



**FAJAR SECONDARY SCHOOL  
2022 PRELIMINARY EXAMINATIONS  
SECONDARY 4 EXPRESS / 5 NORMAL  
(ACADEMIC)**

CANDIDATE  
NAME

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CLASS

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**PRINCIPLES OF ACCOUNTS**  
Paper 2

**7087/02**

Setter: Ms Sabrina  
Additional Materials: Writing Paper

Date: 29 August 2022  
Duration: 2 hours

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**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.  
You may use an HB pencil for any diagrams or graphs.  
Do not use staples, paper clips, glue or correction fluid.

Answer **all** questions.

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

The total marks for this paper is **60**.

**Do not open this document till permission is given.**

This document consists of **5** printed pages and **1** blank page

Answer **all** questions.

- 1 The following balances were extracted from the books of TYH Trading on 31 July 2022.

	\$
Sales revenue	289 400
Sales returns	10 000
Cost of sales	180 500
Fixtures and fittings	60 000
Motor vehicles	90 000
Accumulated depreciation:	
Fixtures and fittings	11 600
Motor vehicles	34 000
Trade receivables	8 400
Allowance for impairment of trade receivables	900
Commission income	5 200
Rent expense	19 200
Salaries expense	28 900
Advertising expense	4 000
Interest expense	800
Trade payables	7 850
Inventory	8 400
Cash at bank	6 200
5% Bank loan	20 000
Capital	51 950
Drawings	4 500

Additional information

- Advertising expense, \$700, has not been paid.
- The rent expense was paid for 16 months up to November 2022.
- Fixtures and fittings have a scrap value of \$2 000 and are estimated to last 10 years.
- Motor vehicles are to be depreciated at 10% per annum using the reducing balance method.
- During the year, one of the trade receivables who owed \$500 was declared bankrupt. The amount has yet to be written off.
- The allowance for impairment of trade receivables is to be maintained at 5% of trade receivables.
- Net realisable value of ending inventory was \$7 000.
- Interest on bank loan is at 5% per annum.

**REQUIRED**

- (a) Prepare the statement of financial performance for the year ended 31 July 2022. [10]
- (b) Prepare the statement of financial position as at 31 July 2022. [10]

**[Total: 20]**

- 2 Yap purchases goods from its supplier on credit. The business uses the First-In-First-Out method to record its inventory. The business provided the following information for the year ended 31 August 2022.

	No. of units	\$
Inventory as at 1 September 2021	100	4 000
<u>Purchases</u>		
12 October 2021	100	5 000
21 January 2022	100	5 600
8 April 2022	200	7 500
10 June 2022	200	6 200
1 August 2022	100	3 000

During the year, the business sold 500 units of goods for \$50 100.

**REQUIRED**

- (a) Calculate the following for the year ended 31 August 2022.
- i. Cost of sales [1]
  - ii. Ending inventory [1]
  - iii. Gross profit [1]
  - iv. Rate of inventory turnover [1]
  - v. Days sales in inventory [1]

The following information was provided for the financial year ended 31 August 2021

Rate of inventory turnover	5.50 times
Days sales in inventory	85.15 days

- (b) Comment on the efficiency of inventory management of the businesses for the two years ended 31 August 2011 and 2022. [4]
- (c) Suggest **two** possible ways in which a business can improve its rate of inventory turnover. [2]
- (d) Explain how the change in rate of inventory turnover over the two years may affect the profitability of the business. [2]
- (e) State **two** types of profitability ratios. [2]

**[Total: 15]**

- 3 The following balances were taken from the books of Davis Trading on 1 July 2021.

	\$
Motor vehicles	120 000
Accumulated depreciation of motor vehicles	21 250

On 3 March 2022, the business sold one of its motor vehicles which cost \$50 000 for \$35 000 by cheque. The motor vehicle was bought on 1 January 2020.

On 1 April 2022, the business bought a new motor vehicle for \$60 000 by cheque.

The business depreciates its motor vehicles 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.

The financial year of the business ends on 30 June.

## REQUIRED

- (a) Prepare the motor vehicles account for the year ended 30 June 2022. [4]
- (b) Calculate the gain or loss on the sale of non-current asset for year ended 30 June 2022. [2]
- (c) Calculate the depreciation expense for the year ended 30 June 2022. [3]
- (d) State **two** causes of depreciation. [2]

Yap Trading earns an average profit of \$800 000 for the past five years. The business decided to buy carpets for \$500.

**REQUIRED**

- (e) Using an appropriate accounting theory, explain if the business should classify the carpets as capital expenditure or revenue expenditure. [3]

**[Total: 14]**

- 4 Puvana is setting up a business as a sole proprietor.

**REQUIRED**

- (a) State **two** advantages of a sole proprietorship. [2]

- (b) State **two** disadvantages of a sole proprietorship. [2]

Puvana needs a delivery van to deliver goods to her customers. She is considering whether to buy or rent a delivery van.

	Buy van	Rent van
Price	<ul style="list-style-type: none"> <li>\$150 000</li> <li>10% down payment, the remaining amount owed to be paid in 10 installments</li> </ul>	<ul style="list-style-type: none"> <li>Monthly rental: \$5 000</li> </ul>
Condition	<ul style="list-style-type: none"> <li>New</li> </ul>	<ul style="list-style-type: none"> <li>Has been rented out previously for the past 6 months.</li> </ul>
Other information	<ul style="list-style-type: none"> <li>Free servicing and maintenance in the first year.</li> <li>Estimated useful life: 10 years</li> <li>Can install compartments and shelves</li> </ul>	<ul style="list-style-type: none"> <li>Rental company arranges servicing and maintenance throughout contract period.</li> <li>Lease period: 1 year</li> <li>No modifications allowed</li> </ul>

**REQUIRED**

- (c) Recommend whether Puvana should buy or rent a delivery van. Justify your reason with **three** reasons. [7]

**[Total: 11]**

**END OF PAPER**

