Name

www.PapaCambridge.com

CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

7110/02

Paper 2

October/November 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 any diagrams, graphs or rough working. Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer all questions.

Question 6 may be answered either in this booklet or on multi-column accounting paper.

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		
6		
TOTAL		

1 The balances given below were taken from the books of K. Lyon on 1 July 2003.

\$
Stationery 480 Dr.
Rent received 1 000 Cr.
M. Millan 640 Dr.

The following transactions took place during July 2003.

- July 3 Bought stationery \$160 on credit from Boss Supplies.
 - 4 Received a cheque from M. Millan for the amount due less 5% cash discount.
 - 8 Received \$100 rent in cash.
 - 11 Bought stationery \$220 by cheque.
 - 12 Sold goods to M. Millan on credit for \$360.
 - 23 Sent a credit note to M. Millan for \$30 for wrong goods supplied.
 - 25 Lyon was told that Millan was insolvent. He decided to write off her account as bad immediately.
 - 30 Received a cash refund of \$40 for unsatisfactory stationery returned.

Additional information:

- 1. The tenant of Lyon's premises had agreed to pay a monthly rental of \$100 from 1 August 2002.
- 2. The stock of stationery at 31 July 2003 was valued at \$210.
- 3. Lyon prepares his final accounts on 31 July 2003.

REQUIRED:

Prepare the following ledger accounts, balanced at 31 July 2003. Pay attention to dates and details. Include, where appropriate, the transfers to the Profit and Loss Account.

Station	iery account	L			
			 	•••••	 •••••
			 		 •••••
			 		 . [6]

	Rent received account	For
(b)	Rent received account	Examiner's Use
		Bride
		Se. COM
		`
	[4]	
(c)	M.Millan	
	[6]	
	[6]	

A Trial Balance was taken out for A. Suma on 31 August 2003. Unfortunately, 2 Balance failed to agree and a suspense account was opened for the difference.

Investigations revealed the following errors:

- www.papaCambridge.com A sale of goods worth \$910 to J. Lee had been correctly entered in the Sales Journal but had not been posted to Lee's account.
- A credit note for \$140 received from F. Kerry had been correctly entered in the appropriate journal but had been posted to Kerry's account as \$410.
- 3. Discounts allowed \$190 had been wrongly credited to the Discounts Received account. No entry had been made in the Discounts Allowed account.

REQUIRED:

(a) Prepare Journal entries, with narratives, to correct the above errors:

Details	Dr. \$	Cr. \$
		[10]

(b)	Draw up the Suspense account showing all the necessary corrections from (a) opening Trial Balance difference.
P. N	Moyo? Assume that the ledger accounts have been balanced and the final accou
P. N	
P. N prep	Moyo? Assume that the ledger accounts have been balanced and the final accounts
P. N prep	Moyo? Assume that the ledger accounts have been balanced and the final account pared.
P. N prep	Moyo? Assume that the ledger accounts have been balanced and the final account pared. Darien's account in the Purchases Ledger has a credit balance.
P. N prep (a)	Moyo? Assume that the ledger accounts have been balanced and the final account pared. Darien's account in the Purchases Ledger has a credit balance.
P. N prep (a)	Moyo? Assume that the ledger accounts have been balanced and the final account ared. Darien's account in the Purchases Ledger has a credit balance.
P. N prep (a)	Moyo? Assume that the ledger accounts have been balanced and the final account ared. Darien's account in the Purchases Ledger has a credit balance. P. Gee's account in the Sales Ledger has a credit balance.
P. M prep	Moyo? Assume that the ledger accounts have been balanced and the final account ared. Darien's account in the Purchases Ledger has a credit balance. P. Gee's account in the Sales Ledger has a credit balance.
P. N prep (a)	Darien's account in the Purchases Ledger has a credit balance.
P. M prep	Moyo? Assume that the ledger accounts have been balanced and the final account ared. Darien's account in the Purchases Ledger has a credit balance. P. Gee's account in the Sales Ledger has a credit balance.

	g information for the year e eserves Ltd, manufacturers o	•	30 September 2003	For Examiner's Use
		1 October 2002	30 September 2003	Tage
Stocks:	raw materialsjars, lids and labelsfinished goods	\$ 6800 10400 21000	10 000 21 600	COM
Purchases:	raw materialsjars, lids and labels		70 600 17 000	
Carriage on			365 000 36 800 29 200 11 400 11 000 12 600	

REQUIRED:

(a)

Prepare, in good style, the Manufacturing Account for the year ended 30 September 2003.

		7			For Examiner
					For Examiner Use
	•••••				Bride
					36
					[14]
Prepare the Trad	ing Account for	the year ended	30 September 2	2003.	[1 1]
Prepare the Trad	ing Account for	the year ended	30 September 2	2003.	
Prepare the Trad	ing Account for	the year ended	30 September 2	2003.	
Prepare the Trad	ing Account for	the year ended	30 September 2	2003.	
Prepare the Trad	ing Account for	the year ended	30 September 2	2003.	
Prepare the Trad	ing Account for	the year ended	30 September 2	2003.	

For Examiner's Use

5 Karl's final accounts for the year ended 31 December 2002 contain the following infol

	\$
Sales	116 000
Cost of sales	72 000
Expenses	23 000

Karl's assets and liabilities at the same date of 31 December 2002 were

224 000
16 000
14 000
13 000
9 000

Karl's brother, Matt, runs a similar business and the two brothers decided to compare results. Matt supplied the following ratios.

Ratio	Matt	Column (a)
Gross profit as a percentage of sales	34.1%	
Net profit as a percentage of sales	16.81%	
Net profit as a percentage of capital	10.33%	
Current ratio	2.15:1	
- CAUDED		

REQUIRED:

(a) Calculate

(i)	Karl's	aross	profit

Name gross prom	
	· • •
[1]
Karl's net profit	
[1]
	Karl's net profit

For Examiner's Use

	9 Complete column (a) in the table above to show the ratios for Karl's business. Calculation should be to two decimal places.
	9 add
(b)	Complete column (a) in the table above to show the ratios for Karl's business.
	Calculation should be to two decimal places.
	[4]
(c)	For each ratio suggest one possible reason for the difference between Karl's ratio and Matt's ratio.
	Gross profit as a percentage of sales
	Net profit as a percentage of sales
	Net profit as a percentage of capital
	Current ratio
	[4]

Jenny Lee is a trader and the following Trial Balance was extracted from her book 6 December 2002.

10		ted from her book Cr. \$ 648 000	er's
ee is a trader and the following Trial Balance ver 2002.	was extract	ted from her book	
	Dr. \$	Cr. \$	
Purchases and Sales	φ 474 000	648 000	.co.
	46 000	046 000	3
Stock, 1 January 2002 Debtors and Creditors	53 000	39 000	
Sundry expenses	16 600	39 000	
Carriage on purchases	2400		·
Equipment	9 000		
Delivery vehicle	33 000		
Rent and insurance	18 000		
Provision for doubtful debts, 1 January 2002	10000	1 200	
Bad debts	900	. 200	
Discounts received		5 500	
Wages and salaries	76 400		
Lighting and heating	8 000		
Bank	9 500		
Drawings	55 000		
Capital		108 100	
	801 800	801 800	

Additional information:

- 1. Stock at 31 December 2002 was valued at \$64 400.
- 2. \$700 was owing for sundry expenses at 31 December 2002.
- 3. The provision for doubtful debts is to be reduced to \$800.
- 4. Jenny Lee's imperfect attempt at the Delivery Vehicle account was entered in the ledger as follows:

		Delivery V	<u>'ehicle</u>		
		\$			\$
2002			2002		
Jan 1	Balance (old vehicle) b/d	12000	Jan 1	Cash (sale of old vehicle)	15 000
	Cash (cost of new		Dec 31	Balance c/d	33 000
	vehicle)	36 000			
		48 000			48 000
2003					
Jan 1	Balance b/d	33 000			

Jenny Lee wishes to charge depreciation on the new vehicle at 20% on cost.

During 2002, Lee took goods at cost, \$3000, from the business for her private use. 5. No entries were made in the books.

REQUIRED:

(a) Prepare the Trading and Profit and Loss Accounts for the year ended 31 December 2002. [19]

	For
	Examiner's
۱	1100

11 MANNA, POR AND	For Examiner's
Y CANA	Shick
	'Ge COM

ı	For
	Examiner's
	Hea

The state of the s	
12 MANN, DO HARCAN	For Examiner's
A Car	Use
	Shick
	36.CO
	377
	l I