



CONVENT OF THE HOLY INFANT JESUS SECONDARY  
Preliminary Examination in preparation for  
the General Certificate of Education Ordinary Level 2023

CANDIDATE  
NAME

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CLASS

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REGISTER  
NUMBER

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**PRINCIPLES OF ACCOUNTS**

**7087/02**

Paper 2

**12 September 2023**

**2 hours**

Additional Materials: 12-page Answer Booklet

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**READ THESE INSTRUCTIONS FIRST**

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

Answer **all** questions.

The use of an approved calculator is allowed.

The businesses described in this question paper are entirely fictitious.

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

For Examiner's Use	
1	
2	
3	
4	
Total	

Answer **all** questions.

- 1 Jacob runs a hardware store. The following balances were extracted from the books of his business on 31 December 2022.

	\$
Office equipment at cost	53 000
Motor vehicles at cost	80 000
Accumulated depreciation:	
Office equipment	10 600
Motor vehicles	24 000
Sales revenue	195 430
Sales returns	4 150
Cost of sales	70 200
Inventory	30 500
Commission income	12 300
Rent expense	18 600
Wages and salaries	22 450
Utilities expense	9 800
Trade receivables	23 250
Trade payables	35 180
Cash at bank (credit balance)	7 100
5% bank loan	25 000
Capital	7 240
Drawings	4 900

Additional information

- 1 Office equipment is to be depreciated at 10% per annum using the straight-line method.
- 2 Motor vehicles are to be depreciated at 30% per annum using the reducing-balance method.
- 3 At 31 December 2022:
  - i commission income, \$1 500, was receivable
  - ii rent expense, \$600, was prepaid
  - iii wages and salaries, \$950, were owing.
- 4 Utilities expense included \$300 which were Jacob's personal utilities bill.
- 5 Interest on the bank loan for the year to 31 December 2022 had not yet been paid.
- 6 One-fifth of the bank loan will be repaid on 30 June 2023.

**REQUIRED**

- (a) Prepare the statement of financial performance for the year ended 31 December 2022. **[10]**
- (b) Prepare the statement of financial position as at 31 December 2022. **[10]**

**[Total: 20]**

- 2 On 1 July 2020, Yasmine Trading bought a motor vehicle costing \$90 000 and paid by cheque.

On 30 June 2022, the business sold the motor vehicle on credit for \$60 000 to Mr Ong. The business depreciates its motor vehicles at a rate of 20% per annum using the reducing-balance method. A full year of depreciation is charged in the year of purchase, and no depreciation is charged in the year of sale.

Yasmine Trading's financial year ends on 31 December.

### **REQUIRED**

- (a) Prepare the journal entries to record the sale of non-current asset on 30 June 2022. Narrations are **not** required. **[6]**
- (b) Calculate the gain or loss on sale of non-current asset for the year ended 31 December 2022. **[2]**
- (c) State how the gain or loss on sale of non-current asset will be represented in the statement of financial performance for the year ended 31 December 2022. **[1]**
- (d) State the valuation method for non-current assets in the statement of financial position. **[1]**
- (e) Identify **two** examples of **non**-accounting information which may be used by a business when choosing which non-current asset to buy. **[2]**

**[Total: 12]**

**3** Larry runs a business selling clothes.

Larry has provided the following information about his business for the two years ended 30 June 2022 and 2023.

	30 June 2022	30 June 2023
	\$	\$
Cost of sales	168 500	175 200
Ending inventory	16 000	25 000

**REQUIRED**

- (a)** Calculate the days sales in inventory for the year ended 30 June 2023. Show your answer to **two** decimal places. **[2]**

Larry also provided information about the business's days sales in inventory for the two years ended 30 June 2021 and 2022.

30 June 2021	30 June 2022
30.21 days	37.49 days

**REQUIRED**

- (b)** Comment on the trend in days sales in inventory for Larry's business over the three years ended 30 June 2021, 2022 and 2023. Suggest possible reasons for the change. **[5]**
- (c)** Suggest **two** ways in which Larry could improve the business's efficiency in managing inventory. Give **one** example of a specific action Larry could take. **[3]**
- (d)** State **two** possible consequences of not being able to manage inventory efficiently. **[2]**

**[Total: 12]**

**4** Maria sells exercise equipment.

The business provided the following information.

	1 April 2021 \$	31 March 2022 \$
Allowance for impairment of trade receivables	3 730	
Trade receivables	74 600	42 500

On 4 November 2021, the business of Kylian, a credit customer, who owed \$1 200, closed down and he was only able to repay \$0.40 for every dollar owed to Maria.

Maria's business makes an allowance for impairment of trade receivables based on 5% of its trade receivables at the end of each financial year.

**REQUIRED**

**(a)** Prepare journal entries to record the following transactions. Narrations are **not** required.

**(i)** 4 November 2021 **[3]**

**(ii)** The adjustment of allowance for impairment of trade receivables for the financial year ended 31 March 2022 **[2]**

**(b)** Prepare an extract of the statement of financial position as at 31 March 2022, showing only the current assets portion. **[2]**

The business provided the following account for the year ended 31 March 2023.

Trade receivable - Gerald account				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2022				
1 Apr	Bal b/d			5 600 Dr
10 May	Sales revenue <b>(i)</b>	9 500		15 100 Dr
12 May	Sales returns <b>(ii)</b>		100	15 000 Dr
24 Dec	Allowance for impairment of trade receivables		15 100	-

**REQUIRED**

**(c)** Interpret the entries **(i)** and **(ii)** from the trade receivables - Gerald account. **[2]**

Two customers have approached Maria to negotiate for longer repayment period, from 30 days to 40 days. As the industry is not doing well, Maria intends to extend longer repayment period to only one business. Maria's business has a current credit term of 30 days.

The following information is provided for both businesses.

	<b>IKEO</b>	<b>MUJEE</b>
Nature of business	<ul style="list-style-type: none"> <li>• Sells many household products, furniture and home appliances at affordable prices</li> <li>• Sells all-in-one exercise equipment for homes that are lightweight and compact</li> </ul>	<ul style="list-style-type: none"> <li>• Sells exercise clothing, health supplements and protein shakes</li> <li>• Sells all sorts of exercise equipment</li> </ul>
Average trade receivables balance	\$30 000	\$50 000
Repayment history	<ul style="list-style-type: none"> <li>• Collection days: 33</li> <li>• Repaid late 2 times</li> </ul>	<ul style="list-style-type: none"> <li>• Collection days: 39</li> <li>• Repaid late 7 times</li> </ul>
Reputation of business	<ul style="list-style-type: none"> <li>• Been in business for 15 years</li> <li>• Popular among families</li> </ul>	<ul style="list-style-type: none"> <li>• Been in business for 2 years</li> <li>• Popular among small gym businesses and exercise enthusiasts</li> </ul>
Industry outlook	The demand for affordable and practical goods for home use and exercise is strong.	The exercise culture is growing. More people are visiting gyms and getting personal trainers to boost their fitness.

## REQUIRED

(d) If you were Maria, which customer would you give a longer repayment period? Justify your decision with **three** reasons. [7]

[Total: 16]

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