

Candidate Name _____

Centre Number

Candidate

Number

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CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level
PRINCIPLES OF ACCOUNTS
PAPER 2

7110/2

MAY/JUNE SESSION 2002

1 hour 45 minutes

Additional materials:
Multi-column accounting paper

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

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.

INFORMATION FOR CANDIDATES

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.

FOR EXAMINER'S USE	
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TOTAL	

This question paper consists of 10 printed pages and 2 lined pages.



(b) Identify **two** advantages of preparing control accounts.

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- 3 Akin, a sole trader, provided the following information from his accounts for the year ended 31 December 2001:

	\$
Credit Sales for 2001	100 000
Credit Sales Returns for 2001	5 000
Total Debtors as at 1 January 2001	12 200
Provision for Doubtful Debts as at 1 January 2001	620

Cash Book Extract for the year ended 31 December 2001

Dr.	Discount	Cash	Bank	Bank	Cr.
Sales		8000		Debtors (Dishonoured cheques)	500
Debtors	2000		72 000		

The Cash Book extract figures are totals for the year.

The following points are also relevant:

1. \$700 of trade debtors were written off as Bad Debts on 20 June 2001.
2. A revised Provision for Doubtful Debts is to be 5% of the trade debtors balance at 31 December 2001.

- (a) Prepare the following ledger accounts for the year ended 31 December 2001. Where appropriate, show the closing entries to the Trading Account or the Profit and Loss Account.

- (i) Sales account

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- (ii) Total Debtors account (Sales Ledger Control account)

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(iii) Bad Debts account

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(iv) Provision for Doubtful Debts account

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(b) Identify and explain the relevance of **two** accounting concepts or principles that must be followed when setting a provision for doubtful debts.

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4 Mahon Sports Club had the following balances at 31 March 2001:

	\$
Furniture	1 200
Ground equipment	10 500
Rent owing	750
Subscriptions in arrears	500

A summary of the receipts and payments for the year ended 31 March 2002 is given below:

	Receipts		Payments
	\$		\$
Balances at 31.3.01		Rent of field and pavilion	2 250
Bank	4 000	Sundry expenses	17 300
Cash	200	Purchase of additional furniture	5 000
Entrance fees	600	Interest on bank overdraft	50
Subscriptions	18 300	Cash in hand at 31.3.02	300
Profit from discos	500		
Sale of ground equipment at book value	400		
Bank overdraft at 31.3.02	900		
	24 900		24 900

On 31 March 2002 subscriptions received in advance amounted to \$1300.

Depreciation of \$1200 on furniture and \$1250 on ground equipment is to be provided.

Entrance fees are treated as a capital receipt.

(a) Prepare the Subscription Account for the year ended 31 March 2002.

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Answer Question 5 on pages 11 and 12 or on separate multi-column accounting paper.

- 5 Trent and Calder are in partnership sharing profits and losses in the ratio 3:2 respectively.

Interest on capital is allowed at 10% per annum.

The following Trial Balance was extracted from the books of the partnership on 31 December 2001:

	Dr. \$	Cr. \$
Purchases	115 330	
Sales		184 200
General expenses	25 340	
Rates and insurance	13 440	
Land and buildings at cost	97 000	
Furniture at cost	7 200	
Provision for depreciation on furniture		1 440
Debtors	23 760	
Creditors		8 890
Cash at bank	5 400	
Petty cash in hand	240	
Stock, 1 January 2001	11 160	
Capital accounts, 1 January 2001		
– Trent		68 400
– Calder		60 000
Current accounts, 1 January 2001		
– Trent		1 200
– Calder		2 340
Drawings		
– Trent	16 800	
– Calder	10 800	
	326 470	326 470

The following additional information is available:

1. Stock on 31 December 2001 was valued at \$9720.
 2. Insurance paid in advance on 31 December 2001 amounted to \$240.
 3. A misplaced invoice for \$1440 for goods bought on credit, was found on 30 December. No entry has been made in the books in respect of the invoice.
 4. Furniture is depreciated at 20% per annum on cost.
 5. A provision for doubtful debts of \$1180 is to be created.
- (a) Prepare the partnership Trading and Profit and Loss Accounts and an Appropriation Account for the year ended 31 December 2001. [18]
- (b) Prepare a Balance Sheet as at 31 December 2001. [17]

