	Centre Number	Candidate Number
Candidate Name		

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

7110/2

PAPER 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 EXAM	NER'S USE
1	
2	
3	
4	
5	
TOTAL	

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

**1** A Mandy is a sole trader whose accounting year ends on 31 March. Two years' Balance Sheets are shown below:

	Year e	ended		Year	ended
	31.3.2001 \$	31.3.2002 \$		31.3.2001 \$	31.3.2002 \$
Capital Creditors	86 000 14 000	100 000 20 000	Fixed Assets Stock Debtors Bank	70 000 16 000 10 000 4 000	80 000 32 000 7 000 1 000
	100 000	120 000		100 000	120 000

You are given the following additional information:

For the year ended 31 March 2002

- Mandy's sales were \$600 000.
- Her Gross Profit was 20% of sales.
- Her Net Profit was 8% of sales.

(a) For the year e	ended 31	March 2002,	calculate	Mandy's
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- (i) cost of sales;
- (ii) purchases;
- (iii) expenses.

[5]

	(b)	Calculate the rate of stock turnover for Mandy's business for the year ended 31 March 2002.
		[3]
В		ndy's sister, Jean, runs a similar type of business in another part of the town during year ended 31 March 2002.
	Add	litional information:
		<ul> <li>Jean's rate of stock turnover is 25 times.</li> <li>Jean's sales are \$900 000 and give a Gross Profit margin of 15%.</li> <li>Her Net Profit is 6% of sales.</li> </ul>
	(i)	Compare the rate of stock turnover for Mandy and Jean. Suggest reason(s) for any difference(s) that you may identify.
	(ii)	Comment on the selling policies of Mandy and Jean and how they affect the results of the two businesses.
	•••••	
		[Q]

2 The following information was obtained from the books of Vale:

		Ф
1 March 2002	Debtors	9 506
1 Water 2002	Creditors	2580
	Oreditors	2300
31 March 2002	Credit sales	20 345
	* Credit purchases at list price	7 200
	* Purchases returns at list price	200
	Sales returns	120
	Cash and cheques received from debtors	19 580
	Customers' cheques dishonoured	250
	Cash and cheques paid to suppliers	5 170
	Discount received	190
	Discount allowed	210
	Interest charged to customers on overdue accounts	70
	Bad debts written off	155
	Balance in the Sales ledger set off against balance	
	in the Purchases ledger	350
	Cash refunds from suppliers for overpayments	60
	Debit balances in Purchases ledger	40
	Credit balances in Sales ledger	64
	rch. No other account is required.	

"	identify <b>two</b> advantages of preparing control accounts.	
		[4]

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

\$ 100 000

Credit Sales for 2001 Credit Sales Returns for 2001 5000 Total Debtors as at 1 January 2001 12200 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 Debtors	2000	8000	72 000	Debtors (Dishonoured cheques)	500	

The Cash Book extract figures are totals for the year.

The following points are also relevant:

- \$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
	[3]
(ii)	Total Debtors account (Sales Ledger Control account)

	(iii)	Bad Debts account
		[2]
	(iv)	Provision for Doubtful Debts account
		[2]
(b)		ntify and explain the relevance of <b>two</b> accounting concepts or principles that must be swed when setting a provision for doubtful debts.
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7110/2/M/J/02

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

\$

Furniture	1 200
Ground equipment	10500
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 Payments		
·	\$	·	\$	
Balances at 31.3.01		Rent of field and pavilion	2 2 5 0	
Bank	4 000	Sundry expenses	17 300	
Cash	200	Purchase of additional furniture	5 000	
Entrance fees	600	Interest on bank overdraft	50	
Subscriptions	18300	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.

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

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

Entrance fees are treated as a capital receipt.

	[4]

Prepare the income and Expenditure Account for the year ended 31 March 2002.
[9]

## 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	104.000
Sales General expenses		25 340	184 200
Rates and insurance		13 440	
Land and buildings at cost		97 000	
Furniture at cost		7200	
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	<ul><li>Trent</li></ul>		1200
	<ul><li>Calder</li></ul>		2340
Drawings	<ul><li>Trent</li></ul>	16800	
-	<ul><li>Calder</li></ul>	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]