



NAME	CLASS	INDEX No.



ST. PATRICK'S SCHOOL
PRELIMINARY EXAMINATION 2024

SUBJECT : Principles of Accounts
(7087/1)

DATE : 16 AUGUST 2024

LEVEL : Secondary 4G3/5G2

DURATION : 1 Hour

Candidates answer in question paper.

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number on all the work you hand in.

Write in dark blue or black pen.

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

The use of approved calculators is allowed.

Answer **all** the questions.

Where layouts are to be completed, you may not need all the lines for your answers.

The businesses described in this question paper are entirely fictitious.

Calculations must be shown adjacent to the answer.

Where the columnar format is used, the running balance column should be updated for the first and last entries. Where applicable, the balance should be brought down to the next financial year.

The number of marks is given in brackets [] at the end of each question or part question.

The total number of marks for this paper is 40.

For Examiner's Use	
Score	/40

This question paper consists of 9 printed pages, including the cover page.

Answer all questions.

- 1 Nathaniel is a sole proprietor who buys and sells bicycles on credit.

REQUIRED

a) State the role of accounting.

[1]

b) Define a credit transaction.

[1]

c) State the source document that Nathaniel will issue to his customers when they purchase bicycles on credit.

[1]

d) State and explain one stakeholder who is interested in the financial reports.

[2]

e) List **one** difference between a sole proprietorship and a private limited company.

[2]

Nathaniel started his business on 1 July 2023 with personal cash of \$30 000.

The business has the following transactions for the year ended 30 June 2024.

2023	
Sep 20	The owner withdrew a bicycle costing \$800 as a birthday gift for his friend.
Nov 12	The business transferred \$6 000 office cash to the business bank account.
2024	
Jan 1	The owner issued a business cheque of \$550 to pay for utilities of his private home.
Jun 30	The business made a loss of \$25 000 for the year.

REQUIRED

- f) State and explain the accounting theory that is applied when recording drawings and owner's contribution to the business.

[2]

Accounting theory:

Explanation:

- g) Prepare the journal entry to transfer the drawings to the capital account for the year ended 30 June 2024.

[2]

h) Prepare the capital account, including the year end transfer for the year ended 30 June 2024.

[4]

[Total: 15m]

2 Matthew runs a business selling children's toys.

On 1 October 2023, Matthew trading obtained a bank loan of \$90 000 from OBB Bank at an interest rate of 5% per annum. The loan is to be paid equally over 9 years. The partial principal sum repayment and the interest payment are to be made every 30 September.

The financial year of Matthew Trading ends on 31 December.

REQUIRED

a) Prepare the journal entries for the following transactions. Narrations are not required.

[1]

(i) Adjustment of interest expenses on 1 January 2024.

	Debit \$	Credit \$

(ii) Payment of interest expenses on 30 September 2024.

[1]

	Debit \$	Credit \$

(iii) Repayable of loan on 30 September 2024.

[1]

	Debit \$	Credit \$

(iv) Adjustment of interest expenses on 31 December 2024.

[1]

	Debit \$	Credit \$

(v) Closing of the interest expense account to the income summary on 31 December 2024.

[1]

	Debit \$	Credit \$

Jonathan runs a similar business. The rate of inventory turnover for two years are shown for both businesses.

Matthew		Jonathan	
2022	2023	2022	2023
3.45 times	1.33 times	5.21 times	4.88 times

REQUIRED

- b) Evaluate the rate of inventory turnover for both businesses for both years. [4]**

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

- c) Suggest one way to improve the rate of inventory turnover. [1]

[Total: 10m]

- 3 The following is the cash at bank account of Andri for the month of July 2024.

Cash at bank account

Date	Particulars	Cheque number	Debit	Credit	Balance
2024			\$	\$	\$
Jul 1	Balance b/d				6 600 Dr
4	Ambrose Ltd	101		2 400	4 200 Dr
7	Taran Ltd		3 200		7 400 Dr
8	Fixtures and Fittings	102		304	7 096 Dr
12	Sales revenue		5 400		12 496 Dr
14	Benedict Ltd		4 600		17 096 Dr
16	Ahmad Ltd	103		7 100	9 996 Dr
18	Ashton Ltd		1 072		11 068 Dr
30	Utilities expense	104		3 836	7 232 Dr
Aug 1	Balance b/d				7 232 Dr

The following bank statement was received on 1 August 2024.

Bank Statement

		Withdrawal	Deposit	Balance
2024		\$	\$	\$
July 1	Balance b/d			7 000 Cr
3	Cheque no: 100	400		6 600 Cr
6	Cheque no: 101	2 400		4 200 Cr
9	Deposit		3 200	7 400 Cr
15	Deposit		5 400	12 800 Cr
17	Cheque no: 102	340		12 460 Cr
19	Standing order : Insurance	1 200		11 260 Cr
20	Deposit		4 600	15 860 Cr
22	Direct deposit : Interest		760	16 620 Cr
23	Unpaid cheque	4 600		12 020 Cr
31	Bank charges	120		11 900 Cr

Additional information:

The business discovered that the accountant had incorrectly recorded the transaction on 8 July.

REQUIRED

- a) Interpret the transaction dated on 12 July 2024 in the cash at bank account. [1]

- b) Prepare the adjusted cash at bank ledger account and bring down the balance to 1 August 2024. [6]

- c) Prepare the bank reconciliation statement for the month ended 31 July 2024. [5]

d) State **one** reason for a dishonoured cheque.

[1]

e) Other than bank reconciliation, state and explain another way of internal control over cash.

[2]

[Total: 15m]

End of Paper

P2 insert

Data for Question 1

- 1 The following balances were extracted from the books of Issac Pte Limited on 31 May 2024.

	\$
Share capital, 60 000 Ordinary shares	100 000
Retained earnings, 1 June 2023	40 200
Motor vehicles	250 000
Fixtures and fittings	70 000
Accumulated depreciation	
- Motor vehicles	50 000
- Fixtures and fittings	20 000
Inventory	110 700
Sales revenue	290 000
Cost of sales	79 000
Sales returns	4 700
Advertising expense	24 400
Rental expense	11 100
Discount allowed	500
Commission income	4 500
Trade payables	13 300
Trade receivables	24 000
Allowance for impairment of trade receivables	1 400
Cash at bank	15 000
Bank loan repayable 2029	70 000

Additional Information:

1. At 31 May 2024:
 - (i) The annual rental expense was \$8900.
 - (ii) Commission income received during the year was for 15 months ended 31 August 2024.
 - (iii) The net realizable value of inventory is \$110 000.

2. Annual depreciation is charged as follows:

- (i) Motor vehicles at 20% using the reducing balance method.
- (ii) Fixtures and fittings at 10% using the straight-line method assuming a scrap value of \$10 500.

3. A review of the trade receivables indicated that 8% of the balance is likely to be uncollectible.

4. One quarter of the bank loan is repayable on 31 December 2024.

5. A dividend of \$0.05 for each ordinary share was declared by the company on 30 April 2024 and will be paid on 31 December 2024.

NAME	CLASS	INDEX NO.



ST. PATRICK'S SCHOOL

PRELIMINARY EXAMINATION 2024

**SUBJECT : Principles of Accounts
(7087/2)**

DATE : 12 AUGUST 2024

LEVEL : Secondary 4G3/5G2

DURATION : 2 Hours

Candidates answer on Question Paper.
Additional material: Insert.

READ THESE INSTRUCTIONS FIRST

Answer **all** questions.

The businesses described in the question paper are entirely fictitious.

The number of marks is given in the brackets [] at the end of each question or part question

The total for this paper is 60 marks.

This document consists of 12 printed pages 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 31 May 2024. [8]

Issac Pte Limited
Statement of financial performance for the year ended 31 May 2024

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

[12]

Statement of financial position as at 31 May 2024

2 Edgar business is in the catering business.

The following information relates to the motor vehicles of the business on 1 April 2023.

	\$
Cost of motor vehicle	95 000
Accumulated depreciation of motor vehicle	35 600

On 12 July 2023, the business purchased a new motor vehicle costing \$12 500, on credit from Darryl Ltd.

The business' policy is to depreciate equipment at 20% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase. The financial year end is 31 March.

The business also provides the following ledger on the sale of one of its motor vehicles.

Sale of non-current asset account

Date	Particulars	Debit	Credit	Balance
2024		\$	\$	\$
Jan 1	Motor vehicle	40 000		40 000 Dr
	Accumulated depreciation of Motor vehicle		14 440	25 560 Dr
	Cash at bank		28 000	2 440 Cr
Mar 31	Income summary	2 440		--

REQUIRED

a) State one cause of depreciation.

[1]

b) Prepare the motor vehicle account for the year ended 31 March 2024. [3]

c) Prepare the journal entry to record the depreciation expense for the motor vehicle for the year ended 31 March 2024. [3]

d) Based on the sale of non current assets account, state if it is a **gain or loss** and the **amount** for the sale of non current assets. [2]

e) Explain with reference to a relevant accounting theory, why a business needs to charge depreciation. [2]

During the year, Edgar's business incurred some expenditure.

[2]

Indicate if the following is a capital or revenue expenditure.

	Expenditure	capital or revenue expenditure
f)	Painting of business logo on the new motor vehicle.	
g)	Replacement of tyres for the existing motor vehicle.	

[Total:13m]

- 3 Louis Pte Ltd extracted the following information of its business as at 30 April 2022, 2023 and 2024.

	2022	2023	2024
Trade receivables	28 420	38 000	39 000
Inventory	10 000	30 220	37 900
Prepaid rent	600	400	
Rent payable			12 000
Cash at bank	90 000	35 500	(10 600)
Trade payables	20 000	28 000	59 000
Profit for the year	15 000	12 980	(10 000)
Current ratio	6.45	?	?
Quick ratio	5.92	?	?

REQUIRED

Calculate the following ratios and present your answers to 2 decimal places.

[1]

- a) Current ratio for year ended 30 April 2023.

- b) Current ratio for year ended 30 April 2024.

[1]

c) Quick ratio for year ended 30 April 2023.

[1]

d) Quick ratio for year ended 30 April 2024.

[1]

e) Evaluate the liquidity of the business over the three years ended 30 April 2022, 2023 and 2024.

[6]

f) Suggest two ways a business can improve its liquidity.

[2]

[Total:12m]

- 4 Ming Yuen Traders is a business which sells baking ingredients. The following transactions took place during July.

2024	
July 1	Gabriel Ltd owed \$850 to Ming Yuen Traders.
5	Sold goods on credit to Gabriel Ltd at a list price of \$2 500, less 20% trade discount.
8	Gabriel Ltd returned defective goods at a list price of \$500. The goods were previously bought on 5 July
14	Gabriel Ltd paid Ming Yuen Traders \$800 by cheque for full settlement of amount owing on 1 July 2024.
19	The bank returned Ming Yuen Traders' cheque due to insufficient funds.
25	Gabriel Ltd was declared bankrupt and Ming Yuen Traders decided to write off the outstanding debts.

REQUIRED

- a) Prepare Gabriel Ltd account in Ming Yuen's books for the month of July.

[8]

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

Two credit customers have approached Ming Yuen Traders to negotiate for a longer repayment period, from 30 days to 40 days. Ming Yuen Traders is only able to extend a longer repayment period to one of its customers. Its current credit term is 30 days.

The details of both customers are as follows:

	Yummy Bakery	Gourmet Bakery
Nature of business	<ul style="list-style-type: none"> Sells various types of breads that are priced between \$3 to \$5. It has a physical shop. Several branches located in neighbourhood shopping malls around Singapore. 	<ul style="list-style-type: none"> Sells pastries, bread, cakes and drinks that are priced between \$6 to \$15. It has an online store and a physical shop.
Average trade receivables balance	\$15 000	\$40 000
Repayment history for the past 12 months	Collection days: 30 days Repaid late 4 times	Collection days: 25 days Repaid late 2 times
Reputation of business	<ul style="list-style-type: none"> Has been in the business for 20 years. Popular among families for their healthier options as people nowadays dare more health conscious. 	<ul style="list-style-type: none"> Has been in the business for more than 2 years. Excellent online reviews of prompt customer service and delivery.

[7]

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

End of Paper

St Patrick's school 2024 (A)

Question 1

- To provide accounting information for stakeholders to make informed decisions
- Credit transactions are transactions where payment is made a later date after goods or services have been provided.
- Invoice
- Lenders (Accept all other reasonable answers)
To ensure the business has the ability to repay loans and interest.

e)

Features	Sole proprietorship	
Ownership	Owned by one person	Owned by 50 or less shareholders
Access to funds	Less likely for banks and other lenders to lend money to sole	More likely for banks and other lenders to lend money to PLC
Risk	Sole proprietor obliged to pay business' debts and losses using personal assets	Shareholders not obliged to pay company debts and losses using personal assets.
Level of control	Owner has absolute control and usually run the business by himself/herself	Shareholders have no control over the running of the business unless they are part of the management
Life span	SP exists as long as owner is alive	The company exists forever until wound up or struck off.
Transferability of ownership	Owner can easily update particulars of new owner to notify corporate regulatory	Shareholders can pay a stamp duty to the tax authority to give their shares to another person or
Formalities and procedures	Minimal administrative duties to adhere to.	PLC must comply with statutory requirement and file its annual financial reports.

*Any 2 corresponding features above will be awarded [2].

- f) Accounting Entity Theory
The owner and the business are treated as two separate entities.
All transactions are recorded from the business point of view

Journal					
Date	Particulars	Dr	Cr		
2024		\$	\$		
Jun-30	Capital (800+550)		1350		
	Drawings			1350	

Capital account					
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)	
2023		(-)	(+)		
Jul-01	Cash in hand			30000	Cr
2024					
Jun-30	Drawings		1350		
	Income summary		25000.	3650	Cr
Jul-01	Balance b/d			3650	Cr

Question 2

a)

i)

Journal				
	Date	Particulars	Dr	Cr
	2024		\$	\$
	Jan-01	interest expense payable	1125	
		interest expense		1125
		(90000*5%*3/12)		

ii)

Journal				
	Date	Particulars	Dr	Cr
	2024		\$	\$
	Sep-30	interest expense	4500	
		Cash at bank		4500
		(90000*5%)		

iii)

	Date	Particulars	Dr	Cr
	2024		\$	\$
	Sep-30	Bank loan	10000	
		Cash at bank		10000

iv)

	Date	Particulars	Dr	Cr
	2024		\$	\$
	Dec-31	interest expense	1000	
		interest expense payable		1000
		(90000*5%*3/12)		

v)

	Date	Particulars	Dr	Cr
	2024		\$	\$
	Dec-31	income summary	4375	
		interest expense		4375
		(4500-1125+1000)		

b)

Matthew		Jonathan	
2022	2023	2022	2023
3.45 times	1.33 times	5.21	4.88

The rate of inventory turnover for Matthew has worsened from 3.45 times in 2022 to 1.33 times in 2023.

The rate of inventory turnover for Jonathan has also worsened from 5.21 times in 2022 to 4.88 times in 2023.

This means that **both** businesses are selling their goods slower and have become less efficient in managing its inventory over the two years.

However, Jonathan's rate of inventory turnover is better than Matthew for both years indicating that Jonathan has better management of goods than Matthew

In both years, Jonathan has a better rate of inventory turnover than Matthew.

This indicates that Jonathan is more efficient in selling his kids toys as he has fewer days to sell his inventory and faster in replenish his inventory

- c)
- Sell inventory faster by provide trade discount to encourage customers to buy in bulk.

Reducing selling price of slow moving items

Attract customers through regular sales promotion and marketing campaigns

Use of technology to improve levels of stock management.

Question 3

a) The business sold goods and received cheque of \$5400.

b)

Cash at bank account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2024				
Jul-31	Balance b/d			7232 Dr
	31 Interest		760	
	31 Insurance expense		1200	
	31 Trade receivable - Benedict Ltd (dishonoured cheque)		4600	
	31 Fixtures and fittings (error)		36	
	31 Bank charges		120	2036 Dr
Aug-01	Balance b/d			2036 Dr

c)

Bank Reconciliation Statement as at 31 July 2024			
	(\$)	(\$)	
Balance as per bank statement		11900	
<u>Add: Deposits in transit</u>			
Ashton Ltd		1072	}
<u>Less: Cheques not yet presented</u>			
Ahmad Ltd	7100		}
Utilities expense	3836	10936	
Balance as per adjusted cash at bank		2036	

d) Insufficient funds in the bank account
post-dated cheque

- e)
- 1 Segregation of duties
separate cash handling and recording duties among different employees so that no single person has control over the entire cash process.
 - 2 Custody of cash
secure cash and cheques in a locked storage for instance the use combination locks, passwords or access codes to authorised personnel.
 - 3 Authorisation
obtain proper approvals for all payments from authorised personnel by require at least two persons to review and approve, require valid supporting documents for all payments

15mks

2024 Prelim P2

Question 1

Issac Pte Limited

Statement of Financial Performance for the year ended 31 May 2024

	\$	\$
Sales revenue		290000
less sales return		4700
net sales revenue		285300
less cost of sales		79000
gross profit		206300

Other income

Commission income (4500-900)		3600
------------------------------	--	------

Less: Other Expenses

Advertising expenses	24400	
Discount allowed	500	
Rent expense (11100-2200)	8900	
Impairment loss of Inventory	700	
Impairment loss of Trade receivables (24000*0.08)-1400	520	
Depreciation expenses on Fixtures and Fittings (70000-10500)*0.1	5950	
Depreciation expenses on Motor vehicle (250000-50000)*0.2	40000	
		80970
Profit for the year		128930

Issac Pte Limited

Statement of Financial Position as at 31 May 2024

	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
<u>Non current assets</u>			
Fixtures and Fittings (20000+5950)	70000	25950	44050
Motor vehicle (50000+40000)	250000	90000	160000
			204050
<u>Current assets</u>			
Trade receivables	24000		
Less allowance for impairment of Trade receivables	1920		
Net trade receivables		22080	
Inventory		110000	
cash at bank		15000	
Prepaid rent		2200	149280
Total assets			353330
<u>Equity and liabilities</u>			
<u>Shareholder's equity</u>			
Issued Shared capital, 60 000 ordinary Shares		100000	
Retained earnings (40200-3000+128930)		166130	266130
<u>Non-current liabilities</u>			
Long term borrowing (3/4*70000)			52500
<u>Current liabilities</u>			
trade payables		13300	
commission income received in advance		900	
Dividend payable		3000	
Current portion of Long term borrowings		17500	34700
Total equity and liabilities			353330

Accounting period:

1: 1 April 2023-31 March 2024

a) Wear and tear, Assets become obsolete

b)

Motor Vehicle account				
Date	Particulars	Dr +	Cr	Balance
		\$	\$	\$
2023				
Apr-01	Balance b/d			95000 Dr
Jul-12	Trade payable - Darryl Ltd	12500		
2024				
Jan-01	Sale of Non current assets		40000	67500 Dr
Apr-01	Balance b/d			67500 Dr

c)

Journal				
Date	Particulars	Dr	Cr	
		\$	\$	
2024				
Mar-31	Depreciation exp on motor vehicle	9268		
	Accumulated depreciation of Motor vehicle		9268	

Calculate: $67500 - (35600 - 14440) \times 20\% = 9268$

d) It is a gain of sale of non current assets of 2440.

e) Matching theory

The usage of the office equipment is amount of **depreciation** expense incurred for the year and must be matched to the income that the office equipment had been used , to generate to determine the profit for that year

f) Capital expenditure

g) Revenue expenditure

Question 3

- a) 2023 Current ratio is $(38000+30220+400+35500)/28000= 3.72$
- b) 2024 Current ratio $(39000+37900)/(12000+10600+59000)=0.93$
- c) 2023 Quick ratio $(38000+35500)/28000=2.63$
- d) 2024 Quick ratio $39000/(12000+10600+59000)=0.48$
- e) The current ratio has worsened from 6.45 in 2022 to 3.72 in 2023 to 0.93 in 2024.

In the first two years, the current ratio was above the general benchmark of 2.

However, in 2024, it fell below the general benchmark of 2 which could mean that the business may have trouble paying its short-term debts using its current assets

The quick ratio has worsened from 5.92 in 2022 to 2.63 in 2023 to 0.48 in 2024.

In the first two years, the quick ratio was above the general benchmark of 1.

However, in 2024, it fell below the general benchmark of 1 which could mean that the business may have trouble paying its short-term debts with its quick assets when due.

The business trade receivables have increased from \$28420 in 2022 to \$38000 in 2023 to \$39000 in 2024. This means that the business may be facing difficulty in collecting cash from its trade receivables therefore has less liquid resources for immediate payments

Its trade payables have increased from \$20000 in 2022 to \$28000 in 2023 to \$59000 in 2024. This means that the business is having difficulty in paying off its debts due to insufficient cash as seen from its bank overdraft balance in 2024

Inventory has increased from 10 000 in 2022, 30220 in 2023 to 37900 in 2024.

Too much money has been purchased inventory which money are tied down to inventory which are not easy to convert to cash.

In general, the liquidity of the business has worsened.

- f) Obtain long-term loan.
Sell excess non-current assets for cash.
Increase sources of cash by obtaining cash contributions from owners

Question 4

a)

Trade receivables: Gabriel Ltd (A)				
Date	Particulars	Dr(+) (\$)	Cr (-) (\$)	Bal (\$)
2024				850 Dr
Jul-01	Balance b/d			
5	Sales revenue (2500*80%)	2000		
8	Sales return (500*80%)		400	
14	Cash at bank		800	
	Discount allowed		50	
19	Cash at bank (dishonoured cheq)	800		
	Discount allowed (withdrawn)	50		
25	Allowance for impairment loss of		2450	
				2450 Dr
				0

b)

SBQ

Decision 1 Ming Yuen Traders should grant a longer repayment period to Yummy Bakery.

Point 1 The trade receivables balance from Yummy bakery is \$15 000 as compared to Gourmet Bakery of \$40000.

Elab 1 This means that in the situation where the debts have to be written off, the business will suffer a smaller loss
There will be lesser impact on business cashflow even if Ming Yuen could not pay its debts.

Poin 2 Yummy bakery has been in business for 20 years, 18 more years than Gourmet Bakery.

Elab 2 It is likely that Yummy bakery will continue to exist and be able to repay its debts.

The business will be more assured of receiving payment from Yummy bakery

Poin 3 Nowadays, people are more health conscious and will buy bread of healthier choice.

Elab 3 With this positive outlook, Yummy bakery will be able to generate more sales
and hence they will be more likely to pay promptly. This will allow the business to receive
cash on time to pay its daily operations

Decision 2 Ming Yuen Traders should grant a longer repayment period to Gourmet Bakery

Point 1 Gourmet Bakery has an online store and physical shop unlike Yummy Bakery with just a physical shop.

Elab 1 An online store will help Gourmet to have a wider reach of customers which will help boost their sales.

Hence generate more sales revenue, enabling them to be more likely to pay promptly.

Poin 2 The collection period for Gourmet Bakery is 25 days, 5 days shorter than Yummy Bakery and the business had late repayment of 2 times lesser as well.

Elab 2 This implies that the business is more prompt and reliable in debt repayment so the business can have money earlier for day to day operations.

Poin 3 Gourment Bakery received has received excellent online reviews for their prompt customer service and delivery

Elab 3 The good reputation will help to generate consistent sales and so Gourmet is more likely to pay on time/ less likely to default on payment