

Candidate Name _____

Class Register Number

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**PEIRCE SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2022
SECONDARY FOUR EXPRESS**

Principles of Accounts

7087/02

Paper 2

**23 August 2022
2 hours**

Additional Materials: Answer booklet

INSTRUCTIONS TO CANDIDATES

Write your name, class and register number on all the work you hand in.
Write in dark blue or black pen.
You may use a pencil for rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.
The use of an approved calculator is allowed.
The businesses described in this question paper are fictitious.

Answer **all** questions.

Write your answers in the answer booklet provided.

All calculations must be shown adjacent to the answer.

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

PARENT'S SIGNATURE

FOR EXAMINER'S USE
/60

- 1 The following balances were extracted from the books of Mad Hatter Pte Ltd on 31 May 2022.

	Debit	Credit
	\$	\$
Office equipment	120 000	
Accumulated depreciation on office equipment		18 000
Fixtures and fittings	210 000	
Accumulated depreciation on fixtures and fittings		42 000
Retained earnings		34 086
Inventory	5 902	
Rental		7 200
Repairs and maintenance	600	
General expense	350	
Trade receivables & payables	9 080	8 190
Allowance for impairment of trade receivables		1 362
Sales returns	3 460	
Share capital, 100 000 ordinary shares		100 000
Cash at bank		1 710
Loan from Monkey Finance		40 000
Cost of sales	212 720	
Sales revenue		315 210
Salaries	2 430	
Discounts	1 456	420
Commission	2 180	
	<u>568 178</u>	<u>568 178</u>

Additional information at 31 May 2022

- 1 Rental of \$3 000 was received in advance at year end.
- 2 Prepaid commission amounted to \$1 650 at year end.
- 3 Fixtures and fittings are to be depreciated at 10% per annum on cost.
- 4 Office equipment are to be depreciated at 15% per annum on net book value.
- 5 Alice was declared a bankrupt and was only able to pay the business 10 cents for every dollar of its outstanding debt of \$1 200. On the same day, a cheque was received from Alice.

- 6 One quarter of the loan from Monkey Finance is to be repaid on 30 June 2022.
- 7 Interest of 1% per annum on loan from Monkey Finance has not been paid yet.
- 8 A dividend of \$0.03 has been declared and will be paid on 17 June 2022.

REQUIRED

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

[Total: 20]

- 2 The following information was extracted from the books of Rabbit Hole Accessories.

	31 March 2020 \$	31 March 2021 \$	31 March 2022 \$
Current assets			
Inventory	120 000	140 000	155 000
Trade receivables	35 000	66 000	85 000
Prepaid rent	1 300	-	-
Cash at bank	5 800	3 100	-
Current liabilities			
Trade payables	6 700	8 200	11 500
Bank overdraft	-	-	4 200
Commission income received in advance	500	1 900	2 300

	31 March 2020 \$	31 March 2021 \$	31 March 2022 \$
Working capital	154 900	199 000	?
Current ratio	22.51	20.70	?
Quick ratio	5.67	6.84	?

REQUIRED

- (a) Calculate the following for Rabbit Hole Accessories for the year ended 31 March 2022. Round your answers to **two** decimal places where necessary. Show **all** workings clearly.
- (i) Working capital [2]
- (ii) Current ratio [2]
- (iii) Quick ratio [2]
- (b) With reference to the information provided and the figures you have calculated in (a), comment on the business's liquidity position over the **three** years. [6]
- (c) Recommend and explain **four** ways the business can use to improve its liquidity. [8]

[Total: 20]

- 3** The financial year of The Wizard of Oz ends on 30 April. On 1 May 2020, the business had a capital balance of \$65 800. The following transactions took place between 1 May 2020 and 30 April 2022.

Date 2020	Description of Transaction
Jun 18	The owner of the business, Dumbledore, took inventory worth \$58 from the business for his aunt's birthday party.
2021	
Feb 20	Dumbledore took \$960 cash from the office to pay for his home utilities.
Apr 30	Profit for the year amounted to \$15 320.
2022	
Jan 24	Dumbledore contributed his laptop worth \$1 670 to the business.
Apr 30	Loss for the year amounted to \$4 310.

REQUIRED

- (a) With the use of an accounting concept, explain the rationale of recording the transaction on 18 June 2020. [2]
- (b) Prepare the drawings account for the year ended 30 April 2021. [3]
- (c) Prepare the capital account for the years ended 30 April 2021 and 2022. [4]

[Total: 9]

- 4 On 1 March 2022, Wagyu Beef Trading purchased goods at a list price of \$2 000 on credit from Moo Moo Trading and received a 10% trade discount on the purchase.

REQUIRED

- (a) Calculate the final amount to be recorded in the books Wagyu Beef for the purchase on 1 March 2022. [2]
- (b) Suggest **one** purpose of giving trade discounts. [1]
- (c) Identify **another** type of discount which Moo Moo Trading can give to encourage prompt payment from Wagyu Beef for the purchase made on 1 March 2022. [1]

Currently, Wagyu Beef Trading only sells one type of wagyu beef known as the Matsusaka beef and hopes to increase its product offerings for its customers by selling other types of wagyu beef as well. However, there is only space for one more type of product. The supplier recommended the business to sell either Kobe beef or Omi beef.

The following are points for consideration.

Product	Kobe beef	Omi beef
Gross profit per 100g	\$8	\$6
Nature of product	<ul style="list-style-type: none"> Well marbled meat is lean in addition to being known for its rich sweetness and unique aroma Suitable to be eaten for Japanese hotpot (<i>shabu shabu</i>) or barbecued 	<ul style="list-style-type: none"> Has more fat than other types of beef Suitable to be eaten barbecued only
Storage	<ul style="list-style-type: none"> Needs to be stored in extremely low temperatures of at least -10 degrees celsius Expires 5 days from date of purchase 	<ul style="list-style-type: none"> Can be stored in temperatures of between 1 to 10 degrees Celsius Expires 8 days from date of purchase
Customer preference	<ul style="list-style-type: none"> Popular overseas and among locals as it is the healthiest choice amongst all types of wagyu beef 	<ul style="list-style-type: none"> Relatively unknown in the local market even though it is popular overseas for its budget friendly price

REQUIRED

- (d) Which type of wagyu beef would you recommend the business to buy, based on the factors given in the scenario? Support your answer with **three** reasons.

[7]

[Total: 11]

END OF PAPER

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