

Answer **all** questions.

- 1 Brandon is a coffee retailer who sells goods to Zerah Trading on credit. The following transactions occurred during the month of March 2022.

2022

Mar 1 Balance owed by Zerah Trading was \$8 300.

- 9 Sold coffee beans to Zerah Trading at a list price of \$5 000 and gave a trade discount of 5%. The cost of the beans was \$2 000.
- 18 Some of the beans sold on 9 March at a list price of \$1 000 were of the wrong specifications and returned to Brandon.
- 28 Brandon received a cheque from Zerah Trading for amount owing on 1 March after deducting 2% cash discount.
- 31 The bank informed Brandon that the cheque deposited on 28 March had been rejected.

REQUIRED

- (a)** Prepare the ledger account of Zerah Trading in the books of Brandon, for the month of March 2022.

Zerah Trading account

[7]

- (b) Suggest **one** possible reason why the cheque deposited on 28 March was rejected.

[1]

- (c) Complete the table below by stating the source documents for the transactions.

Date	Source Document
Mar 9	
Mar 18	
Mar 28	
Mar 31	

[4]

[Total: 12]

[Turn over

- 2 Ramlee is a sole proprietor who started his food trading business on 1 March 2021 with a capital of \$50 000 in the business bank account. His financial year ends on 28 February 2022.

The following transactions took place during the financial year.

- 1 On 10 April 2021, Ramlee took home a printer, meant for office use, worth \$500 from the business.
- 2 On 22 June 2021, Ramlee paid the business advertising expenses using a personal cheque of \$8 000.
- 3 On 30 September 2021, Ramlee took cash of \$1 300 from the office for his personal use.

The business made a profit of \$15 000 for the year ended 28 February 2022.

REQUIRED

- (a) Name and explain **one** suitable accounting theory to explain the recording of capital and drawings.

[2]

- (b) Prepare the drawings account for the year ended 28 February 2022.

[3]

(c) Prepare the capital account for the year ended 28 February 2022.

[illegible]

[Total: 10]

- 3 Lee Consultancy is in the business of providing consulting services for businesses. The following service fee revenue was extracted from its books.

Consultancy Fee Revenue				
Date	Particulars	Dr (\$)	Cr (\$)	Bal (\$)
2021				
Jul 1	Consultancy fee receivable	10 000		10 000 Dr
Sep 28	Cash at bank		35 000	25 000 Cr
2022				
Feb 14	Cash at bank		8 000	33 000 Cr
Jun 28	Consultancy fee revenue received in advance	12 000		21 000 Cr
Jun 30	Income summary	21 000		-

REQUIRED

- (a) Describe the transaction on the following dates.

(i) 1 July 2021

(ii) 14 February 2022

(iii) 30 June 2022

[3]

- (b) Prepare the journal entries to record the closing of consultancy fee revenue account on 30 June 2021. Narration is **not** required.

[2]

- (c) State the effect on current assets, current liabilities and profit for the year if service fee revenue received in advance was not recorded on 30 June 2021.

		Effect of not recording service fee revenue in advance	[3]
(i)	Current assets		
(ii)	Current liabilities		
(iii)	Profit for the year		

- (d) Explain the accrual basis of accounting.

[1]

- (e) State **two** features of sole proprietorship.

(1)

[1]

(2)

[1]

[Total: 11]

[Turn over]

- 4 The Ceylon Tea Trading firm sells flavoured tea. The business has the following balances on 1 May 2021.

	\$
Motor vehicles	83 000
Accumulated depreciation of motor vehicles	9 500

The business bought a new van worth \$94 500 (**not** including COE) on 1 May 2021 by cheque. The Certificate of Entitlement (COE) amounted to \$35 000 and repairs expenses for motor vehicles for the financial year ended 30 April 2022 was \$5 500.

REQUIRED

- (a) Classify each expenditure as a 'capital' or 'revenue' expenditure.

		Type of expenditure
(i)	Purchase price of motor vehicle	
(ii)	Certificate of Entitlement (COE)	
(iii)	Repairs expenses for the usage of motor vehicle	

[3]

- (b) Explain **one** difference between capital expenditure and revenue expenditure.

[2]

[Turn over

The business depreciates its motor vehicles at 10% per annum using the reducing-balance method.

REQUIRED

(c) Calculate the depreciation expense for the year ended 30 April 2022.

[2]

[Total: 7]

End of Paper

[Turn over

SGSS 4N1 POA Prelim Paper 1 Answer Key (2022)
1 (a) 7 marks
Zerah Trading

Date	Particulars	Debit +	Credit -	Balance
2022		\$	\$	\$
Mar 1	Balance b/d ✓			8 300 Dr
Mar 9	Sales revenue (5 000 x 0.95) ✓	4 750 ✓		13 050 Dr
Mar 18	Sales returns (1 000 x 0.95) ✓		950 ✓	12 100 Dr
Mar 28	Cash at bank (8 300 x 0.98) ✓		8 134 ✓	3 966 Dr
Mar 28	Discount allowed (8 300 x 0.02) ✓		166 ✓	3 800 Dr
Mar 31	Cash at bank ✓ (dishonoured cheque)	8 134 ✓		11 934 Dr
Mar 31	Discount allowed (withdrawn) ✓	166 ✓		12 100 Dr
Apr 1	Balance b/d ✓			12 100 Dr

(b) 1 mark

Any reasonable answer:

- Cheque has expired and is no longer valid
- Cheque is post-dated
- Information on cheque is not complete OR not consistent
- Payer's bank account does not have enough funds/is closed/frozen.

(1m)

(c) 4 marks

Date	Source Document
Mar 9	Invoice ✓
Mar 18	Credit note ✓
Mar 28	Receipt ✓
Mar 31	Bank statement ✓

[Turn over

2 10 marks**(a) 2 marks**

Accounting entity theory ✓

- states that the activities of a business must be separated from the actions of the owner.
- All transactions are recorded from the point of view of the business.

2 (b) 3 marks**Drawings account**

Date	Particulars	Debit +	Credit -	Balance
2021		\$	\$	\$
Apr 10	Office equipment ✓	500 ✓		500 Dr
Sept 30	Cash in hand ✓	1 300 ✓		1 800 Dr
2022				
Feb 28	Capital ✓		1 800	-

Date correct ✓

2 (c) 5 marks**Capital account**

Date	Particulars	Debit -	Credit +	Balance
2021		\$	\$	\$
Mar 1	Cash at bank ✓		50 000 ✓	50 000 Cr
Jun 22	Advertising expense ✓		8 000 ✓	58 000 Cr
2022				
Feb 28	Drawings ✓	1 800 ✓		56 200 Cr
Feb 28	Income summary ✓		15 000 ✓	71 200 Cr
Mar 1	Balance b/d ✓			71 200 Cr

Date correct ✓

[Turn over

3 11 marks**(a) 3 marks**

- (i) 1 July 2021
 - reversing entry
 - \$10000 is the consultancy fee revenue earned in LAST accounting period ended 30 June 2021 to be received in THIS accounting period
- (ii) 14 February 2022
 - \$8000 in the consultancy fee revenue received, by cheque, in THIS accounting period ended 30 June 2022.
- (iii) 30 June 2022
 - \$21000 is the consultancy fee revenue earned in THIS accounting period ended 30 June 2022 transferred to income summary account.

(b) 2 marks

General Journal			
Date	Particulars	Dr (\$)	Cr (\$)
2022			
Jun 30	Service fee revenue ✓	21 000 ✓	
	Income summary ✓		21 000 ✓

(c) 3 marks

Current assets	No effect
Current liabilities	UNDERstated by \$12000
Profit for the year	OVERstated by \$12000

(d) 1 mark

The accrual basis of accounting states business activities that have occurred, regardless of whether cash is paid or received, should be recorded in the relevant accounting period.

(e) 2 marks

Any **two** reasonable features of sole proprietorship:

- (1) Owned by one person who contributes capital to set up the Sole Proprietorship (SP).
- (2) Less likely for banks and other lenders to lend money to the SP due to small capital.
- (3) When the SP incur debts and losses, the owner is obliged to pay them using is personal assets.
- (4) The owner usually runs the business and has absolute control over it.
- (5) The SP exists as long as the owner is alive and desires to continue operation.

[Turn over

- (6) The owner can easily update the particulars of the new owner to notify the corporate regulatory authority of any transfer of ownership.
- (7) The SP has minimal administrative duties to adhere to. ✓

4 7 marks

(a) 3 Marks

		Type of expenditure
(i)	Purchase price of motor vehicle	Capital expenditure
(ii)	Certificate of Entitlement (COE)	Capital expenditure
(iii)	Repairs and maintenance expenses for the usage of motor vehicle	Revenue expenditure

(b) 2 marks

Capital expenditure is the purchase of non-current asset or the cost of getting the non-current asset ready to be used while revenue expenditure is the cost to operate, repair and maintain the non-current assets in working conditions.

OR

Capital expenditure provide benefits to the business for more than one accounting period while revenue expenditure provide benefits to the business within one accounting period.

OR

Capital expenditure is recorded as a non-current asset in the statement of financial position while revenue expenditure is recorded as an expense in the statement of financial performance.

(c) 2 marks

Depreciation expense for the year ended 30 April 2022:

- Original motor vehicles: $(\$83000 - \$9500) \times 10\% = \$7350$ ✓✓
- New Van: $(\$94500 + \$35000) \times 10\% = \$12950$ ✓

Depreciation = $\$7350 + \$12950 = \underline{\$20300}$ ✓

OR

$10\% \times [\$83\ 000 + (\$94\ 500 + \$35\ 000) - \$9\ 500] \checkmark\checkmark\checkmark = \$20\ 300\checkmark$

[Turn over

Marker's Report

General comment

- Badly done with only 2 out of 9 students passed this paper.
- Weak conceptually

Q1(a)	Badly attempted. <ul style="list-style-type: none"> - One student was confused with journal entries - Double entry was weak with students who do not know whether to debit or credit the entries - Students not clear between trade and cash discount - A number of them did not record cash discount or recorded as discount received instead of discount allowed - Majority did not less the trade discount when recorded the sales returns - Dishonoured cheque is not an account and cannot be used as double entry recording - Majority did not record the discount allowed withdrawn
(b)	Students generally can answered with a few answers not very clear.
(c)	<ul style="list-style-type: none"> - Students are confused between credit and debit note - only 2 can answer the source document for Mar 31, bank statement - students are also confused when to use payment voucher and remittance advice.

Q2(a)	Only a few got the theory correct, Accounting entity theory. Weak in explaining the theory. Common theories written are <ul style="list-style-type: none"> - Prudence theory - Monetary theory - Accrual basis of accounting - Matching theory - Revenue recognition
(b)	Drawing account <ul style="list-style-type: none"> - Badly attempted - Cash in hand (from 'office') should be used instead of cash at bank - Not able to close and transfer to capital. A number of them close with Bal b/d or transferred to income summary
(c)	Capital account <ul style="list-style-type: none"> - Badly attempted

[Turn over

	<ul style="list-style-type: none"> - Students did not record the transfer of drawings from the drawings account (they recorded individual drawings) and profit from income summary. - Account was not close and brought down
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Q3(a)	<p>Interpretation was badly attempted. Students do not seem to understand the account. Their phrasing of the answer was wrong.</p> <ul style="list-style-type: none"> (i) Reversing entry. Students treated it as revenue for THIS period not received (ii) This is a revenue where amount is received not paid (iii) Is the revenue for THIS period that is transferred to income summary
(b)	A few could get this correct.
(c)	Badly attempted. Most students could only get the current liabilities correct. It seems that they do not understand the question.
(d)	Students seem to understand the theory but not able to phrase their answer properly.
(e)	Generally well answered.

Q4(a)	General well answered. Must stress the importance of writing the word 'expenditure'
(b)	General can answer. Need to improve on the phrasing.
(c)	Badly attempted. A lot of students failed to take into consideration the depreciation of the NEW vehicle bought in the current period.

[Turn over

2022 N level Prelim CORRECTION Paper 1

Name: _____ Sec 4N1

1 (a) 7 marks

Zerah Trading

Date	Particulars	Debit +	Credit -	Balance
2022		\$	\$	\$
Mar 1	Balance b/d			8 300 Dr
Mar 9	Sales revenue (4 750		13 050 Dr
Mar 18	Sales returns (950	12 100 Dr
Mar 28	Cash at bank (8 134	3 966 Dr
Mar 28	Discount allowed (166	3 800 Dr
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(b) 1 mark

Any reasonable answer:

- Cheque has expired and is no longer valid
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(1m)

(c) 4 marks

Date	Source Document
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Mar 18	
Mar 28	
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2 10 marks**(a) 2 marks**

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2 (b) 3 marks**Drawings account**

Date	Particulars	Debit +	Credit -	Balance
2021		\$	\$	\$
Apr 10		500		500 Dr
Sept 30		1 300		1 800 Dr
2022				
Feb 28			1 800	-

2 (c) 5 marks**Capital account**

Date	Particulars	Debit -	Credit +	Balance
2021		\$	\$	\$
Mar 1			50 000	50 000 Cr
Jun 22			8 000	58 000 Cr
2022				
Feb 28		1 800		56 200 Cr
Feb 28			15 000	71 200 Cr
Mar 1	Balance b/d			71 200 Cr

Date correct**[Turn over**

3 11 marks**(a) 3 marks**

(i) 1 July 2021

(ii) 14 February 2022

(iii) 30 June 2022

(b) 2 marks

General Journal			
Date	Particulars	Dr (\$)	Cr (\$)
2022			
Jun 30		21 000	
			21 000

(c) 3 marks

Current assets	
Current liabilities	
Profit for the year	

(d) 1 mark**[Turn over**

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(e) 2 marks

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Depreciation expense for the year ended 30 April 2022:

[Turn over

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