BP-237

Geylang Methodist School (Secondary)
Preliminary Examination 2024

Candidate Name			
Class		Index Number	

PRINCIPLES OF ACCOUNTS
Paper 1

7087/01
Sec 4 Express/
Sec 5 Normal (Academic)

No Additional Materials required

Setter: Mdm Fion Thia

1 hour
Friday, 16 August 2024

READ THESE INSTRUCTIONS FIRST

Write your index number and name in the spaces at the top of this page.
Write in dark blue or black pen.
Do not use staples, paper clips, glue or correction fluid.
The use of an approved calculator is allowed.

Answer **all** questions on the question paper.

The businesses described in this question paper are entirely fictitious.

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

The total marks for this paper is 40.

/40

1 The following information relates to Tasty Bakes as at 30 June 2022, 2023 and 2024.

	2022	2023	2024
	$	$	$
Equipment	50 400	47 300	51 600
Inventory	17 800	21 300	30 900
Trade receivables	6 470	6 380	5 970
Cash at bank	13 400	9 600	–
Prepaid rent	3 400	3 210	4 630
Current portion of long-term borrowings	–	6 000	6 000
Trade payables	11 000	7 000	13 500
Salaries payable	1 900	2 350	2 180
Bank overdraft	–	–	2 500
Working capital	$28 170	$25 140	?
Current ratio	3.18 : 1	2.64 : 1	?
Quick ratio	1.54 : 1	1.04 : 1	?

REQUIRED

(a) Calculate the working capital, current ratio and quick ratio for the year ended 30 June 2024. Present your workings clearly. Show your answers to two decimal places, where applicable.

(i)	Working capital	
(ii)	Current ratio	
(iii)	Quick ratio	

[3]

(b) Evaluate the trend in liquidity of Tasty Bakes' business over the three years ended 30 June 2022, 2023 and 2024. Use the given information and your answer to (a).

[5]

(c) Suggest two ways to improve liquidity position of a business.

[2]

(d) State one difference between a bank overdraft and current portion of a long-term borrowing.

[2]

[Total: 12]

2 The cash at bank account and bank statement of Sam's business for the month of February 2024 were as follows:

Cash at bank account

Date	Particulars	Cheque number	Debit ($)	Credit ($)	Balance ($)
2024					
Feb 1	Balance b/d				2 900 Dr
5	Rent expense	105		1 700	1 200 Dr
8	Cash in hand		2 600		3 800 Dr
15	Utilities expense	106		1 600	2 200 Dr
18	Ben		1 520		3 720 Dr
22	Awang		3 600		7 320 Dr
Mar 1	Balance b/d				7 320 Dr

Bank statement

Date	Particulars	Payments ($)	Receipts ($)	Balance ($)
2024				
Feb 1	Balance b/d			3 320 Cr
2	Cheque 104	420		2 900 Cr
8	Cash		2 600	5 500 Cr
20	Cheque deposit		1 520	7 020 Cr
21	Cheque 106	1 600		5 420 Cr
23	Rejected cheque	1 520		3 900 Cr
25	Credit transfer: Harry Supplies		580	4 480 Cr
28	Bank charges	240		4 240 Cr

REQUIRED

(a) State two types of internal controls, other than bank reconciliation, a business may use to safeguard cash balances.

[2]

BP-238

(b) Update the cash at bank account as at 29 February 2024. Bring down the updated balance to the next month.

[3]

(c) Prepare the bank reconciliation statement as at 29 February 2024.

[3]

[Total: 8]

3 Hot Pot owns the shop space next to its business premise and rents it out to a café. Hot Pot provided the following information for the year ended 30 April 2024.

	$
Account balance at 1 May 2023	
Rent income received in advance	10 490
During the year ended 30 April 2024	
Rent received by cheque	28 500

Additional information: Hot Pot has yet to receive $1 000 of rent income.

REQUIRED

(a) Calculate the amount of rent income (showing all workings) to be included in the statement of financial performance for the year ended 30 April 2024.

[3]

Hot Pot has also provided the following ledger account.

Insurance expense account				
Date	Particulars	Dr ($)	Cr ($)	Bal ($)
2023				
May 1	Insurance expense payable (b)(i)		2 300	2 300 Cr
Sep 10	Cash at bank	17 600		15 300 Dr
2024				
Apr 30	Prepaid insurance (b)(ii)		1 280	14 020 Dr
Apr 30	Income summary		14 020	-

REQUIRED

(b) Interpret the entries in the insurance expense account on:

(i) 1 May 2023

[1]

(ii) 30 April 2024

____

____

____ [1]

(c) Analyse the effect of **not** making an adjustment for prepaid insurance on 30 April 2024 on:

(i) Profit for the year

____

____ [1]

(ii) Statement of financial position

____

____

____ [2]

(d) State and explain the accounting theory used to explain the need to make adjustment for prepaid insurance.

____

____

____

____ [2]

[Total: 10]

4 Amira Trading is a business selling washing machines. On 1 May 2024, the business had 30 units of inventory valued at $16 000. The business uses the FIFO method to determine cost of sales.

During the month of May 2024, the following purchases took place.

2024	
May 3	40 units at $24 000
16	30 units at $16 500
18	10 units at $6 600

On 20 May 2024, the business sold 70 units of inventory for $50 000 to a customer, Gwen. Gwen paid the amount by bank transfer.

REQUIRED

(a) Calculate the cost of sales for the month of May 2024.

____

____

____ [2]

(b) Prepare the journal entries to record the transaction on 20 May 2024. A narration is not required.

Journal

Date		Debit $	Credit $
2024 May 20			

[4]

On 31 May 2024, the batch of inventory which was bought on 18 May 2024 could only be sold for $5 000 as a competitor had released a better product for a lower price.

REQUIRED

(c) Using a suitable accounting theory, explain how inventory should be valued.

____

____

____

____ [2]

(d) Prepare the journal entry to record the adjustment on 31 May 2024. A narration is not required.

Journal

Date		Debit $	Credit $
2024 May 31			

[2]

[Total: 10]

END OF PAPER

BP-240

BP~241

Geylang Methodist School (Secondary)
Preliminary Examination 2024

Candidate Name			
Class		Index Number	

PRINCIPLES OF ACCOUNTS **7087/02**
Paper 2 Insert

Sec 4 Express/
Sec 5 Normal (Academic)

Friday, 2 August 2024

2 hours

Setter: Mr Lim Aik Kwang

This insert contains the data for Question 1.

This document consists of **2** printed pages.

Data for Question 1

The following balances were extracted from the books of Kiki Pte Limited on 31 March 2024.

	$
Motor vehicle at cost	150 000
Machinery at cost	80 000
Accumulated depreciation	
Motor vehicle	30 000
Machinery	15 600
Sales revenue	250 800
Sales returns	5 600
Cost of sales	90 400
Rent expense	65 000
Wages and salaries expense	68 000
Discount allowed	9 600
Rent income	20 500
Trade receivables	25 600
Trade payables	36 000
Cash at bank (credit balance)	3 200
Allowance for impairment of trade receivables	1 500
Inventory	28 500
Bank loan, repayable in 2028	60 000
Issued share capital, 50 000 ordinary shares	50 000
Retained earnings 1 April 2023	45 000

Additional information

1 Rent expense, $4 000, were prepaid and wages and salaries expense, $1 700, were owing.

2 Rent income, $2 800, had not been received.

3 Motor vehicle is to be depreciated at 10% per annum using the reducing-balance method.

Machinery is to be depreciated at 12% per annum using the straight-line method, assuming a scrap value of $15 000.

4 The allowance for impairment of trade receivables is to be maintained at 8% of trade receivables.

5 Net realizable value of inventory is $27 000.

6 The company declared a dividend of $0.06 per share. The dividend will be paid on 5 April 2024.

Geylang Methodist School (Secondary)
Preliminary Examination 2024

Candidate Name	
Class	
Index Number	

PRINCIPLES OF ACCOUNTS **7087/02**
Paper 2

Sec 4 Express/
Sec 5 Normal (Academic)

Friday, 2 August 2024

2 hours

Setter: Mr Lim Aik Kwang

READ THESE INSTRUCTIONS FIRST

Write your index number and name in the spaces at the top of this page.
Write in dark blue or black pen.
Do not use staples, paper clips, glue or correction fluid/tape.
The use of an approved calculator is allowed.

Answer all questions.

The businesses described in this question paper are entirely fictitious.

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 marks.

1 **Refer to the insert for data for Question 1.**

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 March 2024.

Kiki Pte Limited
Statement of financial performance for the year ended 31 March 2024

[9]

BP~242

(b) Prepare the statement of financial position as at 31 March 2024.

Kiki Pte Limited
Statement of financial position as at 31 March 2024

[11]

[Total: 20]

[Turnover

2 Sam is a sole trader. His business buys and sells goods on credit.
The following information relates to Henry's account in Sam's books for the month of June 2024.

2024		
June	1	Henry owed Sam $2 500.
	4	Henry paid a cheque of $2 450 to settle the amount owed on 1 June 2024.
	11	Sam sold goods to Henry at a list price of $6 000 less 10% trade discount.
	26	Henry returned some goods bought on 11 June at a list price of $300.

REQUIRED

(a) Calculate the percentage of cash discount on 4 June 2024.

[1]

(b) State the effect of cash discount allowed by Sam on the profit for the year ended 30 June 2024.

[1]

(c) State one reason why Sam offered Henry a trade discount on 11 June 2024.

[1]

(d) Prepare Henry's account in Sam's books for the month of June 2024.

Henry's account

[5]

2024 GMSS POA 4E5N Prelim Paper 1 Answers

Q1a)

(i)	Working capital	30900+5970+4630 - (6000+13500+2180+2500) = $17220 [1]
(ii)	Current ratio	(30900+5970+4630) / (6000+13500+2180+2500) = 1.71 : 1 [1]
(iii)	Quick ratio	5970 / (6000+13500+2180+2500) = 0.25 : 1 [1]

Q1b) [Any 5 + Conclusion]

- The working capital has worsened from $28170 in 2022 to $25140 in 2023 to $17220 in 2024.
- The current ratio worsened from 3.18 in 2022 to 2.64 in 2023 to 1.71 in 2024.
- In 2024, the current ratio falls below the general benchmark of 2.
- This means that the business has insufficient current assets to settle its immediate debts in 2024.
- The quick ratio worsened from 1.54 in 2022 to 1.04 in 2023 to 0.25 in 2024.
- In 2024, the quick ratio falls below the general benchmark of 1.
- This means that the business has insufficient quick assets to settle its immediate debts in 2024.
- The decrease in the current ratio and quick ratio was largely due to the decline in cash at bank. Eventually, there was a bank overdraft of $2500 in 2024.
- The decrease in the current ratio and quick ratio may be due to money being tied up in inventory and also money required to pay for high storage costs.

In conclusion, the business has worsened in its liquidity position over the three years.

Q1c) Any 2 ways

- Obtain cash contribution from owner or shareholders.
- Obtain long-term loan.
- Sell excess non-current assets for cash.
- Reduce operating expenses.
- Negotiate for better/ longer credit terms with suppliers.

Q1d) Any 1 pair

- Bank overdraft happens when business withdraws more than its deposits in the bank account, up to an agreed limit while current portion of long-term borrowing is the portion of a loan which is repayable within one year.

- To reduce bank overdraft, business has to deposit cash into bank account within the year while to reduce long-term borrowing, business has to make regular payments over the loan period or one-time payment at end of loan period while

Q2a) Any 2

- Segregation of duties
- Custody over cash
- Authorisation

Q2b)

Cash at bank account

Date	Particulars	Dr ($)	Cr ($)	Bal ($)	
2024					
Feb 29	Balance b/d			7 320 Dr	
	Harry Supplies	580			[1]
	Ben (dishonoured cheque)		1 520		[1]
	Bank charges expense		240	6 140 Dr	[1]
Mar 1	Balance b/d			6 140 Dr	

Q2c)

Sam

Bank reconciliation statement as at 29 February 2024

	$	
Balance as per bank statement	4 240	[1]
Add: Deposit in transit		
Awang	3 600	[1]
Less: Cheque not yet presented		
Rent expense (Cheque number 106)	1700	[1]
Balance as per updated cash at bank account	6 140	

3a)
Rent income for year ended 30 April 2024
= Rent fee received in the previous year but rent services **provided in this year**

+ Rent fee received in this year

+ Rent services **provided in this year** but rent fee will be received in the next year

= 10490 [1] + 28500 [1] +1000 [1]
= $39990
[Note: must be with the correct sign]

3b) (i) To reverse insurance services used in the previous year but insurance fee will be paid in this year. [1]

OR To reverse insurance expense owed in previous year and to be paid this year.

3b) (ii) To adjust insurance fee paid in advance in this year but insurance services will be used in next year. [1]

OR To adjust insurance expense paid in advance this year and to be used next year.

3c) (i) Profit will be understated by $1280 [1]
[Why? Since insurance expense will be overstated by $1280.]

3c) (ii) Asset will be understated by $1280. [1]
[Why? Since prepaid insurance is not recorded.]

Equity will be understated by $1280. [1]
[Why? Since profit will be understated by $1280.]

3d) According to the accrual basis of accounting theory [1], expenses must be recognized in the period the services have been **used**, regardless if they are **paid or not**. [1]

[Why? Since $1280 of insurance services has not been used, it should be excluded from the calculation of the insurance expense for the year ended 30 April 2024.]

4a) Cost of sales (70 units sold)
= $15000 (30 units) [1] + $24000 (40 units) [1]
= $39000

4b)

Journal

Date		Debit $	Credit $
2024 May 20	Dr Cash at bank [1]	50000	
	Cr Sales revenue [1]		50000
	Dr Cost of sales [1]	39000	
	Cr Inventory [1]		39000

4c) According to prudence theory, inventory must be valued at the lower of cost and net realizable value, to ensure that inventory is not overstated.

[Why? When the net realizable value falls below the cost, business must reduce the value of inventory and record the potential loss as an expense.]

Dr $ Cr $

(d) Impairment loss on inventory 500
Inventory. 500

BP-246

2024 GMSS POA 4E5N PRELIM PAPER 2 Answer

Q1(a)

Kiki Pte Limited

Statement of financial performance for the year ended 31 March 2024

	$	$
Sales revenue	250 800	
Less: Sales returns	5 600	
Net Sales revenue		245 200 [1]
Less: Cost of sales		90 400
Gross profit		154 800 [1]
Add: Other income		
Rent income (20 500 + 2 800) Not yet receive -> add		23 300 [1]
Less: Expenses		
Rent expense (65 000 – 4 000) Prepaid -> minus	61 000 [1]	
Wages and salaries expense (58 000 + 1 700)	59 700 [1]	
Discount allowed Owing -> add	9 600	
Impairment loss on inventory (28 500 - 27 000) Cost - NRV	1 500 [1]	
Impairment loss on trade receivable (8% X 25 600) – 1 500 This year Allowance – Previous year Allowance	548 [1]	
Depreciation of Machinery (80 000 – 15 000) X 12% SLM: % x (Cost – Scrap value)	7 800 [1]	
Depreciation of Motor vehicle (150 000 – 30 000) X 10% RBM: % x (Cost – Acc Dep)	12 000 [1]	152 048
Profit for the year		26 052

Q1(b)

Kiki Pte Limited

Statement of financial position as at 31 March 2024

Assets Non-current assets	Cost $	Accumulated Depreciation $	Net Book value $
Machinery	80 000	(23 400) [1]	56 600
Motor Vehicles	150 000	(42 000) [1]	108 000
			164 600
Current assets			
Trade receivables	25 600		
Less: Allowance for impairment of Trade receivables (25 600 X 8%) This year Allowance	(2 048)	23 552 [1]	
Inventory		27 000 [1]	
Prepaid rent expenses		4 000 [1]	
Rent income receivables		2 800 [1]	57 352
Total assets			221 952
Equity and liabilities			
Share holders' Equity			
Issued share capital, 50 000 ordinary shares [1]		50 000	
Retained earnings (45 000 + 26 052 – 0.06 X 50 000)		68 052 [1]	118 052
Must show workings!			
Non-current liabilities			
Long-term borrowings			60 000
Current liabilities			
Trade payables		36 000	
Bank overdraft		3 200 [1]	
Dividend payable		3 000 [1]	
Wages and salaries expense payable		1 700 [1]	43 900
Total equity and liabilities			221 952

Q2(a)

Percentage of cash discount = 50 / 2500 X 100
= 2% [1]

Q2 (b)

Cash discount will decrease the profit for the year [1]

Q2(c)

To encourage bulk purchase [1]

Q2(d)

Henry's account (Trade receivable)				
2024		Dr ($)	Cr ($)	Bal ($)
Jun 1	Balance b/d			2 500 Dr
4	Cash at bank [1]		2 450	50 Dr
4	Discount allowed [1]		50	0
11	Sales revenue [1]	5 400		5 400 Dr
26	Sales returns [1]		270	5 130 Dr
Jul 1	Balance b/d [1]			5 130 Dr

Q2(e)

Rate of trade receivables turnover for year ended 31 July 2023	Rate of trade receivables turnover for year ended 31 July 2024
200 000/ 0.5(80 000 + 50 000) =200 000 / 65 000 = 3.08 times [1]	310 000/ 0.5(50 000 + 90 000) = 310 000 / 70 000 = 4.43 times [1]

Q2(f)

The rate of trade receivables turnover has improved from 3.08 times in 2023 to 4.43 times in 2024 [1].

This shows that the business has become more efficient in collecting payment from its credit customer over the past 2 years. [1]

Q3(a)

Ending capital = 70 000 + 25 000 + 10 000 – 500 – 1 400
= $103 100 [1]

Q3(b)

Date 2024		Debit $	Credit $
Jan 12	Equipment [1]	10 000	
	Capital [1]		10 000

Q3(c)

Date 2024		Debit $	Credit $
Apr 30	Income summary [1]	25 000	
	Capital [1]		25 000

Q3(d)

Based on accounting entity theory, [1] only transactions that affect the business are recorded while transactions relating to the owner but do not affect the business are not recorded. [1]

Q3(e)

	Type of stake holder	The use of accounting information
1	Employees [1]	Whether to continue working at the business. [1]
2	Government [1]	Whether the business complies with the tax regulations and decides the amount of tax to collect from the business. [1]