

Candidate's name: _____ () Class: _____



**Evergreen Secondary School
Preliminary Examination 2023**

**Principles of Accounts Paper 2
Secondary Four G3 and Five G2**

Date: 13 September 2023
Duration: 2 hours
Marks: 60

READ THESE INSTRUCTIONS FIRST

Write your name, index number and class on the spaces provided at the top of the Question Paper and in the spaces provided on the Answer Paper.

Write in dark blue or black pen.

You may use a HB pencil for any rough working.

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

Write all your answers on the separate Answer Paper provided.

Start each question on a separate page.

All calculations must be shown adjacent to the answer.

Answer all questions.

You may use a calculator.

At the end of the examination, fasten all your work securely together.

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

This question paper consists of **6** printed pages, including the cover page.

[Turn Over

Answer all questions.

- 1 The following balances were extracted from the books of Body Benders Private Limited, a company providing chiropractic treatment services, on 31 August 2023.

	\$
Equipment at cost	285 000
Fixtures and fittings at cost	73 000
Accumulated depreciation	
Equipment	102 600
Fixtures and fittings	14 300
Treatment fee revenue	380 385
Share capital, 100 000 ordinary shares	200 000
Accumulated losses, 1 September 2022	176 675
4% bank loan repayable 2028	60 000
Trade payables	3 750
Trade receivables	37 500
Allowance for impairment of trade receivables	250
Rent expense	65 000
Interest expense	1 600
Wages and salaries	95 600
General expenses	40 880
Commission income	12 520
Dividends	2 000
Cash at bank (credit balance)	3 450

Additional information

- Purchase of new equipment on credit on 1 September 2022, \$15 000, had been omitted from the books.
- Equipment is to be depreciated at 20% per annum using the reducing-balance method. Fixtures and fittings are to be depreciated at 10% per annum using the straight-line method.
- The allowance for impairment of trade receivables is to be maintained at 2% of trade receivables.
- On 29 August 2023, the company issued 20 000 ordinary shares at \$2 each. This transaction had not been recorded in the books.
- Loan interest for the year ended 31 August 2023 had not been fully paid.
- Rent, \$1 000, was prepaid, and commission, \$680, was receivable.

REQUIRED

- Prepare the statement of financial performance for the year ended 31 August 2023. [10]
- Prepare the statement of financial position as at 31 August 2023. [10]

[Total: 20]

- 2 Ariqah has a textile business. Details from the cash at bank account and bank statement of the business for the month of July 2023 are as follows:

Cash at bank account

Date	Particulars	Cheque	Debit	Credit	Balance
2023		Number	\$	\$	\$
Jul 1	Balance b/d				1 650 Dr
8	Rent expense	1682		3 000	1 350 Cr
10	Capital		1 000		350 Cr
12	Roy	1683		2 590	2 940 Cr
19	Cash in hand			300	3 240 Cr
24	Utilities expense	1684		320	3 560 Cr
25	Nila		500		3 060 Cr
31	Sales revenue		880		2 180 Cr

Bank statement

Date	Particulars	Payments	Receipts	Balance
2023		\$	\$	\$
Jul 1	Balance b/d			1 750 Cr
1	Credit transfer: Malin		960	2 710 Cr
2	Cheque No. 1681	100		2 610 Cr
11	Ariqah		10 000	12 610 Cr
14	Cheque No. 1683	2 590		10 020 Cr
19	Cash	300		9 720 Cr
26	Nila		500	10 220 Cr
27	Cheque No. 1684	320		9 900 Cr
29	Rejected cheque: Nila	500		9 400 Cr

After receiving the bank statement, Ariqah received a call from the bank to inform her that it had recorded a wrong amount for the transaction on 11 July 2023.

REQUIRED

- (a) Update the cash at bank account as at 31 July 2023. Bring down the updated balance. [3]
 - (b) Prepare the bank reconciliation statement as at 31 July 2023. [4]
 - (c) Name the section within the statement of financial position where the updated cash at bank balance as at 31 July 2023 will be shown. [1]
 - (d) State two possible reasons why cheques are rejected by banks. [2]
 - (e) State the effects of bank reconciliation adjustments on profit for the month ended 31 July 2023. Explain your answer clearly. [2]
- Bank reconciliation is a type of internal control over cash.
- (f) State and explain one other type of internal control over cash. [2]

[Total: 14]

- 3 Marcus is a shareholder of YBox Pte Ltd, a business that trades in electronic devices. He is deciding if he should continue to invest in the company. The following information is extracted from the business's financial statements for the three years ended 30 June 2021, 2022 and 2023.

	2021	2022	2023
	\$	\$	\$
Share capital	100 000	100 000	300 000
Retained earnings	28 000	50 000	70 000
Total operating expenses	24 000	28 000	35 000
Profit margin	8%	?	?
Return on equity	16.84%	?	?

Additional information

- The share capital on 1 July 2020 was made up of 100 000 ordinary shares of \$1 each.
- On 5 January 2023, the company issued 200 000 shares for \$1 each.
- No dividends were declared in the financial years ended 30 June 2021 and 2022. On 15 March 2023, YBox Pte Ltd declared and paid dividends at \$0.04 per share.
- YBox Pte Ltd maintains a mark-up on cost of 25% over the three financial years.

REQUIRED

- Calculate the profit margin for the years ended 30 June 2022 and 2023. [6]
- Using the information provided and your answers in (a), evaluate the trend of YBox Pte Ltd's profitability over the three years ended 30 June 2021, 2022 and 2023. [4]
- Calculate the return on equity for the years ended 30 June 2022 and 2023. [2]
- Advise Marcus if he should continue to invest in YBox Pte Ltd. [2]

[Total: 14]

- 4 Ashley is interested in pursuing an education in accounting and to work as an accountant. While researching on the profession, she read that it is important for accountants to have professional ethics.

REQUIRED

- (a) Explain the role of accounting. [1]
- (b) Explain **two** roles of accountants. [2]
- (c) Explain why it is important that accountants have professional ethics. Give an example of an action that an ethical accountant will **not** do. [2]

Ernie graduated with a degree in interior design and worked for an interior design firm for three years. He is talented in designing and his designs have won several awards at international competitions. Recently, he is thinking of setting up his own business to provide interior design artwork services. He is planning to take a loan of \$500 000 from the bank as capital to start the business.

Ernie's uncle, Joshua, offered to form a limited liability partnership with him. Joshua is a retired renovation contractor with over thirty years of experience in renovating homes and offices. If Ernie agrees to form the partnership, Joshua can also contribute \$500 000 as capital and give Ernie an interest-free loan of \$500 000 for his part of the capital. The partnership will offer both interior design artwork and renovation services.

Ernie and Joshua are not close and Ernie feels uneasy about having to discuss everything with his uncle about how the business is to be run. Moreover, if things do not work out, Ernie thinks he can call it quits easily if he were on his own. He is not so sure about it if he is in a partnership with his uncle.

Ernie is known for his dislike for formalities and procedures and having little savings. His close friend shares with him that while a sole proprietorship has lesser administrative duties to adhere to, it does not have 'limited liability'. Ernie should therefore consider carefully before he decides.

REQUIRED

- (d) Advise Ernie on whether he should set up a sole proprietorship or a limited liability partnership. [7]

[Total: 12]

End of Paper