

CANDIDATE  
NAME

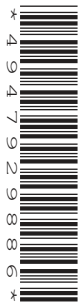
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CENTRE  
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**PRINCIPLES OF ACCOUNTS**

**7110/22**

Paper 2

**October/November 2015**

**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 **18** printed pages and **2** blank pages.

- 1 The following extract was taken from Abbie's cash book on 30 September 2015.

Cash Book (Bank Columns)

Date	Details	\$	Date	Details	\$
Sept 1	Balance b/d	290	Sept 8	Husna	102
9	L Lee	475	17	Yang Stores	849
15	Ng	150	23	Lam	364
21	JG Supplies	980	26	Xevera	500
29	Sampson	<u>625</u>	30	Balance c/d	<u>705</u>
		<u>2520</u>			<u>2520</u>
Oct 1	Balance b/d	705			

Abbie received the following bank statement on 1 October 2015.

Date	Details	Debit	Credit	Balance
		\$	\$	\$
Sept 1	Balance			290 Cr
9	L Lee		475	765 Cr
10	Husna	102		663 Cr
15	Ng		150	813 Cr
22	JG Supplies		980	1793 Cr
23	Bank charges	35		1758 Cr
24	Ng – Dishonoured	150		1608 Cr
25	YJ Electric	250		1358 Cr

Abbie compared the bank statement with her cash book.

**REQUIRED**

- (a) Bring Abbie’s cash book up to date. Balance the cash book and bring down the balance on 1 October 2015.

Cash Book (Bank Columns)

Date	Details	\$	Date	Details	\$
Oct 1	Balance b/d	705			

[4]

- (b) Prepare the bank reconciliation statement at 1 October 2015.

Bank Reconciliation Statement at 1 October 2015

	\$	\$
Balance as per bank statement		1358
Plus		
.....		
.....		
.....		
.....		
Less		
.....		
.....		
.....		
.....		
Balance as per cash book .....		

[5]

Abbie supplied the following information related to a credit customer, Izzat.

October	1	Balance owed by Izzat to Abbie \$750
	5	Sold goods on credit to Izzat, \$1800, less 20% trade discount
	6	Izzat returned goods, list price \$350
	21	Received a cheque from Izzat, \$800
	22	The remaining balance on Izzat's account was written off as irrecoverable.

**REQUIRED**

(c) (i) Name the subdivision of the ledger containing Izzat's account.  
 .....[1]

(ii) Name the document issued by Abbie to Izzat on 5 October 2015.  
 .....[1]

(d) Prepare the account of Izzat in the books of Abbie.

Izzat account

Date	Details	\$	Date	Details	\$

[5]

(e) Prepare the general journal entry for the transaction on 22 October. A narrative **is** required.

General journal

Date		Dr \$	Cr \$

[3]

(f) State **three** benefits to Abbie of using Information Communication Technology (ICT) to record her transactions.

- 1 .....
- 2 .....
- 3 .....

[3]

**[Total: 22]**

2 The following information is available from the books of Yana for August 2015.

	\$
Trade receivables at 1 August 2015	27 520
Credit sales	32 400
Cash sales	19 970
Sales returns from credit customers	1 700
Cheques received from credit customers	40 150
Discount allowed	780
Bad debts written off	2 900
Interest charged on overdue accounts	600

**REQUIRED**

(a) Prepare the sales ledger control account for August. Balance the account and bring down the balance on 1 September 2015.

Sales ledger control account

Date	Details	\$	Date	Details	\$

[8]

After preparing the sales ledger control account, Yana discovered the following errors.

- 1 Goods sold on credit to Tong, \$560, had not been recorded in the books.
- 2 Proceeds of sale of fixtures and fittings, \$800, had been recorded as cash sales.
- 3 Discount allowed to R Biggs, \$56, had been debited to his account and credited to the discount allowed account.
- 4 A sale of goods to Mia, \$75, had been recorded in the account of Mason.

**REQUIRED**

(b) Name the type of error in each of 1–4. Error 1 has been completed as an example.

Error	Type of error
1	<i>Omission</i>
2	
3	
4	

[3]

(c) Prepare the general journal entries to correct the errors in 1–4. Narratives are **not** required.

General journal

Details	Dr \$	Cr \$

[8]

(d) State **one** reason why a trader may use a suspense account.

.....

.....

.....[1]

[Total: 20]

- 3 The following balances were extracted from the books of Fairview Manufacturing on 31 October 2015.

	\$
Purchases of raw materials	486 000
Purchases of finished goods	74 000
Carriage inwards	36 000
Factory wages	295 000
Office wages	75 000
Factory packaging cost	55 000
Rent	38 400
Factory management salaries	75 600
Office management salaries	50 000
Factory indirect expenses	8 500
Office expenses	15 000
Factory equipment (at cost)	245 000
Office equipment (at cost)	60 000
Provisions for depreciation:	
Factory equipment	105 000
Office equipment	20 000
Inventory 1 November 2014:	
Raw materials	108 000
Work in progress	84 300
Finished goods	150 000

Additional information

- 1 Inventory at 31 October 2015

	\$
Raw materials	94 000
Work in progress	81 400
Finished goods	160 000

- 2 Half of the carriage inwards is for raw materials and half for finished goods.
- 3 Factory wages owing are \$9000.
- 4 60% of factory packaging costs are direct and 40% indirect.
- 5 Rent is allocated to the factory and the office on the basis of floor area occupied:  
Factory 5000sqm and Office 3000sqm
- 6 Factory equipment and office equipment are both depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.





Hong works in the office of Fairview Manufacturing. For the month of October she was paid for 140 hours at \$6 per hour and 28 hours at time and a quarter. Deductions from gross pay were \$250 tax and social security and \$60 for pension contributions.

**REQUIRED**

(b) Calculate the net pay of Hong for the month of October 2015.

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.....[4]

(c) Name the document that Hong will receive which details the calculation of her net pay.

.....[1]

**[Total: 18]**



4 Danish provided the following information.

For the year ended 31 July 2015

	\$
Revenue	380 000
Purchases	295 000
Profit for the year	35 000

Gross profit margin	25%
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At 31 July 2015

	\$
Inventory	65 000
Trade receivables	42 000
Trade payables	52 000
Bank	13 000 debit
Expenses accrued	8 000

### REQUIRED

(a) Calculate the following:

	Workings	Answer
Inventory at 1 August 2014		
Rate of inventory turnover (to two decimal places)		
Expenses paid in the year ended 31 July 2015		
Working capital ratio (current ratio)		
Quick ratio (acid test ratio) (to two decimal places)		

[12]

Danish is considering the following proposals to improve his working capital.

- 1 Sell excess non-current assets for \$4000
- 2 Sell old inventory costing \$15 000, for \$9000 cash
- 3 Allow a trade receivable 5% cash discount for early payment of a debt of \$10 000
- 4 Pay expenses accrued of \$8000
- 5 Bring additional capital into the business, motor vehicle \$5000 and cash \$1000

**REQUIRED**

- (b) Complete the table, to show the effect on the working capital of **each** proposal. The first one has been completed as an example.

Proposal	Working capital (Increase, decrease, no effect)	Amount \$
1 Sell excess non-current assets for \$4000	<i>Increase</i>	<i>4000</i>
2 Sell old inventory costing \$15 000, for \$9000 cash		
3 Allow a trade receivable 5% cash discount for early payment of a debt of \$10 000		
4 Pay expenses accrued of \$8000		
5 Bring additional capital into the business, motor vehicle \$5000 and cash \$1000		

[8]

[Total: 20]

5 Ning is a sole trader. The following balances were extracted from his books on 30 September 2015.

	\$	
Revenue	248 200	
Purchases	104 750	
Returns inwards	7 850	
Carriage inwards	3 400	
Advertising expenses	10 800	
Distribution expenses	17 200	
Electricity	4 230	
Discount received	8 250	
Wages and salaries	35 000	
Insurance	5 000	
Commission received	5 900	
Loss on disposal	2 270	
Leasehold premises (cost)	80 000	
Computer equipment (at cost)	75 000	
Fixtures and fittings (cost)	30 000	
Provisions for depreciation:		
Leasehold premises	20 000	
Computer equipment	23 000	
Fixtures and fittings	17 500	
Bank	5 300	credit
8% Bank loan	50 000	
Bank loan interest paid	3 000	
Trade receivables	44 400	
Trade payables	38 700	
Provision for doubtful debts	1 500	
Inventory at 1 October 2014	20 450	
Capital at 1 October 2014	50 000	
Drawings	25 000	

## Additional information at 30 September 2015

- 1 Inventory was valued at \$17 300.
- 2 Distribution expenses accrued were \$2600.
- 3 Advertising expenses includes an advertising campaign costing \$1500 which runs from 1 August to 31 December 2015.
- 4 The 8% Bank loan is repayable in 5 equal payments on 1 October each year.
- 5 The depreciation policy is as follows.
  - (i) The lease on the premises is for 20 years. An appropriate amount should be charged each year.
  - (ii) Computer equipment at the rate of 25% per annum using the diminishing (reducing) balance method.
  - (iii) Fixtures and fittings at the rate of 10% per annum using the straight-line method. No depreciation is charged in the year of disposal.
- 6 Trade receivables, \$6400, are irrecoverable. A provision for doubtful debts of 5% is to be maintained.





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[23]



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[17]

**[Total: 40]**

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