

ANDERSON SECONDARY SCHOOL
Preliminary Examination 2022
Secondary Five Normal Academic



CANDIDATE NAME:

CLASS:

INDEX NUMBER:

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

26 August 2022

2 hours

0800 – 1000h

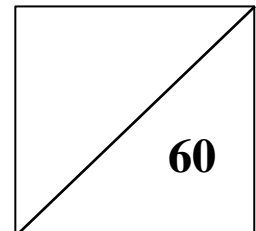
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

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** the questions.

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



This document consists of **5** printed pages and **1** blank page.
Answer **all** questions.

- 1** The following balances were extracted from the books of Xin Yi Pte Ltd on 31 March 2022.

	Dr	Cr
	\$	\$
Sales revenue		184 470
Sales returns	11 000	
Cost of sales	78 050	
Trade receivables	108 500	
Trade payables		59 510
Issued share capital, 160 000 ordinary shares		160 000
Retained Earnings		36 870
Motor vehicle expense	12 000	
Motor vehicles	152 000	
Accumulated depreciation for motor vehicles		50 000
Allowance for impairment of trade receivables		5 000
Interest on loan	8 000	
Discounts	2 050	3 850
Wages expense	30 800	
Bank loan		50 000
Cash at bank	51 200	
Rent expense	6 000	
Inventory	90 100	
	549 700	549 700

Additional information:

- 1 The net realisable value of inventory is \$89 000.
- 2 The payment for wages expense was for 14 months up to 31 May 2022.
- 3 Depreciation on motor vehicle is at 15% per annum on net book value.
- 4 During the year, trade receivable of \$3 500 became bankrupt. The amount has yet to be written off.
- 5 A review of the trade receivables at the end of the year found that 5% of trade receivables are estimated to be uncollectible.
- 6 20 000 shares at \$1.00 were issued and paid on 1 February 2022. This was not recorded.
- 7 A dividend of \$0.05 per share was declared on 29 March 2022. The dividend will be paid on 4 April 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. [10]
- (c) State **two** purposes of having internal controls in a business. [2]

[Total: 22]

2 The following information relates to Farhana' business as at 30 June 2022.

	\$
Premises	220 000
Trade payables	10 600
Other payables	5 000
Bank overdraft	900
Accrued expenses	400
Current portion of long-term borrowings	5 000
Long term bank loan	130 000
Inventory	18 000
Trade receivables	6 400
Prepaid expenses	500

REQUIRED

- (a) Explain what is meant by liquidity of a business. [1]
- (b) Calculate the following:
- (i) Working capital [2]
 - (ii) Current ratio to **two** decimal places. [2]
 - (iii) Quick ratio to **two** decimal places. [2]

Farhana provided the following details about the business performance for the years ended 30 June 2020, 2021 and 2022.

	2020	2021	2022
Current ratio	3.52	2.32	?
Quick ratio	1.83	1.05	?

- (c) (i) Comment on the changes in liquidity over the three years ended 30 June 2022. Use the information provided and your answer to part (b). [4]
- (ii) Suggest **one** possible reason for the trend. [1]

Farhana also provided the following details about the business for the years ended 30 June 2020, 2021 and 2022.

	2020	2021	2022
Inventory turnover ratio	8.46	6.78	4.46

- (d) Comment on the inventory turnover rates for the three years ended 30 June 2022. [2]

[Total: 14]

3 After preparing the statement of financial performance for the business for the year ended 31 May 2022, Syahirah Sweets Pte Ltd discovered the following errors.

- 1** Cheque payment of \$660 for marketing expenses has been wrongly recorded in the books as \$600.
- 2** Credit sale of \$400 has been debited to the sales revenue account and credited to the trade receivable account.
- 3** A cheque of \$265 received from Tata Store had been recorded in the account of Kaka Store.
- 4** Purchase of fixtures and fittings worth \$120, has been debited to the stationery account.

The loss for the year before discovering the errors was \$450.

REQUIRED

- (a)** Prepare journal entries to correct the errors. Narrations are not required. [8]
- (b)** Prepare a statement to show adjusted profit for the year ended 31 May 2022. [5]

[Total: 13]

- 4 Shanice is the owner of FinePrint, a printing business. The business is doing very well and she needs to increase her printing capacity. She is planning to rent or buy a photocopy machine for use for the next 5 years.

Shanice is unable to decide if she should buy or rent the photocopy machine. If she buys the photocopy machine, she owns it and can sell it when it is no longer suitable, and then buy another one. If she rents the photocopy machine, she can rent another one when the rental agreement ends.

Shanice gathered the following information about the two options:

	Buy	Rent
Cost of Machine	\$5 000	Monthly rental per year: \$1 500
Other cost	\$250 for servicing annually	Rental cost includes servicing.
Condition	Brand new machine	Machine has been rented out for the past 6 months.
Customization option	Can be customized to print <ul style="list-style-type: none"> • In bulk • With scheduling function Can be customized to fit in certain size	No customization allowed
Warranty	2 years	Part of contract
Availability	Delivery in 3 months	Immediate delivery
Other Information	Machine can last for about 5 years.	Terms and conditions for rental: Contract is renewed annually and terms and conditions may change.

REQUIRED

- (a) Make a recommendation on whether Shanice should buy or rent the new photocopy machine. Justify your answer using the available accounting and non-accounting information.
[7]

On 1 January 2019, Celeste bought a machine for \$4 000 by cheque. On 1 July 2021, this machine was sold for \$2800 by cheque. On the same day, a new machine was bought for \$5 000 by cheque.

Celeste's financial year ends on 31 December each year.

The machine is depreciated at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase and none in the year of sale.

REQUIRED

(b) Calculate the depreciation expense for **each** of the two years ended 31 December 2020 and 2021.

[2]

(c) Calculate the gain or loss on the sale of the machine.

[2]

[Total: 11]

END OF PAPER

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