

1(a)

Eat Smarter
Statement of financial performance for the year ended 31 July 2021

	\$	\$
Sales revenue (120,800 + 1,200)	122,000 [1]	
Less: Sales returns	22,320 [0.5]	
Net sales revenue		99,680
Less: Cost of sales		46,600 [0.5]
Gross profit		53,080
Other income		
Commission income		26,000 [0.5]
Less: Expenses		
Interest expense (4% x \$15,000)	600 [1]	
Selling and advertising expense (8,860 – 550)	8,310 [1]	
Discount allowed	809 [0.5]	
Rental expense	13,000 [0.5]	
Wages and salaries	30,800 [0.5]	
Utilities expense (12,520 – 210)	12,310 [1]	
Impairment loss on trade receivables (2230- (-660))	2,890 [1]	
Depreciation of motor vehicles (15% x (60,000 – 12,000))	7,200 [1]	
Depreciation of equipment (20% x (14,200 + 550))	2,950 [1]	
		78,869
Profit for the year		211

-1m for wrong format

[10]

(b)

Eat Smarter
Statement of financial position as at 31 July 2021

Assets	\$	\$	\$
<u>Non-current assets</u>	Cost	Accumulated depreciation	Net Book value
Motor vehicles	60,000 [0.5]	19,200 [0.5]	40,800
Equipment	14,750 [0.5]	5,050 [0.5]	9,700
			50,500 [0.5]
<u>Current assets</u>			
Trade receivables (44,400 + 1,200 – 1,000)	44,600 [1]		
Less: Allowance for impairment of trade receivables	(2,230) [0.5]	42,370	
Inventory		32,000 [1]	
Total current assets			74,370
Total assets			124,870
<u>Equity and liabilities</u>			
<u>Owner's Equity</u>			
Capital (80,819 + 211 - 210)			80,820 [1]
			OF
<u>Current liabilities</u>			
Trade payables		28,000 [1]	
Bank overdraft		950 [1]	
Current portion of long-term borrowing		15,000 [1]	
Interest expense payable (600-500)		100 [1]	
Total current liabilities			44,050
Total equity and liabilities			124,870

-1m for wrong/improper format

[10]

[Total: 20]

2(a) (i) Non-current assets are resources a business owns or controls that are expected to provide future benefits which last beyond one financial year. [1]

(ii) Depreciation is a reduction in the value of non-current assets over time. [1]

(b) Jingle Wellness purchased a machine costing \$12,000 from Packwell on credit. [1]

(c) Depreciation = $[\$8,574 / (\$51,280 - 8,410) [1] \times 100] = 20\% [1]$

(d) Journal

2020		Dr (\$)	Cr (\$)
Sep 30	Sale of non-current asset	4,040 [1]	
	Income summary [13,000 – (14,000 – 5,040)]		4,040 [1]
	The business made a gain of \$4,040 from the sale of machinery. [1] OF		

(e) Purpose of non-current assets [1]
 Features of non-current assets [1]
 Customer reviews of the non-current assets [1]
 Warranty of non-current assets [1]

Accept any 2 points above.

[Total: 10]

3(a) The revenue recognition theory states that revenue is earned when goods have been delivered or services have been provided. [1]

(b) Service fee revenue earned = \$89,000 - \$10,200 [0.5] - \$14,000 [0.5] = \$64,800 [1]

(c) Journal

2021		Dr (\$)	Cr (\$)
Aug 31	Service fee revenue	14,000 [1]	
	Service fee revenue received in advance		14,000 [1]

(d) **(i)** A reversal entry was made to add \$2,150 to this year's rent expense as the business had paid rent of \$2,150 in advance last year, for rent which will only be incurred this year. [1]

(ii) The owner had paid business rent of \$1,075 with her personal funds. [1]

(e) Income summary [1]

(f) Integrity is being straightforward and honest in all professional and business relationships. [1]
Objectivity is not letting bias, conflict of interest or undue influence of others override professional judgement. [1]

(g) It is important to be profitable to reinvest the profits into business operations. [1] *or*
It is important to be profitable to distribute the share of profits to the owners or shareholders of the business. [1]

(h) Increase the price of its enrichment lessons [1]
Decrease other expenses such as negotiating for a lower rent. [1]
Increase sources of other income such as commission income by selling assessment or reference books. [1]

Accept any two reasonable answers relating to the service business.

[Total: 13]

4(a)

Inventory account

2020		Dr (\$)	Cr (\$)	Balance (\$)
May 1	Balance b/d			3,800 Dr
May 30	Trade payable	5,300 [0.5]		9,100 Dr
Jun 4	Trade payable		5,300 [0.5]	3,800 Dr
Aug 3	Cash at bank	3,000 [0.5]		6,800 Dr
Oct 14	Cash in hand	4,600 [0.5]		11,400 Dr
2021				
Apr 30	Cost of sales		6,800 [0.5]	4,600 Dr
May 1	Balance b/d			4,600 Dr [0.5] OF

(b) Credit note [1]

(c) $(\$10 \times 1.12) [1] \times 50 = \$560 [1]$

(d) Prudence theory [1] states that inventory should be valued at its cost or net realisable value, whichever is lower. [1]

(e) Workings: $\$6 \times 50 = \300

	Understated	Overstated	No effect
Profit for the year		\$300 [1]	
Current assets		\$300 [1]	

(f) **Rubrics for Scenario-based Question****Decision:** State the recommendation of action figure brand to buy. [1]**Basic Statement 1:** State a reason for the choice of inventory. [1]**Developmental statement 1:** Requires an explanation/justification for basic statement 1. [1]**Basic statement 2:** State second reason for the choice. [1]**Developmental statement 2:** Requires an explanation/justification for basic statement 2. [1]**Basic statement 3:** State third reason for the choice. [1]**Developmental statement 3:** Requires an explanation/justification for basic statement 3. [1]

* No mark given for basic statement if no comparison is made.

* No mark given for developmental statement if it does not lead to justification of how it will affect the business income, expenses, profit and qualitative performance of the business.

* No mark given for developmental statement if no basic statement is present, or if development is not clearly elaborated.

[Total: 17]

Example

Decision: Jaime Toys should purchase Popomon action figures to sell.

Basic statement 1: The cost price of one Popomon action figure of \$84 is \$38 cheaper than the cost price of one flower fantasy action figure. [1]

Development statement 1: As this is the first time Jaime Toys is selling action figures, purchasing this inventory to sell is less risky as the cost of Popomon action figure is significantly cheaper. This will lead to cost savings and lesser cash outflow at the start. [1]

Basic statement 2: The Popomon action figures can be stored in existing storage, whereas Flower Fantasy action figures will require more storage space which needs to be air-conditioned.

Development statement 2: As the action figures can be stored anywhere and requires less space, buying Popomon action figures will help Jaime Toys save on storage space and air-conditioning, leading to cost savings and reducing expenses such as rental and utilities.

Basic statement 3: The Popomon action figures appeals to both teenagers and adults who are looking for an affordable option.

Development statement 3: As the action figures appeal to a larger group of target audience, it is likely that Jaime Toys can sell more quantity of goods for this brand of action figures, thus boosting its sales volume and increasing profits.

Example

Decision: Jaime Toys should purchase the Flower Fantasy action figures.

Basic statement 1: The gross profit to be earned from selling Flower Fantasy action figures of 25% is 10% higher than selling Popomon action figures. [1]

Development statement 1: Despite the cost of Flower Fantasy action figures being higher, the gross profit margin to be earned is higher. This means that the business is able to earn higher gross profit from selling Flower Fantasy action figures at a higher selling price, and if expenses are to remain similar, business will be able to earn higher profits. [1]

Basic statement 2: The Flower Fantasy action figures are limited edition and is of better quality compared to Popomon action figures.

Development statement 2: As the action figures are exclusive and are famous for being life-like and of good quality, this will be a good inventory to sell as the superior action figures will likely retain customers, boosting current and future sales.

Basic statement 3: The Flower Fantasy action figures appeal to serious collectors who are willing to splurge on the action figures.

Development statement 3: As the action figures may become more valuable over time, serious collectors of action figures will most likely buy from Jaime Toys as they can resell it at a higher value. Taking in pre-orders will bring about more guaranteed orders for Jaime Toys which will lead to higher sales.