



Geylang Methodist School (Secondary) Preliminary Examination 2022

Candidate
Name

Class

Index
Number

PRINCIPLES OF ACCOUNTS

Paper 2

7087/02

Sec 4 Express/

Sec 5 Normal (Academic)

Additional materials:
Writing papers (4 sheets)

2 hours

READ THESE INSTRUCTIONS FIRST

Write your 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/tape.
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 marks for this paper is 60 marks.

- 1 The following is a list of balances from the books of Beezee Pte Limited on 30 September 2021.

	\$
Share capital, 100 000 ordinary shares	100 000
Retained earnings, 1 October 2020	15 180
Equipment, at cost	122 000
Motor vehicles, at cost	100 000
Accumulated depreciation:	
Equipment	12 000
Motor vehicles	20 000
Trade payables	6 340
Trade receivables	29 500
Allowance for impairment of trade receivables	1 300
Cash at bank	1 800
5% Bank loan	60 000
Sales revenue	161 250
Sales returns	900
Cost of sales	91 200
Inventory	13 500
Commission income	20 200
Insurance expenses	28 000
Wages and salaries	9 370

Additional information

- 1 Insurance expenses, \$300, were prepaid.
- 2 Commission, \$900, had been received in advance.
- 3 Equipment is depreciated at 10% using the straight-line method. The estimated scrap value is \$2 000.
Motor vehicles are to be depreciated at 20% per annum using the reducing-balance method.
- 4 The allowance for impairment of trade receivables is to be maintained at 4% of trade receivables.
- 5 The net realizable value of inventory as at 30 September 2021 is \$12 500.
- 6 Interest on the bank loan for the year ended 30 September 2021 had not yet been paid.
- 7 The company declared a dividend of \$0.02 per share. It will be paid on 5 October 2021.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 September 2021. [9]
- (b) Prepare the statement of financial position as at 30 September 2021.

[11]

[Total: 20]

- 2 The following information has been provided for Fashion Retail for the year ended 30 August 2021.

Net sales revenue	\$268 500
Operating expenses	\$42 100
Gross profit margin	24.00%
Return on equity	40.68%

REQUIRED

- (a) Calculate to **two** decimal places, where necessary, for the year ended 30 August 2021:

- i. Gross profit
[1]
- ii. Mark-up on cost
[2]
- iii. Profit margin
[1]

The following profitability ratios were extracted from the books of Uptown Retail, a close competitor of Fashion Retail.

Gross profit margin	18.00%
Mark-up on cost	22.36%
Profit margin	10.39%
Return on equity	53.44%

REQUIRED

- (b) Evaluate the profitability of Fashion Retail and Uptown Retail for the year ended 30 August 2021. Use the given information and your answer to (a). [6]

Hazmi is considering to invest in **either** Fashion Retail **or** Uptown Retail.

REQUIRED

- (c) Recommend which business Hazmi should invest in. Use the given information to support your recommendation.

[2]

- (d) Explain the importance to a business of its profitability. [2]

[Total: 14]

- 3 On 1 October 2018, Daisy Trading bought **two** identical trucks costing \$150 000 **each** using cheque.

On 30 June 2020, the business sold one of the trucks and received a cheque for \$82 000. On the same day, the business bought a new van for \$95 000 on credit.

The business depreciates its motor vehicles at a rate of 20% per annum using the reducing-balance method. A full year of depreciation is charged in the year of purchase, while no depreciation is charged in the year of sale. Daisy Trading's financial year ends on 31 December.

REQUIRED

- (a) Calculate the following:

(i) Gain or loss on the sale of non-current asset
[2]

(ii) Depreciation for the year ended 31 December 2020.
[2]

Show your workings clearly.

- (b) Prepare the journal entry to transfer the gain or loss on the sale of non-current asset on 31 December 2020. Narration is not required. [2]

- (c) State the source document used to record the purchase of a new van on 30 June 2020.
[1]

- (d) Explain **one** reason why Daisy Trading chooses the reducing-balance method to depreciate its motor vehicles.
[1]

On 1 January 2021, Daisy Trading bought a motorcycle from Japan and paid the following amounts by cheque:

	\$
Purchase price of motorcycle	20 320
Certificate of entitlement (COE)*	9 500
Registration fee of motorcycle	1 500
Delivery cost of motorcycle	100
Petrol cost of motorcycle	200
Maintenance cost of motorcycle	500

**Certificate of entitlement refers to the right to purchase and own a vehicle.*

REQUIRED

- (e) Distinguish between capital expenditure and revenue expenditure.
[2]
- (f) Calculate the cost of the new motor vehicle.
[2]

Daisy Trading purchased additional fixture and fittings during the year and classified the purchase as revenue expenditure.

REQUIRED

- (g) State the effect of the above classification on profit for the year and non-current assets.
[2]

[Total: 14]

- 4 Tricia is the owner of T Electronics, a business which buys and sells electronic products by cheques only. The business records inventory using the First-In-First-Out (FIFO) method.

On 1 August 2021, T Electronics had 300 units of electronic products valued at \$128 000. During the month of August, the following transactions took place.

Purchases	
Aug 5	200 units at \$86 000
Aug 18	300 units at \$112 500
Aug 26	100 units at \$47 800

T Electronics sold 500 units of electronic products for \$530 000 on 28 August 2021.

REQUIRED

- (a) Calculate the cost of sales for the month of August 2021.
[1]

- (b) Calculate the value of the ending inventory on 30 August 2021.
[1]

On 30 August 2021, Tricia realized that some electronic products had defects and the net realizable value of the inventory was \$150 000.

REQUIRED

- (c) State the value of the ending inventory. [1]
- (d) State the **effect** and **amount** on profit for the year and current assets if the inventory was **not** adjusted. [2]

Due to the changing preferences of her customers, Tricia is considering to purchase 10 units of tablets to sell to her customers. She gathered the following information.

	Model AB	Model YZ
Cost price	\$500 per unit	\$300 per unit
Delivery fees	\$30 per 10 units	\$50 per 10 units
Battery life	Battery lasts up to 9 hours surfing the web or watching videos.	Battery lasts up to 5 hours surfing the web or watching videos.
Weight of tablet	641 g	350 g
Colours available	Black, grey, pink, green, blue	Black and grey
Display	13-inch high definition (HD) screen	8.5-inch high definition (HD) screen. Able to adjust screen brightness to suit room lighting.
Other functions	Super-fast downloads and high-quality streaming. Tablet comes with both WiFi and cellular functions.	Tablet comes only with WiFi functions.
Customers' review	"Works as good as my laptop. I bring it around for my work meetings and it could last me a whole day at work."	"Great value for money. I like that it's smaller in size and convenient for me to bring around."

Tricia also discovered the following customer preferences in her research:

- Customers have different colour preferences.
- Customers prefer a tablet which serves both work and leisure purposes.
- Customers with young kids prefer tablets with adjustable brightness levels as it helps to protect their kids' eyes.

REQUIRED

(e) Advise Tricia which tablet she should choose to sell. Justify your decision with **three** reasons.

[7]

[Total: 12]

END OF PAPER

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