

## 2024 4N PRELIMS P2

### Answers

1(a)

Jazzy			
Statement of financial performance for the year ended 31 August 2023			
	\$	\$	
Service fee revenue (-2000)		101 000	1
Other income			
Discount received		<u>800</u>	1
		101 800	1
Less: other expenses			
Discount allowed	1 900		1
Rent expense (-1000)	16 000		1
Wages and salaries	14 500		
Reversal of impairment loss on trade receivables	(108)		1
(7%X5600)-500			
Depreciation of office equipment	2 000		1
10%X20000			
Depreciation of motor vehicles	<u>12 750</u>	<u>47 042</u>	1
15%X(100000-15000)			
Profit for the year		<u><u>54 758</u></u>	

1(b)

Jazzy  
Statement of financial position at at 31 August 2023

	Cost	Accumulated depreciation	Net book value	
	\$	\$	\$	
<b>Assets</b>				
<u>Non-current assets</u>				
Office equipment	20 000	6 000	14 000	1
Motor vehicles	100 000	27 750	72 250	1
			86 250	
<u>Current assets</u>				
Trade receivables	5 600			
Less: allowance for impairment of trade receivables	392[1]	5 208		1
Prepaid rent expense		1 000		1
Cash at bank		5 800		
Cash in hand		1 300	13 308	
Total assets			99 558	1 OF
<b>Equity and Liabilities</b>				
<u>Owner's equity</u>				
Capital (25 7000 + 54 758 [1 OF] - 2 900 [1])			77 558	
<u>Non-current liabilities</u>				
Long-term borrowings (-5000)			15 000	1
<u>Current liabilities</u>				
Current portion of long-term borrowings		5 000		1
Service fee revenue received in advance		2 000	7 000	1
Total equity and liabilities			99 558	1 OF

**2(a)(i)**

Refers to the expenses incurred but not paid yet. [1]

**2(a)(i)**

Amount received for income that has not been earned yet. [1]

**2(b)**

$4200 [1] + 500 [1] - 300 [1] = \$4\,400[1]$

**2(c)**

Overstated [1] by \$300 [1]

**2(d)(i)**

Date 2023	Particulars	Debit \$	Credit \$
Jul 1	Salaries expense payable [1]	1 400	
	Salaries expense [1]		1 400

**2(d)(ii)**

Date 2024	Particulars	Debit \$	Credit \$
Jun 30	Salaries expense [1]	1 800	
	Salaries expense payable [1]		1 800

**2(e)**

Extract of statement of financial position as at 30 June 2024

<u>Current liabilities</u>	\$
Salaries expense payable [1]	1 800
Commission income received in advance [1]	300

**3(a)**

Identify errors in cash at bank account

Identify errors on bank statement

Help discover fraud

Ensure up to date information about cash at bank balance [any 2]

**3(b)**

Segregation of duties, Custody of cash. Authorisation [any 2]

**3(c)**

Cash at bank				
Date	Particulars	Debit \$	Credit \$	Balance \$
2024				
Mar-31	Balance b/d [1]			5 824 Dr 1
31	Insurance expense[1]		2 500	3 324 Dr 1
31	Rose [1]	9 00		4 224 Dr 1
31	Orchid Garden [1]		2 300	1 924 Dr 1
Apr-01	Balance b/d [1]			1 924 Dr 1

**3(d)**

Bank reconciliation statement as at 31 March 2024			
		\$	\$
Balance as per bank statement			(776) 1
Add: deposits in transit			
Sales revenue	1 800		1
National Park	1 700	3 500	1
Less: cheques not yet presented			
Inventory		800	1
Updated balance as per cash at bank		1 924	1

**3(e)**

Decrease [1] by \$2 500 [1]

**4(a)**

Decision	Jia should agree to make on credit to Ben [1]
Reason 1	The business has been operating for the 8 years.[1]
Explanation 1	It is an established business and would most like continue to generate sales. Ben is more likely to have sufficient funds to pay Jia on time. [1]
Reason 2	Ben is able to provide references. [1]
Explanation 2	This shows that Ben is a reliable customer and is unlikely to default in payment. [1]

Decision	Jia should not agree to make sales on credit to Ben [1]
Reason 1	Ben's business has been generating lower sales in the past year. [1]
Explanation 1	If this trend continues, Ben may have difficulties paying the amount owed to Jia on time. [1]
Reason 2	Ben pays his suppliers 7 days later compared to Jia's other customers. [1]
Explanation 2	As Jia is receiving payment later than usual, it may have a negative impact on Jia's cash flow and affect its ability to pay its urgent expenses. [1]

**4(b)(i)**

Date 2024	Particulars	Debit \$	Credit \$
Jul 6	Trade receivables – Jerry [1]	400	
	Cash at bank [1]		380
	Discount allowed [1]		20

**4(b)(ii)**

Date 2024	Particulars	Debit \$	Credit \$
Jul 31	Allowance for impairment of trade receivables [1]	400	
	Trade receivables – Jerry [1]		400