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| Class | Centre No. /<br>'O' Level Index No. | Name |
|-------|-------------------------------------|------|

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|  | <p><b>新加坡海星中学</b><br/> <b>MARIS STELLA HIGH SCHOOL</b><br/> <b>PRELIMINARY EXAMINATIONS</b><br/> <b>SECONDARY FOUR</b></p> |
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|--|---|
| <p><b>PRINCIPLES OF ACCOUNTS</b><br/> Paper 1</p> <p>Students answer on the Question Paper.<br/> No Additional Materials are required.</p> | <p><b>7087/01</b><br/> <b>15 August 2024</b><br/> <br/> <b>1 hour</b></p> |
|--|---|

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| <p><b>READ THESE INSTRUCTIONS FIRST</b></p> <p>Write your class, index number and name in the spaces at the top of this page.<br/> Write in dark blue or black pen.<br/> Do not use staples, paper clips, glue, or correction fluid.<br/> The use of an approved calculator is allowed.</p> <p>Answer <b>all</b> questions.</p> <p>The businesses described in this question paper are entirely fictitious.</p> <p>The number of marks is given in brackets [ ] at the end of each question or part question.</p> <p>The total number of marks for this paper is 40.</p> |
|--|

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|  | <p><b>For Examiner's Use</b></p> |
|  | <p><b>40</b></p>                 |

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[Turn over

Answer all questions.

1 Gerrard started his business as a sole trader on 1 June 2023.

The following transactions occurred in the first week of trading.

- 1 Bought a new machine on credit from David Ltd.
- 2 A credit customer was undercharged.
- 3 Received cash for commission earned.

**REQUIRED**

(a) Name the source document for the 3 transactions.

| Transaction | Source document |
|-------------|-----------------|
| 1           |                 |
| 2           |                 |
| 3           |                 |

[3]

(b) Name one principle of professional ethics and explain the meaning.

Principle:

.....

Explanation:

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.....[2]

(c) Assist Gerrard by completing the order of the accounting information system.

| Order | Accounting information system                   |
|-------|---|
| 1     | Source documents                                |
| 2     | Journals  |
| 3     |   |
| 4     | Trial balance                                   |
| 5     | Adjustments                                     |
| 6     | Statement of financial performance and position |

[1]

(d) Name the accounting theory that Gerrard is applying by preparing the financial statements on the basis that his business will continue to operate indefinitely.

.....[1]

[Total: 7]

2 Moritz is a trader. His business employs an accountant.

On 1 April 2023, Moritz's capital account had a balance of \$50 000.

The following transactions took place in his business for the year ended 31 March 2024:

2023

Jun 14 Moritz took out some goods costing \$500 from the business for personal use.

Aug 19 Moritz contributed \$10 000 to the business bank account.

Dec 25 Moritz contributed his personal car worth \$40 000 to the business for delivery purposes.

2024

Feb 16 Moritz paid for his personal insurance costing \$2 500 from his business bank account.

Mar 31 Profit for the financial year was \$28 000.

**REQUIRED**

(a) State the effect of drawings on the profit for the year and the equity of a business.

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(b) Prepare the drawings account for the year ended 31 March 2024, including the closing entry.

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[Turn over



3 The following information has been provided for two restaurants for the year ended 31 December 2023.

|                            | <b>WOW</b> | <b>Joy Eatery</b> |
|----------------------------|------------|-------------------|
|                            | \$         | \$                |
| <u>Current assets</u>      |            |                   |
| Trade receivables          | 65 000     | 53 000            |
| Inventory                  | 60 000     | 10 000            |
| Prepaid rent expense       | 35 000     | -                 |
| Cash at bank               | -          | 36 000            |
| Cash in hand               | 1 000      | 2 000             |
| <u>Current liabilities</u> |            |                   |
| Trade payables             | 50 000     | 54 000            |
| Bank overdraft             | 30 000     | -                 |
| Rent expense payable       | -          | 22 000            |
| Current ratio              | ?          | 1.33              |
| Quick ratio                | ?          | 1.20              |

**REQUIRED**

(a) Calculate to **two** decimal places for **WOW's**:  
(i) current ratio,

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.....[1]

(ii) quick ratio.

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[Turn over



4 Ethan Vans is a delivery business.

The following is the service fee revenue account of Ethan Vans for the month ended 30 June 2024.

Service fee revenue account

| Date  | Particulars                                 | Debit | Credit | Balance    |
|-------|---|-------|--------|------------|
| 2024  |   | \$    | \$     | \$         |
| Jun 1 | Bal b/d                                     |       | 25 000 | 25 000 Cr  |
| Jun 1 | Service fee revenue received in advance (1) |       | 6 000  | 31 000 Cr  |
| 14    | Cash at bank                                |       | 4 000  | 35 000 Cr  |
| 20    | Trade receivable – Shawn (2)                |       | 2 000  | 37 000 Cr  |
| 30    | Service fee revenue received in advance (3) | 5 000 |        | 32 000 Cr- |

**REQUIRED**

(a) Interpret entry (1).

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 .....[1]

(b) Interpret entry (2).

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 .....[1]

(c) Interpret entry (3).

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 .....[1]

[Turn over

(d) Explain the effects on profit and current liabilities if the business did not record the entry on 30 June.

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.....[2]

(e) State and explain one accounting theory applied in the recording of the entry on 30 June.

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(f) Distinguish revenue from other income.

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Ethan Vans pays a professional cleaning company to clean its delivery vans.

During the month ending 30 June 2024, Ethan Vans issued a cheque to pay for \$1 200 of cleaning expense. As at 30 June 2024, Ethan Vans still owed the cleaning company \$200 for cleaning services.

- (g) Prepare journal entries (including closing entries) to record cleaning expense for the month ended 30 June 2024. Narrations are **not** required.

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[Total: 12]

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新加坡海星中学

MARIS STELLA HIGH SCHOOL  
PRELIMINARY EXAMINATIONS  
SECONDARY FOUR

**PRINCIPLES OF ACCOUNTS**

Paper 2

INSERT

**7087/02**

**22 August 2024**

**2 hours**

**READ THESE INSTRUCTIONS FIRST**

This insert contains the data for Question 1.

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[Turn over

**Data for Question 1**

The following balances were extracted from the books of Happiness Ptd Ltd on 31 May 2024.

|   | \$      |    |
|---|---------|----|
| Motor vehicles at cost                        | 270 000 |    |
| Fixtures and fittings at cost                 | 64 000  |    |
| Accumulated depreciation of                   |         |    |
| Motor vehicles                                | 48 000  |    |
| Fixtures and fittings                         | 6 400   |    |
| Inventory                                     | 83 500  |    |
| Sales revenue                                 | 642 000 |    |
| Sales returns                                 | 4 100   |    |
| Cost of sales                                 | 448 310 |    |
| Trade receivables                             | 31 400  |    |
| Trade payables                                | 9 150   |    |
| Allowance for impairment of trade receivables | 1 350   |    |
| Cash at bank                                  | 1 000   | Cr |
| Commission income                             | 4 400   |    |
| Interest expense                              | 2 500   |    |
| Utilities expense                             | 7 200   |    |
| Wages and salaries                            | 54 220  |    |
| Discount received                             | 1 830   |    |
| Rent expenses                                 | 72 000  |    |
| Discount allowed                              | 1 900   |    |
| Share capital, 110 000 ordinary shares        | 220 000 |    |
| Retained earnings 1 June 2023                 | 5 000   |    |
| Bank loan                                     | 100 000 |    |

## Additional information

- 1 Motor vehicles are to be depreciated at 10% using the straight-line method assuming a scrap value of \$30 000.
- 2 Fixtures and fittings are to be depreciated at 20% per annum using the reducing-balance method.
- 3 At 31 May 2024:
  - (i) commission income, \$600, had yet to be received
  - (ii) utilities expense, \$1 200, was prepaid
  - (iii) wages and salaries, \$1 780, were owing.
- 4 A debt of \$ 1400 owed by a customer was found to be irrecoverable. The company decided to write this amount off.
- 5 It was decided that 5% of the trade receivables were unlikely to be collectible.
- 6 On 31 May 2024, goods costing \$3 500 were damaged. The inventory has yet to be written down.
- 7 One fifth of the bank loan is to be repaid on 31 December 2024.
- 8 The company declared a dividend of \$0.06 per share. This will be paid on 30 June 2024.

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| Class | Index Number | Name |
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**PRELIMINARY EXAMINATIONS**  
**SECONDARY FOUR**

**PRINCIPLES OF ACCOUNTS**

Paper 2

**7087/02**

**22 August 2024**

Candidates answer on the Question Paper.

**2 hours**

Additional Materials: Insert

**READ THESE INSTRUCTIONS FIRST**

Write your class, index number and name in the spaces at the top of this page.

Write in dark blue or black pen.

Do not use staples, paper clips, glue, or correction fluid.

The use of an approved calculator is allowed.

Answer all questions.

The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

The total number of marks for this paper is 60.

|  |                           |
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|  | <b>For Examiner's Use</b> |
|  | 60                        |

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[Turn over





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- 2 Gabriel operates a trading business in lights and bulbs. He has provided the following information from the bank statement and cash at bank account for the month of April 2024.

|       |  | Bank statement |          |          |
|-------|--|----------------|----------|----------|
| Date  | Particulars                                | Payments       | Receipts | Balance  |
|       |  | \$             | \$       | \$       |
| 2024  |  |                |          |          |
| Apr 1 | Balance b/d                                |                |          | 4 000 Cr |
| 1     | Cheque 1122                                | 600            |          | 3 400 Cr |
| 4     | Cheque deposit                             |                | 1 600    | 5 000 Cr |
| 5     | Credit transfer (Timothy)                  |                | 1 500    | 6 500 Cr |
| 6     | Cheque 1123                                | 500            |          | 6 000 Cr |
| 7     | Bank interest                              | 100            |          | 5 900 Cr |
| 9     | Direct payment (Rent)                      | 3 000          |          | 2 900 Cr |
| 12    | Cheque deposit                             |                | 2 000    | 4 900 Cr |
| 16    | Cheque 1124                                | 1 300          |          | 3 600 Cr |
| 17    | Rejected cheque<br>(deposited on 12 April) | 2 000          |          | 1 600 Cr |
| 27    | Cheque 1125                                | 1 000          |          | 600 Cr   |
| 30    | Bank charges                               | 300            |          | 300 Cr   |

| Cash at bank |                     |            |       |        |          |
|--------------|---------------------|------------|-------|--------|----------|
| Date         | Particulars         | Cheque no. | Debit | Credit | Balance  |
|              |                     |            | \$    | \$     | \$       |
| 2024         |                     |            |       |        |          |
| Apr 1        | Balance b/d         |            |       |        | 3 400 Dr |
| 3            | Sales revenue       |            | 1 600 |        | 5 000 Dr |
| 5            | Advertising expense | 1123       |       | 500    | 4 500 Dr |
| 10           | Matthew Light       |            | 2 000 |        | 6 500 Dr |
| 11           | Inventory           | 1124       |       | 3 100  | 3 400 Dr |
| 24           | Ayden Trading       | 1125       |       | 1 000  | 2 400 Dr |
| 26           | Max Lights          |            | 580   |        | 2 980 Dr |
| 28           | Jair Enterprise     | 1126       |       | 1 700  | 1 280 Dr |

Additional information

- (i) The business wrongly recorded Cheque no. 1124 in its books.
- (ii) It was later discovered that the bank interest charged on 7 April was an error by the bank.

**REQUIRED**

(a) Update the cash at bank account at 30 April 2024. Start with the \$1 280 debit balance.

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(b) Prepare the bank reconciliation statement as at 30 April 2024.

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(c) The unadjusted profit for the month of April 2024 was \$8 000. Calculate the adjusted profit for the month of April 2024, after taking into account the bank reconciliation adjustments.

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**[Turn over**

(d) State **two** ways of internal control, other than bank reconciliation, a business may use to safeguard office cash.

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[2]

[Total: 12]

- 3 Kaellen Trading uses the First-In-First-Out method for its inventory. On 1 January 2024, Kaellen Trading has a beginning inventory of 200 units costing \$2 400. The following purchase and sales transactions occurred in the month of January 2024.

| Date  | Transaction   |
|-------|---|
| Jan 5 | Bought 400 units from Declan, an overseas supplier, on credit at a cost of \$3 600.   |
| 10    | Received from Fast Delivery an invoice amounting to \$500 for shipping fees, goods-in-transit insurance and import taxes for the 5 January purchases from Declan. |
| 15    | Bought 200 units from Kang You Trading on credit for \$2 200.   |
| 20    | Sold 600 units to Kenneth Network for \$10 000.   |
| 25    | Bought 200 units from Torres Trading on credit for \$2 600.   |
| 30    | Sold 200 units to Ian Supplies on credit for \$4 000.   |

**REQUIRED**

- (a) Calculate the total cost of sales for January 2024.

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- (b) Prepare journal entries to record the transactions on 10 January 2024 and 20 January 2024. Narrations are **not** required.

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[Turn over

(c) Prepare an extract of the statement of financial performance for the month ended 31 January 2024.

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(d) Prepare an extract of the statement of financial position as at 31 January 2024.

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The following information are extracted from the books of Kaellen Trading on 31 December for the years ended 2022 and 2023.

|                            | 31 December 2022 | 31 December 2023 |
|----------------------------|------------------|------------------|
| Rate of inventory turnover | 8.9 times        | 6.4 times        |

**REQUIRED**

(e) Comment on the trend in rate of inventory turnover over the two years ended 31 December 2022 and 2023. Suggest **one** possible reason for the change.

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(f) Suggest **one** way to improve Kaellen Trading's efficiency in managing inventory.

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[Total: 12]

- 4 James buys and sells leather shoes. The business provides the trade receivable ledger account for its credit customer, Jonas Trading, for the month of August 2024 shown below.

Trade receivable – Jonas Trading

|       | Particulars                                   | Debit<br>\$ | Credit<br>\$ | Balance<br>\$ |
|-------|---|-------------|--------------|---------------|
| 2024  |   |             |              |               |
| Aug 1 | Bal b/d                                       |             |              | 2 600 Dr      |
| 8     | Sales revenue                                 | 2 000       |              | 4 600 Dr      |
| 10    | Sales returns                                 |             | 100          | 4 500 Dr      |
| 22    | Cash at bank                                  |             | 2 470        | 2 030 Dr      |
| 22    | Discount allowed                              |             | 130          | 1 900 Dr      |
| 25    | Cash at bank                                  | 2 470       |              | 4 370 Dr      |
| 25    | Discount allowed                              | 130         |              | 4 500 Dr      |
| 31    | Allowance for impairment of trade receivables |             | 4 500        | -             |

**REQUIRED**

- (a) Explain one difference between trade discount and cash discount.

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- (b) Calculate the percentage of cash discount allowed on 22 August 2024.

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- (c) Interpret the transactions on the following dates:

- (i) August 10

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(ii) August 25

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(iii) August 31

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(d) State the effects of not recording the 25 August "Discount allowed" entry on trade receivables and profit for the month ended 31 August 2024.

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James Trading buys and sells all categories of clothing.

Two of James Trading's biggest customers, Jerrick Firm and Joel Trading, have approached James Trading to negotiate for longer repayment period. James Trading intends to extend longer repayment period to only one business. Its current credit term is 35 days.

|                                      | Jerrick Firm  | Joel Trading  |
|--------------------------------------|---|---|
| Nature of business                   | Sells branded high quality casual and sports wear.  | Sells athleisure or athletic-casual wear.   |
| Background of business               | <ul style="list-style-type: none"> <li>• Has 3 physical outlets in major shopping districts in Singapore.</li> <li>• Sells mainly to local customers.</li> </ul>              | <ul style="list-style-type: none"> <li>• Has an online shop.</li> <li>• Sells to local and overseas customers.</li> </ul>   |
| Average trade receivable balances    | \$32 000  | \$25 000  |
| Repayment history over the past year | Collection days: 37<br>Repaid late 2 times  | Collection days: 35<br>Repaid late 5 times  |
| Reputation                           | <ul style="list-style-type: none"> <li>• Has been in the business for 10 years.</li> <li>• Popular with affluent working professionals with high purchasing power.</li> </ul> | <ul style="list-style-type: none"> <li>• Has been in the business for 3 years.</li> <li>• Popular with young and trendy adults, due to its effective marketing strategies on social media.</li> </ul>   |
| Industry outlook                     | After Covid-19, many businesses allow their employees to work from home. There is a gradual increasing demand for high quality comfortable casual wear.                       | Athleisure has gained significant popularity in recent years, blending the comfort and functionality of athletic clothing with the style and versatility of casual wear. It is a popular choice for individuals who value both active lifestyles and fashion-forward looks. |



**Additional page**

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**MARIS STELLA HIGH SCHOOL (SECONDARY)**

**PRELIMINARY EXAMINATIONS 2024  
SECONDARY FOUR EXPRESS**

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**PRINCIPLES OF ACCOUNTS  
Paper 1**

**7087/01  
15 August 2024  
1 hour**

**MARK SCHEME**

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**MAXIMUM MARK: 40**

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**Question 1 [Total: 7]**

(a)

| Transaction | Source document |
|-------------|-----------------|
| 1           | Invoice         |
| 2           | Debit note      |
| 3           | Receipt         |

[1 mark each, 3]

(b) Any one of the following. [2]

**Integrity** – to be straightforward and **honest** in all professional and business relationships**Objectivity** – to be **unbiased** when making a professional judgement in the accounting process and not be influenced by threats and rewards

(c) Ledger [1]

(d) Going concern theory [1]

**Question 2 [Total: 11]**(a) Drawings has no effect on the profit for the year. [1]  
Drawings will decrease the equity. [1]

(b)

|                |              | Drawings    |              | Balance  |
|----------------|--------------|-------------|--------------|----------|
|                |              | Debit<br>\$ | Credit<br>\$ | \$       |
| 2023<br>Jun 14 | Inventory    | 500 [1]     |              | 500 Dr   |
| 2024<br>Feb 16 | Cash at bank | 2 500 [1]   |              | 3 000 Dr |
| 31             | Capital      |             | 3 000 [1] OF | -        |

(c)

|                |                | Capital      |              | Balance          |
|----------------|----------------|--------------|--------------|------------------|
|                |                | Debit<br>\$  | Credit<br>\$ | \$               |
| 2023<br>Apr 1  | Balance b/d    |              |              | 50 000 Cr [1/2]  |
| Aug 13         | Cash at bank   |              | 10 000 [1]   | 60 000 Cr        |
| Dec 25         | Motor vehicles |              | 40 000 [1]   | 100 000 Cr       |
| 2024<br>Mar 31 | Income summary |              | 28 000 [1]   | 128 000 Cr       |
| 31             | Drawings       | 3 000 [1] OF |              | 125 000 Cr       |
| Apr 1          | Balance b/d    |              |              | 125 000 Cr [1/2] |

(d) Stewardship – Accountant being the agent of the organization is given the responsibility to **manage the resources** [1/2] of the business and has a moral duty to present accounts that do not misled users of accounting information [1/2].



## Question 3 [Total: 10]

(a)

|  | WOW   | Joy Eatery  |
|--|---|---|
| Current ratio<br>= $\frac{\text{Current assets}}{\text{Current liabilities}}$  | $\frac{(65000+60000+35000+1000)}{(50000+30000)} +$ $= 161000 \div 80000$ $= 2.01 [1]$ | $\frac{(53000+10000+36000+2000)}{(54000+22000)} +$ $= 101000 \div 76000$ $= 1.33$ |
| Quick ratio<br>[ $\frac{\text{Current assets} - (\text{inventory} + \text{prepayment})}{\text{Current liabilities}}$ ] | $\frac{(161000 - 60000 - 35000)}{80000} +$ $= 66000 \div 80000$ $= 0.83 [1]$          | $\frac{(101000 - 10000)}{76000} +$ $= 91000 \div 76000$ $= 1.20$                  |

(b)

- WOW's current ratio of 2.01 was better than Joy Eatery's current ratio of 1.33.
- WOW's current ratio was above the general benchmark of 2 [1/2] while Joy Eatery falls below the general benchmark of 2 [1/2].
- This means that WOW is more able to pay its current liabilities using current assets than Joy Eatery.
- WOW's quick ratio of 0.83 was worse than Joy Eatery's quick ratio of 1.20.
- WOW's quick ratio of 0.83 was below the general benchmark of 1 [1/2] while Joy Eatery was above the general benchmark of 1 [1/2].
- This means that WOW is less able to pay its current liabilities using quick assets than Joy Eatery. / This indicate that WOW may face difficulties in paying its immediate debts using its quick assets.
- These could be because WOW has a bank overdraft of \$30000,
- and has a high inventory of \$60000. A lot of funds are tied up in inventory. These could have worsened WOW's liquidity position.
- In conclusion, WOW is in a worst off liquidity position than Joy Eatery.

(Any 5 points + Conclusion, 1 mark each)

(c) (Any 2, max 2 marks)

- Cash contribution from owner
- Obtain long-term borrowings
- Sale of excess non-current assets for cash

**Question 4 [Total: 12]**

- (a) It refers to service fee revenue received last month but earned this month [1/2]. Thus the amount of \$6000 that was adjusted last year is reversed [1/2] and added to this year service fee revenue on 1 June 2024.
- (b) On 20 June, Ethans Vans provided \$2000 [1/2] worth of services for Shawn but did not receive any amount from Shawn for the services provided. [1/2].
- (c) It refers to services fee revenue of \$5000 received this month [1/2] but Ethan Vans had not provide the service yet [1/2].
- (d) Service fee revenue and profit would be overstated [1/2] by \$5000. [1/2]  
Current liability (Service fee revenue received in advance) would be understated [1/2] by \$5000 [1/2]
- (e) Any one of the following. [2]  
**Revenue Recognition** – Revenue is recognised when goods are sold and delivered or when services have been performed

**Accrual** - Revenue is recognised when it is earned and not on amount of cash received.

- (f) Revenue is the main source of income for the business, it is the amount earned when a business sells goods or provides services to customers. [1]  
Other income is the amount earned from other business activities, discount received, commission income [1]

(g)

**Journal**

| Date   | Particulars              | Debit (\$) | Credit (\$) |
|--------|--------------------------|------------|-------------|
| 2024   |                          |            |             |
| Jun 30 | Cleaning expense         | 1200       |             |
|        | Cash at bank             |            | 1200        |
| Jun 30 | Cleaning expense         | 200        |             |
|        | Cleaning expense payable |            | 200         |
| Jun 30 | Income summary           | 1400       |             |
|        | Cleaning expense         |            | 1400        |

[1/2 mark each, 3]

**MARIS STELLA HIGH SCHOOL (SECONDARY)**

**PRELIMINARY EXAMINATIONS 2024  
SECONDARY 4 EXPRESS**

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**PRINCIPLES OF ACCOUNTS  
Paper 2**

**7087/02  
22 August 2024  
2 hours**

MARK SCHEME

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**MAXIMUM MARK: 60**

## Question 1 [Total: 20]

(a)

## Happiness Pte Limited

## Statement of financial performance for the year ended 31 May 2024

|  | \$      | \$      |   |
|--|---------|---------|---|
| Sales revenue                                      | 642 000 |         |   |
| Less: Sales returns                                | 4 100   |         |   |
| Net sales revenue                                  |         | 637 900 | 1 |
| Less: Cost of sales                                |         | 448 310 |   |
| Gross profit                                       |         | 189 590 | 1 |
| Other income                                       |         |         |   |
| Commission income (4400+600)                       | 5 000   |         | 1 |
| Discount received                                  | 1 830   | 6 830   | ½ |
| Less: Other expenses                               |         |         |   |
| Interest expense                                   | 2 500   |         |   |
| Utilities expense (7200 – 1200)                    | 6 000   |         | 1 |
| Wages and salaries (54220+1780)                    | 56 000  |         | 1 |
| Rent expense                                       | 72 000  |         |   |
| Discount allowed                                   | 1 900   |         | ½ |
| Depreciation – Motor vehicles (0.1 X 240000)       | 24 000  |         | 1 |
| Depreciation – Fixtures and fittings (0.2 X 57600) | 11 520  |         | 1 |
| Impairment loss on trade receivables *             | 1 550   |         | 1 |
| Impairment loss on inventory                       | 3 500   | 178 970 | 1 |
| Profit for the year                                |         | 17 450  |   |

[10]

$$*N = 0.05 \times (31400 - 1400) = 1500$$

$$N - (O - W) = 1500 - (1350 - 1400) = 1500 - (-50) = +1550$$

(b)

Happiness Pte Limited  
Statement of Financial Position as at 31 May 2024

|   | \$      | \$                       | \$             |   |
|---|---------|--------------------------|----------------|---|
| <u>Assets</u>                                       | Cost    | Accumulated depreciation | Net book value |   |
| <u>Non-current assets</u>                           |         |                          |                |   |
| Motor vehicles (48000+24000)                        | 270 000 | 72 000                   | 198 000        | ½ |
| Fixtures and fittings (6400+11520)                  | 64 000  | 17 920                   | 46 080         | ½ |
|   |         |                          | 244 080        |   |
| <u>Current assets</u>                               |         |                          |                |   |
| Inventory (83500-3500)                              |         | 80 000                   |                | 1 |
| Trade receivables (31400 – 1400)                    | 30 000  |                          |                | ½ |
| Less: Allowance for impairment of trade receivables | 1 500   | 28 500                   |                | ½ |
| Commission income receivable                        |         | 600                      |                | 1 |
| Prepaid utilities expense                           |         | 1 200                    | 110 300        | 1 |
| Total assets  |         |                          | 354 380        |   |
|   |         |                          |                |   |
| <u>Equity and Liabilities</u>                       |         |                          |                |   |
| <u>Shareholders' Equity</u>                         |         |                          |                |   |
| Share capital, 110 000 ordinary shares              |         | 220 000                  |                | ½ |
| Retained earnings (5000+17450-6600)                 |         | 15 850                   | 235 850        | 1 |
|   |         |                          |                |   |
| <u>Non-current liabilities</u>                      |         |                          |                |   |
| Long term borrowings                                |         |                          | 80 000         | ½ |
|   |         |                          |                |   |

|   |  |        |         |   |
|---|--|--------|---------|---|
| <b>Current liabilities</b>              |  |        |         |   |
| Trade payables                          |  | 9 150  |         |   |
| Bank overdraft                          |  | 1 000  |         | ½ |
| Wages and salaries payable              |  | 1 780  |         | 1 |
| Current portion of long-term borrowings |  | 20 000 |         | ½ |
| Dividends payable                       |  | 6 600  | 38 530  | 1 |
| Total equity and liabilities            |  |        | 354 380 |   |

**[10]**

**Question 2 [Total: 12]****(a) Cash at bank account**

| Date   | Particulars                                   | Dr \$     | Cr \$     | Balance \$ |
|--------|---|-----------|-----------|------------|
| 2024   |   |           |           |            |
| Apr 30 | Balance b/d                                   |           |           | 1 280 Dr   |
|        | Trade receivable - Timothy                    | 1 500 [1] |           | 2 780 Dr   |
|        | Rent expense                                  |           | 3 000 [1] | 220 Cr     |
|        | Inventory (error)                             | 1 800 [1] |           | 1 580 Dr   |
|        | Trade receivable – Matthew ight (dishonoured) |           | 2 000 [1] | 420 Cr     |
|        | Bank charges                                  |           | 300 [1]   | 720 Cr     |
| May 1  | Balance b/d                                   |           |           | 720 Cr     |

**[5]****(b) Bank Reconciliation Statement as at 30 April 2023**

|   |           |
|---|-----------|
|   | <b>\$</b> |
| Balance as per bank statement               | 300       |
| Add: Cheques not yet credited               |           |
| Max Lights                                  | 580 [1]   |
| Bank's error                                | 100 [1]   |
| Less: Cheques not yet presented             |           |
| Jair Enterprise                             | 1 700 [1] |
| Balance as per updated cash at bank account | (720) [1] |

**[4]****(c)**

$$\text{Adjusted profit} = \$8\,000 - \$3\,000 [1/2] - \$300 [1/2] = \$4\,700$$

(d) Any two of the following [2]

- Segregation of duties
- Authorisation
- Custody of cash

**Question 3 [Total: 12]**

(a) Cost of sales on 20 January =  $2400 + (3600+500) = \$6500$  [ 1 1/2]

Cost of sales on 30 January =  $\$2200$  [1/2]

Total cost of sales for January 2024 =  $6500 + 2200 = \$8700$

(b)

| Journal |                                    |        |        |
|---------|------------------------------------|--------|--------|
| Date    | Particulars                        | Debit  | Credit |
| 2024    |                                    | \$     | \$     |
| Jan 10  | Inventory                          | 500    |        |
|         | Trade payable – Fast Delivery      |        | 500    |
| Jan 20  | Trade receivable – Kenneth Trading | 10 000 |        |
|         | Sales revenue                      |        | 10 000 |
|         | Cost of sales                      | 6 500  |        |
|         | Inventory                          |        | 6 500  |

[1/2 mark each : 3]

(c)

**Kaellen Trading**

Statement of Financial Performance for the month ended 31 January 2024 (extract)

|                            | \$           |
|----------------------------|--------------|
| Sales revenue (10000+4000) | 14 000 [1]   |
| Less : Cost of sales       | 8 700 CF [1] |
| Gross profit               | 5 300        |

(d)

**Kaellen Trading**

Statement of Financial Position as at 31 January 2024 (extract)

|                       | \$        |
|-----------------------|-----------|
| <u>Current assets</u> |           |
| Inventory             | 2 600 [1] |

(e)

- The rate of inventory turnover of has **decreased and worsened** from 8.9 times in 2022 to 6.4 times in 2023. [1]
- This shows that Kaellen Trading has become **less efficient** in its inventory management. [1]
- This may be due to lack of popularity of its product / overstocking in inventory / increased competition from other suppliers [1]

(f) Any one of the following [1]

- Sell more goods through online platforms
- Reducing selling price for slow-moving goods (unpopular products).
- Provide trade discount to customers to encourage bulk purchase.
- Attract more customers through marketing campaign.
- Use technology to improve accuracy prediction about customer demand so that business can know when and how much inventory to buy.

**Question 4 [Total: 16]**

(a) Any one of the pair [2]

|   | <b>TRADE DISCOUNT</b>                    | <b>CASH DISCOUNT</b>  |
|---|--|---|
| 1 | A deduction off the list price           | A deduction off the net invoice price                                   |
| 2 | Given to encourage <b>bulk purchases</b> | Given to encourage <b>prompt payment</b>                                |
| 3 | Not recorded in the general ledger       | Recorded in the general ledger as discount allowed or discount received |

(b) Percentage discount =  $130 / (2470+130) \times 100\% = 130 / 2600 \times 100\% = 5\%$  [1](c) (i) **Jonas Trading** returned goods of \$100 previously bought from the business. [1]

(ii) The cheque of \$2470 received on 22 August from Jonas Trading was dishonoured [1] and the discount allowed of \$130 was withdrawn [1].

(iii) The business wrote off the outstanding debts amounting to \$4500 owed by Jonas Trading. [1]

(d) Profit would be understated [1/2] by \$130 [1/2]

Trade receivables would be understated [1/2] by \$130 [1/2]



(e)

|                             |     |   |
|-----------------------------|-----|---|
| Decision                    | [1] | I would advise James Trading to extend credit to Jerrick Firm   |
| Evidence #1                 | [1] | Jerrick Firm has been in business for 10 years, 7 more years than Joel Trading of 3 years.  |
| Explanation for Evidence #1 | [1] | Since it has been in operation for 10 years, it should be more stable and would have built up a reputation for the quality of products it supplies in addition to the goodwill it gives to its customers. It will be less likely to close down and more likely to be able to repay its debt.                    |
| Evidence #2                 | [1] | Jerrick Firm paid late twice compared to Joel Trading who paid late 5 times.  |
| Explanation for Evidence #2 | [1] | Jerrick Firm is more reliable, and James Trading can be more assured of collecting money from Jerrick Firm than from Joel Trading.  |
| Evidence #3                 | [1] | Jerrick Firm has 3 physical outlets in major shopping districts in Singapore, while Joel Trading operates online.   |
| Explanation for Evidence #3 | [1] | Since Jerrick Firm physical outlets are conveniently located in major shopping districts, it will have easy access to customers, and will also attract customers who would prefer to see and touch the clothing before buying. Jerrick Firm can generate consistent sales revenue to pay James Trading on time. |
| Evidence #4                 | [1] | Jerrick Firm is popular with affluent working professionals with high purchasing power (wealthy).   |
| Explanation for Evidence #4 | [1] | Jerrick Firm is likely to generate high sales revenue and more likely to pay on time.   |

OR

|                             |     |   |
|-----------------------------|-----|---|
| Decision                    | [1] | I would advise James Trading to extend credit to Joel Trading   |
| Evidence #1                 | [1] | Joel Trading has a better repayment history. It has collection days of 35 days as compared to Jerrick Firm of 37 days.  |
| Explanation for Evidence #1 | [1] | Joel Trading is more prompt in payment and James Trading will be able to obtain cash earlier which can be used for other purposes.  |
| Evidence #2                 | [1] | Joel Trading operates online whereas Jerrick Firm only has physical outlets.  |
| Explanation for Evidence #2 | [1] | Selling online will enable Joel Trading to have a wider reach of customers across many countries, which can lead to increase in global demand for its goods. With higher global demand, Joel Trading can generate consistent sales and buy more from James Trading. This will lead to increase in sales and profit for James Trading. |
| Evidence #3                 | [1] | Joel Trading sells athleisure which has gained significant popularity in recent years.  |
| Explanation for Evidence #3 | [1] | Athleisure is a choice for individuals who value both active lifestyles and fashion-forward looks. The customer base will be wider, and this will mean that Joel Trading will buy more from James Trading. This will lead to increase in sales and profit for James Trading.  |
| Evidence #4                 | [1] | Joel Trading's average trade receivables balance is \$25 000, which is \$7 000 lower than Jerrick Firm's trade receivables balance of \$32 000.   |
| Explanation for Evidence #4 | [1] | The amount owed by Joel Trading is generally lesser, and in the event that both businesses are unable to pay their debts, lesser debts will be written off for Joel Trading   |