

N'Level Self-Revision Set 05 – Yuan Ching N'Level Prelim 2024
SOLUTIONS
-PAPER 1-

Question 1a

Utilities expense for the year

= Amount paid – Amount payable for previous year + Amount used but not paid for this year

= 2 780 – 260 [1] + 170 [1]

= \$2 690 [1]

Question 1b

2024		Debit \$	Credit \$
Apr 30	Utilities expense [1]	170	
	Utilities expense payable [1]		170
	Adjustment for \$170 of utilities expense used but not paid yet at year end [1]		

Question 1c

The profit for the year would be overstated[1] by \$170 [1].

Question 1d (i)

15 May 2024

Aces Trading received a cheque of \$4 500 [1] from credit customer David after giving David a discount of \$330. [1]

Question 1d (ii)

22 May 2024

Aces Trading sold goods to credit customer David for \$2 700 on credit. [1]

Question 1e

2024		Debit \$	Credit \$
Jun 11	Allowance for impairment of trade receivables [1]	2 700	
	Trade receivable, David [1]		2 700

Question 2a

The previous accountant has violated the principle of objectivity [1] as he had caused the business to suffer a loss to make a personal gain. [1]

(Student is to explain the conflict of interest as defined in the principle of objectivity.)

Question 2b

Employees, to know the career prospects of continuing to work for the business

Credit suppliers, to know if the business has enough assets to repay the amount owing

Government, to know if the business is complying with the laws and regulations

(any other suitable answer, 1m for naming the stakeholder and 1m for explanation of the interest)

Question 2c

	Effect of transaction on:		
	Assets	Liabilities	Equity
(i) Sims Trading bought \$600 of goods for resale on credit.	<i>Inventory</i> + \$600	<i>Trade payable</i> + \$600	
(ii) Sims Trading repaid \$10 000 of bank loan with the owner's personal cheque.		Bank loan - \$10 000 [1]	Capital + \$10 000 [1]

Question 2d

To facilitate the preparation of financial statements [1]

To check for arithmetic accuracy in recording [1]

Question 2e

Some errors affect both the debit and credit sides of the affected ledger accounts equally, so the trial balance cannot detect these errors.

Question 2f

2024		Debit \$	Credit \$
May 31	Trade receivable Su Shan [1]	450	
	Trade receivable Susan [1]		450
May 31	Trade payable, Beng [1]	180	
	Inventory [1]		180

Question 2g

Correcting Error 3 would increase [1] profit by \$450 [1]

Question 3a

- Capital expenditure refers to spending on buying non-current assets and any cost to get the non-current assets to a ready-to-use condition whereas revenue expenditure refers to spending to operate, repair and maintain non-current assets in working condition.
- Capital expenditure are capitalised and recorded as non-current assets in the statement of financial position but revenue expenditure are expensed off and reported in statement of financial performance.
- Benefits from capital expenditure last for more than one accounting year whereas benefits from revenue expenditure last for one accounting year or less.

(Each comparison, 2m)

Question 3b

		Capital expenditure	Revenue expenditure
(i)	The business paid \$20 000 by cheque to rent the shophouse.		✓
(ii)	The business paid \$800 to install ramps at the entrance and in the pets' shower area.	✓ [1]	
(iii)	The business bought \$3 500 of grooming equipment on credit.	✓ [1]	
(iv)	The business bought \$400 of pet shampoo by cheque for use in the business.		✓ [1]

Question 3c

		Source document
(i)	The business bought \$3 500 of grooming equipment on credit.	Invoice [1]
(ii)	The business bought \$400 of pet shampoo by cheque for use in the business.	Payment voucher [1]

Question 3d

The materiality theory states that an amount is considered material if it affects decision making and is significant in comparison with the business' sales revenue, profit or total assets. [1]
In this case, even though the benefits of the camera are for more than one accounting period, [1], the camera was recorded as an expense because the amount was immaterial [1].

-PAPER 2-

Question 1a

Home Elves			
Statement of financial performance for the year ended 30 June 2024			
	\$	\$	
Service fees revenue (83140 - 3470)		79 670	2
Other income			
Discount received		704	1
Less: Other expenses			
Cleaning supplies expense (21 415 - 400)	21 015		2
Salaries and wages	49 500		1
Impairment loss on trade receivables (688 – 310)	378		1
Depreciation of cleaning equipment (25400-2540) X 10%	2 286		1
Depreciation of office equipment (4000 – 300) ÷ 5	740		1
Interest expense	480	(74 399)	1
Profit for the year		5 975	

Question 1b

Home Elves

Statement of financial position as at 30 June 2024

Assets	\$	\$	\$	
	Cost	Accumulated depreciation	Net book value	
Non-current asset				
Cleaning equipment	25 400	4 826 [1]	20 574	
Office equipment	4 000	740 [1]	3 260	
			23 834	1
Current assets				
Trade receivables	8 600			
Less: Allowance for impairment of trade receivables (8% X 8600)	(688)			1
		7 912		1
Cash at bank		6 807		
Prepaid cleaning supplies expense		400	15 119	1
Total assets			38 953	
Equity and liabilities				
Owner's equity				
Capital (19234 + 5 975 - 4306)			20 903	2
Non-current liability				
Long-term borrowings			12 000	1
Current liabilities				
Trade payables		2 580		
Service fee revenue received in advance		3 470	6 050	1
Total equity and liabilities			38 953	

Question 2a

Authorisation [1]

Custody of cash [1]

Segregation of duties [1]

(Any 1)

Question 2b

Safeguard assets of the business [1]

Ensure business transactions are recorded accurately [1]

Comply with laws and regulations [1]

(Any 1)

Question 2c

Expired cheque [1]

Post dated cheque [1]

Insufficient balance in the payer's bank account [1]

Signature on cheque does not match the bank records [1]

Inconsistent information between the numerals and words [1]

(Any 1)

Question 2d

Cash at bank				
Date	Particulars	Debit	Credit	Balance
2024		\$	\$	\$
Apr 30	Balance b/d			5 064 Dr
	Trade receivable, Winston [1]	770		5 834 Dr
	Trade receivable, Mei [1]		540	5 294 Dr
	Utilities expense [1]		164	5 130 Dr
May 1	Balance b/d [1]			5 130 Dr

(No OF for Balance b/d if student includes \$155, a past month payment.)

Question 2e

Bank reconciliation statement as at 30 April 2024

	\$	Marks
Balance as per bank statement	6 254	1
Add: Deposits in transit		
Trade receivable, Chee	926	1
Less: Cheques not yet presented		
Trade payable, Ravi	(2 050)	1
Balance as per adjusted cash at bank	5 130	1

Question 2f

Profit for the month would decrease [1] by \$164. [1]

(effect of recording the utilities expense)

Question 3a

Assets = Equity + Liabilities [1]

Question 3b

Capital = Total assets – Total liabilities
= (21 445 + 7 054 + 11 137 + 4 560) – (12 000 + 9 813)
= 44 196 [1] – 21 813 [1]
= \$22 383

Question 3c

Total drawings = 25 + 6 830 = \$6 855 [1]

Question 3d

Capital				
Date	Particulars	Debit	Credit	Balance
2023		\$	\$	\$
Jan 1	Balance b/d			22 383 Cr OF from 3(a)
Feb 4	Office equipment [1]		2 500	24 883 Cr
Dec 31	Income summary [1]		46 592	71 475 Cr
Dec 31	Drawings [1]	6 855		64 620 Cr OF from 3(b)
2024				
Jan 1	Balance b/d [1]			64 620 Cr

Question 3e

Equity is the owner's claim on the net assets of the business. [1]

Question 3f

The accounting entity theory states that the business activities and the owner's actions are separate and only transactions affecting the business should be recorded from the business' point of view. [1]

Hence, any contribution of assets to the business by the owner or withdrawals of business resources by the owner for his personal use must be recorded. [1]

Question 4a

Cost of sales = 1300 [1] + 900 = \$2 200 [1]

Question 4b

2024		Debit \$	Credit \$
Feb 28	Impairment loss on inventory [1]	300	
	Inventory [1]		300
	Being write-down of inventory by \$300 [1] for goods damaged in transit		

Question 4c

Prudence theory states that possible losses should be recognised as soon as they are known, even if they are not realised yet, so that assets are not overstated and expenses are not understated. [1]

Therefore, the ending inventory is valued at the lower of cost and net realisable value. [1]

Question 4d

Date	Accounts to debit	Accounts to credit
4 March 2024	Trade payable, Fresh Farms [1]	Inventory [1]
17 May 2024	Trade payable, Fresh Farms [1]	Cash in hand [1]

Buy from Ayam Farm	Buy from Chix Trading
The cost of buying from Ayam Farm is \$4 cheaper than buying from Chix Trading. The lower unit cost would mean lower cost of sales for Hock and therefore a higher gross profit.	Chix Trading has a long history of 34 years as compared to Ayam Farm who only started selling to Singapore 3 years ago. This would mean that Chix Trading is a more reliable supplier.
Ayam Farm can offer Hock 30 days credit, which is double the credit period Chix Trading gives. This extended credit period would give Hock more time to sell the chickens and collect from his customers before he has to pay Ayam Farm.	Being a local farm, Chix Trading can deliver the chickens within 3 days, 7 days faster than Ayam Farm. The faster delivery would help Hock win customer confidence and boost the sales.
	Moreover, Chix Trading is a local farm, there is no danger of export rules changes to disrupt Hock's supply.

(Any 2 reasons to support the decision, total 5 marks)

Copying of information from the table