



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE
NAME

CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--



PRINCIPLES OF ACCOUNTS

7110/21

Paper 2

May/June 2012

2 hours

Candidates answer on the Question Paper.

No Additional Materials are required.

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.

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 **11** printed pages and **5** lined pages.



- 3 The following balances were extracted from the books of Trinity Social Club on 30 April 2012:

For
Examiner's
Use

	\$
Fixtures and fittings	1600
Donations income for the year	150
Subscriptions	1980
Rent	1400
Sales of refreshments	2500
General expenses	780
Purchases of refreshments	1150
Bank overdraft	100

REQUIRED

- (a) Complete the following trial balance at 30 April 2012 clearly showing the value of the accumulated fund.

Trinity Social Club
Trial Balance at 30 April 2012

	Debit	Credit
	\$	\$
Fixtures and fittings		
Donations income		
Subscriptions		
Rent		
Sales of refreshments		
General expenses		
Purchases of refreshments		
Bank overdraft		
Accumulated fund		

[5]

Additional information at 30 April 2012.

- 1 Subscriptions of \$25 were paid in advance and \$60 were in arrears.
- 2 An invoice for refreshment purchases, \$75, had not been entered in the books.
- 3 Inventory of refreshments \$430.
- 4 General expenses accrued \$170.
- 5 Fixtures and fittings were valued at \$1360.

*For
Examiner's
Use*

REQUIRED

(b) Prepare, for the year ended 30 April 2012:

(i) Subscriptions account. Balance the account on that date.

Subscriptions account

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

(ii) Refreshments trading account.

Refreshments Trading Account for year ended 30 April 2012

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

4 Ashok provided the following information for the year ended 31 March 2012:

	\$
Revenue (sales)	120 000
Inventory 1 April 2011	22 500
Inventory 31 March 2012	26 500
Gross profit/sales	20%
Net profit/sales	8%

REQUIRED

(a) Calculate for the year ended 31 March 2012:

(i) Cost of sales

.....

.....

.....

.....

.....

.....[3]

(ii) Purchases

.....

.....

.....

.....

.....

.....[3]

(iii) Expenses

.....

.....

.....

.....

.....

.....[3]

(b) Calculate to two decimal places the rate of inventory (stock) turnover for the year ended 31 March 2012.

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

(c) Suggest **two** ways in which Ashok might increase his rate of inventory (stock) turnover.

1

.....

2

.....[2]

Ashok is investigating a possible error in the valuation of the closing inventory on 31 March 2012. The revised valuation may be \$30 000.

(d) Calculate the profit for the year if the closing inventory is valued at \$30 000.

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

(e) State **three** disadvantages of holding too much inventory.

1

.....

2

.....

3

.....[3]

[Total: 20]

- 5 Thien has a retail business. The following balances were extracted from his books at the end of his financial year on 31 March 2012.

	\$	
Leasehold property – 25 years (cost)	50 000	
Equipment (cost)	54 000	
Provisions for depreciation:		
Leasehold property	10 000	
Equipment	17 000	
6% Bank loan repayable 31 December 2015	25 000	
Bank	5 150	Dr
Trade receivables	6 750	
Trade payables	4 010	
Provision for doubtful debts	700	
Revenue	78 580	
Purchases	18 240	
Purchase returns	1 600	
Inventory at 1 April 2011	4 690	
Equipment repairs	850	
Equipment running expenses	2 650	
General expenses	8 400	
Wages	15 300	
Insurance	3 640	
Power and water	2 300	
Advertising	5 100	
Discount allowed	1 650	
Discount received	330	
Capital at 1 April 2011	50 000	
Drawings	8 500	

Additional information at 31 March 2012

- 1 Inventory was valued at \$3870.
- 2 Thien took stock valued at \$450 for his own use.
- 3 Equipment running expenses, \$750, were accrued and insurance, \$1350, was prepaid.
- 4 The 6% bank loan was received on 1 December 2011.
- 5 An appropriate amount is to be written off the lease.
- 6 The purchase of additional equipment, \$10 000, had been omitted from the books. Payment was \$5000 by cheque with the remainder on credit.
- 7 Equipment is to be depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.
- 8 Provision for doubtful debts is to be maintained at 8% of trade receivables.

REQUIRED

- (a) Prepare the income statement for the year ended 31 March 2012. [20]
- (b) Prepare the balance sheet at 31 March 2012. [20]

[Total: 40]

