

Name : _____

Register Number : _____

Class : _____

Clementi Town Secondary School
Preliminary Examination 2022
Secondary 4 Normal (Academic)



PRINCIPLES OF ACCOUNTS
Paper 2

7086/02
29 July 2022
2 hours

Candidates answer on writing materials provided.

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READ THESE INSTRUCTIONS FIRST

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

Write in dark blue or black pen on both sides of the paper.

You may use an HB pencil for any rough working.

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

The use of an approved calculator is allowed.

DO NOT WRITE ON ANY BARCODE.

Answer **all** questions.

The businesses described in this question paper are fictitious.

The number of marks is given in brackets [] at the end of each question or part question.

For Examiner's
60

Answer **all** questions.**[Turn over**

- 1** The following balances were extracted from the books of Joe's business on 30 June 2022:

	\$	
Fixture and fittings, at cost	75 000	
Motor vehicles, at cost	100 000	
Accumulated depreciation:		
Fixture and fittings	1 500	
Motor vehicles	10 000	
Sale revenue	177 400	
Sales returns	3 400	
Cost of sales	45 000	
Insurance expense	24 000	
Inventory	8 000	
Cash at bank	5 300	credit
Bank loan	30 000	
Bank loan interest	500	
Drawings	39 000	
Capital 1 July 2021	130 400	
Trade receivables	24 200	
Cash in hand	2 000	
Marketing expense	68 000	
Rent income	34 500	

Additional information

- 1 On 30 June 2022:
 - (i) Insurance expense payable amounted to \$800.
 - (ii) Rent income receivable was \$700.
- 2 Annual depreciation is charged on:
 - (i) Fixture and fittings at 10% using the straight-line method.
 - (ii) Motor vehicles at 20% using the reducing balance method.
- 3 Following a review of trade receivables on 30 June 2022, 5% was estimated to be uncollectible.
- 4 A repayment of \$10 000 on the bank loan would be due in October 2022.
- 5 Joe withdrew goods worth \$600 for his own use. This was not recorded in the books.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2022. [8]
- (b) Prepare the statement of financial position as at 30 June 2022. [12]

[Total: 20]

- 2 Hoppa Snack, a retailer of Korean snacks had its financial year end on 31 May 2022.

The following errors were discovered on 31 May 2022.

- (i) Stationery costing \$150 was classified as a fixture and fittings.
- (ii) \$280 cash paid for the owner's home utilities was recorded under utilities expense.
- (iii) Commission income earned of \$900 was yet to be received on 31 May 2022 and no adjustment was made.
- (iv) A cheque of \$360 received from Tibits Store had been recorded in the accounts of Habits Store.

REQUIRED

- (a) Prepare journal entries to correct **errors (i) to (iv)**. Narration is **not** required. [8]
- (b) Copy the following table on to your answer paper. State the effect of error **(ii) and (iii)** on profit for the year, assets, liabilities and equity. The effect of the first error has been shown as an example.

If there is no effect on the required items, write "no effect" in the relevant boxes.
Error (i) has been done for you as an example.

	Effect on			
Error	Profit for the year	Assets	Liabilities	Equity
(i)	Overstated by \$150	Overstated by \$150	No effect	Overstated by \$150
(ii)				
(iii)				

[5]

[Total: 13]

- 3 Cayden sells goods on credit to his customers. The following were the trade receivables balances for each of the year ended 30 June.

	30 June 2021	30 June 2022
	\$	\$
Trade receivables	24 800	10 300
Allowance for impairment of trade receivables	1 240	?

On 15 September 2021, Kevin who owed Cayden \$800 was declared bankrupt. Kevin was only able to pay \$250 by cheque. On the same day, Cayden wrote off the remaining amount.

Cayden set aside 5% of his trade receivables as allowance for impairment of trade receivables.

REQUIRED

- (a) Explain, using a suitable accounting theory, why it is necessary for a business to account for allowance for impairment of trade receivables. [2]
- (b) Prepare the journal entry for the transaction on 15 September 2021. [3]
- (c) Prepare the journal entry to adjust the balance of allowance for impairment of trade receivables on 30 June 2022. [2]

The following transactions relating to Jamie, a credit customer, occurred in the month of August 2021.

Trade receivable – Jamie				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Aug 1	Bal b/d			1 400 Dr
4	Sale revenue	11 000		12 400 Dr
6	Cash at bank		1 300	11 100 Dr
6	Discount allowed		100	11 000 Dr
10	Sales return		300	10 700 Dr
Sep 1	Bal b/d			10 700 Dr

REQUIRED

(d) Explain the following transactions on: [3]

(i) 4 August 2021

(ii) 6 August 2021

(iii) 10 August 2021

(e) State the source document used to record the above transactions. [3]

Date	Source document
4 August	
6 August	
10 August	

[Total: 13]

- 4 Robin is a sole trader. His business buys electronics on credit from Jenny, an overseas supplier.

During March 2022, Robin's business had the following transactions with Jenny.

2022

- | | |
|-------|--|
| Mar 1 | Owed Jenny \$2160. |
| 5 | Paid a cheque of \$2116 in full settlement of the amount owed on 1 March. |
| 17 | Purchased goods from Jenny at a list price of \$2000 less 8% trade discount. |
| 20 | Purchased goods from Jenny at a net price of \$1250. |
| 23 | Returned goods bought on 20 March worth \$184, as they are defective. |

REQUIRED

- | | | |
|-----|--|-----|
| (a) | State one reason why Jenny offered the discount on 17 March 2022. | [1] |
| (b) | Prepare Jenny's account for the month of March 2022 in Robin's ledger. | [7] |
| (c) | Explain the meaning of a cash discount. | [1] |

Robin's business is considering changing from Jenny, an overseas supplier, to Claudia, a local supplier.

The following information is available.

	Jenny (Overseas)	Claudia (Local)
Cost of inventory	\$9.40 per unit	\$11 per unit
Delivery charges	\$30 for every 50 units (Goods ordered takes about 7 days to be delivered to business)	Free next day delivery
Trade discount	8% for orders above \$1000	5% for orders above \$1000
Cash discount	1% if payment is made within 30 days	2% if payment is made within 30 days
Return policy	Returns can be made within 10 days of purchase. Business will bear the delivery fee for returns.	Returns can be made within 21 days of purchase. Claudia will pick up the goods and offer exchange of goods immediately.
Other information	Jenny has been in business for the past 20 years.	Claudia is a new online supplier.

REQUIRED

- (d) Advise Robin whether to change to the local supplier, Claudia, or continue with the existing overseas supplier, Jenny. Justify your decision with **two** reasons. [5]

[Total: 14]

END OF PAPER