

JUNYUAN SECONDARY SCHOOL PRELIMINARY EXAMINATION 2022 SECONDARY FOUR EXPRESS/ FIVE NORMAL ACADEMIC

CANDIDATE

CLASS



PRINCIPLES OF ACCOUNTS

Paper 2

Additional Materials: Answer booklet

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.

Answer **all** questions.

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



7087/02

25 August 2022 2 hours

Answer **all** questions.

1 Stephen operates an accounting business. The following balances were extracted from the books on 31 August 2022.

	\$
Motor vehicles at cost	75 000
Equipment at cost	250 000
Accumulated depreciation of motor vehicles	14 250
Accumulated depreciation of equipment	125 000
Rent expense	44 000
Wages	99 000
Cash at bank (Overdrawn)	2 200
Trade receivables	48 600
Accounting fee revenue	246 752
Allowance for impairment of trade receivables	250
Utilities paid	5 141
Discount received	690
3% Bank Ioan	30 000
Interest on loan	500
Capital	103 099

Additional information

- 1 Utilities paid included \$360 which were Stephen's own house utilities.
- 2 Wages, \$1 900, was prepaid and rent expense, \$4 000, was payable.
- 3 Motor vehicles are to be depreciated at 10% per annum on net book value. Equipment are to be depreciated at 25% per annum on cost.
- 4 Numez Limited, who owed \$1 800, ceased business. A cheque of \$800 was received and the remaining amount was written off. The entire transaction was not recorded.
- 5 The allowance for impairment of trade receivables is to be maintained at 5% of trade receivables.
- 6 The bank loan was taken up on 1 January 2022 and is to be repaid equally over five years.
- 7 Interest on loan for the year ended 31 August 2022 had not been fully paid.

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7087/02/4E5N/PRELIM/2022

REQUIRED

(a)	Prepare the statement of financial performance for the year ended 31 August 2	2022. [9]
(b)	Prepare the statement of financial position as at 31 August 2022.	[11]

[Total: 20]

2 Rich Bank is considering to approve one of the two loans requested by two similar businesses in the technology industry. The following is extracted from the statements of financial position of two businesses as at 31 March 2022.

	Ace Technology	Best Global
	\$	\$
Motor vehicles	128 000	65 000
Equipment	27 000	8 000
Inventory	59 500	16 200
Trade receivables	20 780	18 800
Bank overdraft	1 500	-
Cash at bank	-	700
Prepaid rent expense	900	2 600
Long term borrowings	50 000	40 000
Current portion of long term borrowings	10 000	-
Trade payables	25 800	19 000

REQUIRED

(b)

(a) Calculate the following for **both** businesses as at 31 March 2022. Show your answers to **two** decimal places.

(i) Current ratio	[2]
(ii) Quick ratio	[2]
Evaluate the liquidity of the two businesses.	[6]

(c) Advise Rich Bank which business you would recommend to provide the loan to. Justify your answer. [2]

Yuan Yuan is a potential investor who is interested to invest in one of the businesses. Besides analysing the liquidity of both businesses, Yuan Yuan is also interested in their profitability.

REQUIRED

		[Total: 14]
(e)	Name one profitability ratio that Yuan Yuan could use.	[1]
(d)	Explain what is meant by the profitability of a business.	[1]

3 The following is the cash at bank account of Ali Hub as at 31 August 2022:

Cash at Bank Account

[Date	Э	Particulars	Cheque	Debit	Credit	Balance
2022)22		NO.	\$	\$	\$
Αι	ugus	st 1	Balance b/d				370 Dr
~			Rent expenses	905		870	500 Cr
6	0		Capital		2 400		1 900 Dr
3	0	1	Inventory	906		910	990 Dr
	0	1	Dennis Mart	907		380	610 Dr
	9	2	Amanda Trading		4 600		5 210 Dr
	U	3	Sales revenue		620		5 830 Dr
	0						

On 2 September 2022, Ali Hub received the following bank statement for the month ended 31 August 2022:

Date 2022	Particulars	Withdrawal \$	Deposit \$	Balance \$
August 1	Balance b/d			460 Cr
2	Cheque 904	90		370 Cr
7	Cheque 905	870		500 Dr
8	Cash deposit		2 400	1 900 Cr
15	Cheque 906	910		990 Cr
20	Cheque deposit		4 600	5 590 Cr
23	Cheque returned unpaid	4 600		990 Cr
31	Bank charges	20		970 Cr

REQUIRED

(a)	Interpret the entry in the cash at bank account on 30 August 2022.	[1]
(b)	Calculate the updated cash at bank account for the month of August 2022. whether the balance is debit or credit.	Indicate [2]
(c)	Prepare the bank reconciliation statement as at 31 August 2022.	[4]
(d)	Give one reason why Ali Hub prepares the bank reconciliation statement.	[1]
(e)	Aside from preparing a bank reconciliation statement, state one other interna a business can implement to safeguard its cash.	l control [1]
(1)	Otata tera management when the surger and surger in the second structure of th	

(f) State two reasons why cheque was returned unpaid on 23 August in the bank statement. [2]

[Total: 11]

4 Star Mart provided its fixtures and fittings account for the year ended 30 June 2022.

Date	Particulars	Dr \$	Cr \$	Bal \$
2021				
Jul 1	Balance b/d			15 600 Dr
Aug 6	Trade payable	2 000		17 600 Dr
Nov 18	Sale of fixtures and fittings		8 000	9 600 Dr
2022				
Feb 20	Loan from bank	5 000		14 600 Dr
Jul 1	Balance b/d			14 600 Dr

REQUIRED

(a) Interpret the following entries in the fixtures and fittings account.

(i)	6 August 2021	[1]
(ii)	20 February 2022	[1]

\$

The following information was provided for the fixtures and fittings sold on 18 November 2021.

Accumulated depreciation of fixtures and fittings	3 750
Sales proceeds banked in	2 600

The business ends its financial year on 30 June.

REQUIRED

(b)	Calculate the gain or loss on the sale of fixtures and fittings on 18 November 2022.	[2]
(c)	Define the term depreciation.	[1]
(d)	State one cause of depreciation.	[1]
(e)	Explain why there is no need to provide depreciation on land.	[1]
(f)	Name the theory that states that the same method of depreciation should be used for ever	

(f) Name the theory that states that the same method of depreciation should be used for every financial period. [1] Star Mart wants to purchase 12 cabinets for storage purposes. It has shortlisted the following suppliers.

Supplier	Shoppa	Tabao
Cost per cabinet	\$400	\$250
Return policy	Return can be made within 7 days with no additional charges	Return can be made within 21 days but buyer bears the delivery cost of \$100
Payment policy	Credit term of 7 days	Credit term of 30 days
Reputation of supplier	Has been in business for more than 16 years	Has been in business for 3 years with many positive reviews online
Warranty	2 years	6 months

REQUIRED

(g) Recommend which supplier Star Mart should buy the cabinets from. Justify your decision with **three** reasons. [7]

[Total: 15]

END OF PAPER

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