

**2022 4E5N Prelim Paper 2 Answers****Question 1**

a)

Beezee Pte Limited			
Statement of financial performance for the year ended 30 September 2021			
	\$	\$	
	16125		
Sales revenue	0		
Less: Sales returns	<u>900</u>		
		16035	
Net sales revenue		0	1
Less: Cost of sales		<u>91200</u>	
Gross profit		69150	1
<u>Other income</u>			
Commission income (20200 - 900)		19300	1
<u>Less: Other expenses</u>			
Depreciation of equipment (10% x (122000 – 2000))	12000		1
Depreciation of motor vehicles (20% x (100000 - 20000))	16000		1
Reversal of impairment loss on trade receivables (4%x (29500 – 1300))	(120)		1
Interest expense (5% x 60000)	3000		1
Impairment loss on inventory (13500 - 12500)	1000		1
Insurance expense (28000 - 300)	27700		1
Wages and salaries	<u>9370</u>	<u>68950</u>	
Profit for the year		<u>19500</u>	

b)

Beezee Pte Limited				
Statement of financial position as at 30 September 2021				
<b>Assets</b>	\$	\$	\$	
	Cost	Accumulated depreciation	Net book value	
<u>Non-current assets</u>				
Equipment	122000	24000	98000	10 F
Motor vehicles	100000	36000	64000	10 F
			<u>162000</u>	
<u>Current assets</u>				
Trade receivables	29500			
Less: Allowance for impairment of trade receivables	<u>(1180)</u>	28320		1
Cash at bank		1800		
Inventory		12500		1
Prepaid insurance		300	42920	1
<b>Total assets</b>			<u>204920</u>	
 <b>Equity and Liabilities</b>				
<u>Shareholders' equity</u>				
Share capital, 100 000 ordinary shares		100000		1
Retained earnings (15180 + 19500 - 2000)		<u>32680</u>	132680	1
 <u>Non-current liability</u>				
Long-term borrowing			60000	1
 <u>Current liability</u>				
Trade payables		6340		
Commission income received in advance		900		1
Interest payable (5% x 60000)		3000		1
Dividend payable (0.02x100000)		<u>2000</u>	12240	1
<b>Total equity and liabilities</b>			<u>204920</u>	

Question 2

- (a) i.  $24.00\% = \text{Gross profit} / 268500 \times 100\%$   
 $\text{Gross profit} = 0.24 \times 268500 = \$64440$  [1]
- ii.  $\text{Cost of sales} = \text{Net sales revenue} - \text{Gross profit}$   
 $= 268500 - 64440 = \$204060$  [1OF]  
 $\text{Mark-up on cost} = \text{Gross profit} / \text{Cost of sales} \times 100\%$   
 $= 64440 / 204060 \times 100\% = 31.58\%$  (2dp) [1]
- iii.  $\text{Profit margin} = \text{Profit for the year} / \text{Net sales revenue} \times 100\%$   
 $= (64440 - 42100) / 268500 \times 100 = 8.32\%$  [1]
- (b)
- Fashion Retail gross profit margin of 24.00% is better than Uptown Retail 18.00%.
  - Fashion Retail mark-up on cost of 31.58% is better than Uptown Retail 22.36%.
  - This implies that Fashion Retail is selling its goods at a higher selling price or buying its goods at a lower cost price.
  - However, Fashion Retail profit margin is 8.32% is worse than Uptown Retail 10.39%.
  - This implies that Fashion Retail is less efficient in managing its expenses to generate net sales revenue compared to Uptown Retail.
  - Overall, **Fashion Retail is less profitable than Uptown Retail.**
- (c) Hazmi should invest in Uptown Retail. The return of equity for Uptown Retail is 53.44% which is better than that of Fashion Retail which is 40.68%. This means that for every dollar invested, Uptown Retail is able to generate more profits for shareholders than Fashion Retail.
- (d) Easier for business to take up loans from banks / Easier to hire employees / Possible to distribute profits to reward them for their contributions and attract investors / Expand operations / Sustain business operations / Suppliers willing to sell goods on credit to business / Keep up with competitors
- Any 2 valid points – 2m

Question 3

- (a) i. Cost: \$150 000  
 Accumulated depreciation:  $30000 + 24000 = \$54000$  [1]  
 For 31 Dec 2018:  $20\% \times 150000 = \$30000$   
 For 31 Dec 2019:  $20\% \times (150000 - 30000) = \$24000$   
 Net book value =  $150000 - 54000 = \$96000$   
**Loss on sale** =  $82000 - 96000 = \$14000$  [1]

ii. Existing MV:  $20\% \times (150000 - 30000 - 24000) = \$19200$

New MV:  $20\% \times 95000 = \$19000$

[1m for either \$19200 or \$19000]

Depreciation for year ended 31 Dec 2020:  $19200 + 19000 = \$38200$  [1][OF]

(b)

Date	Particulars	Dr (\$)	Cr (\$)
2020			
December 31	Dr Income summary [1]	14000	
	Cr Sale of non-current asset [1]		14000

1m deducted for wrong date/wrong amount (amount should be taken from ai)

(c) Invoice [1]

(d) Motor vehicles provide **more benefits in the first few years of usage** then lesser benefits in the later years. [1]

(e)

Capital expenditure	Revenue expenditure
Refers to the cost to buy and bring the non-current asset to its <b>intended use</b> .	Refers to the cost to operate, repair and maintain the non-current assets in <b>working condition</b> .
Provides benefits for more than a year	Provides benefits for less than a year

Any contrasting pair of answers provided [2m]

(f) Cost of new motorcycle =  $20320 + 9500 + 1500 + 100 = \$31420$

Any 2 amounts 1m. Total 2m

(g) Profit will be understated.[1] Non-current assets will be understated. [1]

#### Question 4

(a) Cost of sales =  $128000 + 86000 = \$214\,000$  [1]

(b) Value of ending inventory =  $112500 + 47800 = \$160\,300$  [1]

(c) Value of ending inventory =  $\$150\,000$  [1]

(d) Profit will be overstated by  $\$10300$  [1OF], current assets will be overstated by  $\$10300$  [1OF].



(e) Tricia should purchase **Model AB** to sell.

Evidence 1	Model AB has a <u>longer battery life</u> by 4 hours, compared to Model YZ.
Explanation 1	This would meet the demands of customers who are looking for tablets with longer battery life. Customers can also bring this tablet for work purposes and it could last them a day at work. This helps to bring in more sales for the business.
Evidence 2	Model AB has both Wifi and cellular functions.
Explanation 2	Customers who are looking to use the tablet for work and leisure purposes can use the tablet on the go.
Evidence 3	Model AB <u>comes in 5 different colours</u> , compared to Model YZ which comes in only 2 colours.
Explanation 3	The wider variety of colour choices might attract more customers who wish to have more choices, hence bringing in more sales for the business.
Evidence 4	Model AB has a <u>larger screen display</u> of 13 inch, compared to Model YZ which has a screen display of 8.5 inch.
Explanation 4	Customers who are looking for a larger screen display and this will come in useful when they are using it for display of work purposes as well. Hence, this increases sales for the business.

Tricia should purchase **Model YZ** to sell.

Evidence 1	Model AB: $500 \times 10 + 30 = \$5030$ Model YZ: $300 \times 10 + 50 = \textbf{\$3050 (lower cost price)}$ By purchasing 10 units of Model YZ, it will cost the business <u>\$1980 lower</u> than Model AB.
Explanation 1	This would leave Tricia with more cash available to spend on other operations of the business.
Evidence 2	Model YZ is 291 g <u>lighter</u> than Model AB.
Explanation 2	This makes it even more convenient for users to bring the tablet around as it is lightweight, and attracts customers who are looking for convenience.

Evidence 3	Model YZ has the function to <u>adjust the brightness</u> of the screen to suit the lighting of the room.
Explanation 3	This suits customers with younger kids as this helps to protect the eyes of the kids.