

4 Express / 5 Normal Academic

Paper 1 Solutions

1a

Journal

Date	Particulars	Debit	Credit
2021		\$	\$
1	Motor vehicle repairs Motor vehicle Correction of error - Motor vehicle repairs of \$580 was recorded into the motor vehicle account.	580 (1)	580 (1)
2	Interest income \$(310 - 130) Cash at bank Correction of error - Interest income of \$130 received by cheque was recorded as \$310 in the books.	180 (1)	180 (1)
3	Drawings Cash in hand Correction of error - Cash of \$300 withdrawn by the owner for personal use was omitted from the books.	300 (1)	300 (1)

*1 mark deducted from total marks of this part if students never write narrations

[6]

b > To check for arithmetic accuracy in recording (1)

> To facilitate the preparation of the financial statements. (1)

[2]

c According to the accounting entity theory (1)

Percilla should record the \$300 she took from the business because the business is a separate entity from its owner. (1)

[2]

d Percilla's business

Statement to show adjusted profit for the year ended 31 December 2021

	\$
Unadjusted profit	7 350
Less: Motor vehicle repairs understated	(580) (1)
Less: Interest income overstated \$(310 - 130)	(180) (1)
Adjusted profit for the year	6 590 (1)

[3]

[Total: 13]

2a

Vivian's account

Date	Particulars	Debit	Credit	Balance
2021		\$	\$	\$
May 1	Balance b/d			2 500 Cr
7	Inventory \$(900 x 80%)		720 (1)	3 220 Cr
10	Inventory \$(100 x 80%)	80 (1)		3 140 Cr
24	Cash at bank	3 000 (1)		140 Cr
24	Discount received	140 (1)		-

[4]

- b** 7 May: Invoice (1)
 10 May: Credit note (1) [2]

- c** A cash transaction occurs when payment is made at the same time when the goods are purchased or sold. (1)
 Whereas a credit transaction occurs when the goods or services are received first and payment is made at a later date. (1) [2]

- d** Accept any **one** of the following reasons
 > The business has received a cheque from a customer and updated it into the business cash at bank account but the bank has yet to update the cheque in the bank statement. (1)
 > The business has issued a cheque to its supplier and has updated the business cash at bank account but the supplier has yet to present the cheque to the bank. (1)
 > The business could have created standing order instructions with the bank for certain frequent transactions such as rent payments so the bank automatically deducts or receives amounts before they are made known to the business. (1)
 > There could be errors in recording made by the business or the bank. (1) [1]

- e** Accept any **two** of the following
 > Safeguard assets of the business (1)
 > Ensure business transactions are recorded accurately (1)
 > Comply with laws and regulations (1)
 > Prevent fraud (1) [2]

- f** Accept any **two** of the following answers
 > Segregation of duties (1)
 > Custody of cash (1)
 > Authorisation (1)
 > Bank reconciliation (1) [2]

[Total: 13]

3a

Journal

Date	Particulars	Debit	Credit
2020 Nov 19	Allowance for impairment of trade receivables Cash at bank \$(2 000 x 40%) Trade receivables: Shafiq	1 200 800 } (1)	2 000 (1)
2021 Apr 30	Impairment loss on trade receivables Allowance for impairment of trade receivables \$[(11 000 x 5%) - (1 000 - 1 200)]	750 (1)	750 (1)

[4]

b Overstated

[1]

c Accept any **two** of the following answers

- > It is easier for a private limited company to raise funds as they can issue shares. whereas for sole proprietorships funds are usually limited to the owner's personal funds. (1)
- > Private limited companies are more likely to obtain loans from banks as compared to sole proprietors. (1)
- > For private limited companies, shareholders are not obliged to pay for debts using their personal assets. However, for sole proprietors, the sole owner is obliged to pay them using his or her own personal assets. (1)
- > A private limited company exists forever untill wound up or struck off. However, a sole proprietorship may exist as long as the owner is alive and desires to continue operation. (1)

[2]

[Total: 7]

4a	Working capital = Current assets - current liabilities = \$(3 300 + 7 000 + 7 100 + 480 + 9 900) - \$(6 600 + 5 000) = \$16 180				[1]
b	Net assets = Total assets - Total liabilities = \$(12 500 + 3 300 + 7 000 + 7 100 + 480 + 9 900) - \$(6 600 + 5 000 + 10 000) = \$40 280 - \$21 600 = \$18 680				[1]
c	Commenting on the trend > The current ratio is on an improving trend from 2.12 in 2020 to 2.39 in 2021. > The quick ratio is on improving trend from 0.87 in 2020 to 0.94 in 2021.	(1) (1)			
	Accept any three of the following analysis points				
	> The current ratio met the acceptable norm of 2.00 in both 2020 and 2021. This means that the business has sufficient current assets to pay off its short-term debts.	(1)		Both sets of comparing acceptable norm to get 1 mark Both sets of saying current/quick assets to pay off to get one mark	
	> The quick ratio did not meet the acceptable norm of 1.00 in both 2020 and 2021. This means that the business did not have sufficient quick assets to pay off its short-term debts.	(1)			
	> Indra's quick ratio may not have met the acceptable norm of 1.00 because the business might have purchased excess inventory which it has been unable to sell. Only once the inventory has been sold the business can generate cash or trade receivables.	(1)			
	> Indra's quick ratio may have also not met the acceptable norm of 1.00 due to a significant amount of prepayments made. Prepayments are not included in the calculation of the quick ratio.	(1)			
	> Indra's quick ratio may have not met the acceptable norm of 1.00 also because the business may have been using its cash to repay the mortgage loan each year.	(1)			[5]
				[Total: 7]	