

Candidate Name _____

Centre Number

Candidate

Number

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CAMBRIDGE INTERNATIONAL EXAMINATIONS

**Joint Examination for the School Certificate
and General Certificate of Education Ordinary Level**

PRINCIPLES OF ACCOUNTS

PAPER 2

7110/2

OCTOBER/NOVEMBER SESSION 2002

1 hour 45 minutes

Additional materials:

Answer paper

Multi-column accounting paper

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

Question **6** should be answered on separate answer paper or multi-column accounting paper. Attach your answer to Question **6** to this booklet.

INFORMATION FOR CANDIDATES

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	
6	
TOTAL	

This question paper consists of 11 printed pages and 1 blank page.

- Prepare journal entries to correct the above omissions and errors. Narrations are not required:

[illegible]

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.....[10]

You may use the rest of this page for workings.

- 2 Rubble has provided the following information about his business:

Years	2000	2001
	\$	\$
Sales	900 000	840 000
Gross Profit	300 000	210 000
Expenses	150 000	180 000
Net profit	150 000	30 000

- (a) (i) Complete each of the following statements:

In 2001, compared to 2000:

- Gross profit has decreased by \$ and net profit has decreased by \$
- Gross profit as a percentage of sales has decreased from% to% and net profit as a percentage of sales has decreased from% to%.
- Expenses as a percentage of sales have increased from% to%.

[4]

- (ii) Using your answers from (i), suggest **three** actions Rubble could take to improve his net profit for 2002.

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Rubble also provides the following information about his stock turnover:

Years	2000	2001
Rate of stock turnover	10 times	8 times

- (b) (i) Explain **two** possible reasons for the fall in the rate of stock turnover.

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- (ii) Suggest **two** reasons why Rubble should calculate his rate of stock turnover every year.

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- (iii) Recommend **two** courses of action Rubble could take to improve his rate of stock turnover.

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.....[2]

- | | Hill | Dale | | Hill | Dale |
|-----------|----------------|---------------|-----------|----------------|---------------|
| | \$ | \$ | | \$ | \$ |
| Buildings | 50 000 | 40 000 | Capital | 120 000 | 66 000 |
| Equipment | 35 000 | 22 000 | Loan | | 20 000 |
| Stock | 23 000 | 14 500 | Creditors | 10 000 | 5 000 |
| Debtors | 16 000 | 18 500 | Bank | | 4 000 |
| Bank | 6 000 | | | | |
| | <u>130 000</u> | <u>95 000</u> | | <u>130 000</u> | <u>95 000</u> |

1. The partnership should take over all the assets and liabilities of the two businesses except the buildings belonging to Hill and the loan owed by Dale.
2. Goodwill was to be valued at \$15 000 for Hill and \$12 000 for Dale.
3. Equipment should be revalued at \$30 000 for Hill and \$25 000 for Dale.
4. \$500 should be written off Dale's debtors as bad debts.
5. All other items were to be taken over by the partnership of Hill and Dale at their Balance Sheet values.

- [illegible]

- (b)** Prepare the partnership Balance Sheet of Hill and Dale at 1 January 2002.

[5]

- (c)** Give a brief explanation of the meaning of Goodwill.

[3]

[7]

- (b) Starting with the original balance, prepare a revised Sales Ledger Control account.

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|-----------------|----------------|----|
| | | \$ |
| Current assets: | | |
| Stock | 290 000 | |
| Debtors | 122 000 | |
| Cash at bank | 18 000 | |
| | <u>430 000</u> | |

Trade creditors	250 000
Accrued expenses	16 000
	<u>266 000</u>

.....[5]

Answer Question 6 on separate answer paper or multi-column accounting paper.

- 6** Justine is a manufacturer of beauty products. The following balances were extracted from her books on 31 December 2001 after the Manufacturing Account had been prepared.

	\$	\$
Stocks Raw Materials (31 December 2001)	3 530	
Work in Progress (31 December 2001)	1 450	
Finished Products (1 January 2001)	11 200	
Cost of products manufactured	103 780	
Sales of finished goods		137 560
Carriage on sales	1 230	
Advertising	3 410	
Sales staff's commission	8 970	
Office expenses	11 860	
Bank charges	60	
Plant and machinery	51 410	
Provision for depreciation on Plant and Machinery		9 030
Trade debtors	13 600	
Trade creditors		5 210
Provision for doubtful debts (1 January 2001)		310
Bad debts	460	
Cash in hand	90	
Bank overdraft		1 740
Capital		60 450
Drawings	3 250	
	<u>214 300</u>	<u>214 300</u>

The following additional information is available.

1. Stock of finished products at 31 December 2001 was valued at \$10 640.
 2. During the year, Justine took finished products valued at \$600 from the current year's production for personal use. No entries had been made in the books.
 3. Sales staff's commission outstanding amounted to \$390.
 4. The provision for doubtful debts is to be adjusted to 5% of debtors.
 5. \$50 for bank charges had not been recorded in the books.
- (a)** Prepare Justine's Trading and Profit and Loss Accounts for the year ended 31 December 2001. [17]
- (b)** Prepare the Balance Sheet as at 31 December 2001. [17]

