

Name: ..... ( )

Class: 5A

# Queenstown Secondary School



**Preliminary Examination 2022  
Secondary Five Normal (Academic)  
Principles of Accounts Paper 2  
7087/02**

**29 August 2022  
Monday**

**Time: 0800 – 1000  
Duration: 2 hours**

**Setter:** Mdm Farhati Ahmad

**Additional Materials:** Writing paper (5 sheets)

**READ THESE INSTRUCTIONS FIRST**

Write your name, class and index number on all the work you hand in.  
Write in dark blue or black pen on both sides of the paper.  
You may use an HB pencil for rough working.  
Do not use staples, paper clips, glue or correction fluid.  
The use of approved calculator is allowed.

Answer **all** questions.

At the end of the examination, fasten all your work securely together.  
The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
Q1	/20
Q2	/13
Q3	/13
Q4	/14
TOTAL	/60

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This document consists of 4 questions and 7 printed pages.

[Turn over

Answer **all** questions.

- 1 The following balances were extracted from the books of Top Gun Consultancy on 31 December 2021.

	\$	
Consultancy fee revenue	60 800	
Wages and salaries	13 000	
Rent	14 000	
General expenses	2 250	
Commission income	1 850	
Motor vehicles	145 000	
Accumulated depreciation of motor vehicles	30 450	
Office equipment	25 000	
Accumulated depreciation of office equipment	7 000	
Trade receivables	71 400	
Trade payables	10 330	
5% bank loan repayable by June 2025	20 000	
Interest paid on 5% bank loan	625	
Allowance for impairment on trade receivables	500	
Cash at bank	925	credit
Cash in hand	580	
Issued share capital, 100 000 ordinary shares	100 000	
Retained earnings 1 January 2021	40 000	

Additional information

- 1 Rent of \$550 was paid in advance and general expense of \$350 was owing.
- 2 10% of the loan is repayable in June 2022 and interest on the bank loan for the year has not been fully paid.
- 3 A customer who owed \$400 has declared bankrupt. The business decided to write off the amount.
- 4 The allowance for impairment of trade receivables is to be maintained at 2% of trade receivables.
- 5 Office equipment is to be depreciated at 15% per annum using the straight-line method.
- 6 Motor vehicles are depreciated at 10% per annum using reducing-balance method.
- 7 A dividend of \$0.07 per share had been declared and will be paid on 15 January 2022.

**REQUIRED**

- (a) Prepare the statement of financial performance for the year ended 31 December 2021. [8]
- (b) Prepare the statement of financial position as at 31 December 2021. [12]

[Total:20]

- 2 The cash at bank account and bank statement for Maverick Trading for the month of March 2022 were as follows.

Cash at Bank					
Date	Particulars	Debit \$	Credit \$	Balance \$	
2022					
Mar 1	Balance b/d			2 300	Dr
10	Sales revenue (i)	240		2 540	Dr
12	Drawings (ii)		350	2 190	Dr
15	Rooster Ltd	370		2 560	Dr
20	Iceman Ltd (Cheque 1200)		800	1 760	Dr
25	Goose Co.	75		1 835	Dr
29	Rent (Cheque 1201)		530	1 305	Dr
30	Insurance (Cheque 1202)		750	555	Dr
Apr 1	Balance b/d			555	Dr

Bank Statement					
Date	Particulars	Payments \$	Receipts \$	Balance \$	
2022					
Mar 1	Balance b/d			2 600	Cr
2	Cheque 1198	300		2 300	Cr
11	Cash		240	2 540	Cr
12	Cash	350		2 190	Cr
16	Cheque		370	2 560	Cr
21	Cheque 1200	800		1 760	Cr
23	Credit transfer – Bradley Ltd		1 200	2 960	Cr
30	Cheque 1201	550		2 410	Cr
30	Rejected cheque	370		2 040	Cr
31	Bank charges	20		2 020	Cr

Additional information

The business made an error in the recording of cheque 1201.

### REQUIRED

- (a) Interpret the entries in the cash at bank account on the following dates:
- (i) March 10 [1]
  - (ii) March 12 [1]
- (b) Update the cash at bank account on 31 March 2022. [5]
- (c) Prepare the bank reconciliation statement as at 31 March 2022. [4]
- (d) Besides bank reconciliation, state **two** internal controls that business use to safeguard cash. [2]

[Total:13]

- 3 The following balances were extracted from Hangman Trading for two financial years ended on 30 June 2021 and 30 June 2022.

	30 June 2021	30 June 2022
	\$	\$
Office equipment	15 000	30 000
Trade receivables	5 000	8 700
Trade payables	6 500	9 500
Inventory	7 500	10 200
Cash at bank	2 000	-
Bank overdraft	-	500
Bank loan	-	20 000

### REQUIRED

- (a) Calculate the following for the **two** years ended 30 June 2021 and 30 June 2022. Show your answers to **two** decimal places.
- (i) working capital [2]
  - (ii) current ratio [2]
  - (iii) quick ratio [2]

The current ratio and quick ratio for the year ended 30 June 2020 are as follows.

Current ratio	3.52
Quick ratio	1.56

### REQUIRED

- (b) Using the information given and your calculations, comment on the liquidity position of Hangman Trading. [5]
- (c) Name **one** stakeholder and explain why the stakeholder would be interested in Hangman Trading's liquidity position. [2]

[Total:13]

- 4 Viper sells sport shoes. He buys goods from Iceman Shoes on credit. Viper is given a trade discount of 5% on all purchases and a cash discount of 2% if payment is made within 15 days.

The following transactions took place during April 2022.

April

- 3 Viper purchased shoes, list price \$3 000.  
14 Viper settled this account by bank transfer.

**REQUIRED**

- (a) Prepare journal entries to record these transactions in the books of Viper's business. Narrations are **not** required. [5]
- (b) State **one** reason why a business might offer trade discounts to its customer. [1]
- (c) State **one** reason why a business might offer cash discounts to its customer. [1]

Viper is considering changing his local supplier, Iceman Shoes to an overseas supplier, Merlin Supplies.

Viper's business purchases approximately 1 000 pairs of shoes per annum from Iceman Shoes, a supplier to Viper's business for the past ten years.

The following information is available.

	Iceman Shoes	Merlin Supplies
List price	\$7	\$8
Credit terms	30 days  2% discount for payment within 15 days	45 days  15% discount for payment within 20 days
Delivery fees	\$20 for every 100 pairs	\$35 for every 100 pairs
Refund policy	Refunds made within 1 week of return	Refunds made within 3 days of return
Replacement policy	Replacement shoes delivered within 5 days	Replacement shoes shipped within 10 days
Additional incentive	None	Samples of new designs of shoes provided monthly

## REQUIRED

- (d) Recommend whether Viper should buy from Iceman Shoes or Merlin Supplies. Justify your decision with **three** reasons. [7]

[Total:14]