



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER



**PRINCIPLES OF ACCOUNTS**

**7110/22**

Paper 2

**May/June 2013**

**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 a soft pencil for any diagrams or graphs.  
Do not use staples, paper clips, highlighters, 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 **13** printed pages, **6** lined pages and **1** blank page.

1 Jamie provided the following information on 1 May 2012.

	\$
Non-current assets at net book value	14 000
Trade receivables	3 012
Trade payables	1 298
Prepayment of insurance	260
Accrual for rent	350
Bank overdraft	324
Capital	?

**REQUIRED**

(a) Prepare an opening journal entry at 1 May 2012 to show the capital at that date.  
A narrative is required.

Journal

	Debit \$	Credit \$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[4]



- (e) Explain the difference between capital receipts and revenue receipts.

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.....[4]

- (f) Indicate by placing a tick (✓) which transactions are capital receipts and which are revenue receipts.

Transaction	Capital receipt	Revenue receipt
Cash sales		
Loan from a bank		
Discount received		
Commission received		
Sale of a motor vehicle		

[5]

**[Total: 25]**







3 The following is an extract from David’s wages book for January 2013.

Wages book

Employee Number	Gross pay	Tax	Employee’s Social Security Contributions	Employer’s Social Security Contributions	Charitable Donations	Net pay
	\$	\$	\$	\$	\$	\$
001	2200	440	132	198	–	?
002	2600	520	156	234	25	?
Total	4800	960	288	432	25	?

**REQUIRED**

(a) Calculate the net pay for:

Employee 001

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Employee 002

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.....[5]

(b) Calculate the total wages cost.

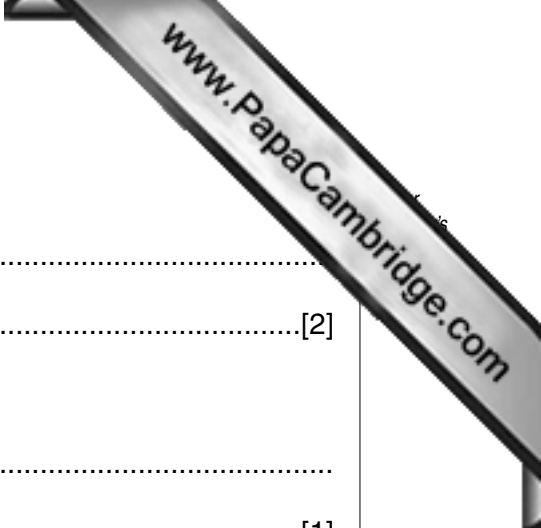
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.....[3]





(c) State **two** methods used for recording hours worked.

- 1 .....
- 2 ..... [2]

(d) Explain a non-statutory deduction.

- .....
- ..... [1]

**[Total: 11]**

4 Baljit provided the following information for the year ended 30 April 2013.

	\$
Inventory 1 May 2012	14 841
Inventory 30 April 2013	21 159
Cost of goods sold	90 000
Administration expenses	4 890
Selling expenses	7 485
Capital employed 1 May 2012	101 250
 Mark up	 25%

**REQUIRED**

(a) Calculate for the year ended 30 April 2013:

(i) Sales

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.....[2]

(ii) Purchases

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.....[2]

(iii) Profit for the year

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.....[2]





(d) Suggest **three** actions Baljit may take to improve her rate of inventory turnover.

1 .....

.....

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2 .....

.....

.....

3 .....

.....

.....[6]

**[Total: 26]**

- 5 The following balances were extracted from the books of Patricia Chin on 31 March 2013:

	\$
Premises	67 000
Fixtures and fittings (cost)	20 000
Motor vehicle (cost)	18 000
Provisions for depreciation:	
Premises	2 680
Fixtures and fittings	9 600
Motor vehicle	11 520
Revenue	119 140
Purchases	60 200
Purchases returns	2 900
Inventory at 1 April 2012	5 430
Wages	20 960
General expenses	9 100
Insurance	12 600
Motor vehicle expenses	5 670
Discount allowed	1 428
Discount received	884
Trade receivables	7 546
Trade payables	4 920
Provision for doubtful debts	800
Bank overdraft	2 330
7% Bank loan (repayable 30 June 2018)	30 000
Capital	56 000
Drawings	12 840

Additional information

- 1 Inventory at 31 March 2013 was valued at \$4200.
- 2 Insurance relates to a period of fourteen months to 31 May 2013.
- 3 A motor vehicle repair bill \$225 was owing at 31 March 2013.
- 4 Bad debts of \$246 are to be written off.
- 5 During the year Patricia took \$800 from the bank for personal use. No record of this was made in the books.
- 6 A purchase of fixtures and fittings during the year, \$2000, had been recorded in the general expenses account.
- 7 Premises are depreciated at 2% per annum on cost.  
Fixtures and fittings are depreciated at 8% per annum on cost.  
Motor vehicles are depreciated at 20% per annum using the diminishing (reducing) balance method.
- 8 The provision for doubtful debts is to be maintained at 6% of trade receivables.

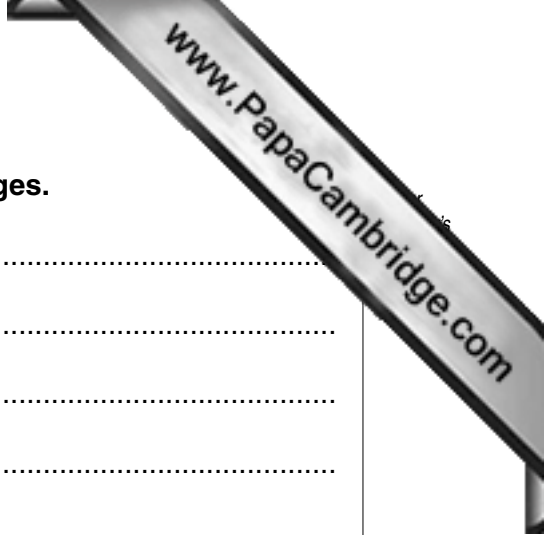
**REQUIRED**

- (a) Prepare the income statement for the year ended 31 March 2013. [20]
- (b) Prepare the balance sheet (statement of financial position) at 31 March 2013. [20]

**[Total: 40]**

**[Turn over]**

Answer Question 5 on the following pages.



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