

Name of Candidate: \_\_\_\_\_ (     ) Class: \_\_\_\_\_ Calculator Model:



**BUKIT PANJANG GOVERNMENT HIGH SCHOOL**  
**PRELIMINARY EXAMINATION 2022**  
**SECONDARY 5**  
**GCE 'O' LEVEL SYLLABUS**

**PRINCIPLES OF ACCOUNTS**

Paper 2

**7087 / 02**

Date: 25 August, 2022

Duration: 2h

Time: 0750 – 0950 h

Additional Materials: NONE

**READ THESE INSTRUCTIONS FIRST**

Answer **all** questions.

Write your answers on the writing paper provided. Start each question on a fresh sheet of writing paper.

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.

Setter: Mr Alex Yong

**[Turn over]**

- 1** The following balances were extracted from the books of Hanz Pte Limited on 31 July 2022.

	Debit	Credit
	\$	\$
Issued share capital, 10 000 ordinary shares		10 000
Retained earnings, 1 August 2021		34 520
Bank loan		12 000
Motor vehicles at cost	198 000	
Fixtures and fittings at cost	4 000	
Accumulated depreciation:		
Motor vehicles		11 200
Fixtures and fittings		2 000
Sales revenue		358 000
Sales returns	15 500	
Cost of sales	32 920	
Inventory	62 350	
Trade receivables	20 000	
Trade payables		12 400
Wages and salaries	46 920	
Advertising	8 889	
General expenses	13 500	
Commission income		250
Allowance for impairment of trade receivables		2 800
Discount allowed	3 030	
Discount received		739
Cash at bank	38 800	
	<u>443 909</u>	<u>443 909</u>

#### Additional information

- 1 The company declared a dividend of \$0.21 per share. The dividend will be paid on 1 November 2022.
- 2 Motor vehicles are depreciated at 25% per annum on net book value.
- 3 Fixtures and fittings are depreciated at 10% using the straight-line method.
- 4 The net realizable value of inventory as at 31 July 2022 is \$62 000.
- 5 A credit customer who owed \$1 800 was declared bankrupt and the amount has yet to be written off.

- 6 The allowance for impairment of trade receivables is to be maintained at 4% of trade receivables.
- 7 Advertising expenses, \$889, were owing.
- 8 Wages and salaries was paid for 15 months ending on 31 October 2022.
- 9 Commission income, \$150, had been received in advance.

**REQUIRED**

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

[Total: 20]

- 2 On 1 July 2019, Lesla Holdings provided the following balance.

	\$
Allowance for impairment of trade receivables	8 850

Lesla Holdings review its list of trade receivables at the end of every financial year and estimates that 9% of its trade receivables is likely to be uncollectible.

The trade receivables for the following two years are as shown below:

	30 June 2020	30 June 2021
Trade receivables	\$76 000	\$102 000

On 6 May 2020, Ali Mama Services, a credit customer who owed Lesla Holdings \$450 was declared bankrupt. Lesla Holdings wrote off the outstanding amount.

On 20 December 2020, Lozada Trading, a credit customer who owed Lesla Holdings \$10 600, ceased its business operation. Lozada Trading was able to pay \$0.35 for every dollar owed to Lesla Holdings. On the same day, Lesla Holdings received a cheque from Lozada Trading and wrote off the remaining amount.

## REQUIRED

- (a) Prepare the journal entries for the following transactions. Narrations are **not** required.
- (i) 6 May 2020 [2]
- (ii) 20 December 2020 [3]
- (b) Prepare the extract of the statement of financial position as at 30 June 2021, showing **only** the current assets portion. [2]
- (c) State the valuation method for trade receivables in the statement of financial position. [1]

In the following year, the following ledger account was extracted from the books of Lesla Holdings.

Trade receivables – MediaCrop Ltd				
Date	Particular	Debit	Credit	Balance
2021		\$	\$	\$
Jul 1	Balance b/d			9 600 Dr
Aug 19	Service fee revenue	1 000		10 600 Dr
Nov 11	Cash at bank		1 950	8 650 Dr
Nov 11	Discount allowed		50	8 600 Dr

2022				
Feb 10	Allowances for impairment of trade receivables		8 600	-

**REQUIRED**

**(d)** Describe the transaction that took place on the following dates:

- (i)** 1 July 2021 [1]
- (ii)** 19 August 2021 [1]
- (iii)** 11 November 2021 [2]
- (iv)** 10 February 2022 [1]

[Total: 13]

- 3 The following information relates to GiveTea Trading as at 30 April 2020, 2021 and 2022.

	2020	2021	2022
	\$	\$	\$
Non-current assets, net book value	77 800	74 500	73 200
Inventory	18 200	24 680	48 920
Net trade receivables	10 450	18 900	30 150
Cash at bank	15 000	8 900	-
Prepaid rent expense	-	3 000	-
Current portion of long-term borrowings	-	-	3 300
Trade payables	12 100	26 780	28 960
Bank overdraft	-	-	2 200
Rent expense payable	-	-	12 000
Working capital	31 550	28 700	32 610
Current ratio	3.61	2.07	1.70
Quick ratio	?	?	?

### REQUIRED

- (a) Calculate the quick ratio for each of the three years ended 30 April 2020, 2021, and 2022. Show your answers to **two** decimal places. [3]
- (b) Evaluate the liquidity of GiveTea Trading over the three years ended 30 April 2020, 2021, and 2022. Use the given information and your answers in (a). [6]
- (c) Recommend **two** ways that the owner can improve the liquidity of GiveTea Trading. [2]
- (d) State any **one** professional ethics that accountants should have. [1]
- (e) Explain the objectivity theory. [2]

[Total: 14]

- 4 Krit decided to set up Sawadee Snacks, a retailer of Thai titbits in Singapore.

After preparing the trial balance, the accountant of Sawadee Snacks prepared the financial statements for the year ended 30 September 2021. He discovered the following errors:

- 1 Credit sales of goods to Bryan worth \$2 000 has been omitted from the books.
- 2 Cheque of \$480 paid for insurance expense has been debited to the general expense account.

**REQUIRED**

- (a) Prepare the journal entries to correct each error above. Narrations are **not** required. [4]
- (b) State the effect of the following errors on profit for the year.
- (i) Error 1 [1]
  - (ii) Error 2 [1]

Krit has been in the retail industry for more than 15 years and is familiar with the operations of a retail store. He is intending to set up another retail shop, Aroy Aroy Mak which will be selling handmade Thai desserts such as mango sticky rice.

He was advised that he can choose between a sole proprietorship or a limited liability partnership. However, he was unsure what form of business to set up.

The following are points that were brought up:

- The estimate capital required to set up Aroy Aroy Mak is approximately \$350 000. Krit has some savings that he had accumulated over the years but is unsure if it is enough to cover up the start-up cost of this new business.
- Krit has a wealth of experience in running Sawadee Snacks by himself, but is not well-versed in HR and administrative functions. Luckily, he has few good friends who are well-trained in these areas and are keen to join him if needed.
- Krit was concerned about the management of the new business venture as his wife recently just gave birth to their second child. Krit also mentioned that he would like to spend more time with his newborn child.
- Krit owns a private property and would like to protect it against any losses.
- If the business is successful, Krit have plans to leave the ownership of this new business to his children in the future. However, he is unsure if his children will be interested in the future.
- As Krit is unsure of whether he has enough funds, he would like to spend as minimally as possible in setting up this business. He also prefers a form of business that involve minimal administrative regulations to comply with.

## REQUIRED

- (c) If you are Krit, will you set up this new business as a sole proprietorship or limited liability partnership? Justify your decision with **three** reasons. [7]

[Total: 13]

**End of Paper**