| Centre Number Candidate Number | | Name |
|--------------------------------|----------|------|
| | <u> </u> | |

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

7110/02

Paper 2

October/November 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 may be answered either in this booklet or on multi-column accounting paper.

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 | |

This document consists of 11 printed pages, 2 lined pages and 3 blank pages.

1 The following balances were taken from the books of Seafood Restaurant on 1 September 2005.

| | \$ |
|---------------------|-----------|
| King Prawn Supplies | 1 080 Cr |
| Purchases | 27 960 Dr |
| Tan's Tours Ltd | 40 Dr |
| Stock | 690 Dr |

The following transactions took place during September 2005.

| 2 September | Paid King Prawn Supplies the outstanding amount in full by cheque, after |
|--------------|--|
| | deducting 5% cash discount. |
| 4 September | Bought goods from King Prawn Supplies for \$150 cash. |
| 7 September | The balance on Tan's Tours Ltd's account was written off as a bad debt. |
| 12 September | Bought goods, \$600, on credit from King Prawn Supplies. |
| 15 September | Received credit note for \$60 from King Prawn Supplies. |
| 23 September | Bought goods, \$300, on credit from King Prawn Supplies. |

Additional information

- (i) The stock was valued at \$130 on 30 September.
- (ii) Seafood Restaurant's financial year ends on 30 September 2005.

REQUIRED

(a)

Enter the above transactions in the following ledger accounts.

Close the accounts at 30 September 2005 by balancing the accounts or transferring to the Trading Account as appropriate.

Show dates and details.

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| (b) | <u>Purchases account</u> |
|-----|--------------------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | [4] |
| (c) | Tan's Tours Ltd account |
| | |
| | |
| | |
| | [1] |
| (d) | Stock account |
| | |
| | |
| | |
| | |
| | [3] |
| | [Total: 15] |
| | [10(a), 19] |

2 Kirsty Stoner lost many financial records in a robbery but is able to provide the following information.

| | 1 October 2004 |
|---------------------------------|----------------|
| | \$ |
| Fixed assets after depreciation | 48 600 |
| Current assets | 20 300 |
| Current liabilities | 12 900 |

30 September 2005

| | \$ |
|---|--------|
| Fixed assets before depreciation for the year | 53 200 |
| Current assets | 19 600 |
| Current liabilities | 21 300 |

Additional information

- (i) Kirsty took \$13 700 drawings during the year ended 30 September 2005.
- (ii) She depreciates fixed assets by 25% on the end of year balance.
- (iii) The provision for doubtful debts is to be increased by \$200 at 30 September 2005.

REQUIRED

(a) Prepare the Statement of Affairs (this may be in the form of a Balance Sheet) for Kirsty Stoner at 1 October 2004.

| <u>S</u> | tatement of Affairs as at | 1 October 2004 | |
|----------|---------------------------|----------------|----|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | [2 |

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| | | 5 | | | |
|-----|--|--|--------------------------------|-----------|-------|
| (b) | Prepare the Statement of Affa Stoner, showing the net profit | | | | irsty |
| | Statement of | Affairs as at 30 Se | eptember 2005 | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | [7] |
| (c) | Kirsty has decided to take ou added to the bank account (have on the following items by The first item has been comp | dr balance). Identi y ticking the appro | fy the immediate priate boxes. | | |
| | | Increase | Decrease | No change | |
| | (i) Long-term liabilities | ✓ | | | |
| | (ii) Current assets | | | | |
| | (iii) Profit/loss | | | | |
| | (iv) Working capital | | | | |

(v) Turnover

[4]

[Total: 13]

3 Donne Ltd has the following capital structure.

Authorised share capital

40 000 ordinary shares of \$1 each

40 000 5% preference shares of 25c each

Issued share capital

20 000 ordinary shares of \$1 each

40 000 5% preference shares of 25c each

Loan capital

\$10 000 6% debentures repayable 30 September 2008

REQUIRED

| (a) | Ехр | lain what is meant by authorised share capital. |
|-----|------|---|
| | | |
| | | |
| | | |
| | | [2] |
| (b) | Ехр | lain what is meant by issued share capital. |
| | | |
| | | |
| | | |
| | | [2] |
| (c) | Stat | e one similarity and one difference between preference shares and debentures. |
| | (i) | Similarity |
| | | |
| | | |
| | (ii) | Difference |
| | | |
| | | [4] |

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The directors of Donne Ltd have proposed an ordinary share dividend of 5% for the year.

REQUIRED

| (d) | Cald | culate the following: |
|-----|-------|---|
| | (i) | Total dividends (in \$) proposed on ordinary shares for the year |
| | | |
| | | |
| | | |
| | (ii) | Total interest payable on the debentures for the year |
| | | |
| | | |
| | | |
| | (iii) | Total dividends (in \$) payable on preference shares for the year |
| | | |
| | | |
| | | |
| | | |
| | | [6] |
| (e) | Stat | e how Donne Ltd would value the following in its Balance Sheet. |
| | (i) | Fixed assets |
| | | |
| | | |
| | (ii) | Stock |
| | | |
| | | |
| | (iii) | Trade debtors |
| | | |
| | | [3] |

[Total: 17]

4 Celia Brookes is considering buying a business. She has received information about two businesses, Branch and Bough for the year ended 30 September 2005.

| Branch | | |
|---------------|--------|--|
| | \$ | |
| Sales | 50 000 | |
| Cost of sales | 30 000 | |
| Expenses | 12 500 | |
| Capital | 37 500 | |

REQUIRED

(a) Calculate the following ratios for the year ended 30 September 2005 for Branch.

Use the space provided for your workings.

| | | WORKINGS | RATIOS |
|-------|--------------------|----------|--------|
| (i) | Gross profit/sales | | |
| (ii) | Net profit/sales | | |
| (iii) | Net profit/capital | | |

[6]

| Bough | | |
|--------------------|----------|--|
| | | |
| Gross profit/sales | 50% | |
| Net profit/sales | 10% | |
| Net profit/capital | 12.5% | |
| Capital | \$80 000 | |

REQUIRED

(b) Calculate the following for Bough for the year ended 30 September 2005.

Use the space provided for your workings.

| | | WORKINGS | AMOUNTS \$ |
|-------|--------------|----------|------------|
| (i) | Net profit | | |
| (ii) | Sales | | |
| (iii) | Gross profit | | |

[6]

| (c) | Use the information given and your answers to (a) and (b) to compare the performance of Branch and Bough under the following headings. | | | |
|-----|--|---|--|--|
| | (i) | Success in trading (buying and selling) | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | (ii) | Success in controlling expenses | | |
| | (, | Cuccocc III controlling expenses | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | [3] | | |
| (| (iii) | Success in employing capital | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | [2] | | |
| | | [Total: 20] | | |

Answer Question 5 in this booklet or on separate multi-column accounting paper

5 Karl Ward imports and sells furniture. The following balances were extracted from his books on 30 September 2005.

| | \$ | \$ |
|----------------------------------|----------------|----------------|
| Sales | · | 137 900 |
| Stock at 1 October 2004 | 6 900 | |
| Purchases | 41 200 | |
| Carriage inwards | 9 400 | |
| Carriage outwards | 1 300 | |
| Wages and salaries | 34 700 | |
| Insurance | 1 800 | |
| Rent and rates paid | 10 800 | |
| Motor vehicle expenses | 4 200 | |
| General expenses | 22 850 | |
| Discounts received | | 800 |
| Bank overdraft | | 700 |
| Motor vehicles at cost | 32 000 | |
| Provision for depreciation of | | |
| motor vehicles at 1 October 2004 | | 16 000 |
| Trade creditors | | 3 140 |
| Drawings | 17 690 | |
| Capital at 1 October 2004 | | <u>24 300</u> |
| | <u>182 840</u> | <u>182 840</u> |

Additional information

- Stock at 30 September 2005 was valued at \$7500.
- During the year Karl Ward took goods costing \$4300 for his own use. No entries have been made in the books.
- 3. Depreciation is to be charged on the motor vehicles using the diminishing (reducing) balance method at 50% per annum.
- 4. Wages and salaries, \$6800, were owing at 30 September 2005.
- 5. The amount for insurance represents insurance cover for the 18 month period from 1 October 2004 to 31 March 2006.

REQUIRED

- (a) Prepare the Trading and Profit and Loss Accounts of Karl Ward for the year ended 30 September 2005. [19]
- (b) Prepare the Balance Sheet of Karl Ward as at 30 September 2005. [16]

[Total: 35]

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