

CANDIDATE
NAME

CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--



PRINCIPLES OF ACCOUNTS

7110/22

Paper 2

October/November 2019

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 an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, 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.

This document consists of **19** printed pages and **1** blank page.



- 1 Sairah is a retailer of garden furniture. The following ledger account appeared in her books on 31 August 2019.

Wootton account

Date	Details	Debit	Credit	Balance
2019		\$	\$	\$
August 1	Balance b/d			263 Dr
8	Sales	70		333 Dr
10	Sales returns		9	324 Dr
15	Bank		144	180 Dr
15	Discount		6	174 Dr

REQUIRED

- (a) (i) Name the type of ledger accounts prepared by Sairah showing a balance after each transaction.
 [1]
- (ii) Name the subdivision of Sairah's ledger in which the account of Wootton would appear.
 [1]
- (iii) Name the document sent by Sairah to Wootton on 10 August.
 [1]
- (iv) Name the type of discount taken by Wootton on 15 August.
 [1]
- (v) Calculate the percentage discount taken by Wootton on 15 August.

 [1]
- (vi) Name the document which would be sent by Sairah to Wootton on 31 August detailing the transactions for the month.
 [1]

(b) Complete the following table. For **each** transaction name the book of prime (original entry), the account to be debited, the account to be credited and the effect on capital. The first item has been completed as an example.

	book of prime (original) entry	account debited	account credited	effect on capital \$
sold goods on credit to Win, \$300 (cost \$210)	<i>Sales journal</i>	<i>Win</i>	<i>Sales</i>	<i>+90</i>
paid wages in cash, \$750				
purchased a new computer system, \$1500, on credit from CW Limited				
received goods returned which had been sold on credit to Wendy, \$150 (cost \$80)				

[12]

Sairah uses ICT (Information Communication Technology) to maintain her book-keeping records.

REQUIRED

(c) State **two** advantages of using ICT (Information Communication Technology).

- 1
-
-
- 2
-
-

[2]

[Total: 20]

2 Karthik extracted the following trial balance from his books on 30 September 2019.

Trial Balance at 30 September 2019

	Debit	Credit
	\$	\$
Revenue		18 000
Purchases	15 500	
Capital		1 200
Drawings	1 050	
General expenses	1 720	
Rent payable	200	
Fixtures (at cost)	700	
Provision for depreciation of fixtures		420
Trade receivables	1 750	
Trade payables		2 100
Balance at bank	200	
Inventory 1 October 2018	600	
	<u>21 720</u>	<u>21 720</u>

On inspection of the books Karthik found the following errors.

- 1 Purchases on credit from Hannah, \$600, had been recorded in the book of prime (original) entry and the account of Hannah as \$900.
- 2 Rent payable of \$450 had been posted to the general expenses account.
- 3 The purchase of fixtures, \$800, had been recorded in the general expenses account.
- 4 A sale of goods on credit to Roy, \$500, had been debited to the sales account and credited to Roy's account.

(c) Prepare the corrected trial balance at 30 September 2019.

Corrected Trial Balance at 30 September 2019

	Debit	Credit
	\$	\$
Revenue		
Purchases		
Capital		
Drawings		
General expenses		
Rent payable		
Fixtures (at cost)		
Provision for depreciation of fixtures		
Trade receivables		
Trade payables		
Balance at bank		
Inventory 1 October 2018		

[8]

[Total: 20]

3 ABC Limited has ordinary share capital consisting of 150 000 shares of \$1 each.

The following is an extract from the statement of changes in equity for ABC Limited for the year ended 31 August 2019.

ABC Limited
Statement of Changes in Equity for the year ended 31 August 2019

	Ordinary share capital	General reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance 1 September 2018	150 000	25 000	56 000	?
Profit for the year			32 000	32 000
Interim dividend for the year			(3 000)	(3 000)
Final dividend for the year			(4 500)	(4 500)
Transfer to general reserve		20 000	(20 000)	
Balance 31 August 2019	?	?	?	?

Additional balances at 31 August 2019

	\$
Trade payables	17 500
Current assets	72 500
Other payables	3 000
5% Debentures (repayable 2025)	50 000
Non-current assets	280 000
4% Bank loan (repayable 2022)	20 000
Bank overdraft	6 500

REQUIRED

(a) State the difference between called-up share capital and paid-up share capital.

.....

.....

.....

.....

.....

.....

.....

..... [2]

(b) State **three** differences between debentures and ordinary shares.

1

.....

2

.....

3

.....

[6]

(c) Calculate the total:

(i) equity of ABC Limited on 1 September 2018

.....

.....

..... [1]

(ii) dividend paid on ordinary shares in cents per share.

.....

.....

.....

..... [2]

(d) State **one** possible reason why ABC Limited would make a transfer to the general reserve.

.....

..... [1]

4 Rani is in business buying and selling goods on credit.

She provided the following information.

At 1 October 2017	\$
Capital	75 000
Bank loan (repayable 2023)	40 000

For the year ended 30 September 2018	
Expenses	65 000
Profit for the year	15 000

Mark-up 25%

Rani did not make any drawings during the year.

REQUIRED

(a) Calculate the following for the year ended 30 September 2018.

	Workings	Answer
Revenue		
Percentage of profit for the year to revenue (to two decimal places)		
Percentage return on capital employed (to two decimal places) Use the capital employed at 30 September 2018		

[6]

Rani is concerned about the level of her profitability. She decided to increase the mark-up to 50% on her goods for the year ended 30 September 2019.

The following information is available for the year ended 30 September 2019.

	\$
Purchases	212 000
Expenses	60 000
Inventory at 1 October 2018	36 000
Inventory at 30 September 2019	28 000

(d) Name the accounting principle/concept being applied by Rani in the following situations.

	Principle/concept
Rani always ensures that her personal transactions are not recorded in the business accounting records.	
Rani does not calculate annual depreciation on low-value office equipment items such as staplers.	
Rani requires reports on the progress of the business at regular intervals.	
Rani's assets and expenses are recorded in the ledger accounts at their actual cost.	

[4]

[Total: 20]

PLEASE TURN OVER

5 The following balances were extracted from the books of B Manufacturing on 30 September 2019.

	\$	
Inventory at 1 October 2018		
Raw materials	7 900	
Work in progress	18 000	
Finished goods	31 000	
Capital	160 000	
Drawings	50 000	
Revenue	475 000	
Purchases of raw materials	47 000	
Purchases of finished goods	71 000	
Production management salaries	29 500	
Administrative wages and salaries	117 550	
Factory wages	55 300	
Insurance	9 000	
Rent payable	30 000	
Commission receivable	8 750	
Direct expenses	10 100	
General expenses	12 000	
Building repairs	18 000	
Selling and distribution expenses	14 200	
Trade payables	21 900	
Bank	11 100	Debit
Non-current assets (at cost)		
Factory machinery	90 000	
Office fixtures	70 000	
Provisions for depreciation at 1 October 2018		
Factory machinery	26 000	
Office fixtures	36 000	
Provision for doubtful debts	6 000	
Trade receivables	42 000	

Additional information at 30 September 2019

1 Inventory

	\$
Raw materials	6 400
Work in progress	20 200
Finished goods	34 300

2 Expenses are to be apportioned to the factory and the office as follows:

	Factory	Office
Insurance	60%	40%
Rent payable	75%	25%
General expenses	10%	90%
Building repairs	70%	30%

3 Commission receivable of \$1200 was due.

4 Selling and distribution expenses prepaid were \$750.

5 Depreciation is to be charged on all non-current assets owned at the end of the year as follows.

factory machinery at 20% per annum using the diminishing (reducing) balance method
office fixtures at 10% per annum using the straight-line method.

6 The provision for doubtful debts is to be maintained at the rate of 5%.

7 A cheque, \$2800, paid to a trade payable had not been recorded in the books.

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.