

WSSS SEC 4NA PRELIM 2023 POA P2  
ANSWER SCHEME

1(a) Shree  
Statement of financial performance for the year ended 30 April 2023

	\$	\$
Sales revenue		329500
Less: Sales returns		28770
Net sales revenue		300730
Less: Cost of sales		123955
Gross profit	[1]	176775
Other income		
Rent income (8000 + 1000)		[1] 9000
Less: Other expenses		
Discount allowed	[1] 245	
Wages and salaries	[1] 53600	
General expenses (4350 + 650)	[1] 5000	
Impairment loss on trade receivables (5% x 17600)	[1] 880	
Depreciation of office equipment [(48000 - 9120) X 10%]	[1] 3888	
Depreciation of fixtures and fittings [12000 x 20%]	[1] 2400	
Profit for the year		<u>66013</u>
		<u>119762</u>
		[8]

1(b) Shree  
Statement of financial position as at 30 April 2023

Assets	\$	\$	\$
Non-current assets	Cost	Accumulated depreciation	Net book value
Office equipment	48000	OF [1] 13008	34992
Fixtures and fittings	<u>12000</u>	OF [1] 9600	<u>2400</u>
			OF [1] 37392
<u>Current assets</u>			
Trade receivables	[1] 17600		
Less: Allowance for impairment of trade receivables	[1] <u>880</u>	16720	
Cash at bank		[1] 18295	
Inventory		[1] 41100	
Rent income receivables		[1] <u>1000</u>	<u>77115</u>
Total assets			<u>114507</u>
<u>Equity and liabilities</u>			
<u>Owner's equity</u>			
Capital (40000-55500 [1] +119762 [1])			104262
<u>Current liabilities</u>			
Trade payables		[1] 9595	
General expense payable		[1] <u>650</u>	<u>10245</u>
Total equity and liabilities			<u>114507</u>
			[12]

- 2(a) (i) The business bought goods costing \$8000 by cheque. [1]  
(ii) The business withdrew \$120 from its bank account for office use. [1]

2(b) Current liabilities [1]

- 2(c) Any two [2]  
- Cost of inventory  
- Storage cost  
- Nature of product  
- Types of storage  
- Customers' preference

2(d) Utilities expense incurred = \$20 [1] + \$150 [1] - \$70 [1] = \$80 [1]

- 2(e) Any two [2]  
- Segregation of duties  
- Custody of cash  
- Authorisation  
- Bank reconciliation

2(f) Going concern theory [1]

- 3(a) Any one [1]  
- Facilitate preparation of financial statements.  
- Ensure arithmetic accuracy in recording.

3(b) Jane's Trial Balance as at 30 June 2023

	Debit \$	Credit \$
Drawings	[1] 480	
Capital		10000
Motor vehicles	20000	
Accumulated depreciation of motor vehicles		[1] 4000
Cash in hand	280	
Cash at bank (overdrawn)		[1] 1230
Sales revenue		56545
Sales returns	[1] 15330	
Cost of sales	[1] 21100	
Inventory	17210	
Trade receivables	3295	
Trade payables		[1] 5000
Discount allowed	[1] 400	
Discount received		
	<u>22295</u>	<u>12295</u>

3(c) Any one [1]

- The wrong amount is recorded.
- The transaction is not recorded at all.
- The transaction is recorded in the wrong account of a different accounting element.
- The transaction is recorded in the wrong account of the same accounting element.
- The transaction is recorded on the wrong sides of the accounts involved.

3(d)

Date	Journal	Debit \$	Credit \$
2023			
June 30	Trade receivable Sunny	[1] 500	
	Trade receivable Funny		[1] 500
	Motor vehicles	[1] 2000	
	Cash at bank		[1] 2000
	Drawings	[1] 240	
	Cash in hand		[1] 240

4(a) Any one [1]

- Encourage customers to buy in bulk
- Encourage customers' patronage
- Encourage customers' loyalty

4(b) Discount received [1]

4(c)

Date	Particulars	Debit \$	Credit \$	Balance \$
2023				
Jul 1	Bal b/d			[1] 1200 Cr
12	Inventory (90% x 500)		[1] 450	
14	Inventory (90% x 100)	[1] 90		
25	Cash at bank (98% x 1200)	[1] 1176		
	Discount received (2% x 1200)	[1] 24		
Aug 1	Bal b/d			360 Cr
				[1] 360 Cr

4(d) Any reasonable answers with a decision and 2 sets of evidence-elaboration. [5]

**Vera should buy from Jack. [1]**

Jack's credit term of 30 days is 9 days more than Ron's. [1]

Since Vera has 9 more days to make payment, she can use the fund for more urgent expenses first. [1]

Jack has been in business for 10 years which is 9.5 years longer than Ron. [1]

Jack's business is more established so Vera will feel more assured that it won't close down and hence can fulfil its returns and exchange policy. [1]

Jack has 95% positive reviews from customers while Ron has no feedback yet. [1]

With proven track record, Jack is more likely to provide quality goods and after-sale service. [1]

**Vera should buy from Ron. [1]**

Workings:

Cost of purchases for 100 units from Jack =  $(\$18 \times 100) + \$500 = \$2300$

Cost of purchases for 100 units from Ron =  $\$20 \times 100 = \$2000$

Based on 100 units, it cost \$300 less to purchase from Ron than Jack. [1]

Vera can use the cost savings to pay for expenses or buy more goods. [1]

Ron allows returns or exchange within 12 months which is 6 months more than Jack's. [1]

Vera has more time to check for defects which will minimize her risk of incurring impairment loss on inventory. [1]

Ron can deliver goods in 1 week which is 4 weeks faster than Jack. [1]

Receiving goods earlier can help Vera avoid loss of potential sales from stock-out situation. [1]