



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

CANDIDATE  
NAME

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--



**PRINCIPLES OF ACCOUNTS**

**7110/02**

Paper 2

**May/June 2007**

**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 any diagrams or graphs.  
Do not use staples, paper clips, highlighters, glue or correction fluid.  
**DO NOT WRITE IN ANY BARCODES.**

Answer **all** questions.

Question **5** should be answered on pages **15** and **16** or on 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	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>Total</b>	

This document consists of **12** printed pages, **2** lined pages and **2** blank pages.



1 Sam Stryder received the following documents in the week ended 30 April 2007:

- 1 An invoice from Better Advertising for \$600.
- 2 A credit note from Rossi Rewards for \$20.
- 3 A cheque from Sanji Anwar, a customer, for \$150.

**REQUIRED**

(a) State the purpose of the three documents in 1 to 3 above. Name the book of prime entry in which Sam Stryder will enter each document.

(i) Invoice

Purpose .....

.....

Book of prime entry ..... [2]

(ii) Credit note

Purpose .....

.....

Book of prime entry ..... [2]

(iii) Cheque

Purpose .....

.....

Book of prime entry ..... [2]

The following information was obtained from the books of Sam Stryder.

		\$
1 April 2007	Debtors' balance	7 190
	Creditors' balance	4 120
30 April 2007	Credit sales for month	46 300
	Credit purchases for month	29 900
	Cash sales for month	14 360
	Cash purchases for month	9 750
	Sales returns for month	1 070
	Purchase returns for month	940
	Cheques received from debtors	38 900
	Cheques paid to creditors	28 100
	Discounts allowed	1 060
	Discounts received	760
	Balance in sales ledger set off against balance in purchases ledger	90
	Interest charged to customers on overdue accounts	20
	Interest charged by supplier on overdue account	10

**REQUIRED**

- (b) Select the appropriate items and prepare the purchases ledger control account for the month of April.

Sam Stryder  
Purchases ledger control account

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[9]

(c) State **two** uses of control accounts.

(i) .....  
..... [1]

(ii) .....  
..... [1]

**[Total: 17]**

**BLANK PAGE**

**Question 2 is on the following page.**



- (b) Make entries in the following sales ledger accounts to record the transactions on 29 April and 30 April 2007.

Iqbal account

29 April Balance b/d            72  
 .....  
 ..... [1]

Johnston account

29 April Balance b/d            148  
 .....  
 ..... [1]

Turner account

29 April Balance b/d            880  
 .....  
 .....  
 ..... [2]

- (c) Show the entries which would appear in the final accounts of Carson for bad debts and provision for doubtful debts.

Profit and Loss Account for the year ended 30 April 2007

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

Balance Sheet at 30 April 2007

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

- (d) Name **one** accounting principle which is applied in final accounts when making a provision for doubtful debts.

..... [1]

[Total: 16]

- 3 Falcon, a successful business, agreed to take over Sparrow. Their summarised balance sheets at 30 April 2007 were as follows:

Balance Sheet at 30 April 2007

	Falcon	Sparrow		Falcon	Sparrow
	\$	\$		\$	\$
Fixed assets	75 000	12 000	Capital	100 000	15 000
Stock	14 500	2 500	Creditors	19 000	1 500
Debtors	9 500	1 500			
Bank	<u>20 000</u>	<u>500</u>			
	<u>119 000</u>	<u>16 500</u>		<u>119 000</u>	<u>16 500</u>

It was agreed that Falcon would pay \$18 000 from the business bank account to take over all the assets and liabilities of Sparrow. The assets of Sparrow would be revalued as follows:

	\$
Fixed assets	12 500
Stock	2 400
Debtors	1 300

**REQUIRED**

- (a) Calculate the goodwill paid by Falcon on the takeover of Sparrow.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[5]





- 4 The trial balance of Tom Martin, after preparation of the trading account, was as follows:

Tom Martin  
Trial Balance at 30 April 2007

	Dr \$	Cr \$
Gross profit		110 400
Sundry expenses	84 640	
Stock at 30 April 2007	14 700	
Debtors	26 500	
Bank	11 100	
Fixed assets	90 000	
Drawings	16 600	
Provision for doubtful debts		1 900
Creditors		28 200
Capital		<u>103 040</u>
	<u>243 540</u>	<u>243 540</u>

Tom Martin's cost of sales for the year ended 30 April 2007 was \$257 600.

**REQUIRED**

- (a) Calculate the following for Tom Martin. Show your workings in the box provided.

		Workings	%
(i)	Gross profit/sales		
(ii)	Net profit/sales		
(iii)	Net profit/capital at start of year		

[9]

(b) Explain the importance of the following ratios to Tom Martin. Illustrate your explanation with reference to your calculations in (a) above.

(i) Gross profit/sales .....

.....

.....

.....

.....

..... [3]

(ii) Net profit/sales .....

.....

.....

.....

..... [2]

(iii) Net profit/capital at start of year .....

.....

.....

.....

..... [2]

(c) Calculate Tom Martin's working capital at 30 April 2007.

.....

.....

.....

.....

.....

.....

.....

..... [4]

**[Total: 20]**

**Question 5 is on the following page.**

**Answer Question 5 in this booklet or on separate sheets of paper.**

- 5 Marie Delaney is a trader. The following balances were extracted from her books on 30 April 2007.

	\$
Purchases	106 300
Carriage on purchases	2 450
Sales	197 600
Wages and salaries	33 600
Motor expenses	14 700
Rent and rates paid	22 620
Bank interest and charges	310
Interest paid on loan from Keiley	375
Discounts received	680
Sundry expenses	9 600
Loan from Keiley at 1 May 2006	10 000
Debtors	16 550
Creditors	7 975
Stock at 1 May 2006	8 620
Fixtures and equipment at cost	8 440
Motor vehicles at cost	12 400
Provision for depreciation of motor vehicles	4 960
Bank overdraft	8 450
Capital	21 475
Drawings	15 175

Additional information:

- 1 Stock at 30 April 2007 was valued at \$9920.
- 2 At 30 April 2007:
  - (i) Wages and salaries, \$3280, were accrued.
  - (ii) Rent, \$1620, was prepaid.
- 3 Depreciation is to be charged on fixtures and equipment at 25%.
- 4 Motor vehicles are to be depreciated using the diminishing (reducing) balance method at 40% per annum.
- 5 Marie Delaney pays back the loan at the rate of \$2000 per annum on 1 May each year. The balance of Marie Delaney's loan account at 30 April 2006 was \$12 000 and the amount in the list of balances above includes the repayment for 1 May 2006.

Interest is paid quarterly at the rate of 5% per annum on the outstanding balance at 1 May each year, after the annual repayment has been made.

**REQUIRED**

(a) Prepare the trading and profit and loss accounts for the year ended 30 April 2007. [21]

(b) Prepare the balance sheet at 30 April 2007. [14]

**[Total: 35]**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

