

date

Centre Number

Candidate Name \_\_\_\_\_

**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	
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<b>TOTAL</b>	



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.....[10]

*You may use the rest of this page for workings.*



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.

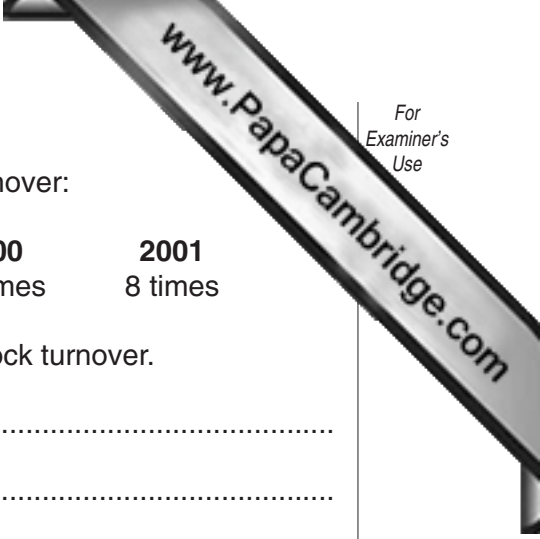
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**(ii)** Suggest **two** reasons why Rubble should calculate his rate of stock turnover every year.

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

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**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 the 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]

