann could use the information from (c).
	[4]

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

Authorised Share Capital

3000000 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 three features of each of the following different types of capital:
 - Preference shares

	scribe three features of each of the following different types of capital: Preference shares Debentures
De	scribe three features of each of the following different types of capital:
1.	Preference shares
2.	Debentures
	[a]

Summarised Balance Sheet of W. Chell at 31 December 2002

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Summa	arised Bala	nce Sheet o	f W. Chell at 31 December 20) <u>002</u>	ocanh	Use
Fixed Assets Current Assets Stock Debtors Cash	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	idge.com
		80 400			80 400	
REQUIRED						
(a) Calculate as at	31 Decem	ber 2002:				
(i) the Workir	ng Capital					
					[3]	
(ii) the owner	s capital				[9]	
					[1]	
(iii) the Capita	l Employed					
					[3]	

				34	
		9		N.D.	1
)	Explain what the figure financial position at 3		and current liabilities	tell you about	OaCan
					[6]
fo	rmation regarding the				
	imation regarding the y	years 2000 and 2001:			
	imation regarding the y	years 2000 and 2001: Working Capital \$	Owner's Capital \$	Net Profit \$	
	31 December 2000 31 December 2001	Working Capital			
	31 December 2000 31 December 2001	Working Capital \$ 37 000 28 000 your calculations for	\$ 70 000 60 000 (a)(i) and (ii) and the control of	\$ 16 000 17 500 ne information al	
	31 December 2000 31 December 2001 Using the results of comment on the trend	Working Capital \$ 37 000 28 000 your calculations for	\$ 70 000 60 000 (a)(i) and (ii) and the control of	\$ 16 000 17 500 ne information al	
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	31 December 2000 31 December 2001 Using the results of comment on the trend	Working Capital \$ 37 000 28 000 your calculations for	\$ 70 000 60 000 (a)(i) and (ii) and the control of	\$ 16 000 17 500 ne information al	
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	31 December 2000 31 December 2001 Using the results of comment on the trend	Working Capital \$ 37 000 28 000 your calculations for	\$ 70 000 60 000 (a)(i) and (ii) and the control of	\$ 16 000 17 500 ne information al	
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c)	31 December 2000 31 December 2001 Using the results of comment on the trend	Working Capital \$ 37 000 28 000 your calculations for	\$ 70 000 60 000 (a)(i) and (ii) and the control of	\$ 16 000 17 500 ne information al	
	31 December 2000 31 December 2001 Using the results of comment on the trend	Working Capital \$ 37 000 28 000 your calculations for	\$ 70 000 60 000 (a)(i) and (ii) and the control of	\$ 16 000 17 500 ne information al	

www.PapaCambridge.com 5 A. Tree was in business as an import merchant and the following balances were ex from his books on 31 December 2002:

	\$
Purchases	124 000
Sales	236 000
Wages	32 800
Motor Expenses	10700
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:

- 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.
- 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.
- Rates amounting to \$800 had been paid in advance for the year 2003. 6.

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]

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