



Deoxyfication

NA/G2 Sec 4 WA1 POA Practice Paper **Answer Key**

DISCLAIMER:

This is not an **OFFICIAL** paper created by a school. Although this is a practice paper, it may not cover the entire syllabus and marks in questions may differ from actual WA papers. It is advisable to practice using practice papers provided by an **OFFICIAL SCHOOL/SOURCE**. Some questions has been taken from school papers and worksheets so that you can practice with possible WA questions. Names and numbers in questions has been changed subsequently.

Instructions:

This is an answer key. Use this after you have completed the NA/G2 Sec 4 WA1 POA Practice Paper 1. You can also use this to self-study.

Chapters included in this practice paper:

- Chapter 10: Trade Receivables
- Chapter 12: Trade Payables

Total Duration: 1 hour

The total marks for this paper is **30**.

1. Isaac is a sole trader who buys and sells shoes. He buys goods on credit from Raiden. During May 2024, Isaac had the following transactions with Raiden.

- May 1 Isaac owed Raiden \$1400.
- 10 Isaac bought goods from Raiden at a list price of \$2000, less 10% trade discount.
- 13 Isaac returned damaged goods bought on 10 October to Raiden, list price of \$450.
- 22 Isaac paid Raiden to settle the amount owed on 1 May by cheque, less 5% cash discount.

REQUIRED

- (a) Define Trade Payables. [1]
Trade Payables refer to the amounts owed to suppliers when business buys goods and non-current assets on-credit.
- (b) Why do businesses buy on credit instead of paying cash? [2]
When a business buys goods and non-current assets on credit, it can receive the goods and non-current assets first and pay later. Thus, cash can be used for other operations of the business.
- (c) Prepare Raiden's Account for the month of May 2024 in the books of Isaac. [8]

Trade Payable - Raiden				
Date	Particulars	Dr	Cr	Bal
2024		\$	\$	\$
May 1	Balance b/d			1400 Cr
May 10	Inventory (90% x \$2000)		1800	3200 Cr
May 13	Inventory (90% x \$450)	405		2795 Cr
May 22	Cash at bank (95% x 1400)	1330		1465 Cr
	Discount received (5% x 1400)	70		1395 Cr
Jun 1	Balance b/d			1395 Cr

- (d) Give one reason why Raiden gave Isaac a discount on 22 May 2024. [1]
- **It is to encourage Isaac to pay early.**

2. On 1 May 20X2, Sigma Trading had the following balance:

	\$
Allowance for impairment of trade receivables	2600

On 9 December 20X2, a credit customer, Aura Co, closed down and the business wrote off its debts amounting to \$500.

On 30 April 20X3, the trade receivables balance was \$55 000. The business decides to make an allowance for impairment of trade receivables based on 5% of its trade receivables.

REQUIRED

- (a) Calculate the allowance for impairment of trade receivables for the year ended 30 April 20X3. [1]

$$5\% \times 55\,000 = \$2750$$

- (b) Prepare the journal entry to record the following: [8]

- (i) Write off debt owed by Aura Co.
- (ii) Adjustment of allowance for impairment of trade receivables for the financial year ended 30 April 20X3.

Journal			
Date	Particulars	Dr (\$)	Cr (\$)
20X2			
Dec 9	Allowance for impairment of trade receivables	500	
	Trade receivables – Aura Co		500
20X3			
Apr 30	Impairment loss on trade receivables	650	
	Allowance for impairment of trade receivables		650

- (c) Prepare an extract of statement of financial performance for the year ended year ended 30 April 20X3, showing only the expenses portion. [2]

Sigma Trading		
Extract of statement of financial performance for the year ended 30 April 20X3		
<u>Less: Other Expenses</u>	\$	\$

Impairment loss on trade recievables		650
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3. The following allowance for impairment of trade receivables account is extracted from the books of Kino Books for the year ended 31 July 2022 and 2023.

Allowance for impairment of Trade Receivables (Cr)				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Aug 1	Balance b/d			3400 Cr
2022				
Jan 27	Trade receivables: Pop Journals	1360		2040 Cr
Jul 31	Impairment loss on trade receivables		1140	3180 Cr
Aug 1	Balance b/d			3180 Cr
2023				
Jul 31	Impairment loss on trade receivables	780		2400 Cr
Aug 1	Balance b/d			2400 Cr

REQUIRED

- (a) Interpret the entries on the following dates: [4]

27 January 2022:

On 27 January 2022, Kino Books wrote off \$1360 worth of debts owed by Pop Journals

31 July 2022:

On 31 July 2022, Kino Books reviewed its trade receivables and increase allowance for impairment of trade receivables by \$1140 to \$3180.

- (b) State the effect of adjusting allowance for impairment of trade receivables on current assets and profit for the year ended 31 July 2022. [1]

Current assets will decrease by \$1140

Profit for the year will decrease by \$1140

(c) The balance of the trade receivables account as at 31 July 2023 is \$12 000.

Prepare an extract of statement of financial position as at 31 July 2023, showing only the current assets section. [2]

Kino Books Extract of statement of financial position as at 31 July 2023		
<u>Assets</u>	\$	\$
<u>Current Assets</u>		
Trade receivables	12000	
Less: Allowance for impairment of trade receivables	(2400)	9600

End Of Paper