Centre Number	Candidate Number	Name

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS **7110/02**

Paper 2

May/June 2006

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.
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 **11** and **12** or multi-column accounting paper. If you use multi-column accounting paper, attach your answer to Question 5 to this booklet.
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.

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1	
2	
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Total	

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

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UNIVERSITY *of* CAMBRIDGE
International Examinations

1 Kylie Johnson's cash book (bank columns) had a debit balance of $460 on 30 April 2006. The bank statement at the same date showed that Kylie had a balance at the bank of $323.

On checking the cash book against the bank statement the following differences were found.

1 A debtor, Nancy Tan, paid $80 directly into the bank. This had not been recorded in the cash book.

2 Bank charges, $50, were included on the bank statement but had not been recorded in the cash book.

3 Insurance paid, $32, was recorded on the bank statement but not in the cash book.

4 A cheque, $140, sent to a creditor had not yet been presented to the bank for payment.

5 A transfer of $125 from the business bank account to Kylie's private bank account had been entered in the cash book but not on the bank statement.

6 An amount of $400 paid into the bank on 29 April did not appear on the bank statement.

REQUIRED

(a) Starting with the balance on 30 April 2006, update the cash book and bring down the amended balance.

Kylie Johnson

Dr Cash Book (bank columns) Cr

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.... [6]

(b) Prepare the bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 30 April 2006.

Kylie Johnson
Bank Reconciliation Statement as at 30 April 2006

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.... [7]

(c) Explain how the following would appear in the ledger accounts of Kylie Johnson:

(i) Bank overdraft;

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(ii) Short term loan from the business to Kylie Johnson.

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.... [2]

[Total: 17]

2 The treasurer of Sands Social Club did not keep proper accounting records. The following information was available at 30 April 2006:

1 At 1 May 2005 subscriptions paid in advance amounted to $210 and subscriptions in arrears were $150.

2 Receipts during the year ended 30 April 2006:

			$
(i)	Subscriptions	– for year ended 30 April 2005	150 (in arrears)
		– for year ended 30 April 2006	1400
		– for year ended 30 April 2007	75 (in advance)

(ii) Sale of refreshments $4620

3 Payments during the year ended 30 April 2006:

		$
(i)	Purchase of refreshments	3250
(ii)	Rent	1200
(iii)	Insurance	240

(iv) Any other expenses are to be treated as sundry expenses.

Additional information:

	1 May 2005	30 April 2006
	$	$
Stock of refreshments	270	330
Balance at bank	790	840

All receipts and payments were made through the bank account.

REQUIRED

(a) Prepare the Subscriptions account for the year ended 30 April 2006.

Sands Social Club

Dr Subscriptions account Cr

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(b) Calculate the profit made on the sale of refreshments.

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(c) Prepare the Receipts and Payments Account for the year ended 30 April 2006.

Receipts and Payments Account for the year ended 30 April 2006

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(d) Explain why the figure for subscriptions in the Receipts and Payments Account might be different from the subscriptions figure in the Income and Expenditure Account.

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[Total: 18]

3 Johann Schmidt provided the following information:

	1 May 2005 $	30 April 2006 $
Fixed assets at cost	36 000	44 000
Accumulated depreciation	18 000	To be calculated
Current assets	16 000	15 000
Current liabilities	10 000	9 000
Long term liabilities	2 000	4 000

Johann Schmidt depreciates his fixed assets at 25% per annum on cost using the straight line method. No fixed assets were disposed of during the year.

Johann took drawings of $8000 during the year.

REQUIRED

(a) Calculate the depreciation on fixed assets for the year ended 30 April 2006.

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(b) Draw up a Statement of Affairs for Johann Schmidt as at 1 May 2005 **and** 30 April 2006.

(i) Statement of Affairs as at 1 May 2005

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(ii) Statement of Affairs as at 30 April 2006

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(c) Calculate Johann Schmidt's net profit or loss for the year ended 30 April 2006.

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(d) (i) Calculate the working capital of Johann Schmidt at 1 May 2005 **and** 30 April 2006.

Working capital at 1 May 2005

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Working capital at 30 April 2006

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(ii) Comment on the change or otherwise in **each** of the following items between 1 May 2005 **and** 30 April 2006.

Working capital

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Long-term funding

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Fixed assets

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[Total: 25]

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4 The following balances are included in Sam Chung's books of account:

	$
Purchases	84 000
Wages	18 600
Fixtures and fittings	24 500
Investment income	900

REQUIRED

(a) Identify the revenue income, revenue expenditure and capital expenditure in the table below. Purchases has been completed as an example.

	$	Revenue income	Revenue expenditure	Capital expenditure
Purchases	84 000		✓	
Wages	18 600			
Fixtures and fittings	24 500			
Investment income	900			

[3]

(b) Sam Chung included half of the purchases as capital expenditure in the accounts.

State the effect and the amount this error had on his net profit.

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.... [2]

[Total: 5]

Answer Question 5 on pages 11 and 12 or on separate multi-column accounting paper.

5 Wall and Fence are in partnership sharing profits and losses in the ratio 2 : 1 respectively. The following trial balance was extracted from the books of the partnership on 30 April 2006:

		Dr $	Cr $
Sales			264 300
Purchases		121 200	
Rent, rates and insurance		14 600	
Wages and salaries		43 700	
Motor expenses		22 900	
Land and buildings at cost		110 600	
Motor vehicles at cost		48 000	
Provision for depreciation	- motor vehicles		19 200
Stock at 1 May 2005		9 600	
Debtors		29 000	
Creditors			8 700
Bank		9 400	
Capital accounts 1 May 2005			
	- Wall		80 000
	- Fence		40 000
Current accounts 1 May 2005			
	- Wall		12 600
	- Fence		13 300
Drawings	- Wall	12 800	
	- Fence	16 300	
		438 100	438 100

Additional information:

1 Stock at 30 April 2006 was valued at $10 100.

2 Wages and salaries of $3700 were accrued at 30 April 2006.

3 A provision for doubtful debts of 2 % of debtors at 30 April 2006 is to be created.

4 Motor vehicles are to be depreciated by 40 % per annum using the diminishing (reducing) balance method. Depreciation is **not** charged on land and buildings.

5 Fence is entitled to a partnership salary of $10 600 per annum.

6 Interest on capital is allowed at 5 % per annum.

REQUIRED

(a) Prepare the partnership Trading and Profit and Loss Accounts and Appropriation Account for the year ended 30 April 2006. [18]

(b) Prepare the partnership Balance Sheet as at 30 April 2006. [17]

[Total: 35]

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