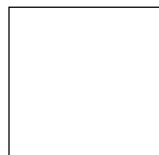


Name:	Class	Index Number



Jurong West Secondary School **Preliminary Examinations 2023**

60



PRINCIPLES OF ACCOUNTS

Paper 2
Secondary Four
Normal Academic

7086/02
Thursday, 3 Aug 2023
0800 - 1000
2 hours

Candidates answer on foolscap papers provided.

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number in the spaces on all the work you hand in.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs, tables or rough working.
Do not use staples, paper clips, glue or correction fluid.

The use of an approved calculator is allowed.
You may lose marks if you do not show your working or if you do not use appropriate units.

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.

After checking of answer script		
Checked by Student	Signature	Date

There are a total of **8** printed pages (including the cover page)
Answer **all** questions.

- 1 The following trial balance was extracted from the books of Jie Ge's business at the end of the financial year on 30 June 2023.

	\$
Sales revenue	87 000
Sales returns	600
Office equipment at cost	46 000
Accumulated depreciation of office equipment	9 200
Cost of sales	11 700
Allowance for impairment of trade receivables	2 400
Loan (repayable 30 June 2025)	16 800
Capital, 1 July 2022	34 020
Cash at bank	4 200
Commission income	5 600
Drawings	8 400
Inventory	10 800
Loan interest	620
Rent expense	8 200
Wages and salaries	48 300
Trade receivables	28 600
Trade payables	12 400

Additional information

- 1 On 30 June 2023
Rent \$500, was paid in advance.
Loan interest \$1880 was still outstanding.
Commission income of \$1400 has not been received.
- 2 Jie Ge's drawings of \$790 were included in wages and salaries.
- 3 Uncollectible debt, \$600, was to be written off.
- 4 Allowance for impairment of trade receivables is to be \$2000.
- 5 Depreciation of office equipment is to be provided at 20% per annum using reducing balance method.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2023. [10]
- (b) Prepare the statement of financial position as at 30 June 2023. [10]

[Total: 20]

- 2 Elizabeth opened an Ez-Cafe on 1 July 2021.
The following information was available from her business.

Date	Transaction
2021	
Jul 1	Elizabeth invested \$15 000 cheque to open the Ez-Cafe.
Dec 15	She paid \$2 000 to trade payables using her personal cheque.
2022	
Jun 30	Profit for the year amounted to \$7 800.
Dec 27	Elizabeth withdrew \$800 from the business bank account to pay for her own utilities.
2023	
Jan 5	Elizabeth took \$500 goods for her family use.
Jun 30	Loss for the year amounted to \$1 690.

REQUIRED

- (a) Prepare the closing entry to transfer the total drawings to capital account for the year ended 30 June 2023. A narration **is** required. [3]
- (b) Prepare the capital account for the **two** years ended on 30 June 2022 and 30 June 2023. [7]
- (c) Define owner's equity. [1]
- (d) Explain, with an accounting theory, how the business treats owner's contributions and withdrawal of business's resources for personal use. [2]

[Total: 13]

- 3 Tyson Ltd buys machines to manufacture rubber tyres. The business estimates that its machineries have a useful life of 10 years and charges a full year of depreciation for its non-current assets in the year of purchase.

The financial year for Tyson Ltd ends on every 31 December.

The following accounts relate to the business's machineries.

Machineries account

Date	Particulars	Debit	Credit	Balance
2021		\$	\$	\$
Jan 1	Loan from Beng Finance (i)	60 000		60 000 Dr
2022				
Jan 1	Balance b/d			60 000 Dr
Jul 1	Trade payable – Big Trading (ii)	40 000		100 000 Dr
2023				
Jan 1	Balance b/d			100 000 Dr

Accumulated depreciation of machineries account

Date	Particulars	Debit	Credit	Balance
2021		\$	\$	\$
Dec 31	Depreciation of machineries		6 000	6 000 Cr
2022				
Jan 1	Balance b/d			6 000 Cr
Dec 31	Depreciation of machineries (iii)		10 000	16 000 Cr
2023				
Jan 1	Balance b/d			16 000 Cr

REQUIRED

- (a) Interpret the entries on the following dates:

- (i) 1 January 2021
(ii) 1 July 2022
(iii) 31 December 2022 [3]

- (b) Explain the method of depreciation used by the business. [2]

- (c) Name the ledger account to which depreciation expense is transferred to when the account is closed at the end of the year. [1]

- (d) Define depreciation. [1]

- (e) Define accumulated depreciation. [1]

- (f) State and explain using a relevant accounting theory why Tyson Ltd should charge depreciation on its non-current assets. [2]

- (g) Tyson Ltd intends to change the depreciation method used on machineries in the subsequent years. Explain, with a relevant accounting theory, if this is advisable. [2]

[Total: 12]

- 4 Joshua sells running shoes and buys on credit from Linear Style.
- The credit period is 15 days and there is a trade discount of 20% on all credit purchases. Linear Style's credit term is to offer 5% cash discount for payment made within 15 days of the invoice date.

The following transactions occurred in the month of April 2023.

2023

- 5 Apr Joshua received an invoice with a list price, \$5000 from Linear Style.
- 8 Apr Joshua received a credit note from Linear Style for the goods bought previously on 5 April. The list price of these goods was \$200.
- 20 Apr Issued a cheque to Linear Style in full settlement of amount owing.

REQUIRED

- (a) State the journal entries with which Joshua recorded the transactions occurred in the month of April 2023. Narrations are **not** required. [8]
- (b) Explain the difference between credit transaction and cash transaction. [2]

Joshua is considering to buy its running shoes from an online shop, Kinetic Degree, instead of its usual supplier, Linear Style.

The following information is available.

Supplier	Linear Style	Kinetic Degree
Price per pair of running shoes	\$80	\$70
Trade discounts given for every 100 pair of running shoes	20%	5%
Credit period	15 days	30 days
Nature	Physical shop	Online business
Return policy	All running shoes can be returned within 15 days and exchanged for new ones without additional charge.	All running shoes can be returned within 30 days. However, the buyer bears the transport cost of returning the running shoes.
Reputation of supplier	<ul style="list-style-type: none"> 10 years in business Positive feedback from loyal customers 	<ul style="list-style-type: none"> 2 years in business Positive online reviews

REQUIRED

- (c) Advise Joshua which supplier he should choose. Justify your decision with **two** reasons. [5]

[Total: 15]

END OF PAPER 2