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TAMPINES SECONDARY SCHOOL

Secondary Four Express **and** Five (Normal Academic)

PRELIMINARY EXAMINATION 2023

NAME

CLASS **REGISTER NUMBER**

PRINCIPLES OF ACCOUNTS 7087/02

Paper 2 30 August 2023

2 hour

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.

The use of an approved calculator is allowed.

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.

For Examiner's use

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Answer **all** questions.

1 Samy Pte Ltd runs a cleaning services business. The following account balances were extracted from the books at the end of financial year on 31 March 2023.

	$
Service fee revenue	64 200
Wages and salaries	17 900
Rent expense	12 400
Utilities	5 000
Motor vehicles expenses	1 380
General expenses	4 350
Commission income	800
Cash at bank	4 100
Equipment	17 400
Motor vehicles	67 000
Accumulated depreciation:	
Equipment	1 800
Motor vehicles	12 000
Allowance for impairment of trade receivables	430
Trade receivables	9 500
Trade payables	7 200
8% bank loan (loan was taken on 1 April 2022)	25 000
Share capital, 20000 ordinary shares	20 000
Retained earnings	7 600

Additional information

1 Motor vehicles are depreciated at 20% per annum on net book value.

2 Equipment are depreciated at 15% at cost.

3 At 31 March 2023:
- i Wages and salaries, $2700, remains unpaid.
- ii Commission income, $150, was earned but has yet to be received.
- iii Interest on loan is charged at 8% per annum, payable on 1 April 2023.

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

5 A payment of $200 by cheque for general expenses was wrongly debited to the cash at bank account and credited to the general expenses account.

6 The company declared a dividend of $0.20 per share. The dividend will be paid on 31 July 2023.

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REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 March 2023. [10]

(b) Prepare the statement of financial position as at 31 March 2023. [10]

[Total: 20]

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2 The business of Dannie provided the cash at bank account for the month of July 2023 as follows:

Cash at bank

Date	Particulars	Cheque #	Debit	Credit	Balance
2023			$	$	$
Jul 1	Balance b/d				570 Dr
4	Sales revenue		1 350		1 920 Dr
7	Sally	30013		230	1 690 Dr
12	Miller		2 470		4 160 Dr
28	Ethan		480		4 640 Dr
29	Farhan	30014		2 670	1 970 Dr
30	Cash in hand			200	1 770 Dr
Aug 1	Balance b/d				1 770 Dr

The following bank statement was received by Dannie on 2 August 2023.

Bank Statement

Date	Particulars	Withdrawal	Deposit	Balance
2023		$	$	$
Jul 1	Balance b/d			1 520 Cr
5	Cheque deposit		1 350	2 870 Cr
6	Cheque no 30012	950		1 920 Cr
10	Cheque no 30013	320		1 600 Cr
12	Cheque deposit – Miller		2 470	4 070 Cr
13	Standing order – rent	1 700		2 370 Cr
14	Dishonoured cheque	2 470		100 Dr
18	Direct deposit – Tess Trading		180	80 Cr
27	Cash withdrawal	200		120 Dr
31	Interest	35		155 Dr
Aug 1	Balance b/d			155 Dr

Additional information:
The accountant found that the bank has entered the wrong amount for the cheque number 30013 in the bank statement.

(a) State **two** purposes of internal controls. [2]

(b) Name **two** types of internal controls over cash other than bank reconciliation. [2]

(c) Prepare the adjusted cash at bank account for the month of July 2023. [5]

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(d) Prepare the bank reconciliation statement as at 31 July 2023. [5]

[Total: 14]

3 Chen Sporting House operates a business trading in sports equipment. The following information has been provided.

	30 June 2021	30 June 2022
	$	$
Credit sales	125 800	134 800
Cash sales	3 800	--
Net trade receivables	9 200	7 450

It was also provided that the net trade receivables on 30 June 2020 was $10 300.

REQUIRED

(a) Explain **two** aims of a business in managing its trade receivables efficiently. [2]

(b) Calculate to two decimal places, Chen Sporting House's rate of trade receivables turnover for the years ended 30 June 2021 and 30 June 2022. [4]

A competitor, Sim Sports, has the following rate of trade receivables turnover on 30 June 2021 and 30 June 2022.

	30 June 2021	30 June 2022
Rate of trade receivables turnover	14.23	11.31

REQUIRED

(c) Comment on the rate of trade receivables turnover of both businesses for both years. [6]

(d) Suggest **two** ways Sim Sports could improve its rate of trade receivables turnover. [2]

[Total: 14]

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4 Charis started Grace Pets Café on 1 May 2022, a business to meet the needs of pet owners. The business uses the double entry recording system to record all its business transactions.

The business has the following transactions in the month of May 2022.

2022
May 5 Bought sofa costing $500 on credit from Best Furnishing.
May 12 Paid $480 to Best Furnishing by cheque as full settlement of account.

REQUIRED

(a) State the purpose for the use of a journal. [1]

(b) Explain the difference between a trade discount and a cash discount. [2]

(c) State the double entry for the transaction on 12 May 2022. [2]

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Charis wants to purchase a new set of furniture to enhance the comfort of her customers. She identified two suppliers who could supply the set of furniture that meets all her requirements.

	Chic Furniture (overseas)	Design Asia (local)
Price of furniture	$7800.	$8300.
Delivery	Delivery takes three weeks from date of placing order.	Delivery takes one week from date of placing order.
Credit terms	30 days, 3% cash discount if settled within 7 days.	15 days, 3% cash discount if settled within 7 days.
Warranty/ After-sales service	Three years warranty on manufacturing defects. Repair services provided free of charge during warranty period. Supplier could attend to repair requests within seven working days.	Two years warranty on manufacturing defects. Repair services provided free of charge during warranty period. Supplier could attend to repair requests within two working days.
Reviews	Customers have given very good reviews on the quality of workmanship of the furniture sets it supplied. All furniture sets are only available for viewing online.	Customers could physically view display units of the furniture sets prior to purchase at its shop. Customers have commented that the furniture received is of a very good quality of workmanship.

REQUIRED

(d) Which supplier should Charis buy from? Justify your answer with **three** reasons.

[7]

[Total: 12]

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Marking Scheme (4EX POA Prelim 2023 Paper 2)

Qn	Marking Points

1(a)

Samy Pte Ltd
Statement of financial performance for the year ended 31 March 2023

	$	$		
Service fee revenue		64,200		**[1]**
Other income:				
Commission income (800+150)		950		**[1]**
Less: Other expenses				
Wages and salaries (17900+2700)	20,600			**[1]**
Rent expense	12,400		)	
Utilties	5,000		)	**[1]**
Motor vehicles expenses	1,380		)	
General expenses (4350+2x200)	4,750			**[1]**
Interest expense (8%x25000)	2,000			**[1]**
Reversal of impairment loss on trade receivables (430-9500x4%)	(50)			**[1]**
Depreciation of equipment (15% x 17400)	2,610			**[1]**
Depreciation of motor vehicles (20%x(67000-12000))	11,000	59,690		**[1]**
Profit for the year		5,460	**OF**	**[1]**

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1(b)

Samy Pte Ltd
Statement of financial position as at 31 March 2023

	$ Cost	$ Accumulated Depreciation	$ Net Book Value	
Assets				
Non-current assets				
Equipment	17,400	4,410	12,990	
Motor vehicles	67,000	23,000	44,000	
			56,990	**OF[1]**
Current assets				
Cash at bank (4100-2x200)		3,700		**[1]**
Trade receivables	9,500			
Less allowance for impairment of trade receivables	380	9,120		**[1]**
Commission income receivable		**[1]** 150	12,970	
Total assets			69,960	
Equity and liabilities				
Shareholders' equity				
Share Capital, 20000 ordinary shares		20,000		
Retained earnings (7600+5460 **[1]** -4000 **[1]**)		9,060	29,060	
Non-current liabilities				
Long term borrowings			25,000	**[1]**
Current liabilities				
Trade payables		7,200		
Wages and salaries payable		2,700		**[1]**
Interest payable		2,000		**[1]**
Dividends payable (0.2x20000)		**[1]** 4,000	15,900	
Total equity and liabilities			69,960	

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2(a) Any **two** answers **[2]**
- Safeguard assets of the business;
- Ensure business transactions are recorded accurately; and
- Comply with laws and regulations.

(b) Any **two** answers **[2]**
1. Segregation of duties
2. Custody of cash
3. Authorisation

(c)

Cash at bank

Date	Particulars	Debit	Credit	Balance
2023		$	$	$
Jul 31	Bal b/d **[1]**			1 770 Dr
31	Rent **[1]**		1 700	
31	*Trade receivable* – Miller **[1]**		2 470	
31	*Trade receivable* - Tess Trading **[1]**	180		
31	Interest expense **[1]**		35	2 255 Cr
Aug 1	Bal b/d			2 255 Cr

(d)

Bank reconciliation statement as at 31 July 2023

	$
Balance as per bank statement **[1]**	(155)
Add:	
Deposits in transit: Ethan **[1]**	480
error by bank (cheque # 30013) (320 – 230) **[1]**	90
	415
Less: unpresented cheques	
Farhan **[1]**	2 670
Adjusted balance as per cash at bank account **[1]**	(2 255)

3(a) Two aims:
granting appropriate credit terms to promote sales **[1]** AND
collecting cash from its credit customers on a timely basis.**[1]**

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(b)

	30 June 2021	30 June 2022
Rate of trade receivables turnover	125800/[(10300+9200)x0.5] **[1]** = 12.90 **[1]**	134800/[(9200+7450)x0.5] **[1]** =16.19 **[1]**

(c)

[Max 6 marks](Accept other valid responses)

Within each business:

Chen Sporting House rate of trade receivables turnover improved from 12.90 in 2021 to 16.19 in 2022. **[1]**

This was due to higher credit sales in 2022 and its ability to maintain a lower average trade receivables. **[1]**

It has became more efficient in managing its trade receivables. **[1]**

Sim Sports rate of trade receivables turnover worsened from 14.23 in 2021 to 11.31 in 2022. **[1]**

It has became less efficient in managing its trade receivables. **[1]**

Across business:

Chen Sporting House is less efficient in managing its trade receivables in 2021 than Sim Sports. **[1]**

However, Chen Sporting House became more efficient in 2022 than Sim Sports. **[1]**

(d)

Any **two specific** ways (a &/or b answers):

1. Improve credit granting processes.

a. monitor collection patterns closely;

b. ensure credit is granted to customers who are financially able.

2. Provide monetary incentives.

a. offer cash discounts to encourage credit customers to pay early.

3. Increase debt collection efforts.

a. send regular reminders to credit customers who delay payment or refuse to pay; .

b. engage professional debt recovery agencies to collect payment from financially distressed credit customers.

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4(a) A journal is used to record daily business transactions. **[1]**

(b) A trade discount is given to encourage bulk purchases/or to reward loyal customers **[1]**
While a cash discount is given to encourage prompt payment. **[1]**

(c)

Debit	Trade payable – Best Furnishing		$500		**[1]**
Credit	Cash at bank			$480)	
Credit	Discount received			$20)	**[1]**

4(d)

Decision	Chic Furniture **[1]** (overseas)	Design Asia **[1]** (local)
Cost	Chic Furniture offers a cheaper price of purchase $500. **[1]** The cost savings could be used for other business operations. **[1]**	Although Design Asia is costlier by $500, the furniture arrives two weeks earlier. **[1]** This enables Charis to begin business earlier and increase its revenue. **[1]**
Credit Terms	Chic Furniture provided a longer credit terms of an additional 15 days. **[1]** This could alleviate the business needs for cash for different operational needs during the additional 15 days which is important for small businesses like pet cafes. **[1]**	
Warranty/ After-sales service	Chic Furniture provides an additional 1 year of warranty. **[1]** This would save repair expenses for the business on the 3rd year. **[1]**	Design Asia provides quicker respond time to repairs (two days instead of a week). **[1]** This would cause minimal disruptions to the café business and therefore minimise business loss of revenue. **[1]**
Review		Charis could physically inspect the quality of the furniture before deciding to buy, while Chic Furniture only allowed online viewing of the furniture. **[1]** This will ensure that the furniture bought truly meets the needs of the business. **[1]**

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