## Answer all questions

1 Karen Tours is an agency that specializes in local heritage tours. The following balances were extracted from the books of its business on 31 March 2022.

	\$
Office equipment	195 000
Motor vehicles	190 000
Accumulated depreciation:	
Office equipment	60 000
Motor vehicles	84 000
Trade receivables	20 700
Trade payables	19 100
Allowance for impairment of trade receivables	4 100
Rent expense	48 000
Service fee revenue	55 140
Wages and salaries	2 400
General expense	1 200
Commission income	3 000
Cash at bank	8 000
Cash in hand	3 200
10% bank loan repayable by 31 March 2027	95 000
Interest paid on 10% bank loan	5 000
Share capital, 100 000 ordinary shares	100 000
Retained earnings 1 April 2021	53 160

Additional information

- Office equipment is to be depreciated at 10% per annum using straight-line depreciation.
   Motor vehicles are to be depreciated at 15% using reducing-balance method.
- 2 One-fifth of the bank loan is to be paid on 30 June 2022. Interest is not yet fully paid.
- 3 Wages and salaries, \$9 000 was paid by cheque and this was not recorded.
- 4 Commission income, \$600, had been received in advance.
- 5 Rent expense covers the period 1 April 2021 to 30 June 2022.
- 6 Trade receivable, Wing was declared bankrupt. His debt of \$800 has yet to be written off.
- 7 A review of the trade receivables indicated that 10% of the balance is likely to become uncollectible.
- 8 A dividend of \$0.03 per share had been declared and will be paid on 15 May 2022.

# REQUIRED

- (a) Prepare the statement of financial performance for the year ended 31 March 2022. [10]
- (b) Prepare the statement of financial position as at 31 March 2022.

# [Total:20]

[10]

2 The following cash at bank account was extracted from the books of Marcus Trading for the month of April 2022:

Date	Particulars	Cheque No.	Debit	Credit	Balance	е
2022			\$	\$	\$	
Apr 1	Balance b/d				5 000	Cr
3	Tengku	695811		1 090	6 090	Cr
8	Sammy	695812		420	6 510	Cr
15	Sales revenue		1 200		5 310	Cr
21	Nic & Tom Trading		7 780		2 470	Dr
25	Organic Trading	695813		9 110	6 640	Cr
26	Gilbert Retailer		1 776		4 864	Cr
28	Repair expense	695814		672	5 536	Cr
30	Salaries	695815		4 470	10 006	Cr
May 1	Balance b/d				10 006	Cr

Coch at bank account

The bank statement received for April 2022 was as follows:

Bank Statement				
Date	Particulars	Withdrawal	Deposit	Balance
2022		\$	\$	\$
Apr 1	Balance b/d			4 000 Dr
5	Cheque no: 695801	1 000		5 000 Dr
6	Cheque no: 695811	1 090		6 090 Dr
10	Cheque no: 695812	402		6 492 Dr
12	Direct deposit- Cliff Success		1 776	4 716 Dr
16	Cash deposit		1 200	3 516 Dr
27	Cheque		1 776	1 740 Dr
27	Cheque no: 695813	9 110		10 850 Dr
28	Direct payment – Insurance expense	105		10 955 Dr
28	Rejected cheque	1 776		12 731 Dr

Additional information:

It was discovered that the assistant accountant of Marcus Trading had incorrectly recorded the transaction on 8 April 2022.

# REQUIRED

- (a) Prepare the adjusted cash at bank account for the month of April 2022. [5]
- (b) Prepare the bank reconciliation statement as at 30 April 2022. [4]
- (c) Given profit for the year was \$9320. Calculate the adjusted profit for the year, after accounting for the adjustments made from bank reconciliation. [1]

Marcus Trading provided the following information for its financial year that ends on 30 April 2022.

Date	Particulars	Debit	Credit	Balance
202	1	\$	\$	\$
May	1 Prepaid insurance expense	900		900 Dr
Dec	1 Cash at bank	4 000		4 900Dr
202	2			
Feb	1 Cash in hand	300		5200 Dr

Insurance expense account

# REQUIRED

(d) Interpret the entry on 1 May 2021.

[1]

On 30 April 2022, it was disclosed by the accountant that the business had not been invoiced for \$800 of insurance for the financial year.

## REQUIRED

- (e) State the amount of insurance expense that should be presented in the statement of financial performance for the year ended 30 April 2022. [1]
- (f) Explain an accounting theory for the adjustment of insurance on 30 April 2022. [1]
- (g) Prepare journal entries to record the insurance expense on <u>1 May 2022</u>. Narrations are **not** required.
  [2]

[Total:15]

**3** On 1 May 2020, SA Design provided the following information:

	<u>\$</u>
Office equipment	45 000
Accumulated depreciation of office equipment	9 800

#### Information to note

- 1 On 28 February 2021, the business bought one computer for \$14 000.
- 2 On 1 July 2021, it purchased another computer for \$5 200.
- 3 Both purchases were made by cash and the business depreciates its office equipment at 15% per annum using reducing-balance method.

## REQUIRED

- (a) Calculate the depreciation of office equipment for each of the two years ended 30 April 2021 and 2022. [2]
- (b) State the effect on the non-current assets if a revenue expenditure is being recorded as a capital expenditure. [1]

The following information relates to SA Design and Great Design for the year ended 30 April 2022.

	SA Design \$	Great Design \$
Office equipment	8 500	18 000
Trade receivables	10 000	5 000
Inventory	15 000	4 500
Cash at bank	-	3 500
Bank overdraft	3 500	-
Transport expense payable	200	490
Prepaid rent expense	800	300
Trade payables	6 800	7 100
Mortgage	50 000	25 000
Current ratio	?	1.75
Quick ratio	?	1.12
Rate of trade receivables turnover	23.25 times	34 times

#### REQUIRED

(c) Calculate the following ratios, to **two** decimal places for SA Design for the year ended 30 April 2022.

(i)	Current ratio	[1]
(ii)	Quick ratio	[1]

(d) Evaluate the liquidity of both businesses for the year ended 30 April 2022. [7]

[Turn over

SA Design has the following credit policy for all his credit customers.

- 1. No cash discounts
- Interest period for 10 days for all amount due after the credit period of 30 days.
   An automatic credit limit of \$5 000

# REQUIRED

(e) Comment on the rate of trade receivables turnover of both businesses for the year ended 30 April 2022. [2]

[Total:14]

**4** Joseph Security trades in surveillance cameras. It buys all his goods on credit. The following transactions took place in the month of June 2022.

<u>Date</u>	Transaction
June 1	Balance owed by Joseph Security to Focus Trading was \$3 200.
11	Joseph Security bought cameras from Focus Trading at a list price of \$ 3 100, less 5% discount.

- 15 Joseph Security sent a cheque of \$2 800 in full settlement of the amount owed on 1 June.
- 29 Focus Trading issued a debit note of \$50 to Joseph Security for late interest charge.
- 30 Joseph Security returned goods at a list price of \$500. The goods were bought on 11 June.

## REQUIRED

(a) Prepare Focus Trading's account in the books of Joseph Security for the month of June 2022.
 [4]

	Genesis Ausie	Aimee Trading
Average list price of a camera	\$1 200	\$1 300
Mode of business operation	Online, based in Australia	Bricks-and-mortar store in Singapore
Credit terms	45 days and a cash discount of 3% within 40 days	30 days and a cash discount of 6% within 25 days
Delivery fee per order	<ul><li>(i) \$30: Less than 100 units</li><li>(ii) Free: 100 or more units</li></ul>	\$100 fixed price, regardless of quantity
Refund policy	Refund made within 14 days. No questions will be asked.	Refund within 7 days, Must be supported by photos / video and subject to final approval from management.
Replacement policy	No replacement policy	Replacements will be delivered within 2 weeks
Average reviews	4.7 stars out of 5	3.8 stars out of 5

Joseph Security is considering buying security cameras from one of the following suppliers.

#### REQUIRED

(b) Recommend which supplier Joseph Security should buy from. Justify your decision with three reasons. [7]

[Total:11]

#### **END OF PAPER**