

Class/ Index Number /	Centre Number/ 'O' Level Index Number /	Name
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	<p>新加坡海星中学 MARIS STELLA HIGH SCHOOL PRELIMINARY EXAMINATION SECONDARY FOUR</p>
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<p>PRINCIPLES OF ACCOUNTS Paper 2</p>	<p>7087/02 24 August 2022 2 hours</p>
<p>Additional Materials: Multi-column accounting paper (5 sheets)</p>	

<p>READ THESE INSTRUCTIONS FIRST</p> <p>Write your class, index number, Centre number, O level index number and name in the spaces at the top of this page. Write in dark blue or black pen. You may use a HB pencil for any diagrams or graphs. Do not use staples, paper clips, glue or correction fluid.</p> <p>Answer all the questions.</p> <p>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. The total number of marks for this paper is 60.</p>
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<p>For Examiner's Use</p>
<p>60</p>

Answer **all** questions.

- 1 The following balances were extracted from the books of Spencer Pte Ltd on 30 June 2021.

	\$
Issued share capital, 100 000 ordinary shares	140 000
Retained earnings	49 400
7% bank loan repayable 30 June 2028	40 000
Sales revenue	85 800
Sales returns	4 300
Cost of sales	57 700
Office equipment	80 000
Motor vehicles	105 000
Accumulated depreciation:	
Office equipment	5 000
Motor vehicles	17 000
General expenses	3 600
Wages and salaries	11 800
Rent income	6 000
Trade receivables	23 800
Trade payables	17 700
Cash at bank	31 500
Allowance for impairment of trade receivables	1 700
Inventory	44 900

Additional information

- 1 Wages and salaries, \$900 were prepaid and general expenses, \$2 700 were owing.
- 2 Rent income received during the year was for 15 months ended 30 September 2021.
- 3 Office equipment is to be depreciated at 15% per annum using the straight-line method.
- 4 Motor vehicles are to be depreciated at 20% per annum using the reducing-balance method.
- 5 Interest on the bank loan for the year ended 30 June 2021 had not yet been paid.

- 6 The allowance for impairment of trade receivables is to be maintained at 3% of trade receivables.
- 7 Dividend of \$0.08 per share was declared on 15 June 2021. The dividends would be paid on 31 July 2021.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2021. [10]
- (b) Prepare the statement of financial position as at 30 June 2021. [10]

[Total: 20]

- 2** On 1 April 2019, Jackson Enterprise bought two identical motor vehicles costing \$38 000 each by cheque.

On 30 June 2021, one of the motor vehicles was sold for \$23 700 and a cheque was received.

The business provides depreciation on motor vehicles at a rate of 20% per annum using the reducing-balance method. Depreciation is not provided in the year of sale.

The business financial year ends on 31 March.

REQUIRED

- (a)** Calculate the gain or loss on the sale of the motor vehicle. [2]
- (b)** Prepare the journal entries to record the sale of the motor vehicle on 30 June 2021. Narrations are **not** required. [6]
- (c)** Prepare an extract of the statement of financial performance for the year ended 31 March 2022, showing only the other expenses section. [2]
- (d)** Using a relevant accounting theory, explain why a business should depreciate its non-current assets. [2]
- (e)** Explain why Jackson Enterprise chose the reducing-balance method to depreciate the motor vehicles. [2]

[Total: 14]

- 3 Kongcha and Leeho are two businesses in the same industry. The following information was available from both businesses for the year ended 31 December 2021.

	Kongcha (\$)	Leeho (\$)
Net sales revenue	132 000	109 000
Gross profit	28 500	19 400
Profit for the year	12 345	11 565

REQUIRED

- (a) Calculate the following profitability ratios for both businesses for the year ended 31 December 2021. Show your answers to **two** decimal places.
- (i) Mark-up on cost
 - (ii) Gross profit margin
 - (iii) Profit margin [6]
- (b) Using your answers in (a), compare and comment on the profitability of the two businesses. [6]
- (c) Suggest **two** ways to improve the profitability of a business. [2]

[Total: 14]

- 4 Wilfred buys and sells machinery parts to businesses all over the world. Recently, two of his customers, Nam Seng and Boon Heng, requested for a longer repayment period, from 30 to 40 days. Wilfred intends to extend a longer repayment period to only one customer.

Wilfred gathered the following information about the two customers.

	Nam Seng	Boon Heng
Location	Located in Country A, a developing country with fluctuating economic growth	Located in Country B, a developed country with a stable economy
Industry outlook	In the manufacturing industry which is expected to grow by 50% over the next 2 years	Demand for machinery parts has increased in recent years
Average trade receivables balance	\$65 000	\$88 000
History of repayment	Average collection period of 36 days with 5 occurrences of late payment	Average collection period of 21 days with 2 occurrences of late payment
Reputation	Been in business for 10 years and has received many positive reviews from customers	Relatively new business so no review available

REQUIRED

- (a) If you are Wilfred, which customer would you give a longer repayment period to? Justify your decision with **three** reasons. [7]

The following ledger account is provided by Wilfred. The financial year of his business ends on 31 December.

Rent expense account				
2021		Dr (\$)	Cr (\$)	Balance (\$)
Jan 1	Prepaid rent expense	900		900 Dr
Aug 31	Cash at bank	4 000		4 900 Dr
Dec 31	Prepaid rent expense		1 300	3 600 Dr
31	Income summary		3 600	–

REQUIRED

(b) Interpret the following entries in the rent expense account on:

(i) 1 January 2021

(ii) 31 August 2021

(iii) 31 December 2021

[4]

(c) Explain the accrual basis of accounting theory.

[1]

[Total: 12]

END OF PAPER