2023 4G3 and 5G2 Prelim Paper 1 Ans

Question 1

(a)

(a)		Journal		
Т	Date	Particulars	Dr	Cr
	2023		\$	00\$:11
1	Jul 31	Cash in hand (1320 - 1230)	901	
	to a second	Drawings	MINSSEN	90√
2	31	Commission income receivable	540√	at farma the
	terms too	Cash at bank	7.1 avs 13.200.2	540√
3	31	Sales revenue	5000√	14
	4-2-5	Sale of non-current assets	2011	5000√

[√] Marks are given only for entries with the correct particulars and amounts. [6]

(b) To facilitate the preparation of the financial statements√ and ensure arithmetic accuracy in recording.√ [2]

(c) A balanced trial balance is not an absolute proof of accuracy. There may be errors not revealed by a trial balance. An example of such errors is when a transaction is totally not recorded. √ [1]

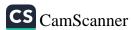
[Total: 9]

Question 2

Capital	Revenue expenditure	Reason	
reamant with	the trans. 3	Cost to buy a non-current asset. √	
s paid off will	in a fulled part	of or one, which is deligibly must	
agmed between	en the busine		
p: on time A wak to	the business	Cost to bring a non-current asset to its intended use. √	
grave the ed vill be oversit	datment prof led by \$1000	ofor the year will be a wastated	
	₹ V × 100%	Cost to enhance non-current assets.√	
E 100600 Y	maga! han es	inste x 1/2 Year	
s fable brought	d dawn on i Ja	Cost to maintain the non- current assets in its working condition.√	
		1/2021, it calculated an element sport 2021, Find was the sectory	
	expenditure s habita brough a paid off with a paid off with a paid off with	exbenditure exbenditure Codober 20 ld to 31 Decay Addition of 1 ld	

(b) Materiality theory states that a transaction is considered material if it makes a difference to decision-making. √ Hence only expenditure that is significant to the business is capitalized. An expenditure which fits the criteria of a capital expenditure but is insignificant to the business is expensed off as a revenue expenditure as it does not affect decision-making. √ For example, purchase of stapler is recorded as stationery expense. [2]

[Total: 10]



Question 3

(a)

On 6 December 2021, the business made a cash sale of goods for \$35 550 / sold goods and received \$35 550 cash at bank.√ [1]

- (ii) On 22 May 2022, the business made a credit sale of goods for \$59 000.√
- (iii) On 31 August 2022, the sales revenue account was closed and \$450 550 of sales revenue was transferred to income summary account.√ [1]
- (iv) On 27 Jun 2023, there is a return of goods, \$14 000, by credit customers.√ [1]

(b)

Year ended 31 August 2022	Year ended 31 August 2023
Trade receivables collection period	Trade receivables collection period
$= \frac{\text{Average net trade receivables}}{\text{Net credit sales revenue}} \times 365 \text{ days}$ $= \frac{(27000+30000)+2}{(340000+16000+59000)} \times 365 \text{ days } $	$= \frac{\text{Average net trade receivables}}{\text{Net credit sales revenue}} \times 365 \text{ days}$ $= \frac{(30000+29000)+2}{(218000+621000-14000)} \times 365 \text{ days} \checkmark$
$= \frac{28500}{415000} \times 365 \text{ days}$	$= \frac{29500}{825000} \times 365 \text{ days}$
= 25.07 days √	= 13.05 days √

[4]

(c) Trade receivables collection period improved from 25.07 days in 2022 to 13.05 days in 2023.√OF The business is taking a shorter time to collect payment from its credit customers as compared to the previous year.√ Ravine Pte Ltd has become more efficient at managing its trade receivables over the two years.√ [3]

[Total: 11]

Question 4

(a)	Causes Tou	m Tradina						
	Square Tow							
Statement of	Statement of financial position as at 31 December 2022 (extract)							
		The state of the	\$	\$				
Non-current liabilities	1 71 1	1 5 %		100				
Long-term borrowings				60000				
Current liabilities	MOVED REPORT	- Desprie	COMPRES SE SE					
Current portion of long-te	DOMESTIC STREET, ST.	20000						
Interest expense payable		or the transmission	THE RESIDENCE	1000				
				[2]				

√ 1 mark is given for each correct entry.

[3]

(b) Interest expense

= Loan principal x Annual interest rate x Time

The business took a \$100 000 loan on 1 October 2021. It calculated an interest expense of \$1250 from 1 October 2021 to 31 December 2021. This was the amount of interest expense payable brought down on 1 January 2022.

Hence,

1250 = 100000 x Annual interest rate x
$$\frac{3}{12}$$
 Year

Annual interest rate
$$= \frac{1250}{100000} \sqrt{\div \frac{3}{12}} \sqrt{\times 100\%}$$
$$= 5\% \sqrt{}$$

[3]

- (c) If the business did not make the adjustment, profit for the year will be overstated by \$1000√ and equity will be overstated by \$1000.√
- (d) Any two of the following:

Cash is transferred from the bank to the business' bank account upon approval of loan.√

The loan is an amount agreed between the business and the bank.

The borrowed amount is paid off within a fixed period of time, which is usually more than a year. $\sqrt{}$

Depending on the agreement with the bank, businesses may repay in equal instalments over the loan period or make a one-time lump-sum payment at the end of the loan period. $\sqrt{}$

A bank loan is reported as a long-term borrowing in the statement of financial position.√ [2]

[Total: 10]

