

Centre Number	Candidate Number	Name
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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.

For Examiner's Use	
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TOTAL	

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.

This document consists of **10** printed pages and **2** lined pages.

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.

(a) Stationery account

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(b) Rent received account

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..... [4]

(c) M.Millan

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(b) Draw up the Suspense account showing all the necessary corrections from **(a)** and the opening Trial Balance difference.

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3 What conclusions do you draw from the following information relating to the accounts of P. Moyo? Assume that the ledger accounts have been balanced and the final accounts prepared.

(a) Darien's account in the Purchases Ledger has a credit balance.

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..... [2]

(b) P. Gee's account in the Sales Ledger has a credit balance.

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(c) There is a debit balance on the Insurance account.

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(b) Prepare the Trading Account for the year ended 30 September 2003.

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- 5 Karl's final accounts for the year ended 31 December 2002 contain the following information.

	\$
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

	\$
Fixed assets	224 000
Stock	16 000
Debtors	14 000
Creditors	13 000
Bank overdraft	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	

REQUIRED:

- (a) Calculate

- (i) Karl's gross profit

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 [1]

- (ii) Karl's net profit

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 [1]

(b) Complete column (a) in the table above to show the ratios for Karl's business.

Calculation should be to **two** decimal places.

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(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

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Net profit as a percentage of sales

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Net profit as a percentage of capital

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Current ratio

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[4]

- 6 Jenny Lee is a trader and the following Trial Balance was extracted from her books on 31 December 2002.

	Dr. \$	Cr. \$
Purchases and Sales	474 000	648 000
Stock, 1 January 2002	46 000	
Debtors and Creditors	53 000	39 000
Sundry expenses	16 600	
Carriage on purchases	2 400	
Equipment	9 000	
Delivery vehicle	33 000	
Rent and insurance	18 000	
Provision for doubtful debts, 1 January 2002		1 200
Bad debts	900	
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:

		<u>Delivery Vehicle</u>			
		\$			\$
2002			2002		
Jan 1	Balance (old vehicle) b/d	12 000	Jan 1	Cash (sale of old vehicle)	15 000
	Cash (cost of new vehicle)	36 000	Dec 31	Balance c/d	33 000
		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.

5. During 2002, Lee took goods at cost, \$3000, from the business for her private use. 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]
- (b) Draw up the Balance Sheet as at 31 December 2002. [15]

