

NAME:

NO:

CLASS:

**ADMIRALTY SECONDARY SCHOOL**



**PRELIMINARY EXAMINATION 2024**

**INSERT**

SUBJECT : Principles of Accounts  
CODE/PAPER : 7086/2  
LEVEL/STREAM : Secondary 4 Normal (Academic)  
DATE : 2 August 2024  
TIME : 0800h – 1000h  
DURATION : 2 hours

Paper 2

**READ THESE INSTRUCTIONS FIRST**

This insert contains the data for Question 1.

**PLEASE DO NOT TURN OVER THE PAPER UNTIL YOU ARE TOLD TO DO SO.**

**Data for Question 1**

Jasper, the owner of Jasper Training Centre, extracted the following balances on 30 June 2023.

	\$
Service fee revenue	43 900
Rental income	8 700
Discount received	760
Office equipment	15 000
Accumulated depreciation – office equipment	4 500
Fixtures and fittings	50 000
Trade payables	7 350
Trade receivables	9 380
Allowance for impairment of trade receivables	1 060
Wages expense	5 400
Cash in hand	8 850
Cash at bank	16 740
Utilities expense	420
Discount allowed	100
Interest income	90
Bank loan	30 000
Drawings	2 000
Capital, 1 July 2022	11 530

**Additional Information**

- 1 Rental income of \$200 was earned but not yet collected.
- 2 Wages expense of \$350 was owing on 30 June 2023.
- 3 A review of the trade receivables on 30 June 2023 showed that 10% of the trade receivables may not be collectible.
- 4 Office equipment is to be depreciated at 20% using the reducing-balance method.
- 5 Fixtures and fittings are to be depreciated using the straight-line method over a useful life of ten years. The estimated scrap value is \$8 000.

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**PRELIMINARY EXAMINATION 2024  
QUESTION PAPER**

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DATE : 2 August 2024  
TIME : 0800h – 1000h  
DURATION : 2 hours

Additional Materials: Insert

**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.

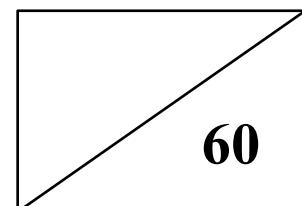
Do not use staples, paper clips, glue or correction fluid.

The use of an approved calculator is allowed.

Answer **all** questions on the Question Paper.

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.



**PLEASE DO NOT TURN OVER THE PAPER UNTIL YOU ARE TOLD TO DO SO.**

This document consists of **15** printed pages including this cover page and **1** Insert.

Answer **all** questions.

**1 Refer to the Insert for data for Question 1.**

## REQUIRED

**(a)** Prepare the statement of financial performance for the year ended 30 June 2023.

Jasper Training Centre  
Statement of Financial Performance for the year ended 30 June 2023

[illegible]



**(b)** Prepare the statement of financial position as at 30 June 2023.

Jasper Training Centre  
Statement of Financial Position as at 30 June 2023

[illegible]



- 2 Joe, owner of VibeHub, provided the following information on 31 December 2023.

	\$
Capital, 1 Jan 2023	18 420
Additional capital contributed in the form of a lorry on 15 Mar 2023	11 400
Profit for the year	10 000
Drawings	1 300

### REQUIRED

(a) Prepare the following:

- (i) Journal entry to record the additional capital contributed on 15 March 2023
- (ii) Journal entry to transfer the profit for the year to the capital account on 31 December 2023
- (iii) Journal entry to transfer drawings to the capital account on 31 December 2023.

Narrations **are not** required.

### Journal

Date		Debit \$	Credit \$



**(b)** Prepare the capital account for the year ended 31 December 2023.

Capital account

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[5]

**(c)** Explain the accounting theory behind the transaction on 15 March 2023.

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[2]

**[Total: 13]**

- 3** The financial year of Gadgets Store ends on 31 August. The following information relating to insurance expense was provided for the year ended 31 August 2020.

- 1 On 1 September 2019, the prepaid insurance account showed a balance of \$600.
- 2 A \$9 900 cheque for insurance expense was issued on 18 October 2019.
- 3 On 31 August 2020, Gadgets Store still owed insurance expense amounting to \$1 500.

**REQUIRED**

- (a)** Prepare the journal entries to account for insurance expense for the year ended 31 August 2020. Narrations are **not** required.

Journal

Date		Debit \$	Credit \$

[6]

- (b)** Explain the effects on profit for the year and current liabilities if the insurance expense payable was not adjusted.

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[2]

On 6 September 2020, Gadgets Store purchased a motor van for \$10 000 by cheque. The business policy is to provide a full year's depreciation in the year of purchase.

The following accumulated depreciation of motor vehicles was provided.

Accumulated depreciation of motor vehicles account

2021		Dr \$	Cr \$	Bal \$
Aug 31	Depreciation of motor vehicles		1 500	1 500 Cr
Sep 1	Balance b/d			1 500 Cr
2022				
Aug 31	Depreciation of motor vehicles (c)		1 500	3 000 Cr
Sep 1	Balance b/d			3 000 Cr

## REQUIRED

- (c) Interpret the entry on 31 August 2022 and explain the impact on the net book value of the motor vehicles.

.....

.....

..... [2]

- (d) Calculate the annual rate of depreciation applied.

.....

..... [1]

- (e) State the method used by Gadgets Store to depreciate its motor vehicles.

.....

..... [1]

- (f) Calculate the depreciation of the motor vehicles for the year ended 31 August 2023.

.....  
..... [1]

- (g) Calculate the net book value of the motor vehicles as at 31 August 2023.

.....  
..... [1]

**[Total: 14]**

- 4 On 1 May 2022, Caius started Radiance Enterprise, a business trading in haircare products. He prepared financial statements for his business on 25 September 2022, 14 January 2023 and 27 March 2023.

### REQUIRED

- (a) State the accounting theory that the business violated.

[1]

- (b) State the end date if the financial year is a 12 month period.

[1]

Radiance Enterprise sells goods on credit to Dave. The following transactions took place in Radiance Enterprise in July 2023.

Jul 1	Balance due from Dave is \$550.
8	Sold goods to Dave at a list price of \$4 000, less 5% trade discount.
11	Dave returned some of the goods bought on 8 July, at a list price of \$300.
19	Sold goods to Dave at a net price of \$1 600.
23	Dave paid a cheque of \$1 000 to Radiance Enterprise as partial settlement of the amount owing.

### REQUIRED

- (c) Prepare Dave's account in Radiance Enterprise's books for the month of July 2023. Bring down the balance to the next month.

Trade receivable – Dave account

[6]

Caius intends to extend a longer repayment period from 30 days to 40 days. However, Caius can only offer the extension to one customer to maintain the cash flow of the business.

	The ONE Salon	K-Dream Studio
Nature of business	Provides affordable haircuts and basic haircare treatments.	Specialises in Korean hairstyles and provides a wide range of haircare services.
Trade receivables balance	\$7 000	\$25 000
Repayment history over the past year	Collection days: 38 days Repaid late: once	Collection days: 34 Repaid late: three times
Reputation of business	Positive reviews from customers for the affordable prices.	Positive reviews from customers who likes trendy Korean haircuts.
Industry outlook	Hair salons offering affordable prices can expect stable demand from customers seeking budget-friendly options.	Hair salons that specialise in Korean haircuts are seeing growing demand from customers who want hairstyles often worn by Korean celebrities or influenced by trends in South Korea.

**REQUIRED**

- (d)** Advise Caius which business he should offer the longer repayment period to. Support your answer with **two** reasons.

[illegible]

[5]

**[Total: 13]**

## Additional page

[illegible]



## Additional page

This image shows a single page of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

**End of paper**

**Sec 4NA POA Prelim (2024) Paper 2**  
**Marking Scheme**

1a)

**Jasper Training Centre**  
**Statement of Financial Performance for the year ended 30 June 2023**

	\$	\$	
Service fee revenue		43 900	[1]
Add: Other income			
Rental income (8700 +200)	8 900		[1]
Interest income	90		
Discount received	<u>760</u>	9 750	[1]
Less: Other expenses			
Depreciation of office equipment (15000 – 4500) x 20%	2 100		[1]
Depreciation of fixtures and fittings [(50000 – 8000)/10]	4 200		[1]
Wages expense (5400 + 350)	5 750		[1]
Reversal of impairment loss on trade receivables [1] [(9380 x 10%) – 1060 + 0]	(122)		[1]
Utilities expense	420		
Discount allowed	<u>100</u>	12 448	[1]
Profit for the year		<u>41 202</u>	*OF [1]

\* Not given if statement of financial position items appear

[10]

1b)

**Jasper Training Centre**  
**Statement of Financial Position as at 30 June 2023**

	\$	\$	\$	
<b><u>Assets</u></b>	Cost	Acc depn	Net book value	[1]
<b><u>Non-current assets</u></b>				
Office equipment (4500 + 2100)	15 000	6 600	8 400	[1]
Fixtures and fittings	50 000	4 200	45 800	[1]
			54 200	
<b><u>Current assets</u></b>				
Trade receivables	9 380			
Less: Allowance for impairment of Trade receivables	<u>938</u>	8 442		[1]
Cash at bank		16 740		
Cash in hand		8 850		
Rental income receivable		<u>200</u>	34 232	[1]
Total assets			88 432	[1]
<b><u>Equity and Liabilities</u></b>				
<b><u>Owner's equity</u></b>				
Capital (11530 + 41202– 2000)			50 732	[1] OF
<b><u>Non-current liabilities</u></b>				
Long-term borrowings			30 000	[1]
<b><u>Current liabilities</u></b>				
Trade payables		7 350		
Wages expense payable		350	7 700	[1]
Total equity and liabilities			88 432	[1]

2a)

Journal			
Date	Particulars	Debit	Credit
2023		\$	\$
Mar 15	Motor vehicles	11 400 [1]	
	Capital		11 400 [1]
Dec 31	Income summary	10 000 [1]	
	Capital		10 000 [1]
Dec 31	Capital	1 300 [1]	
	Drawings		1 300 [1]

2b)

## Capital account

Date	Particulars	Debit	Credit	Balance
2023				
Jan 1	Balance b/d			18 420 Cr [1]
Mar 15	Motor vehicles		11 400	29 820 Cr [1]
Dec 31	Income summary		10 000	39 820 Cr [1]
31	Drawings	1 300		38 520 Cr [1]
2024				
Jan 1	Balance b/d			38 520 Cr [1]

2c)

Accounting entity theory [1] states that the activities of a business are separate from the actions of the owner and all transactions are recorded from the point of view of the business. [1]

**3a)**

Journal			
Date	Particulars	Debit	Credit
2019		\$	\$
Sep 1	Insurance	600 [1]	
	Prepaid insurance		600 [1]
Oct 18	Insurance	9 900 [1]	
	Cash at bank		9 900 [1]
2020			
Aug 31	Insurance	1 500 [1]	
	Insurance expense payable		1 500 [1]

**3b)**

Profit will be overstated by \$1 500 [1]

Current liabilities will be understated by \$1 500 [1]

**3c)**

For the year ended 31 August 2022, the annual depreciation of the motor vehicles was \$1 500.[1] As a result, the net book value of the motor vehicles decreased by \$1 500. [1]

**3d)**

Annual rate of depreciation

=  $1\,500 / 10\,000 \times 100\%$ 

= 15% [1]

**3e)**

Straight-line method [1]

**3(f)** \$1 500 [1]**3g)**

Net book value

= \$10 000 - \$4 500

= \$5 500 [1]

**4a)** Accounting period theory [1]

**4b)** 30 April 2023 [1]

**4c)**

Trade receivable – Dave account

Date	Particulars	Debit	Credit	Balance
2023				
Jul 1	Balance b/d			550 Dr [1]
8	Sales revenue (4000 x 95%)	3 800		4 350 Dr [1]
11	Sales returns (300 x 95%)		285	4 065 Dr [1]
19	Sales revenue	1 600		5 665 Dr [1]
23	Cash at bank		1 000	4 665 Dr [1]
Aug 1	Balance b/d			4 665 Dr [1]

**4d)**

Either Suggested answer 1 or 2 @ 5m each

Suggested Answer 1 [decision: 1m, any 2 evidence: 2m, 2 explanation: 2m, total 5m]

Decision	Caius should extend the repayment period for The ONE Salon.
Evidence 1	The ONE Salon has a trade receivables balances of \$7 000, which is \$18 000 less than K-Dream Studio
Explanation 1	The business will suffer a smaller loss if there is a situation where debts have to be written off.
Evidence 2	The ONE Salon received positive reviews from customers who prefer affordable prices.
Explanation 2	The business will be more assured of The ONE Salon's ability to repay its debts and receiving payment from The ONE Salon.
Evidence 3	The ONE Salon has repaid late once, two times less than K-Dream Studio
Explanation 3	The business is assured that The ONE Salon is prompt in payment and can have cash earlier for daily operations.
Evidence 4	There is stable demand from customers seeking budget-friendly options.
Explanation 4	With a positive industry outlook, the business is assured that The ONE Salon is likely to have stable sales and repay its debts.

[5]

Suggested Answer 2 [decision: 1m, any 2 evidence: 2m, 2 explanation: 2m, total 5m]

Decision	Caius should extend the repayment period for K-Dream Studio.
Evidence 1	K-Dream Studio repays within 34 days, which is 4 days earlier than The ONE Salon.
Explanation 1	The business is assured that K-Dream Studio is prompt in payment and can have cash earlier for daily operations.
Evidence 2	There is growing demand for Korean haircuts.
Explanation 2	With a positive industry outlook, the business is assured that K-Dream Studio is likely to generate more sales and repay its debts.
Evidence 3	K-Dream Studio received positive reviews from customers who likes trendy Korean haircuts.
Explanation 3	The business will be more assured of K-Dream Studio's ability to repay its debts and receiving payment from K-Dream Studio.

[5]