

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 October/November 2005

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 rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
Question 5 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	
1	
2	
3	
4	
5	
Total	

- 1 The following balances were taken from the books of Seafood Restaurant on 1 September 2005.

	\$	
King Prawn Supplies	1 080	Cr
Purchases	27 960	Dr
Tan's Tours Ltd	40	Dr
Stock	690	Dr

The following transactions took place during September 2005.

- 2 September Paid King Prawn Supplies the outstanding amount in full by cheque, after deducting 5% cash discount.
- 4 September Bought goods from King Prawn Supplies for \$150 cash.
- 7 September The balance on Tan's Tours Ltd's account was written off as a bad debt.
- 12 September Bought goods, \$600, on credit from King Prawn Supplies.
- 15 September Received credit note for \$60 from King Prawn Supplies.
- 23 September Bought goods, \$300, on credit from King Prawn Supplies.

Additional information

- (i) The stock was valued at \$130 on 30 September.
- (ii) Seafood Restaurant's financial year ends on 30 September 2005.

REQUIRED

Enter the above transactions in the following ledger accounts.

Close the accounts at 30 September 2005 by balancing the accounts or transferring to the Trading Account as appropriate.

Show dates and details.

(a) King Prawn Supplies account

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.....[7]

(b)

Purchases account

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.....[4]

(c)

Tan's Tours Ltd account

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.....[1]

(d)

Stock account

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.....[3]

[Total: 15]

- 2 Kirsty Stoner lost many financial records in a robbery but is able to provide the following information.

	1 October 2004
	\$
Fixed assets after depreciation	48 600
Current assets	20 300
Current liabilities	12 900
	30 September 2005
	\$
Fixed assets before depreciation for the year	53 200
Current assets	19 600
Current liabilities	21 300

Additional information

- (i) Kirsty took \$13 700 drawings during the year ended 30 September 2005.
- (ii) She depreciates fixed assets by 25% on the end of year balance.
- (iii) The provision for doubtful debts is to be increased by \$200 at 30 September 2005.

REQUIRED

- (a) Prepare the Statement of Affairs (this may be in the form of a Balance Sheet) for Kirsty Stoner at 1 October 2004.

Statement of Affairs as at 1 October 2004

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.....[2]

- (b)** Prepare the Statement of Affairs (this may be in the form of a Balance Sheet) for Kirsty Stoner, showing the net profit, or net loss, at 30 September 2005.

Statement of Affairs as at 30 September 2005

.....

[7]

- (c)** Kirsty has decided to take out a long-term business loan for \$5000. The money is to be added to the bank account (dr balance). Identify the immediate effects that this would have on the following items by ticking the appropriate boxes.

The first item has been completed as an example.

	Increase	Decrease	No change
(i) Long-term liabilities	✓		
(ii) Current assets			
(iii) Profit/loss			
(iv) Working capital			
(v) Turnover			

[4]

[Total: 13]

3 Donne Ltd has the following capital structure.

Authorised share capital

- 40 000 ordinary shares of \$1 each
- 40 000 5% preference shares of 25c each

Issued share capital

- 20 000 ordinary shares of \$1 each
- 40 000 5% preference shares of 25c each

Loan capital

\$10 000 6% debentures repayable 30 September 2008

REQUIRED

(a) Explain what is meant by authorised share capital.

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.....[2]

(b) Explain what is meant by issued share capital.

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.....[2]

(c) State **one** similarity and **one** difference between preference shares and debentures.

(i) Similarity

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(ii) Difference

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.....[4]

The directors of Donne Ltd have proposed an ordinary share dividend of 5% for the year.

REQUIRED

(d) Calculate the following:

(i) Total dividends (in \$) proposed on ordinary shares for the year

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(ii) Total interest payable on the debentures for the year

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(iii) Total dividends (in \$) payable on preference shares for the year

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.....[6]

(e) State how Donne Ltd would value the following in its Balance Sheet.

(i) Fixed assets.....

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(ii) Stock.....

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(iii) Trade debtors.....

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.....[3]

[Total: 17]

- 4 Celia Brookes is considering buying a business. She has received information about two businesses, Branch and Bough for the year ended 30 September 2005.

Branch	
	\$
Sales	50 000
Cost of sales	30 000
Expenses	12 500
Capital	37 500

REQUIRED

- (a) Calculate the following ratios for the year ended 30 September 2005 for Branch.

Use the space provided for your workings.

		WORKINGS	RATIOS
(i)	Gross profit/sales		
(ii)	Net profit/sales		
(iii)	Net profit/capital		

[6]

Bough	
Gross profit/sales	50%
Net profit/sales	10%
Net profit/capital	12.5%
Capital	\$80 000

REQUIRED

(b) Calculate the following for Bough for the year ended 30 September 2005.

Use the space provided for your workings.

		WORKINGS	AMOUNTS \$
(i)	Net profit		
(ii)	Sales		
(iii)	Gross profit		

[6]

(c) Use the information given and your answers to (a) and (b) to compare the performance of Branch and Bough under the following headings.

(i) Success in trading (buying and selling)

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(ii) Success in controlling expenses

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.....[3]

(iii) Success in employing capital

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.....[2]

[Total: 20]

Answer Question 5 in this booklet or on separate multi-column accounting paper

- 5 Karl Ward imports and sells furniture. The following balances were extracted from his books on 30 September 2005.

	\$	\$
Sales		137 900
Stock at 1 October 2004	6 900	
Purchases	41 200	
Carriage inwards	9 400	
Carriage outwards	1 300	
Wages and salaries	34 700	
Insurance	1 800	
Rent and rates paid	10 800	
Motor vehicle expenses	4 200	
General expenses	22 850	
Discounts received		800
Bank overdraft		700
Motor vehicles at cost	32 000	
Provision for depreciation of motor vehicles at 1 October 2004		16 000
Trade creditors		3 140
Drawings	17 690	
Capital at 1 October 2004		<u>24 300</u>
	<u>182 840</u>	<u>182 840</u>

Additional information

1. Stock at 30 September 2005 was valued at \$7500.
2. During the year Karl Ward took goods costing \$4300 for his own use. No entries have been made in the books.
3. Depreciation is to be charged on the motor vehicles using the diminishing (reducing) balance method at 50% per annum.
4. Wages and salaries, \$6800, were owing at 30 September 2005.
5. The amount for insurance represents insurance cover for the 18 month period from 1 October 2004 to 31 March 2006.

REQUIRED

- (a) Prepare the Trading and Profit and Loss Accounts of Karl Ward for the year ended 30 September 2005. [19]
- (b) Prepare the Balance Sheet of Karl Ward as at 30 September 2005. [16]

[Total: 35]

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