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Dunearn Secondary School
Preliminary Examination 2022
Principles of Accounts
Secondary 4 Express
Paper 2

7087/2
2 hours

13 Sep 2022

815 hr to 1015 hr

INSTRUCTIONS TO CANDIDATES

Do not open this booklet until you are told to do so.

Write your name, register number and class on the question paper.

Write in dark blue or black pen.

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

You may use a calculator.

Please show all workings clearly.

All calculations must be shown adjacent to the answer.

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

Answer all questions.

For Examiner's use	
1 (20)	
2 (12)	
3 (12)	
4 (16)	
TOTAL (60)	

Setter: Ms Cindy Goh

Answer all questions.

- 1 The following balances were extracted from the books of Dunearn Gems Pte Ltd on 30 June 2021.

	\$	
Sales revenue	388 000	
Cost of sales	138 500	
Sales returns	16 700	
Wages and salaries	85 200	
Rent	140 000	
General expenses	9 200	
Advertising expenses	40 700	
Equipment at cost	280 000	
Motor vehicles at cost	347 000	
Accumulated depreciation		
Equipment	123 000	
Motor vehicles	11 800	
Trade receivables	36 300	
Trade payables	224 900	
Allowance for impairment of trade receivables	800	
Cash at bank	28 600	Cr
Inventory	25 900	
Share capital, 200 000 ordinary shares	200 000	
Dividends	4 000	
Retained earnings 1 July 2020	26 400	
5% Bank loan	120 000	

Additional information:

- 1 General expenses of \$200 was prepaid.
- 2 The rent expense covers the period 1 July 2020 to 31 August 2021.
- 3 New equipment, cost \$3 000, had been posted in error to advertising expenses.
- 4 Equipment is to be depreciated at 10% per annum using the straight-line method.
- 5 Motor vehicles are to be depreciated at 20% per annum using the reducing-balance method.
- 6 Mars went bankrupt and his debt of \$300 was to be written off. All others debts were deemed to be collectible as at the year end.
- 7 The interest on bank loan was outstanding.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2021. [8]
- (b) Prepare the statement of financial position at 30 June 2021. [12]

[Total: 20]

- 2** Javier is thinking of extending credit terms of 30 days to 35 days to his customers to increase his business. Below are some of the details of his customers:

	Tenny International	Raja Singapore
Average Trade Receivable Balance	\$ 50 000	\$ 10 000
Repayment history	Collection days: 40 4 times late payment	Collection days: 30 2 times late payment
Reputation of business	Big corporation with global presence	A local enterprise with strong presence in Singapore
Other factors	Has strong research and development team	Has great customer loyalty programme

REQUIRED

- (a)** If you were Javier, which customer would you extend credit to? Explain your reasons. [7]
- (b)** Explain the similarities and differences between drawings and dividends. [3]
- (c)** Explain accounting theory used when there is a provision for allowance for impairment of trade receivable. [2]

[Total: 12]

- 3 The following information was extracted from 4 Emerald on 31 March 2022.

	\$
Cost of Sales	28 000
Profit for the period	5 200
Mark-up on cost	25%

Some of its financial ratios for the years ended 2020 and 2021 are as follows:

Year ended 31 March	<u>2020</u>	<u>2021</u>
Gross profit margin	30%	20%
Profit margin	10%	28%

Additional Information

- (i) 4 Emerald maintained its mark-up from 2021 and 2022.
- (ii) Equity section changes are as follows:

	31 March 2020	31 March 2021	31 March 2022
	\$	\$	\$
Equity	10 000	15 000	30 000

REQUIRED

- (a) Calculate the following ratios for 4 Emerald for the year ended 31 March 2022. [5]
(round off to 2 decimal points if required)
- (i) Net Sales Revenue
 - (ii) Profit Margin
 - (iii) Return on equity
- (b) Compare and comment on the profitability of 4 Emerald from 2020 to 2022. [7]

[Total:12]

- 4 Zhen Dong is a wholesaler who buys and sells inventory on credit.

On 1 March 2022, there was opening inventory of 10 000 boxes costing \$28 000.

During the year, the following transactions took place:

2022

Mar 2 Bought 10 000 boxes from Max with list price of \$30 000.
A trade discount of 10% was given.

Mar 3 Sold 10 000 boxes to Faye with list price of \$50 000.
A trade discount of 15% was given to her.

Mar 17 Bought 10 000 boxes from Colin for \$22 000.

Mar 20 Sold 10 000 boxes to Zul for \$60 000.

Mar 27 Faye returned half of her purchase on May 3.

Mar 30 Returned goods purchased from Colin on Mar 17.

REQUIRED

- (a) Prepare the inventory account for the month ended 31 March 2022. [8]
- (b) Prepare the trading portion of the statement of financial performance for the month ended 31 March 2022. [5]
- (c) As at 31 March 2022, after temporary power trip, Zhen Dong realized that 20% of his inventory has gone bad. Explain how would the profit for the period and asset valuation would be affected if Zhen Dong chose not to be any adjustment as at 31 March 2022. [2]
- (d) State the concept that Zhen Dong is violating when no adjustment is made on the inventory on 31 March 2022. [1]

[Total: 16]

End of Paper