

Answer all questions.

- 1 The following balances were extracted from the books of Hyun Bin Private Limited on 31 July 2022.

	\$
Share capital, 80 000 ordinary shares	96 000
Retained earnings, 1 August 2021	30 805
Fixtures and fittings at cost	56 700
Motor vehicles at cost	282 500
Accumulated depreciation:	
Fixtures and fittings	15 220
Motor vehicles	123 800
Cash at bank	29 100 Cr
Commission income	3 500
Cost of sales	201 900
Discount received	75
Insurance	8 320
Inventory	135 900
Printing and stationery	1 230
Salaries and wages	46 500
Sales revenue	472 300
Sales returns	8 450
Utilities	7 200
Allowance for impairment of trade receivables	3 500
Trade receivables	32 900
Trade payables	7 300

Additional information:

- 1 At 31 July 2022:
- (i) There was commission income receivable of \$700.
  - (ii) Insurance had been paid for 16 months till 30 November 2022.

- 2 Annual depreciation is charged on:
- (i) Fixtures and fittings at 10% using the straight-line method.
  - (ii) Motor vehicles at 40% using the reducing balance method.
- 3 On 15 July 2022, goods costing \$3000 were damaged but this had not been recorded in the books.
- 4 An outstanding balance of \$1 400 from a bankrupt credit customer has yet to be written off.
- 5 A review of the list of trade receivables showed that 5% of the balance may not be collectible.
- 6 The following transactions during the year were not recorded:
- (i) 10 000 ordinary shares at \$2.00 per share were issued and fully paid up on 31 May 2022.
  - (ii) Dividends of \$0.08 per share were declared on all shares issued on 26 July 2022, to be paid on 25 August 2022.

#### REQUIRED

- (a) Prepare the statement of financial performance for the year ended 31 July 2022. [9]
- (b) Prepare the statement of financial position as at 31 July 2022. [11]

[Total: 20]

- 2 Tom and Jerry are both in the business of selling home appliances. They provided the following information as at 30 April 2022.

	Tom	Jerry
	\$	\$
Bank overdraft	9 230	-
Cash at bank	-	8 765
Inventory	104 600	16 400
Long-term borrowings	-	50 000
Prepaid advertising	1 600	400
Rental expense payable	-	5 000
Trade payables	37 900	7 450
Trade receivables	40 750	10 840
Rate of inventory turnover	9.5	12.8
Days sales in inventory	38.42	7

#### REQUIRED

- (a) Calculate the following for both businesses as at 30 April 2022. Show your answers to two decimal places.
- (i) Working capital [2]
- (ii) Current ratio [2]
- (iii) Quick ratio [2]
- (b) Comment on the liquidity of the two businesses. [6]
- (c) Calculate the days sales in inventory for Jerry. [1]
- (d) Evaluate the efficiency of inventory management of both businesses. [3]

[Total: 16]

- 3 Paradise Travel provided the following ledger accounts for its financial year ended 31 October 2021.

Motor vehicles account			
2020	Dr (\$)	Cr (\$)	Bal (\$)
Nov 1	Balance b/d		364 700 Dr
2021			
Feb 15	Trade payable – Speedo Motors	91 500	456 200 Dr
Sep 23	Sale of non-current asset	78 200	378 000 Dr
Nov 1	Balance b/d		378 000 Dr

Accumulated depreciation of motor vehicles account			
2020	Dr (\$)	Cr (\$)	Bal (\$)
Nov 1	Balance b/d		214 932 Cr
2021			
Sep 23	Sale of non-current asset	28 152	186 780 Cr
Oct 31	Depreciation of motor vehicles	38 244	225 024 Cr
Nov 1	Balance b/d		225 024 Cr

Additional information:

- 1 The business depreciates its motor vehicles using the reducing balance method. A full year's depreciation is charged in the year of purchase and no depreciation is charged in the year of sale.
- 2 The sale on 23 September 2021 was made on credit to Zoom Motoring for \$54 000.

#### REQUIRED

- (a) Interpret the entry on 15 February 2021 in the motor vehicles account. [1]
- (b) Explain what is meant by depreciation. [1]
- (c) Calculate the depreciation rate used to depreciate motor vehicles. [1]
- (d) Prepare journal entries to record the:
- (i) Sales proceeds on 23 September 2021 [1]
- (ii) Transfer of gain or loss on sale of non-current asset [2]

With the easing of travel restrictions world-wide after the pandemic, many people are eager to travel again. Paradise Travel saw a sharp increase in the number of bookings and enquiries over the last month and is expecting a further surge in bookings. To cope with the increased demand, Paradise Travel is in the process of setting up another office and is sourcing for a photocopier for the new office.

The supplier has given Paradise Travel an option to buy or rent the photocopier. If Paradise Travel buys the photocopier, it will receive a brand-new machine which is estimated to last for at least five years. For rental, the contract will be for a year. Terms and conditions of the rental are subjected to change upon renewal. Paradise Travel also has an option to upgrade to a newer model upon renewal of the rental contract.

The other details of each option are listed in the table below.

	Buy Photocopier	Rent Photocopier
Cost	<ul style="list-style-type: none"> <li>• Cost: \$7 200</li> <li>• Delivery and installation: \$100</li> <li>• Full payment to be made upon purchase</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly rental: \$250</li> </ul>
Condition / Features	<ul style="list-style-type: none"> <li>• Brand new</li> <li>• Able to print up to 35 pages per minute</li> </ul>	<ul style="list-style-type: none"> <li>• Has been rented out for less than a year</li> <li>• Able to print up to 30 pages per minute</li> </ul>
Repairs and maintenance	<ul style="list-style-type: none"> <li>• An annual servicing and maintenance package costs \$600</li> <li>• Repairs and replacement of spare parts will be charged separately.</li> </ul>	<ul style="list-style-type: none"> <li>• Rental charge includes unlimited free on-site servicing and maintenance as well as replacement of spare parts</li> <li>• In the event of breakdowns, a technician will be on-site within 2 to 4 hours</li> <li>• Where repairs require more than a day, a replacement photocopier will be provided at no charge</li> </ul>

#### REQUIRED

- (e) Advise whether Paradise Travel should buy or rent the photocopier. Justify your decision with three reasons. [7]

[Total: 13]

- 4 For the financial year ended 31 January 2022, Geronimo Consulting's profit for the year was \$52 830.

After preparing the financial statements, the accountant discovered the following errors:

- Cheque of \$3 600 issued for office rental was debited to the cash at bank account and credited to the rental expense account.
- Purchase of filing cabinets costing \$1 950 was recorded in the admin expense account.
- An invoice of \$2 400 issued to Thea for consultancy services provided was not recorded.

#### REQUIRED

- Prepare journal entries to correct the above errors. Narrations are not required. [3]
- Prepare a statement to show Geronimo Consulting's adjusted profit for the year ended 31 January 2022. [4]
- State and explain two professional ethics an accountant should uphold. [2]
- Identify two stakeholders who may be interested in the financial statements of Geronimo Consulting and state the reasons for their interests. [2]

[Total: 11]

END OF PAPER