

Chung Cheng Yishun
Answer all questions.

- 1 Jia Ying wants to start a trading business.

REQUIRED

- (a) State the role of accounting.

[1]

- (b) State and explain **one** professional ethics of an accountant.

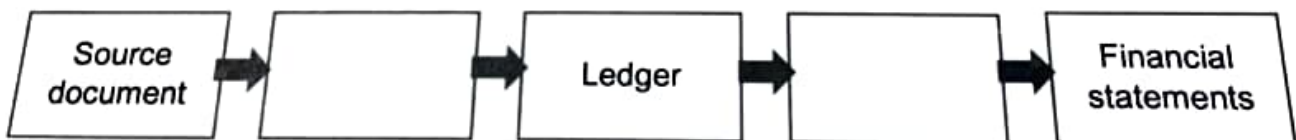
[2]

- (c) State **one** feature of a sole-proprietorship.

[1]

The accounting information system is a system that a business uses to collect, store and process accounting data.

- (d) Complete the accounting information system.



[2]

- (e) Explain the monetary theory.

[1]

- (f) Complete the following table by naming the source document used to record each transaction (i) to (iii).

	Transaction	Source document
(i)	Cash sales of goods	
(ii)	Returns from credit purchase	
(iii)	Bank charges	

[3]

[Total: 10]

- 2 Justin started trading on 1 January 2022. His business buys and sells mobile phones on credit. Justin has extracted the following balances from the ledger accounts of his business as at 31 December 2022.

	\$
Cash at bank	4 500
Trade receivables	9 200
Trade payables	10 900
Motor vehicles	68 200
Bank loan	60 000
REQUIRED	

- (a) State the accounting equation.

..... [1]

- (b) Calculate the capital of the business.

..... [3]

On 15 January 2023, Justin contributed his personal computer worth \$3 500 for use in the business.

REQUIRED

- (c) Prepare journal entries to record the above transaction in the books of Justin's business. A narration is required.

Journal

Date 2023	Particulars	Debit \$	Credit \$

(d) Define the term 'Drawings'.

[1]

The following transactions took place in the month of January 2023.

REQUIRED

- (e) Complete the following table for transaction (i), by stating the effects of the following transactions on the Accounting Equation. Show **both** the effect (either "+", "-", and the amount or "no effect") and the name of the account affected. The first one has been completed as an example.

	Transaction	Effects on		
		Assets	Liabilities	Owner's Equity
E.g.	Justin contributed \$3 000 cash into the business.	Cash in hand + \$3 000	No effect	Capital + \$3 000
(i)	The business bought goods worth \$1 000 on credit from Chung Cheng Trading.			

[2]

- (f) State **two** reasons how the owner's equity changed within a year.

1

2

[2]

[Total: 12]

[Turn over]

- 3 Jared is the owner of a trading business, Jared Trading. The financial year end of his business is 28 February.

The following information relating to commission income was provided for the year ended 28 February 2024.

- 1 During the year, total commission income received by cheque amounted to \$30 000.
- 2 On 28 February 2024, commission income of \$6 000 was earned but was not received by Jared's business.

REQUIRED

- (a) Prepare journal entries to account for commission income for the year ended 28 February 2024, including the closing entry. Narrations are **not** required.

Journal

Date 2024	Particulars	Debit \$	Credit \$

[6]

- (b) State the amount of commission income to be recorded in the statement of financial performance for the year ended 28 February 2024.

- [1]
- (c) State the section in which the adjustment for part 2 will be recorded on the statement of financial position as at 28 February 2024:

..... [1]

[Total: 8]

- 4 Kai Xin Trading has a financial year end of 31 December. It is the business policy to charge a full year's depreciation in the year of purchase of its non-current asset.

On 1 January 2022, the business bought a machinery costing \$60 000.

The following accumulated depreciation of machinery account was provided by the business.

Accumulated Depreciation of Machinery account

	Debit \$	Credit \$	Balance \$
2022			
Dec 31 Depreciation of machinery		6 000	6 000 Cr
2023			
Jan 1 Balance b/d			6 000 Cr
Dec 31 Depreciation of machinery		6 000	12 000 Cr
2024			
Jan 1 Balance b/d			12 000 Cr

REQUIRED

- (a) State the depreciation method used to depreciate machinery.

..... [1]

- (b) Calculate the rate of depreciation for machinery.

.....

.....

..... [1]

- (c) Explain, with an accounting theory, why a business needs to charge depreciation on a non-current asset.

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.....

..... [2]

[Turn over

On 1 June 2023, Kai Xin Trading purchased an additional machinery costing \$12 000. There are expenses incurred related to the purchase and the use of the new machinery.

REQUIRED

- (d) Explain **one** difference between a capital expenditure and a revenue expenditure.

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..... [2]

- (e) Classify the expenditure in the following table by placing a tick (☐) in the appropriate column.

	Capital expenditure	Revenue expenditure
Cost of new machinery		
Delivery fees for the machinery		
Repairs and maintenance of machinery		

[3]

- (f) State the effect on profit for the year when capital expenditure is wrongly treated as revenue expenditure.

..... [1]

[Total: 10]

Data for Question 1

Bovy runs a recruitment agency. The following trial balance was extracted from the books of Bovy's business at the end of the financial year 30 June 2023.

	Debit \$	Credit \$
Capital at 1 July 2022		57 900
Drawings	1 100	
Service fee revenue		74 000
Cash in hand	4 300	
Cash at bank (Overdrawn)		2 800
Office equipment at cost	40 000	
Machinery at cost	80 000	
Accumulated depreciation:		
Office equipment		12 000
Machinery		16 000
Trade receivables	58 000	
Trade payables		23 000
Advertising expense	15 000	
Repairs expense	3 000	
Salaries	34 000	
Discount allowed	3 500	
Discount received		2 200
Rental income		6 000
Loan from Chung Cheng Bank		45 000
	<u>238 900</u>	<u>238 900</u>

Additional information on 30 June 2023

- 1 Rental income of \$2 000 was received in advance.
- 2 Advertising expense of \$3 000 was paid in advance.
- 3 Repairs expense of \$400 was owing.
- 4 Office equipment is to be depreciated at 15% per annum using the straight-line method.
- 5 Machinery is to be depreciated at 20% per annum using the reducing balance method.

Answer all questions.

- 1 Refer to the Insert for data for Question 1.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2023.

Bovy
Statement of Financial Performance for the year ended 30 June 2023

- (b) Prepare the statement of financial position as at 30 June 2023.

Bovy

Statement of Financial Position as at 30 June 2023

- 2 Ding Xiang sells books. Details from the business's cash at bank account and bank statement for the month of November 2023 are as follows:

Cash at bank account					
Date	Particulars	Cheque Number	Debit	Credit	Balance
2023			\$	\$	\$
Nov 1	Balance b/d				6 790 Dr
2	Equipment	117235		5 310	1 480 Dr
7	Sales revenue		800		2 280 Dr
10	Emily Traders	117236		1 950	330 Dr
15	George & Co.	117237		3 760	3 430 Cr
17	Rebecca Pte Ltd		2 500		930 Cr
23	Zoe Z	117238		620	1 550 Cr
28	Rental income		3 800		2 250 Dr
Dec 1	Balance b/d				2 250 Dr

Bank Statement			
	Payments	Receipts	Balance
2023	\$	\$	\$
Nov 1			6 790 Cr
4	5 310		1 480 Cr
6		3 025	4 505 Cr
9		800	5 305 Cr
16	270		5 035 Cr
20		2 500	7 535 Cr
21	3 760		3 775 Cr
25	2 500		1 725 Cr
29	620		655 Cr
30	20		635 Cr

REQUIRED

- (a) Update the cash at bank account at 30 November 2023.

Cash at bank account

[6]

- (b) Prepare the bank reconciliation statement at 30 November 2023.

Bank reconciliation statement at 30 November 2023

[4]

- (c) State **two** possible cause of a dishonoured cheque.

[Turn c

(d) State two reasons why it is important for a business to prepare a bank reconciliation.

1.

2.

[2]

[Total: 14]

3. On 1 January 2023, Jia Ying has the following balances.

	\$
Trade receivables	12 000
Allowance for impairment of trade receivables	600

The following occurred during the financial year ended 31 December 2023.

Date 2023	Transaction
Jun 16	Max declared bankrupt and the outstanding amount of \$500 owed to the business was written off.

The trade receivables balance as at 31 December 2023 was \$40 000. The business maintains an allowance for impairment of trade receivables at 5% of trade receivables balance at the end of every financial year.

REQUIRED

(a) Prepare journal entries to record the transactions on 16 June 2023. Narrations are **not** required.

Journal

Date	Particulars	Debit \$	Credit \$

[2]

- (b) Prepare journal entries to record the adjustment of allowance for impairment of trade receivables on 31 December 2023. A narration is not required.

Journal

Date	Particulars	Debit \$	Credit \$

[3]

- (c) Explain, using a suitable accounting theory, why it is necessary for Jia Ying to account for allowance on impairment of trade receivables.

[2]

- (d) State **two** factors Jia Ying can consider when assessing credit worthiness of credit customers.

1.

2.

[2]

- (e) Explain the difference between a cash sales and a sales on credit.

[2]

[Total: 11]

[Turn over]

- 4 Angela runs a café business. She buys coffee powder from Micole Coffee on credit.

The following transactions took place during the month of September 2022.

- Sep 1 Balance owed to Micole Coffee \$3 500.
- 9 Angela bought goods from Micole Coffee at a list price of \$5 000. A 20% trade discount was given.
- 11 Angela returned some faulty goods to Micole Coffee. These goods were bought on 9 September at a list price of \$1 000.
- 30 Angela paid Micole Coffee for the amount outstanding on 1 September 2022 by bank transfer.

REQUIRED

- (a) State two reasons for the trade discount given to Angela on 9 September 2022.

1.

2.

[2]

- (b) Prepare Micole Coffee's account for the month of September 2022 in the ledger of Angela's business. Bring down the balance on 1 October 2022.

Micole Coffee Account

Date	Particulars	Debit \$	Credit \$	Balance \$

[5]

On 1 October 2022, Angela obtained a bank loan of \$500 000 to expand her business. The loan is to be paid equally over five years. The first repayment, together with the interest, fell on 30 September 2023. The interest incurred for the year ended 31 December 2022 was \$6 250.

REQUIRED

- (c) Prepare an extract of the statement of financial position as at 31 December 2022, showing only the liabilities section.

Extract of Statement of Financial Position as at 31 December 2022

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Angela is considering changing its local supplier to one based in Malaysia, Kopi House.

Her business purchases approximately 600 kilograms of coffee powder per year from Micole Coffee, a supplier to Angela's business for ten years.

The following information is available.

	Micole Coffee	Kopi House
List price per kilogram of coffee powder	\$80	\$75
Credit terms	30 days 2% cash discount for payment within 20 days	30 days 2% cash discount for payment within 30 days
Delivery fees	\$30 for every 50 kilograms	\$35 for every 50 kilograms
Refund policy	Refunds made within 2 days of return.	Refunds made within 10 days of return.
Delivery and Replacement policy	Delivery or replacement coffee powder will be delivered within 2 days.	Delivery or replacement coffee powder will be delivered within 7 days.
Reputation	Nil	Has always received good reviews from customers regarding the quality of its products and services.

REQUIRED

(d) Advise Angela which supplier she should buy from. Justify your decision with **two** reasons.