

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

7110/02

Paper 2

May/June 2006

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.
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 multi-column accounting paper, attach your answer to Question 5 to this booklet.
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 **10** printed pages and **2** lined pages.



- (b) Prepare the bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 30 April 2006.

Kylie Johnson
Bank Reconciliation Statement as at 30 April 2006

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..... [7]

- (c) Explain how the following would appear in the ledger accounts of Kylie Johnson:

- (i) Bank overdraft;

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..... [2]

- (ii) Short term loan from the business to Kylie Johnson.

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..... [2]

[Total: 17]

3 Johann Schmidt provided the following information:

	1 May 2005	30 April 2006
	\$	\$
Fixed assets at cost	36 000	44 000
Accumulated depreciation	18 000	To be calculated
Current assets	16 000	15 000
Current liabilities	10 000	9 000
Long term liabilities	2 000	4 000

Johann Schmidt depreciates his fixed assets at 25% per annum on cost using the straight line method. No fixed assets were disposed of during the year.

Johann took drawings of \$8000 during the year.

REQUIRED

(a) Calculate the depreciation on fixed assets for the year ended 30 April 2006.

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 [2]

(b) Draw up a Statement of Affairs for Johann Schmidt as at 1 May 2005 and 30 April 2006.

(i) Statement of Affairs as at 1 May 2005

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 [4]

Working capital at 30 April 2006

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..... [1]

(ii) Comment on the change or otherwise in **each** of the following items between 1 May 2005 **and** 30 April 2006.

Working capital

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.....
.....
..... [2]

Long-term funding

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.....
.....
..... [3]

Fixed assets

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.....
.....
..... [4]

[Total: 25]

4 The following balances are included in Sam Chung's books of account:

	\$
Purchases	84 000
Wages	18 600
Fixtures and fittings	24 500
Investment income	900

REQUIRED

(a) Identify the revenue income, revenue expenditure and capital expenditure in the table below. Purchases has been completed as an example.

	\$	Revenue income	Revenue expenditure	Capital expenditure
Purchases	84 000		✓	
Wages	18 600			
Fixtures and fittings	24 500			
Investment income	900			

[3]

(b) Sam Chung included half of the purchases as capital expenditure in the accounts.

State the effect and the amount this error had on his net profit.

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..... [2]

[Total: 5]

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

- 5 Wall and Fence are in partnership sharing profits and losses in the ratio 2 : 1 respectively. The following trial balance was extracted from the books of the partnership on 30 April 2006:

	Dr \$	Cr \$
Sales		264 300
Purchases	121 200	
Rent, rates and insurance	14 600	
Wages and salaries	43 700	
Motor expenses	22 900	
Land and buildings at cost	110 600	
Motor vehicles at cost	48 000	
Provision for depreciation - motor vehicles		19 200
Stock at 1 May 2005	9 600	
Debtors	29 000	
Creditors		8 700
Bank	9 400	
Capital accounts 1 May 2005		
- Wall		80 000
- Fence		40 000
Current accounts 1 May 2005		
- Wall		12 600
- Fence		13 300
Drawings		
- Wall	12 800	
- Fence	16 300	
	<u>438 100</u>	<u>438 100</u>

Additional information:

- 1 Stock at 30 April 2006 was valued at \$10 100.
- 2 Wages and salaries of \$3700 were accrued at 30 April 2006.
- 3 A provision for doubtful debts of 2 % of debtors at 30 April 2006 is to be created.
- 4 Motor vehicles are to be depreciated by 40 % per annum using the diminishing (reducing) balance method. Depreciation is **not** charged on land and buildings.
- 5 Fence is entitled to a partnership salary of \$10 600 per annum.
- 6 Interest on capital is allowed at 5 % per annum.

REQUIRED

- (a) Prepare the partnership Trading and Profit and Loss Accounts and Appropriation Account for the year ended 30 April 2006. [18]

- (b) Prepare the partnership Balance Sheet as at 30 April 2006. [17]

[Total: 35]

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