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| 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 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 should be answered on pages 14 and 15 or multi-column accounting paper. If you use multi-column accounting paper, attach your answer to Question 5 to this booklet.
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 Jackson Ltd had the following transactions on 15 May 2005.
- (i) Goods costing \$900 were bought on credit from Gomez Factors Ltd.
 - (ii) Damaged goods, \$80, were returned to Kimber & Sons.
 - (iii) A new delivery truck, \$20 000, was purchased on credit from Natsui Ltd.

REQUIRED

(a) Post the above transactions to the appropriate book of original entry below. A narrative is required in the general journal.

| <u>Purchases Journal</u> | | |
|--------------------------|---------|--------------|
| Date | Details | Amount \$ |
| | | |
| | | |

| <u>Purchases Returns Journal</u> | | |
|----------------------------------|---------|--------------|
| Date | Details | Amount \$ |
| | | |
| | | |

| <u>General Journal</u> | | | | |
|------------------------|---------|----------|----------|-----|
| Date | Details | Dr \$ | Cr \$ | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | [5] |

Kimber & Sons have an opening credit balance of \$470 on 1 May 2005.

- (b) Record the relevant entries for transactions (i), (ii) and (iii) in the following ledger accounts.

Balance the account of Kimber & Sons and bring down the balance on 16 May 2005.

Gomez Factors Ltd account

.....

.....

.....

Kimber & Sons account

.....

.....

.....

.....

.....

.....

.....

Motor vehicles account

.....

.....

.....[5]

- (c) Name the documents sent by the supplier, which would be used to enter transactions (i) and (ii) above.

- (i) Goods bought on credit

.....

.....[1]

- (ii) Return of damaged goods

.....

.....[1]

[Total: 12]

(d) Draw up the capital account of each partner at 30 April 2005.

Asif Capital account

.....

.....

.....

.....

.....

Iqbal Capital account

.....

.....

.....

.....

.....

.....[8]

[Total: 20]

Question 3 is on the following page.

(b) Explain **two** ways in which control accounts can be used by Mary Goswing in her business.

(i)
.....
.....
.....[2]

(ii)
.....
.....
.....[2]

(c) Suggest **two** limitations to the usefulness of control accounts in Mary Goswing's approach to record keeping.

(i)
.....
.....
.....[2]

(ii)
.....
.....
.....[2]

[Total: 15]

4 Carter Ltd is a manufacturing business. The following information relates to the year ended 30 April 2005.

| | |
|---------------------------------|---------|
| | \$ |
| Direct material | 146 300 |
| Direct labour | 175 400 |
| Factory overheads | 83 800 |
| Work in progress, 1 May 2004 | 10 000 |
| Work in progress, 30 April 2005 | 10 000 |

REQUIRED

(a) Calculate

(i) Prime cost

.....

.....

.....

.....

.....

.....[3]

(ii) Factory cost of production

.....

.....

.....

.....

.....

.....[3]

(ii) Explain **two** ways in which the prudence (conservatism) principle affects the value of work in progress.

(1)
.....
.....
.....[2]

(2)
.....
.....
.....[2]

[Total: 18]

Answer Question 5 on pages 14 and 15 OR on separate multi-column accounting paper.

- 5 The following balances were extracted from the books of Sandy Marsh, a trader, on 30 April 2005.

| | \$ |
|--|---------|
| Sales | 196 300 |
| Purchases | 83 500 |
| Wages and salaries | 66 400 |
| Rent and rates paid | 9 900 |
| Discount received | 1 400 |
| General expenses | 21 100 |
| Debtors | 16 300 |
| Creditors | 6 800 |
| Fixtures and fittings at cost | 12 200 |
| Provision for depreciation on fixtures and fittings at 1 May 2004 | 7 320 |
| Stock at 1 May 2004 | 13 350 |
| Cash at bank | 970 |
| Capital at 1 May 2004 | 25 000 |
| Drawings | 13 100 |

Additional information

1. Stock at 30 April 2005 was valued at \$12 600.
2. At 30 April 2005 rent prepaid was \$900.
3. Wages and salaries of \$5500 were accrued at 30 April 2005.
4. Fixtures and fittings are to be depreciated by 20% per annum on cost.
5. A provision for doubtful debts of 3% of debtors at 30 April 2005 is to be created.
6. The bank statement for the business was received on 30 April 2005. It included an entry of \$120 for bank charges. Sandy Marsh has not entered this item in her books.

REQUIRED

- (a) Prepare the Trading and Profit and Loss Accounts of Sandy Marsh for the year ended 30 April 2005. [17]
- (b) Prepare the Balance Sheet of Sandy Marsh as at 30 April 2005. [18]

[Total: 35]

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