

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

CANDIDATE NAME		
CLASS	REGISTER NUMBER	2

PRINCIPLES OF ACCOUNTS

Paper 2

29 August 2022

2 hours

7087/02

No Additional Materials are required.

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.

1 The following balances were extracted from the books of Toys Paradise Pte Limited, a business that sells action and toy figures, on 31 July 2022.

	Ψ
Share capital, 20 000 ordinary shares	20 000
Retained earnings	19 000
Fixtures and fittings at cost	35 000
Accumulated depreciation of fixtures and fittings	1 450
Trade receivables	43 000
Allowance for impairment of trade receivables	1 000
Sales revenue	80 000
Inventory	37 000
Cost of sales	26 300
Sales returns	7 650
Trade payables	17 700
8% Bank loan repayable 2030	40 000
Cash at bank (Cr)	7 900
General expenses	10 200
Commission income	3 700
Wages and salaries	16 600
Rent expense	15 000

Additional information

- 1 Rent expense of \$9 000 was paid for 15 months up to 31 October 2022.
- 2 Commission of \$140 was earned but not yet received.
- 3 Payment to trade supplier of \$1 200 has been debited to the cash at bank account and credited to the trade payables account.
- 4 A review of the trade receivables revealed that 5% of the trade receivables are likely to be uncollectible.
- 5 Interest on the bank loan was outstanding. The loan was taken out on 1 November 2021.
- 6 Fixtures and fittings are to be depreciated at 5% per annum using the straight-line method. The fixtures and fittings have a residual value of \$1 000.
- 7 A dividend of \$0.10 per share had been declared and will be paid on 5 August 2022.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 31 July [8] 2022.
- (b) Prepare the statement of financial position as at 31 July 2022. [12]

[Total: 20]

2 Top In Tech and TechnoTrends are both traders selling mini portable projectors. The following account balances were extracted from the books of the two businesses as at 31 March 2022:

			\$	\$	
			Top In Tech	TechnoTrends	
Motor vehicles			15 090	16 300	
Fixtures and fittings			23 400	26 400	
Inve	ntory		17 200	25 600	
Cas	h in hand		10 100	5 400	
Acc	umulated of	depreciation of motor vehicles	3 500	4 200	
Acc	umulated of	depreciation of fixtures and fittings	4 800	6 700	
Trac	le receival	bles	16 500	19 300	
Trac	le payable	es	11 200	24 300	
Cas	h at bank		20 800	7 800	
Allo	wance for	impairment of trade receivables	6 300	3 300	
Curr	ent portio	n of long-term borrowings	3 000	5 000	
Long	g-term bor	rowings	30 000	50 000	
Prep	baid adver	tising	800	1 200	
Ren	t income r	eceived in advance	730	2 550	
Curr	ent ratio		3.96	?	
Quio	ck ratio		2.75	?	
REC	UIRED				
(a)	Explain th	ne term liquidity.		[1]	
(b)	Calculate	the following for TechnoTrends as a	at 31 March 2022	, rounding	
• •	off to 2 de	ecimal places:		, J	
	(i)	Current ratio		[2]	
	(ii)	Quick ratio		[1]	
(c)	(c) Taking into account the information given and your answers to b(i) and				
	(ii), comp	pare and comment on the liquidity pos	sition of the two bu	isinesses. [6]	
(d)	Suggest	two measures TechnoTrends may ta	ake to improve its	cash flow [2]	
	position.				
(e)	State the	valuation methods for			
1-1	(i)	non-current assets and			
	(ii)	trade receivables in the Statement	t of Financial Posi	ition. [2]	
				[Total:14]	

3 The following allowance for impairment of trade receivables is extracted from the books of Puzzle Palace for the year ended 30 November 2020.

2019		Dr (\$)	Cr (\$)	Balance (\$)
Dec 1	Balance b/d			1 800 Cr
2020				
Nov 30	Impairment loss on trade receivables		2 500	4 300 Cr
Dec 1	Balance b/d			4 300 Cr

Allowance for impairment of trade receivables account

REQUIRED

- (a) State the meaning of allowance for impairment of trade receivables. [1]
- (b) Name and explain the accounting theory applied when recording allowance for impairment of trade receivables. [2]
- (c) Interpret the entries in the allowance for impairment of trade receivables account on:

[1]

(ii) 30 November 2020 [1]

The business maintains an allowance for impairment of trade receivables at 9% of the trade receivables balance at the end of every financial year.

On 14 July 2021, a customer, Rainbow who owed \$6 300, was declared bankrupt and could only pay \$0.40 for every dollar owed by cheque. On the same day, a cheque was received from Rainbow.

The trade receivables balance for the year ended 30 November 2021 was \$40 000.

REQUIRED

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

(i)	Write off the debt owed by Rainbow	[2]

- (ii) Adjustment of allowance for impairment of trade receivables for the financial year ended 30 November 2021. [2]
- (e) What is the effect of adjustment (d)(ii) on the profit for the year ended 30 November 2021.

REQUIRED

(f) There are five stages in the accounting information system.

State the name of the **two** missing stages in the correct order.

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Source	?	?	Trial	Financial	
documents			Balance	Statements	[2]

[Total: 12]

4 Roman runs Baker's Delight with a financial year end of 28 February.

The following balances were taken from the books of Baker's Delight at the start of the financial year on 1 March 2021.

	\$
Motor vehicles	50 000
Accumulated depreciation of motor vehicles	20 000

Baker's Delight provides depreciation at a rate of 10% per annum on net book value. A full year's depreciation is provided in the year of purchase and no depreciation is provided in the year of sale.

On 22 August 2021, Baker's Delight sold one of its motor vehicles which cost \$15 000 for \$13 000 by cheque. The motor vehicle was bought on 1 April 2019. On 18 October 2021, Baker's Delight bought a new motor car for \$19 000 by cheque.

REQUIRED

- (a) Calculate the gain or loss on the sale of motor vehicles for the year ended 28 February 2022.
 [2]
- (b) Calculate the depreciation expense for the year ended 28 February 2022. [2]
- (c) Prepare the motor vehicles account for the year ended 28 February 2022. [3]

4 Roman decides to offer photocopying service in view of the strong demand for such service in a young neighbourhood.

Roman is unable to decide whether she should buy or rent the photocopier. He estimates that Baker's Delight prints about 2 000 sheets of black and white documents and 500 sheets of documents in colour per month.

	Buy Photocopier	Rent Photocopier
Cost/ Deposit	\$4 500	\$200
Other cost	Free servicing for the first year. Subsequently \$150 per year.	Monthly rental fee for a year: \$300
	Free local delivery	Copy charges: \$0.15 per sheet
	Toner cost for each black and white print: \$0.01 per sheet	Local delivery \$50
	Toner cost for each colour print: \$0.10 per sheet	
Features	Print, copy, scan and fax	Print, copy and scan
	Prints 25 pages per minute	Prints 35 pages per minute
	Collate, staple and hole-punch	Collate and staple
Condition	New	Has been rented out for the past 1 year
Other Information	Photocopier is expected to last for 6 years.	Rental contract includes free servicing, replacement of toners, copier consumables, and spare
	Any replacement of toner or parts varies	parts replacement and copier repairs and maintenance.
	There is warranty for the first three years.	Rental contract lasts for a year and in the event of early termination, one will need to pay
	No temporary photocopier will be provided during downtime.	up the remaining rental charges balance, which is the number of months left till the end of the rental contract.
		A temporary photocopier will be provided during downtime.

REQUIRED

 (d) Evaluate whether Baker's Delight should buy or rent the photocopier. Support your answers with three reasons. [7]
 [Total: 14]

-----End of the paper-----

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