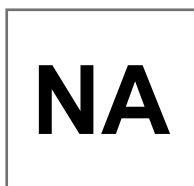


Name : _____ Index Number : _____ Class: _____



**Clementi Town Secondary School
Preliminary Examination 2024
Secondary 4**



**PRINCIPLES OF ACCOUNTS
Paper 2
INSERT**

**7086/02
1 August 2024
2 hours**

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READ THESE INSTRUCTIONS FIRST

This insert contains the data for Question 1.

Data for Question 1

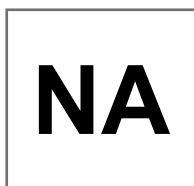
Yang owns an accounting consultancy business. The following trial balance was extracted from the books of Yang's business on 31 December 2023.

	Debit \$	Credit \$
Service fee revenue		64 450
Commission income		6 300
Utilities	890	
Wages and salaries	15 200	
Interest	250	
Discount received		340
Office equipment at cost	20 000	
Accumulated depreciation of office equipment		4 000
Motor vehicles	65 000	
Accumulated depreciation of motor vehicles		12 000
Cash at bank		5 350
Cash in hand	150	
Long-term bank loan		10 000
Trade receivables	5 670	
Drawings	1 560	
Capital at 1 January 2023		6 280
	<u>108 720</u>	<u>108 720</u>

Additional information on 31 December 2023

- 1 Service fee revenue of \$8 950 had been received in advance.
- 2 Utilities, \$50, was prepaid.
- 3 Wages and salaries, \$4 600, were owing.
- 4 Office equipment is to be depreciated at 10% per annum using the straight-line method.
- 5 Motor vehicles are to be depreciated at 18% per annum using the reducing balance method.

Name : _____ Index Number : _____ Class: _____



Clementi Town Secondary School
Preliminary Examination 2024
Secondary 4



PRINCIPLES OF ACCOUNTS
Paper 2

7086/02
1 August 2024
2 hours

Candidates answer on the Question Paper.

Additional Materials: Insert

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READ THESE INSTRUCTIONS FIRST

Do not open the booklet until you are told to do so.

Write your name, index number and class on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, glue or correction fluid.

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.

The total number of marks for this paper is **60**.

For Examiner's Use
60

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 December 2023.

Yang

Statement of financial performance for the year ended 31 December 2023

This image shows a full page of white paper with horizontal dotted lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(b) Prepare the statement of financial position as at 31 December 2023.

Yang
Statement of Financial Position as at 31 December 2023

[illegible]

[Total: 20]

2 Veronica sells children's books.

On 1 January 2023, the business had a balance of \$1 250 in the allowance for impairment of trade receivables account.

On 8 June 2023, a credit customer Betty declared bankruptcy, and Veronica wrote off the outstanding amount of \$450 on the same day.

On 31 December 2023, total trade receivables amounted to \$10 800.

The allowance for impairment of trade receivables is to be maintained at 10% of trade receivables.

REQUIRED

(a) Prepare the journal entry to record the write-off on 8 June 2023. Narrations are **not** required.

Journal

Date 2023		Debit \$	Credit \$
Jun 8			

[2]

(b) Prepare the journal entry to record the adjustment of allowance for impairment of trade receivables for the financial year ended 31 December 2023. Narrations are **not** required.

Journal

Date 2023		Debit \$	Credit \$
Dec 31			

[2]

- (c) Name the accounting theory applied when accounting for trade receivables in the statement of financial position.

.....[1]

- (d)** Prepare an extract of the statement of financial position as at 31 December 2023 showing the trade receivables and allowance for impairment of trade receivables.

Veronica
Extract of statement of financial position as at 31 December 2023

<u>Current assets</u>	\$	\$
.....		
.....		
.....		
.....		

[2]

- (e)** State a stakeholder who may be interested in the affairs of Veronica's business and state a reason for the interest.

Stakeholder:

Reason for interest:

.....[2]

Veronica is looking to expand her business by taking up a long-term loan.

REQUIRED

- (f)** Explain **one** difference between a bank loan and a bank overdraft.

.....

.....

.....[2]

- (g)** State the double entry to record Veronica taking up the long-term loan.

.....[2]

[Total: 13]

- 3** Alfred runs a trading business selling toys. On 1 May 2023, Alfred purchased \$5 000 of toys on credit from an overseas supplier.

He also incurred the following costs related to the toys.

Air freight charges for the toys, \$880

Import taxes for the toys, \$470

Packing materials to get the toys ready for sale, \$150

Salaries for salespeople selling the toys in stores, \$8 500

REQUIRED

- (a)** Calculate the cost of inventory purchased on 1 May 2023.

.....

[3]

- (b)** State how inventory should be valued in the statement of financial position.

.....
[1]

- (c)** State the source document received on 1 May 2023.

.....[1]

- (d)** Explain how the objectivity theory is applied when using source documents.

.....

[2]

On 15 May 2023, Alfred had to return some of his inventory to his supplier that was previously purchased on 1 May 2023.

REQUIRED

(e) Suggest **one** reason for the return of inventory.

.....
[1]

Alfred recently hired an accountant for his trading business. He also provided the following information.

2023

Jun 1 Alfred purchased machinery of \$50 000 by cash.

5 Interest income of \$500 was deposited into the business bank account.

REQUIRED

(f) State a professional ethic that an accountant must uphold.

.....[1]

(g) Prepare the journal entries to record both transactions in the books of Alfred's business. Narrations are **not** required.

Journal

Date 2023		Debit \$	Credit \$
Jun 1			
Jun 5			

[4]

[Total: 13]

2023

6 Song purchased goods from Mike at a list price of \$8 500 less 15% trade discount.

10 Song returned goods to Mike with a list price \$2 000. These goods were purchased on 6 August 2023.

20 Song paid Mike \$6 700 by bank transfer and received a cash discount of \$300.

(a) Prepare Mike's account for the month of August 2023 in the ledger of Song's business. Bring down the balance on 1 September 2023.

Mike Account

[illegible]

[6]

(b) State **one** reason why a business might offer cash discounts to its customer.

.....
.....[1]

(c) State the double entry to record a cash discount in the books of the supplier.

.....
.....[2]

Song intends to bring in the latest collection of Disney T-shirts. He hopes to sell approximately 4 000 T-shirts. Two suppliers have been shortlisted.

The following information is available.

	Sun Clothing	Moon Clothing
Cost of t-shirts	\$100 for 100 T-shirts	\$50 for 100 T-shirts
Delivery charges	No delivery charges	\$100 for every 1000 T-shirts
Location	Warehouse in Singapore	Warehouse in China
Credit terms	45 days	21 days
Return policy	<p>All T-shirts can be returned within 14 days.</p> <p>Supplier will pick up the returned T-shirts at no extra cost.</p>	<p>All T-shirts can be returned within 30 days.</p> <p>Buyer bears the delivery costs of returning the t-shirts to China.</p>
Reputation of supplier	<ul style="list-style-type: none"> • Has been in business for 12 years. • Slow in responses 	<ul style="list-style-type: none"> • Responds within 24 hours via messaging and email. • 4.9 stars rating out of 5 stars on Taobao

REQUIRED

(d) Advise Song which supplier he should choose. Justify your decision with **two** reasons.

[5]

[Total: 14]

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Clementi Town Secondary School
Principles of Accounts
Sec 4 Normal (Academic)
2024 Prelim Paper 2 Answer Key

1a)

Yang Statement of financial performance for the year ended 31 December 2023			
	\$	\$	
Service fee revenue (64 450 – 8 950)		55 500	✓
Other income			
Commission income	6 300		✓
Discount received	340	6 640	✓
Less: Other expenses			
Utilities (890 – 50)	840		✓
Interest expense	250		✓
Wages and salaries (15 200 + 4 600)	19 800		✓
Depreciation of office equipment (10% x 20 000)	2 000		✓
Depreciation of machinery (18% x (65 000 – 12 000))	9 540	(32 430)	✓
Profit for the year		29 710	

[8]

1b)

Yang				
Statement of financial position as at 31 December 2023				
	\$	\$	\$	
	Cost	Accumulated Depreciation	Net Book Value	
Assets				
Non-current assets				
Office equipment (4 000 + 2 000)	20 000	6 000	14 000	✓
Motor vehicles (12 000 + 9 540)	65 000	21 540	43 460	✓
			57 460	
Current assets				
Trade receivables		5 670		✓
Cash in hand		150		✓
Prepaid utilities		50	5 870	✓
Total Assets			63 330	
Equity and liabilities				
Owner's equity				
Capital (6 280✓ + 29 710✓OF – 1 560✓)			34 430	
Non-current liability				
Long-term borrowings			10 000	✓
Current liabilities				
Bank overdraft		5 350		✓
Service fee revenue received in advance		8 950		✓
Wages and salaries payable		4 600	18 900	✓
Total equity and liabilities			63 330	

[12]

[Total: 20]

2a)

Journal

Date	Particulars	Dr (\$)	Cr (\$)	
2023				
Jun 8	Allowance for impairment of trade receivables	450		✓
	Trade receivable Betty		450	✓

[2]

2b)

Journal

Date	Particulars	Dr (\$)	Cr (\$)	
2023				
Dec 31	Impairment loss on trade receivables ((10 800 x 10%) – (1 250 – 450))	280		✓
	Allowance for impairment of trade receivables		280	✓

[2]

2c) Prudence theory ✓ ok

[1]

2d)

Extract of Statement of financial position as at 31 December 2021

	\$	\$	
Current assets			
Trade receivable	10 800		✓
Less: Allowance for impairment of trade receivables	(1 080)	9 720	✓

[2]

2e) (any one):

Stakeholder	Reason for interest
Owners and shareholders	Whether to continue investing into the business, depending on risks and returns from the business
Managers	Ways to improve the business's performance
Employees	Assess career options in the business
Lenders	Whether to approve loans to the business, depending on its ability to repay loan and interest
Suppliers	To decide if they should sell goods to the business on credit
Customers	To decide if the business can provide good products and after-sales service
Government	Assess the business's compliance with tax regulations, and the amount of tax to be collected from the business
Competitors	To compare their results against the business and consider ways to improve on their performance.

[2]

2f) Difference between bank loan and bank overdraft (any one):

- A bank loan is **a fixed sum borrowed from the bank** ✓ but a bank overdraft is a **withdrawal more than the deposits** ✓ in the cash at bank account.
- A bank loan is **repaid within a fixed period of time, more than a year later** ✓ while a bank overdraft is **repaid within a year** ✓.
- A bank loan is **paid regularly and equally over installments or paid as a lump sum at the end of the loan period** ✓ while a bank overdraft is **repaid by depositing cash into the business bank account** ✓ within the year.
- A bank loan is recorded as a **non-current liability as long term borrowings** ✓ while a bank overdraft is recorded as a **current liability** ✓.

[2]

2g) Debit Cash at bank ✓
Credit Bank loan ✓

[2]

[Total: 13]

3a) Cost of inventory purchased

= Cost of toys + Air freight charges for the toys + Import taxes for the toys + Packing materials
 = \$5 000 ✓ + (\$880 + \$470 + \$150)✓
 = \$6 500 ✓

[3]

3b) Inventory should be valued at lower of cost or net realisable value. ✓

[1]

3c) Invoice ✓

[1]

3d) Objectivity theory states that accounting information recorded must be supported by reliable and verifiable evidence ✓ so that the financial statements will be free from opinions and biases. ✓

[2]

3e) The inventory could be damaged / The wrong inventory was received (accept any logical answer) ✓

[1]

3f) Integrity / Objectivity (any one) ✓

[1]

3g)

Journal

Date	Particulars	Dr (\$)	Cr (\$)	
2023				
Jun 1	Machinery / Equipment	50 000		✓
	Cash in hand		50 000	✓
Jun 5	Cash at bank	500		✓
	Interest income		500	✓

[4]

[Total: 13]

4a)

Mike account					
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)	
2023					
Aug 1	Balance b/d			4 050 CR	✓
6	Inventory (8 500 x 85%)		7 225	11 275 CR	✓
10	Inventory (2 000 x 85%)	1 700		9 575 CR	✓
20	Cash at bank	6 700		2 875 CR	✓
20	Discount received	300		2 575 CR	✓
Sep 1	Balance b/d			2 575 CR	✓OF

[6]

4b) Cash discounts are given to encourage prompt or early payment. ✓

[1]

4c) Debit Discount allowed ✓
 Credit Trade receivable ✓

[2]

4c)

Decision	Song should buy from Sun Clothing .
Basic statement	Sun Clothing is a local supplier in Singapore, while Moon Clothing is based overseas in China.
Development	Song will receive the T-shirts faster if he buys from Sun Clothing. Hence Song would be better able to meet customer demands and prevent loss of sales.
Basic statement	Sun Clothing has a longer repayment period of 45 days, while Moon Clothing's repayment period is 21 days.
Development	Song has more flexibility with his cash, and he can use the cash to pay for urgent expenses first.
Basic statement	Song can return his T-shirts with no additional charges.
Development	The cost savings from the additional charges can be used to pay for other business expenses.

Decision	Song should buy from Moon Clothing .
Basic statement	The total cost of 4 000 T-shirts from Moon Clothing is \$2 400 (inclusive of delivery). This is cheaper than Sun Clothing's total cost of \$4 000.
Development	The cost savings of \$1 600 will reduce expenses and thus increase the profits of the business.
Basic statement	Moon Clothing's returns period of 30 days is longer than Sun Clothing's 14 days.
Development	This allows Song more time to review and check the T-shirts carefully to ensure that they are in good condition.
Basic statement	Moon Clothing responds very quickly to their customers and has positive ratings on Taobao.
Development	Song is reassured of Moon Clothing's reliable customer service and product quality.

Decision – 1m

2 pairs of basic statements and development – 4m

[5]

[Total: 14]