



East Spring Secondary School
Towards Excellence and Success

Name: ()

Class:

O Level Preliminary Examination 2022
Secondary 4 Express / 5 Normal (Academic)

Principles of Accounts
Paper 2

7087/02

13 September 2022

2 hours

Tuesday

0800 – 1000

Additional materials: 5 pieces of accounting paper

READ THESE INSTRUCTIONS FIRST

Write your name, class and register number in the spaces provided above, and on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for rough working.

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

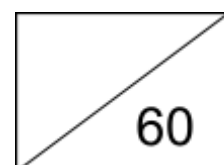
The use of an approved calculator is allowed.

DO NOT WRITE ON ANY BARCODES.

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.



This question paper consists of **7** printed pages including the cover page.

Answer **all** questions.

Question 1

The following trial balance was extracted from the books of Grit Pte Ltd, at the end of the financial year on 30 June 2022.

	Debit	Credit
	\$	\$
Share capital, 180,000 ordinary shares		90,000
Retained earnings, 1 July 2021		22,390
Cost of sales	84,500	
Utilities	11,870	
Advertising	6,130	
Sales revenue		185,000
Sales returns	25,700	
Interest expense	3,000	
Rental expense	8,500	
Commission income		1,150
Office equipment	78,300	
Fixtures and fittings	42,000	
Accumulated depreciation:		
Office equipment		23,000
Fixtures and fittings		8,360
Inventory	31,640	
Trade receivables	81,500	
Allowance for impairment of trade receivables		6,140
Cash at bank		1,380
Trade payables		8,120
8% Bank loan		50,000
Salaries	22,710	
Discount		310
	395,850	395,850
	0	0

Additional information on 30 June 2022.

1. Advertising paid included \$1,200 for advertising on radio for the half-year ending 31 August 2022.
2. Commission income of \$420 was for services to be provided in July 2022.
3. Interest on the 8% Bank loan has not been fully paid. \$10,000 of the loan is repayable on 1 December 2022.
4. Depreciation is to be charged as follows:
 - Fixtures and fittings at 15% per annum using the straight-line method
 - Office equipment at 20% per annum using the reducing balance method
5. A trade receivable owing \$1,500 had been declared a bankrupt but had not been written off yet.
6. The business reviewed its debtors and decided that 5% of the trade receivables balance may not be collectible.
7. A dividend of \$0.02 per share was declared on 28 June 2022 to be paid on 1 August 2022.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2022. [7]
- (b) Prepare the statement of financial position as at 30 June 2022. [13]

[Total: 20]

Question 2

Charlyn operates a trading business. She has provided the following information from the business bank statement and cash at bank account for the month of April 2022.

Bank Statement					
		Payment	Receipts	Balance	
		\$	\$	\$	
2022					
April	1	Balance b/f		4,520	Cr
	5	Cheque no: 3013	720	3,800	Cr
	7	Deposit	1,800	5,600	Cr
	8	Cheque no: 3012	670	4,930	Cr
	9	Rejected cheque from 7 April	1,800	3,130	Cr
	14	Cheque no: 3015	300	2,830	Cr
	15	Deposit	780	3,610	Cr
	17	Cheque no: 3016	500	3,110	Cr
	21	Cheque no: 3014	1,010	2,100	Cr
	25	Direct deposit: Commission	310	2,410	Cr
	30	Bank charges	25	2,385	Cr

Cash at bank account					
Date	Particulars	Cheque no	Debit	Credit	Balance
2022			\$	\$	\$
April	1	Balance b/d			3,850 Dr
	4	Rent	3013	720	3,130 Dr
	7	Yuesni Trading	1,800		4,930 Dr
	8	Inventory	3014	1,110	3,820 Dr
	12	Ying Ying	3015	300	3,520 Dr
	15	Sales	780		4,300 Dr
	16	Dah Fang	3016	500	3,800 Dr
	24	Utilities	3017	600	3,200 Dr

28	Jo Jo Trading	2,100	5,300	Dr
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Additional information

The business discovered that the payment for cheque number 3014 was recorded wrongly in its books of accounts.

REQUIRED

- (a) Prepare the adjusted cash at bank account for April 2022. [5]
- (b) Prepare the bank reconciliation statement as at 30 April 2022. [3]
- (c) State one possible reason for a cheque to be dishonoured. [1]
- (d) State the effects of each of the bank reconciliation adjustments on profit for the month ended 30 April 2022. [2]

[Total: 11]

Question 3

Gunny runs a retail business. He has provided the following information at 31 March 2021 and 2022

	2021 \$	2022 \$
Non-current assets		
Motor vehicle, at net book value	10,000	8,000
Office equipment, at net book value	2,400	1,300
	<u>12,400</u>	<u>9,300</u>
Current assets		
Inventory	2,900	4,300
Trade receivables	5,650	7,935
Prepaid expenses	250	120
Cash in hand	200	150
Cash at bank	270	-
	<u>9,270</u>	<u>12,505</u>
Current liabilities		
Trade payables	3,840	5,940
Expenses payable	280	320

Bank overdraft	-	1,000
5% Bank loan repayable in 2023	-	5,000
		<hr/>
	4,120	12,260
		<hr/>

Non-current liabilities

5% Bank loan repayable in 2023	5,000	-
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REQUIRED

- (a) Explain why liquidity is important to a business. [2]
- (b) Calculate to two decimal places the following ratios for the two years ended 31 March 2021 and 2022.
- (i) Current ratio [2]
- (ii) Quick ratio [2]
- (c) Evaluate the change in the liquidity of the business over the two years ended 31 March 2021 and 2022, supporting your answer with appropriate ratios. [4]

Gunny is considering the following proposals to improve the liquidity of the business for the year ended 31 March 2023.

Proposal 1 Selling the motor vehicle at the expected selling price of \$5,000.

Proposal 2 Getting a 6-month 3% Bank loan.

REQUIRED

- (d) Advise Gunny whether each of these proposals would improve the liquidity of his business and how each proposal may affect the profitability of his business. [4]

[Total: 14]

Question 4

Jaycel runs a business selling kitchen products and buys from credit supplier, Zelah.

Zelah allows Jaycel a trade discount of 10% on the list price of orders over \$5,000 and also offer a 2% cash discount if payment is made within 10 days.

The following transactions took place between Jaycel and Zelah during the month of July 2022.

2022

Jul 1 Balance due to Zelah \$1,500.

- 3 Jaycel purchased goods from Zelah, list price \$2,600.
- 15 Jaycel paid amount owing to Zelah to date using her personal cheque.
- 20 Jaycel purchased goods from Zelah, list price \$6,200.
- 22 Jaycel returned goods to Zelah, list price \$700. These goods were purchased on 20 July 2022.
- 28 Jaycel paid the balance on Zelah's account by bank transfer.

REQUIRED

- (a) Prepare the account for Zelah in the books of Jaycel for the month of July 2022. [6]
- (b) Name the source documents for the transactions on the following dates. [2]
- (i) 20 July 2022
- (ii) 22 July 2022

Some of Jaycel's customers have been enquiring about multi-purpose cooking pots and Jaycel has sourced for two possible suppliers for this type of pots: Rizhar Trading and Btrice International. Information about these two suppliers are as follows.

	Rizhar Trading	Btrice International
Country of operation	Incorporated and operates in Singapore	Incorporated and operates in China
Unit cost of pot	\$60	\$48
Delivery cost	No delivery cost is charged	Shipping and insurance cost is \$400 for a batch of 100 pots or less.
Minimum quantity per order	50 pots	No minimum quantity
Return policy	Pots can be returned within three months from purchase.	Pots cannot be returned.
Payment terms	Credit term of 21 days and cash discount of 2% for payments made within 7 days.	Credit terms of 30 days and no cash discount is given.
Reputation of supplier	Rizhar Trading is a well-known supplier of kitchen products and has been operating for over two decades.	Btrice International has been in operations for three years and has good online reviews for its products and customer services.

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REQUIRED

- (c) Advise Jaycel which supplier she should buy the pots from. Support your advice with three reasons. [7]

[Total: 15]**End of Paper**