



**HILLGROVE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY FOUR (EXPRESS)
/ FIVE (NORMAL ACADEMIC)**

CANDIDATE
NAME

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CLASS

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PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

27 Aug 2024

Candidates answer on the Question Paper.

2 hours

Additional Materials: Insert

10.05 AM to 12.05 PM

READ THESE INSTRUCTIONS FIRST

Answer **all** questions.

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

Parent's/ Guardian's Signature: _____

Setter: Mdm Grace Ang

For Examiner's Use	
	Marks
1	
2	
3	
4	
TOTAL	

REQUIRED

Danish Hairstyling Limited
Statement of Financial Performance for the year ended 31 December 2023

[illegible]

(b) Prepare the statement of financial position as at 31 December 2023.

Danish Hairstyling Limited
Statement of Financial Position as at 31 December 2023

[illegible]

[Total: 20]

- 2 Shengxin Trading is a business that sells premium Japanese watermelons and apples.

Shengxin Trading has been buying watermelons from Sean Fruits for the last 10 years and receives a 10% trade discount from Sean Fruits for being a loyal customer. The follow ledger account has been extracted from the books of Shengxin Trading.

Trade payable: Sean Fruits				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2024				
Jun 1	Bal b/d			9 000 Cr
Jun 15	Inventory		3 600	12 600 Cr
Jun 25	Cash at bank	11 970		630 Cr
Jun 25	Discount received	630		-

REQUIRED

- (a) Calculate the list price of the transaction on 15 June 2024.

[1]

- (b) Interpret the transaction that took place on 25 June 2024.

[2]

On 1 July 2024, there were 50 boxes of apples costing \$500 in Shengxin Trading. The following transactions took place.

2024

- Jul 5 Bought 50 boxes of apples at \$600 on credit from Shi Tong Trading.
 Jul 10 Sold 50 boxes of apples at \$700 on credit to Hillgrove Secondary School.
 Jul 15 Bought 50 boxes of apples at \$450 and paid by cheque.
 Jul 20 Sold 50 boxes of apples at \$700 on credit to Zheng Yang Ltd.

REQUIRED

- (c) Calculate the cost of sales for July 2024 using the FIFO method.

[1]

Shengxin Trading occasionally conducts workshops to teach secondary school students about entrepreneurship. The following ledger account has been extracted from the books of Shengxin Trading.

Workshop income account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2023				
Jul 1	?		200	200 Cr
2024				
Jun 30	Cash at bank		3 700	3900 Cr
Jun 30	Workshop income receivable		800	4 700 Cr

REQUIRED

(d) State the particulars for the entry on 1 July 2023.

[1]

(e) Prepare an extract of the statement of financial performance for the year ended 30 June 2024 to show the amount to be included for workshop income.

Shengxin Trading
Extract of Statement of Financial Performance for the year ended 30 June 2024

[2]

At the end of each accounting year, Shengxin Trading makes adjustments for income earned but not yet received and income received but not yet earned in accordance to the revenue recognition theory and one other accounting theory.

REQUIRED

(f) State and explain the other accounting theory.

Accounting theory:

Explanation of accounting theory:

[2]

Shengxin Trading wants to purchase a new vehicle to deliver watermelons and apples to its customers. It is considering between two models of commercial vehicle, Toyota Hiace and Nissan NV350.

REQUIRED

(g) State **two** non-accounting information that should be considered by Shengxin Trading when deciding which model of commercial vehicle to purchase.

1

2

[2]

[Total: 11]

- 3 Hannah Trading hired an accounting intern, Justin, who unfortunately made some mistakes.

Justin changed the depreciation method for motor vehicles from reducing-balance method to straight-line method because he felt that it was less time consuming to calculate annual depreciation expense using the straight-line method.

REQUIRED

- (a) State and explain the accounting theory that Justin **violated**.

Accounting theory:

Explanation of accounting theory:

[2]

Hannah Trading had been receiving positive reviews from customers on its products. Justin recorded the positive reviews as \$1 000 of current assets.

REQUIRED

- (b) State and explain the accounting theory that Justin **violated**.

Accounting theory:

Explanation of accounting theory:

[2]

Justin showed improvement in his performance and is now employed as a permanent accountant of Hannah Trading. Justin has been preparing financial statements at the end of each financial year in accordance to the accounting period theory and one other accounting theory.

REQUIRED

- (c) State and explain the other accounting theory that Justin applied.

Accounting theory:

Explanation of accounting theory:

[2]

Hannah Trading and Amirah Trading are in the same industry. The following information about both businesses have been made available.

	<u>Hannah Trading</u>	<u>Amirah Trading</u>
	\$	\$
Cash at bank	10 000	-
Trade receivables	3 000	2 900
Inventory	20 000	50 000
Prepaid expenses	4 000	3 900
Total current assets	<u>37 000</u>	<u>56 800</u>
Trade payables	10 000	9 700
Bank overdraft	-	400
Current portion of long-term borrowings	-	2 000
Total current liabilities	<u>10 000</u>	<u>12 100</u>
Working capital	\$27 000	?
Current ratio	3.70	?
Quick ratio	1.30	?

REQUIRED

(d) Calculate the following for Amirah Trading.

(i) Working capital

[1]

(i) Current ratio (to **two** decimal places)

[1]

(i) Quick ratio (to **two** decimal places)

[1]

[illegible]

Amirah Trading received two proposals from her accountant.

Proposal 1 Sell an under-utilised delivery van for cash.

Proposal 2 Take up a loan from DB Bank which must be repaid in 12 months time.

REQUIRED

(f) For each proposal, explain whether the proposal would improve Amirah Trading's liquidity position.

Proposal 1:

[1]

Proposal 2:

[1]

[Total: 17]

- 4 Ace Academy took up a loan of \$60 000 from CT Bank on 1 April 2022. Loan principal is repayable equally over 6 years and interest rate is at 4% per annum. Principal repayment and interest payment is to take place every 31 March, starting 31 March 2023.

REQUIRED

- (a) Prepare the journal entry to record the transfer of interest expense to income summary on 31 December 2023.

Ace Academy
Journal

[2]

- (b) Prepare an extract of the statement of financial position as at 31 December 2023 showing the liabilities sections only.

Ace Academy
Extract of Statement of Financial Position as at 31 December 2023

[3]

Ace Academy is in the business of providing enrichment classes for children and youths. Instructors at the academy photocopy notes and worksheets for students on a daily basis.

Ace Academy is deciding between buying or renting a photocopier as one of its photocopiers broke down recently. The business only has \$2 000 available for upfront payment unless it takes up a short-term loan.

Ace Academy needs a photocopier that allows user IDs and printing quotas to be set up so that it can track and control how much each instructor is printing.

	Buy photocopier	Rent photocopier
Cost and payment	<p>Total cost = \$8000</p> <p>\$5 000 to be paid as downpayment upon ordering.</p> <p>Remaining \$3 000 to be paid over 3 months at \$1 000 per month upon delivery</p>	<p>\$600 (also the first month rental) to be paid upon contract confirmation.</p> <p>Contract period = 12 months and rental = \$600/ month</p> <p>Penalty of \$3 000 if contract is terminated early.</p> <p>Contract can be renewed at the same rate for the same model of photocopier up to a maximum of 2 renewals.</p> <p>Rental for a different model after initial contract period will be subjected to prevailing market rate.</p>
Condition	Brand new	Might have been rented out to other customers before
Estimated useful life	3 years	Not applicable
Warranty and repairs	<p>Warranty of 1 month.</p> <p>Must arrange own repairs after warranty period.</p>	<p>Rental company's service personal will be onsite within 1 hour of receiving service call throughout contract period.</p> <p>No extra charge for repairs as long as damage is due to normal wear and tear.</p>
Set up of user IDs and printing quotas	<p>No limit on the number of user IDs that can be set up.</p> <p>Different printing quota can be set up for different user ID.</p> <p>Printing quota can be changed at anytime for each user ID.</p>	<p>Contract includes setting up of 20 user IDs and a printing quota of 1 000 pages for each user ID for 6 months.</p> <p>Each request to increase number of user IDs or printing quota is chargeable at \$10 per request.</p>

REQUIRED

- (c) Recommend whether Ace Academy should buy or rent a photocopier. Justify your decision with **three** reasons.

[illegible]

[7]

[Total: 12]