

**2023 Holiday Revision Paper – Bukit View 2023 Sec 3N EYE**  
**SOLUTIONS**  
**-PAPER 1-**

**Q1a**

- (i) Assets are **resources** a business owns or controls that are **expected to provide future benefits** [1]
- (ii) Liabilities are **obligations** such as debts or amounts owing by a business to others that are **expected to be settled in the future** [1]

**Q1b**

Total assets = 67 000 + 23 500 + 12 700 + 19 000 = \$122 200 [1]

Total liabilities = 50 000 + 11 340 = \$61 340 [1]

Capital = 122 000 – 61 340 = \$60 860 [1]

**Q1c**

	Effects of transactions on		
	Assets (\$)	Liabilities (\$)	Equity (\$)
<b>2</b>	Cash at bank + 30,000	Loan from XYZ bank +30,000	
<b>3</b>	Trade receivables +1,500 Inventory -850		Sales revenue +1,500 Cost of sales -850
<b>4</b>	Inventory -5,000	Trade payables -5,000	

1 mark for each entry  
**[8]**

**[Total: 12]**

**Q2a**

To check on the accuracy of recording in the ledgers. [1]

To facilitate the preparation of the financial statements. [1]

**Q2b**

A balanced trial balance is not an absolute proof of accuracy. There may be errors not revealed by a trial balance. [1]

**Q2c**

Amanda Dresses		
Trial balance for as at 31 July 2023		
	Dr \$	Cr \$
Capital	[0.5]	<b>58 000</b>
Cash at bank (overdraft) [4500 + 1800]	[0.5]	<b>6 300</b>
Cash in hand [1100 – 800]	[0.5] 300	
Discount received [800 + 200]	[0.5]	1 000
Motor vehicles	[0.5] 110 000	
Trade receivables	[0.5] 3 600	
Trade payables [2370 – 2000]	[0.5]	370
Office equipment [50000 + 800]	[0.5] 50 800	
Sales revenue	[0.5]	128 800
Utilities	[0.5] 36 420	
Drawings [4000 + 250]	[0.5] 4 250	
Inventory [5400 – 250]	[0.5] 5 150	
Bank loan	[0.5]	28 050
Sales returns	[0.5] <b>12 000</b>	
	<u>222 520</u>	<u>222 520</u>

[7]

**Q2d**

Amanda Dresses	
<u>Statement of Financial Position as at 31 July 2023</u>	
	\$

Current Liabilities

Cash at bank (overdraft) 7 050

[2]

[Total:12]

**Q3a**

Accounting provides financial information for stakeholders to make informed decisions regarding the management of resources and performance of businesses.  
[1]

**Q3b**

Identify and record, adjust, report, close [2]  
[1m for any 2]

**Q3c**

Scenario	Accounting theory
The business prepares its financial statements quarterly	Accounting period theory [1]
Activities of a business are separate from the actions of the owner	Accounting entity theory [1]
Transactions should be recorded at their original cost	Historical cost theory [1]

**Q3d**

Date 2023	Transaction	Source document
Sept 1	Cash sales	Receipt
Sept 11	Bought a new oven on credit	Invoice [1]
Sept 20	Returned spoilt cake ingredients to credit supplier	Credit Note [1]
Sept 25	Transferred funds to credit supplier for amount owing	Bank statement/Payment voucher [either one 1m]

**[Total:9]**

**Q4a**

- |              |  |     |
|--------------|--|-----|
| <b>(i)</b>   | On 1 August 2023, Nur owed Kaleb \$5,000   | [1] |
| <b>(ii)</b>  | On 11 August 2023, Nur returned goods previously bought for \$800 from Kaleb on credit.  | [1] |
| <b>(iii)</b> | On 21 August 2023, Kaleb discovered that the cheque of \$4,750 paid by Nur on 18 August was dishonoured and withdrew the cash discount of \$250. | [1] |

**Q4b**

Specific industry outlook

Economic outlook

Reputation of customers

New customers' history of repayment

[1m for any acceptable answers]

[2]

**[Total:7]**

**-PAPER 2-**

**Q1a**

Yun Nee Traders

Statement of Financial Performance for the year ended 30 April 2023

	\$	\$	
Sales revenue	98 800		
Less: Sales returns	23 900		
Net sales revenue		74 900	[1]
Less: Cost of sales		32 300	
Gross Profit		42 600	[1]
Add: other income			
Discount received	550		[1]
Rent income $[11\,900 \times \frac{12}{14}]$	10 200	10 750	[1]
<u>Less: Other expenses</u>			
Utilities expense	27 800		[1]
Insurance $[500 \times 12]$	6 000		[1]
Salaries expense	9 250		[1]
Advertising expense $[5\,800 + 660]$	6 460		[1]
Interest expense	12 860		[1]
Impairment loss on inventory	2 200		[1]
		64 570	
Loss for the year		11 220	

**[10]**

<b>Q1b</b>		Yun Nee Traders		
		Statement of financial position as at 30 April 2023		
Assets		\$	\$	
<u>Non-current assets</u>				
Office equipment		17 000		
Motor vehicle		36 000	53 000	[1]
<u>Current assets</u>				
Trade receivables		13 000		
Inventory		12 250		[1]
Prepaid insurance expense [7 500 – 6 000]		1 500		[1]
Cash at bank [12 120 – 2800 ]		9 320		[1]
			36 070	
Total assets			89 070	
Equity and liabilities				
<u>Owner's equity</u>				
Capital [55 230 – 11 220– 5 800]			38 210	[2]
<u>Non-current liabilities</u>				
Long-term borrowings			40 000	[1]
Current liabilities				
Trade payables		8 500		[1]
Rent income received in advance [ $11\,900 \times \frac{2}{14}$ ]		1 700		[1]
Advertising expense payable		660		[1]
			10 860	
Total equity and liabilities			89 070	

[10]  
[Total: 20]

**Q2a**

Updated Cash at bank				
		Dr	Cr	Balance
		\$	\$	\$
2023				
Feb 28	Balance b/d			4 610 Dr
Feb 28	Commission income	1 800		6 410 Dr
Feb 28	Rent expense		1 850	4 560 Dr
Feb 28	TR – Coco Trading (dishonoured cheque)		4 110	450 Dr
Feb 28	Interest income	80		530 Dr
Feb 28	Trade payable – Orange Store	300		830 Dr
Mar 1	Balance b/d			830 Dr

[5]

**Q2b**

Bank Reconciliation Statement as at 28 Feb 2022		
	\$	
Balance as per bank statement	1 480	[1]
Add: Deposits in transit		
- Trade receivables – Papaya Ltd	230	[1]
Less: Cheques not yet presented		
- Drawings	(880)	[1]
Balance as per updated cash at bank	830	[1]

[4]

**Q2c**

$$1800 - 1850 + 80$$

$$= \$30$$

Profit increases by \$30.

[1]

**Q2d**

Cash is highly portable and has a high chance of getting stolen [1]. Internal controls over cash reduces the possibility of theft or likelihood of error and ensures that cash is well-protected and accurately reported. [1]

**Q2e**

One type of internal controls for cash is segregation of duties [1]. It involves the separation of cash handling and cash recording duties among different employees so that no single person has control over the entire cash process. [1]

Another type of internal controls for cash is authorisation [1]. It refers to obtaining proper approvals for all payments from authorised personnel. A business may require at least two persons to review and approve payments involving large amounts [1].

Custody of cash [1]. Secure cash and cheques in a locked storage and limit access of cash to authorised personnel [1].

**[Total:13]**

**Q3a**

Payment is made at the same time or immediately [1] during a cash sale or purchase but payment is delayed or postponed [1] during a credit sale or purchase.

**Q3b**

## Trade payable: Lim Furnishings

Date	Particulars	Dr \$	Cr \$	Bal \$	
2022					
Aug 4	Balance b/d			2 500 Cr	[1]
11	Inventory [5500 x 90%]		4 950	7 450 Cr	[1]
12	Cash at Bank	2 500		4 950 Cr	[1]
16	Inventory [300 x 90%]	270		4 680 Cr	[1]
24	Cash at bank [(95% x 4 680)]	4 446		234 Cr	[1]
24	Discount received	234			[1]
Sep 1	Balance b/d			0	

[6]

**Q3c**

Trade discount is a reduction to the **listed** price to encourage bulk purchase or to encourage patronage / loyalty. It is not recorded in the ledger account.

Cash discount a reduction to the **invoiced** price to encourage prompt payment. It is recorded in the ledger as either discount allowed or discount received. [2]

**Q3d**

Profit for the year: Understated by \$234 [1]

[Total: 11]

**Q4a**

FIFO means goods bought earliest are assumed to be sold first.

[1]

**Q4b**

Sales revenue = 1160 + 1400 = \$2560 [1]

Cost of sales = 300 + 540 + 280 + 850 = \$1970 [1]

Gross profit = 2560 – 1970 = \$590 [1]

**Q4c**

Date	Particulars	Dr \$	Cr \$	
2023				
Jun 29	Impairment loss on inventory	350		[1]
	Inventory		350	[1]
	(Inventory value is reduced to its net relisable value)			[1]

**Q4d**

Profit will be overstated by \$350. [1]

**Q4e**

Prudence theory

[1]

-states that inventory should be valued at cost price or net realisable value  
whichever is lower.

[1]

**[Total: 11]**

**Q4f (Any 2 relevant reason & Explanation)**

Stand:	I would advise Abby to buy gluten-free brownie.
Evidence 1:	It has been proven to be popular with overseas customers and local customers have also asked about this product.
Explanation 1:	Chances are high that the brownie will be popular with local customers. By bringing in this gluten-free brownie, Abby is able to increase his business sales volume and hence its market share in the gluten-free brownie market.
Evidence 2:	It suits the dietary needs of customers who are allergic to gluten as the brownie is made of gluten-free ingredients
Explanation 2:	There is demand for it by these specific group of people which could lead to higher sales revenue and profit.
Evidence 3:	Abby faces less local competition as this product is not available in many other local stores unlike sugar-free chiffon cake that is sold in local stores for the past three years and hence Abby may face more competition.
Explanation 3:	This means that bringing in this gluten-free brownie could possibly attract new customers to Abby's supermarket, increasing his reputation and sales for other products as well.

Stand:	I would advise Abby to buy sugar-free chiffon cakes.
Evidence 1:	The purchase price of sugar-free chiffon cake is \$2.30 which is 50 cents cheaper than gluten-free brownie which costs \$2.80 per cake.
Explanation 1:	<ul style="list-style-type: none"> <li>• With a lower cost per unit, Abby can sell at a lower price and attract more customers to buy to increase its sales revenue.</li> <li>OR</li> <li>• The cost savings can be used for other operating expenses.</li> </ul>
Evidence 2:	Sugar-free chiffon cake can be stored in room temperature whereas the gluten-free brownie requires refrigeration.
Explanation 2:	Abby will not have to incur additional expenses for special storage and utilities expenses. This leads to lower expenses and higher profit.
Evidence 3:	Customers have more choices as it is available in three different flavours whereas the gluten-free brownie is only available in one flavour.
Explanation 3:	It caters to different customer preferences as there is a wide variety of flavours to choose from. Abby will be able to sell more chiffon cakes and earn higher sales revenue.

[Stand – 1m, Evidence – 1m, Explanation – 1m]

[5]