| Class | Index Number | Name |
|---|---|---|
| | | |

新加坡海星中学

**MARIS STELLA HIGH SCHOOL**
**PRELIMINARY EXAMINATIONS**
**SECONDARY FOUR**

# PRINCIPLES OF ACCOUNTS

**7087/02**

Paper 2

**22 August 2024**

Candidates answer on the Question Paper.

**2 hours**

Additional Materials: Insert

**READ THESE INSTRUCTIONS FIRST**

Write your class, 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.

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 number of marks for this paper is 60.

| | For Examiner's Use |
|---|---|
| | 60 |

This document consists of **16** printed pages and **1** insert.

**[Turn over**

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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 May 2024.

Happiness Pte Limited
Statement of Financial Performance for the year ended 31 May 2024

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[10]

**[Turn over**

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

Happiness Pte Ltd
Statement of Financial Position as at 31 May 2024

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**2** Gabriel operates a trading business in lights and bulbs. He has provided the following information from the bank statement and cash at bank account for the month of April 2024.

Bank statement

| Date | Particulars | Payments | Receipts | Balance |
|---|---|---|---|---|
| 2024 | | $ | $ | $ |
| Apr 1 | Balance b/d | | | 4 000 Cr |
| 1 | Cheque 1122 | 600 | | 3 400 Cr |
| 4 | Cheque deposit | | 1 600 | 5 000 Cr |
| 5 | Credit transfer (Timothy) | | 1 500 | 6 500 Cr |
| 6 | Cheque 1123 | 500 | | 6 000 Cr |
| 7 | Bank interest | 100 | | 5 900 Cr |
| 9 | Direct payment (Rent) | 3 000 | | 2 900 Cr |
| 12 | Cheque deposit | | 2 000 | 4 900 Cr |
| 16 | Cheque 1124 | 1 300 | | 3 600 Cr |
| 17 | Rejected cheque (deposited on 12 April) | 2 000 | | 1 600 Cr |
| 27 | Cheque 1125 | 1 000 | | 600 Cr |
| 30 | Bank charges | 300 | | 300 Cr |

Cash at bank

| Date | Particulars | Cheque no. | Debit | Credit | Balance |
|---|---|---|---|---|---|
| 2024 | | | $ | $ | $ |
| Apr 1 | Balance b/d | | | | 3 400 Dr |
| 3 | Sales revenue | | 1 600 | | 5 000 Dr |
| 5 | Advertising expense | 1123 | | 500 | 4 500 Dr |
| 10 | Matthew Light | | 2 000 | | 6 500 Dr |
| 11 | Inventory | 1124 | | 3 100 | 3 400 Dr |
| 24 | Ayden Trading | 1125 | | 1 000 | 2 400 Dr |
| 26 | Max Lights | | 580 | | 2 980 Dr |
| 28 | Jair Enterprise | 1126 | | 1 700 | 1 280 Dr |

Additional information

(i) The business wrongly recorded Cheque no. 1124 in its books.
(ii) It was later discovered that the bank interest charged on 7 April was an error by the bank.

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**REQUIRED**

**(a)** Update the cash at bank account at 30 April 2024. Start with the $1 280 debit balance.

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**(b)** Prepare the bank reconciliation statement as at 30 April 2024.

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**(c)** The unadjusted profit for the month of April 2024 was $8 000. Calculate the adjusted profit for the month of April 2024, after taking into account the bank reconciliation adjustments.

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**(d)** State **two** ways of internal control, other than bank reconciliation, a business may use to safeguard office cash.

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[Total: 12]

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**3** Kaellen Trading uses the First-In-First-Out method for its inventory. On 1 January 2024, Kaellen Trading has a beginning inventory of 200 units costing $2 400. The following purchase and sales transactions occurred in the month of January 2024.

| Date | Transaction |
|---|---|
| Jan 5 | Bought 400 units from Declan, an overseas supplier, on credit at a cost of $3 600. |
| 10 | Received from Fast Delivery an invoice amounting to $500 for shipping fees, goods-in-transit insurance and import taxes for the 5 January purchases from Declan. |
| 15 | Bought 200 units from Kang You Trading on credit for $2 200. |
| 20 | Sold 600 units to Kenneth Network for $10 000. |
| 25 | Bought 200 units from Torres Trading on credit for $2 600. |
| 30 | Sold 200 units to Ian Supplies on credit for $4 000. |

**REQUIRED**

**(a)** Calculate the total cost of sales for January 2024.

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**(b)** Prepare journal entries to record the transactions on 10 January 2024 and 20 January 2024. Narrations are **not** required.

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**(c)** Prepare an extract of the statement of financial performance for the month ended 31 January 2024.

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**(d)** Prepare an extract of the statement of financial position as at 31 January 2024.

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The following information are extracted from the books of Kaellen Trading on 31 December for the years ended 2022 and 2023.

| | 31 December 2022 | 31 December 2023 |
|---|---|---|
| Rate of inventory turnover | 8.9 times | 6.4 times |

**REQUIRED**

**(e)** Comment on the trend in rate of inventory turnover over the two years ended 31 December 2022 and 2023. Suggest **one** possible reason for the change.

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**(f)** Suggest **one** way to improve Kaellen Trading's efficiency in managing inventory.

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[Total: 12]



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**4** James buys and sells leather shoes. The business provides the trade receivable ledger account for its credit customer, Jonas Trading, for the month of August 2024 shown below.

Trade receivable – Jonas Trading

| | Particulars | Debit $ | Credit $ | Balance $ |
|---|---|---|---|---|
| 2024 | | | | |
| Aug 1 | Bal b/d | | | 2 600 Dr |
| 8 | Sales revenue | 2 000 | | 4 600 Dr |
| 10 | Sales returns | | 100 | 4 500 Dr |
| 22 | Cash at bank | | 2 470 | 2 030 Dr |
| 22 | Discount allowed | | 130 | 1 900 Dr |
| 25 | Cash at bank | 2 470 | | 4 370 Dr |
| 25 | Discount allowed | 130 | | 4 500 Dr |
| 31 | Allowance for impairment of trade receivables | | 4 500 | - |

**REQUIRED**

**(a)** Explain **one** difference between trade discount and cash discount.

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**(b)** Calculate the percentage of cash discount allowed on 22 August 2024.

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**(c)** Interpret the transactions on the following dates:

**(i)** August 10

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**(ii)** August 25

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**(iii)** August 31

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**(d)** State the effects of not recording the 25 August "Discount allowed" entry on trade receivables and profit for the month ended 31 August 2024.

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James Trading buys and sells all categories of clothing.

Two of James Trading's biggest customers, Jerrick Firm and Joel Trading, have approached James Trading to negotiate for longer repayment period. James Trading intends to extend longer repayment period to only one business. Its current credit term is 35 days.

| | Jerrick Firm | Joel Trading |
|---|---|---|
| Nature of business | Sells branded high quality casual and sports wear. | Sells athleisure or athletic-casual wear. |
| Background of business | • Has 3 physical outlets in major shopping districts in Singapore.<br>• Sells mainly to local customers. | • Has an online shop.<br>• Sells to local and overseas customers. |
| Average trade receivable balances | $32 000 | $25 000 |
| Repayment history over the past year | Collection days: 37<br>Repaid late 2 times | Collection days: 35<br>Repaid late 5 times |
| Reputation | • Has been in the business for 10 years.<br>• Popular with affluent working professionals with high purchasing power. | • Has been in the business for 3 years.<br>• Popular with young and trendy adults, due to its effective marketing strategies on social media. |
| Industry outlook | After Covid-19, many businesses allow their employees to work from home. There is a gradual increasing demand for high quality comfortable casual wear. | Athleisure has gained significant popularity in recent years, blending the comfort and functionality of athletic clothing with the style and versatility of casual wear. It is a popular choice for individuals who value both active lifestyles and fashion-forward looks. |

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**REQUIRED**

**(e)** Would you recommend James Trading to allow a credit term extension to Jerrick Firm or Joel Trading? Justify your decision with **three** reasons.

[7]

[Total: 16]

**End of Paper**

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**Additional page**

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