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DEYI SECONDARY SCHOOL

Preliminary Examination 2024
Secondary 4 Express / 5 Normal (Academic)

Name:	
Class:	**Index No.:**

PRINCIPLES OF ACCOUNTS 7087/02

Paper 2

5 August 2024
1150 – 1350h
2 hours

Candidates answer on the Question Paper

Additional Material: Insert

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number 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.

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.

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Answer **all** questions

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.

Clifford Legal Pte Limited
Statement of Financial Performance for the year ended 31 March 2024

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

Clifford Legal Pte Limited
Statement of Financial Position as at 31 March 2024

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2 Luv Car Polish has a financial year end on 30 September. The following ledger account has been provided as at 30 September 2023.

Service Fee revenue account

Date	Particulars	Dr $	Cr $	Balance $
2022 Oct 1	Service fee revenue received in advance		3 000	3 000 Cr
Nov 30	Trade receivables		21 000	24 000 Cr
2023 Jan 28	Cash at bank		60 000	84 000 Cr
Sep 30	Service fee revenue received in advance	1 000		83 000 Cr
Sep 30	Income summary	83 000		-

REQUIRED

(a) Interpret the entries in the above service fee revenue account on:

(i) 30 November 2022

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(ii) **Both** entries on 30 September 2023

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(b) Name and explain the accounting theory which must be applied when accounting for the provision of services or sale of goods.

Name: ……

Explanation: ……

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[2]

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After preparing the trial balance for the year ended 30 September 2023, the business discovered that adjustments in the ledger accounts have **not** been done for the following errors.

1 Discount received of $50 had been debited to the discount received account and credited to Raja's account

2 Loan interest expense of $5 000 had been incorrectly recorded as loan repayment.

3 Additional capital of $3 000 in cash was omitted in the books.

The profit for the year had been calculated as $8 700 **before** the correction of the errors.

REQUIRED

(c) Prepare the journal entries to correct errors **1, 2 and 3.** Narrations are **not** required.

Journal

Date		Debit $	Credit $

[6]

(d) Analyse the effect of **each** error on profit for the year. State whether profit for the period is overstated or understated, and the amount involved. If there is no effect, state "no effect".

Error 1 ……..

Error 2 ……..

Error 3 ……..

[3]

(e) Calculate the adjusted profit figure **after** correcting all errors.

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3 Jade is a customer of Adam. On 1 July 2024, Jade owed Adam $500. They exchanged the following documents in July 2024.

2024

July 4 Cheque to settle account less 2% cash discount.

12 Invoice for goods, $800, less 25 % trade discount.

13 Debit note relating to some goods supplied on 12 July, list price $120.

REQUIRED

(a) Prepare Jade's account in the books of Adam for the month of July 2024.

Jade account

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(b) Explain **one** reason why Adam's trade payables want to know the level of his business' trade receivables.

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The business has financial year that ends on 31 December. It provided the following information:

	31 December 2022 $	31 December 2023 $
Inventory	12 000	5 000
Cost of sales	110 000	145 000

REQUIRED

(c) Calculate the rate of inventory turnover for the year ended 31 December 2023. Show your answer in **two** decimal places.

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Adam also provided information about the business' rate of inventory turnover for the two years ended 31 December 2021 and 2022.

	31 December 2021	31 December 2022	31 December 2023
Rate of inventory turnover	22.67 times	12.22 times	refer to Part (c)

REQUIRED

(d) Comment on the trend of rate of inventory turnover over the **three** years ended 31 December 2021, 2022 and 2023.

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Adam is considering the following suggestions from his accountant.

Suggestion 1: Offer trade discount to all customers.

Suggestion 2: Sell goods on credit only.

REQUIRED

(e) Advise Adam whether **each** of these suggestions would improve the efficiency in managing the inventory of the business. Justify your answer.

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4 Shona Trading buys and sells vacuum cleaners. The financial year ends on 30 April.

On 30 April 2024, the business had inventory balance of $15 500. This included vacuum cleaners costing $4 800 that needed repairs. After repairs costing $800, these vacuum cleaners could be sold for $3 000.

REQUIRED

(a) Calculate the value of inventory which should be included in the statement of financial position as at 30 April 2024.

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On 15 May 2024, a fire happened in the warehouse and destroyed vacuum cleaners that had cost $1 900. Upon checking with the insurance company, Shona was informed that the business will receive payment in full for the loss in value from the insurance company on 1 May 2025.

REQUIRED

(b) State the double entry required to record the insurance claim.

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Shona wants to introduce a new type of vacuum cleaner to stay competitive. She is considering selling Power X6 or Slim Xtra.

Shona discovered the following in its research:

1 The store is situated in a neighbourhood of residents with high income.

2 Majority of the families have young children.

The information about the two types of vacuum cleaners is shown below:

	Power X6	**Slim Xtra**
Nature of product	Corded Weight: 5 kg Powerful suction Has an adaptor to reach space under furniture and corners for greater versatility.	Cordless Weight: 3.1kg Moderate suction power. Dust brush is only moderately effective. Its floor head is too bulky to reach narrow spaces
Types of storage	Requires more spacious storage space	Can be wall-mounted or be on a slim charging stand.
Cost price	$1 800	$1 200
Estimated selling price	$3 500	$ 2 400

REQUIRED

(c) Advise Shona on which type of vacuum cleaner to buy for the store. Justify your decision with **three** reasons.

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