| | Centre Number | Candidate Number |
|----------------|---------------|---------------------|
| Candidate Name | | |

UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS SYNDICATE General Certificate of Education Ordinary Level PRINCIPLES OF ACCOUNTS 7110/2

PAPER 2

OCTOBER/NOVEMBER SESSION 2001

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 at the top of this page.

Answer all questions.

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

Question 4 should be answered on separate answer paper or multi-column accounting paper. Attach your answer to Question 4 to this booklet.

Workings may be done on the blank pages (pages 5 and 9).

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 | | |
| TOTAL | | |

1 (a) Zena owns a small manufacturing business. The following balances were taken from her books on 30 June 2001:

\$

| Stocks 1 July 2000 | |
|-----------------------------------|---------|
| Raw materials | 23 300 |
| Finished goods | 28 500 |
| Stocks 30 June 2001 | |
| Raw materials | 25 700 |
| Finished goods | 21 500 |
| Purchases of raw materials | 265 500 |
| Carriage on sales | 3 300 |
| Carriage on raw materials | 3 100 |
| Selling expenses | 3 500 |
| Bad debts | 500 |
| Factory overheads | 30 300 |
| Depreciation of factory equipment | 14 000 |
| Factory direct expenses | 4 000 |
| Factory wages | 100 000 |

Select the appropriate balances and prepare the Manufacturing account for the year ended 30 June 2001. Show clearly within the account:

- (i) cost of raw materials consumed,
- (ii) prime cost,
- (iii) cost of production.

Not all the balances given are entered in Manufacturing accounts.

[14]

| | Zena Manufacturing Account for the year ended 30 June 2001 | \$ |
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| | | |
| (i) | Cost of raw materials consumed | |
| (') | Cost of faw materials consumed | |
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| | | |
| | | |
| | | |
| (ii) | Prime cost | |
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| | | |
| | | |
| (iii) | Cost of production | |

(b) The assets and liabilities of Zena on 30 June 2001 were as follows:

| | \$ |
|----------------------------|---------|
| Premises | 80 000 |
| Machinery at cost | 70 000 |
| Provision for depreciation | 35 000 |
| Debtors | 23 100 |
| Creditors | 10 900 |
| Bank overdraft | 6 000 |
| Stocks | 47 200 |
| Capital | 168 400 |

| (i) | Zena needs to obtain additional machinery costing \$24 000 but does not wish to increase the bank overdraft. Explain two ways she could obtain the required cash from her business assets and still be able to carry on her manufacturing business. |
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| | [4] |
| (ii) | Explain three possible reasons why the bank account is overdrawn although the business has made a profit during the year. Assume that there has not been any fraud or mistake. |
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| | [6] |

You may use this page for workings.

7110/2 Nov01 [Turn over

2 V. Yeo has not kept his records in a proper double-entry style but the following information is available at the dates shown:

| | 1 January 2000 | 31 December 2000 |
|-----------------------|----------------|------------------|
| | \$ | \$ |
| Fixed assets | 39 400 | 44 000 |
| Current assets | 34 200 | 43 000 |
| Current liabilities | 25 600 | 26 600 |
| Long-term liabilities | | 4 000 |

Yeo has taken drawings of \$22 000 during 2000. He decides that fixed assets should be depreciated by 20% at 31 December 2000.

(a) Draw up Statements of Affairs for each of the two dates.

| Statement of Affairs as at 1 January 2000 |
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| Statement of Affairs as at 31 December 2000 |
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| |
| [8] |

| | 7 | | | | | | |
|-----|--|--|--|--|--|--|--|
| (b) | b) Calculate the net profit or loss for the year ended 31 December 2000. | | | | | | |
| | Calculation of Profit for the year 2000 | | | | | | |
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| | | [4] | | | | | |
| (c) | You learn that Yeo's current as | ssets and current liabilities at the year end are | | | | | |
| | Current Assets | \$ | | | | | |
| | Stock | 29 000 | | | | | |
| | Debtors | 12 200 | | | | | |
| | Cash | 1 800 | | | | | |
| | | 43 000 | | | | | |
| | Current Liabilities | | | | | | |
| | Trade creditors | 25 000 1 600 | | | | | |
| | Accrued expenses | | | | | | |
| | | 26 600 | | | | | |
| | Using this information, make 31 December 2000. | four comments on V.Yeo's working capital position at | | | | | |
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| | [40] |

You may use this page for workings.

7110/2 Nov01 [Turn over

3 (a) The following information was taken from the books of S. Chell:

| | | | \$ | |
|-------|----|--|--------|-----|
| 2001 | | | | |
| March | 1 | Sales Ledger Control account balance | 37 100 | Dr. |
| | | Purchases Ledger Control account balance | 22 680 | Cr. |
| | 31 | Sales for March | 31 800 | |
| | | Purchases for March | 14 560 | |
| | | Cheques received from credit customers | 24 600 | |
| | | Sales returns | 1 680 | |
| | | Payments to creditors | 16 200 | |
| | | Customers' cheques returned unpaid | 1 280 | |
| | | Bad debts written off | 1 500 | |
| | | Discounts received | 400 | |
| | | Discounts allowed | 620 | |
| | | Returns inwards | 580 | |
| | | Returns outwards | 220 | |
| | | Credit balance in Purchases Ledger transferred | | |
| | | to Sales Ledger | 540 | |

Draw up the Sales Ledger Control account and the Purchases Ledger Control account for the month of March.

Sales Ledger Control Account

| | | |
|------|------|--|
| | | |

Purchases Ledger Control Account

| | [13] |
|-----|--|
| (b) | Explain two reasons for keeping Control accounts. |
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| | [4] |

4 This question is to be answered on the separate answer paper.

Hood is a trader. The following balances were extracted from his books on 31 December 2000.

| | Dr. | Cr. |
|--|---------|---------|
| | \$ | \$ |
| Capital | | 59 700 |
| Drawings | 18 000 | |
| Purchases and Sales | 72 000 | 130 000 |
| Returns outwards | | 1 900 |
| Staff salaries | 11 200 | |
| Rent and insurance | 6 000 | |
| General expenses | 4 600 | |
| Cash at bank | 8 000 | |
| Debtors and creditors | 20 800 | 8 800 |
| Provision for bad debts - 1 January 2000 | | 1 600 |
| Stock, 1 January 2000 | 21 400 | |
| Motor vehicles, at cost | 56 000 | |
| Provision for depreciation on motor vehicles - | | |
| 1 January 2000 | | 16 000 |
| | 218 000 | 218 000 |

Additional information:

- 1. Stock at 31 December 2000 was valued at \$22 600.
- 2. Insurance \$600 has been paid for the twelve months to 30 April 2001.
- 3. General expenses totalling \$400 were owing at 31 December 2000.
- 4. The provision for doubtful debts to be carried forward to 2001 is to be \$2000.
- 5. Motor vehicles are to be depreciated at 20% per annum on cost.
- 6. The bank statement was received on 31 December 2000. It included an entry of \$300 for bank charges. This item has not yet been entered in Hood's books.
- (a) Prepare the Trading and Profit and Loss Accounts for the year ended 31 December 2000.

[17]

(b) Prepare the Balance Sheet as at 31 December 2000.

[18]