YUAN CHING SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022
SECONDARY FOUR EXPRESS / FIVE NORMAL ACADEMIC
PRINCIPLES OF ACCOUNTS (7087/01)

SUGGESTED MARKING SCHEME

QUESTION 1(a)
Usage / Wear and tear / Obsolescence / Legal limits [1]

QUESTION 1 (b)
Invoice [1]

QUESTION 1 (c)

JOURNAL			
Date	Particulars	Debit $	Credit $
2019 Sep 1	Motor Vehicle [1] (92000 x 5)	460 000✓	
	Trade Payable: Best Vans [1]		460 000
	Bought motor vehicles from Best Vans on credit [1]		

QUESTION 1 (d)
(i)   Speedy Limited sold one of the motor vehicles costing $92 000 [1],
(ii) The motor vehicle sold has an accumulated depreciation of $17 480 [1]
(iii) Speedy Limited received a cheque of $76 000 for the motor vehicle sold. [1]

QUESTION 1 (e)
Profit for the year will increase [1] by $1 480 [1]

QUESTION 2 (a)

JOURNAL			
Date	Particulars	Debit $	Credit $
2022 Feb 14	Allowance for Impairment of Trade Receivables	670✓	
	Trade Receivables: Jayden		670✓

QUESTION 2 (b)

Allowance for Impairment of Trade Receivables = % x trade receivables balance
= 0.05 x 36000
= $1 800 [1]

QUESTION 2 (c)

AITR on 14 February 2022 = 940 – 670 [1] = $270
AITR on 31 March 2022 = $1 800
Impairment Loss on Trade Receivables = 1800 – 270
= $1 530 [1]

QUESTION 2 (d)

JOURNAL			
Date	Particulars	Debit $	Credit $
2022 Mar 31	Impairment Loss on Trade Receivables	1 530✓OF	
	Allowance for Impairment of TR		1 530✓OF
	Increase in allowance for impairment of TR [1]		

QUESTION 2 (e)

Trade receivables collection period $= \dfrac{\text{Average Net TR}}{\text{Credit Sales Revenue}}$ x 365 [1]

$= \dfrac{10350}{87270}$ x 365

= 43.3 days [1] (must indicate days)

QUESTION 2 (f)

Any four of the following: [4] – 1 mark each

- Iris Store has a better trade receivables collection period by 10.9 days as compared to Wynn Trading.
- This means that Iris Store more efficient in collecting from their trade receivables as compared to Wynn Trading.
- This may be due to Iris Store tightening their credit policies and do not grant credit so easily to new customers. Thus, Iris Store is better able to collect back the amount owing by their credit customers as compared to Wynn Trading.
- Iris Store has customers who are more credit-worthy.
- Iris Store has reduced their credit terms by 5 days so they take lesser time to collect back the amount owing by their credit customers.
- As compared to Wynn Trading, Iris Store's credit terms is shorter by 10 days thus they are able to collect back the outstanding amount from their trade receivables faster than Wynn Trading.
- Iris Store imposes a higher penalty for late payment as compared to Wynn Trading. Thus, in order not to pay for a heavy penalty, the credit customers of Iris Store is more likely to pay up earlier as compared to those with Wynn Trading.

QUESTION 2 (g)

Any one of the following: [1]

- When the business have lesser cash, they would be unable to pay for their expenses.
- When the business have lesser cash, they would be unable to pay for their credit suppliers.
- The business would not be able to take advantage of trade discounts when purchasing goods as they do not have sufficient cash to pay off the larger purchase.

QUESTION 3 (a)

Trade Payable: Sassy Goodies		Debit $	Credit $	Balance $
2022				
Jun 3	Inventory (7000 x 0.85)		5 950✓	5 950 Cr
9	Inventory (1000 x 0.85)	850✓		5 100 Cr
11	Cash at Bank (5100 x 0.96)	4 896✓		204 Cr
11	Discount Received (5100 x 0.04)	204✓		–

QUESTION 3 (b)

Transaction	Source document
June 9	Credit note [1]
June 11	Payment voucher / Bank statement [1]

QUESTION 4 (a)

JOURNAL			
Date	Particulars	Debit $	Credit $
2022 Apr 30	Cash at Bank (4100 x 2)	8 200✓	
	Rental Income		8 200✓
31	Inventory (6600 – 6000)	600✓	
	Cost of Sales		600✓

QUESTION 4 (b)

Error	Effect on profit for the year $
1	Understated [1] by $8 200 [1]OF
2	Understated [1] by $600 [1]OF

---END OF MARK SCHEME---