



Accumulated depreciation of motor vehicles

7087/02

29 August 2023

2 hours

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your candidate name, class and index number in the spaces at the top of this page.

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer all questions.

The use of an approved calculator is allowed.

The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [] at the end of each question or part question.
The total of the marks for this paper is 60.

For Examiner's use
Marks
60

Parent's Signature:_____

This question paper consists of 6 printed pages.

- 1 The following balances were extracted from books of Giri Store on 30 June 2023.

6% Mortgage Loan	36 000
Motor vehicles at cost	128 000
Office equipment at cost	42 500
Accumulated depreciation of motor vehicles	46 080
Accumulated depreciation of office equipment	17 000
Capital	49 330
Cash at bank (overdraft)	1 210
Cost of sales	51 150
Drawings	4 190
Interest on mortgage loan	2 000
General expense	570
Salaries expense	28 400
Insurance	2 320
Sales returns	2 220
Sales revenue	132 990
Repairs and maintenance	860
Trade payables	11 880
Trade receivables	25 600
Discount received	720
Inventory	21 340
Allowance for impairment of trade receivables	1 500
Rental income	12 440

Additional information

- 1 At 30 June 2023

- i rental income, \$2 320, has not been received.
- ii insurance has been paid for sixteen months till 31 October 2023.
- iii salaries, \$650, were owing.

- 2 A credit customer owing \$450 went bankrupt and his debt was written off.

- 3 It was decided that 4% of the trade receivables were unlikely to be collectible.

- 4 Office equipment is to be depreciated at 20% per annum using the straight-line method.

- 5 Motor vehicles are to be depreciated at 20% per annum using the reducing-balance method.
- 6 Gini drew out inventory costing \$500 for advertising.

REQUIRED

- (a) Prepare the statement of financial performance for the year ended 30 June 2023. [10]
- (b) Prepare the statement of financial position as at 30 June 2023. [10]

[Total: 20]

- 2 The financial year of Megan's business ends on 30 April. The following information is provided.

	1 May 2022	1 May 2023
	\$	\$
Rent income received in advance	1 530	
Rent income receivable		1 190
Salaries expense payable	790	450

Salaries expense of \$13 500 were paid by cheque and rent income of \$24 800 was received by bank transfer during the year ended 30 April 2023.

REQUIRED

- (a) Explain the following terms. [1]
 (i) income receivable [1]
 (ii) expense payable
- (b) State when a business should recognize an income received in advance as an income in the statement of financial performance. [1]
- (c) Calculate the rent income earned for the year ended 30 April 2023. Show your workings clearly. [2]
- (d) Prepare the journal entries to adjust for salaries payable on 30 April 2023. [2]
- (e) Name and explain one accounting theory which is applied when accounting for expense payable. [2]
- (f) Identify two examples of non-accounting information which may be used by the business to buy a new motor vehicle. [2]

[Total: 11]

- 3 Joey Pte Ltd runs a business selling household gadgets. The business provided the following information for the two years ended 30 June 2022 and 2023.

	2022	2023
	\$	\$
Cost of sales	84 000	95 500
Gross profit	68 400	78 500
Operating expenses	39 600	47 500

REQUIRED

- (a) Calculate the following ratios to two decimal places for **each** of the **two** years ended 30 June 2022 and 2023.
- (i) Gross profit margin [2]
- (ii) Profit margin [2]
- (b) Comment on the profitability of Joey Pte Ltd for the two years ended 30 June 2022 and 2023. [6]

Joey Pte Ltd extracted the following ledger accounts at 1 July 2022.

	\$
Share capital, 250 000 ordinary shares	500 000
Retained earnings	215 500

The company issued 50 000 ordinary shares at \$2.20 per share. On 20 June 2023 the company declared dividends of \$0.12 per share to be paid on 4 July 2023.

REQUIRED

- (c) Prepare the retained earnings account for the year ended 30 June 2023. [3]

[Total: 13]

- 4 Sachin runs a business buying and selling electronic components on credit only. He provided the following ledger account for the month of April 2023.

Trade Payable: Marcus					
Date	Particulars	Debit \$	Credit \$	Balance \$	
2023					
April 1	Balance b/d			15 840 Cr	
5	Inventory		11 250		
7	Inventory	2 080			
26	Cash at bank	7 760			
26	Discount received	240			
May 1	Balance b/d			?	

REQUIRED

- (a) Interpret the transaction that took place on 26 April 2023. [2]

On 30 June 2023 Sachin's business had an inventory valued at cost, \$66 800. However, he provided information on some electronic components included in the ending inventory.

- 1 One batch of electronic components, cost \$5 500, had been damaged and could be sold for \$5 100 after some repairs costing \$850.
- 2 The last batch of electronic components bought for \$9 200 is in great demand and can be sold for \$12 200.

Sachin decided to value his inventory at the original cost of \$66 800.

REQUIRED

- (b) State the effect and amount of Sachin's decision on:
- (i) Gross profit [1]
 - (ii) Profit for the year [2]
 - (iii) Current assets at 30 June 2023 [2]
- (c) State and explain the accounting theory violated by Sachin. [2]

Sachin has two credit customers who approached him to extend their credit period to 35 days. The following information were made available from the business.

- 1 All sales are made on credit.
- 2 The business' terms of trade with customers are for payment in full within 30 days.
- 3 No discount is offered for early settlement.
- 4 The business's trade receivables collection period is 30 days on average.

	Nat	Cas
Average balance	\$15 200	\$30 800
No of late payments	2 times	5 times
Average collection period	27 days	30 days
Business history	Business was set up in 2020 and is based in Vietnam. Its customers are mainly manufacturers of computers and laptops facing unstable demand.	Business began in 1990 and operates out of Malaysia. Its customers manufacture household appliances and vehicles which has a high and stable demand.
Economic outlook	According to the World Bank report in March 2023, the economic outlook for Vietnam from 2023 to 2026 is for rapid economic expansion. Vietnam's economic growth is projected to grow by 6.3% in 2023.	Growth for Malaysia is projected to moderate at 4.5% in 2023 reflecting largely the global external challenges.

REQUIRED

- (d) Recommend one credit customer Sachin should extend the credit period. Justify your decision with **three** reasons. [7]

[Total: 16]

- End of paper -