2024 4E Prelim Exam Paper 2 Marking Scheme

1(a)

Wong		
Statement of financial performance for the year ended 31 December 2023		
	$	**$**
Advertising fee revenue		948 000 [1]
Add: Other income		
Comission income		17 000 [1]
Less: Other expenses		
Rent expense (90 000 – 22 000)	68 000	[1]
Salaries	85 700	
General expenses	20 550	
Interest expense (5% x 160 000)	8 000	[1]
Depreciation on fixtures and fittings (20% x 350 000)	70 000	[1]
Depreciation on equipment (10% x 70 000)	7 000	[1]
Reversal on impairment loss on trade receivables (8% x 42 000 – 7 300)	(3 940)	[1]
Profit for the year		709 690 [1] of

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(b)

Wong			
Statement of financial position as at 31 December 2023			
	Cost $	**Accumulated depreciation $**	**Net book value $**
Non-current assets			
Fixtures and fittings	350 000	70 000	280 000 [1]
Equipment	70 000	7 000	63 000 [1]
			343 000
Current assets			
Trade receivables (45 000 – 3 000)	42 000 [1]		
Less: Allowance for impairment of trade receivables (8% x 42 000)	3 360		
		38 640 [1]	
Cash at bank		567 050	
Prepaid rent expense		22 000 [1]	
Commission income receivable		17 000 [1]	
			644 690
Total assets			987 690
Equity and liabilities			
Owner's equity			
Capital (120 000 + 709 690 [1] of – 3 000 [1])			826 690
Non-current liabilities			
Long-term borrowings (3/4 x 160 000)			120 000 [1]
Current liabilities			
Current portion of long-term borrowings (1/4)		40 000 [1]	
Interest expense payable		1 000 [1]	
			41 000
Total equity and liabilities			987 690 [1] of

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2 (a) Trade receivable - Daily Supermarket

Date	Particulars	Debit $	Credit $	Balance $
2023				
Aug 2	Sales revenue (4 000 x 90%)	3 600 [1]		3 600 Dr
5	Sales returns (600 x 90%)		540 [1]	
15	Cash at bank (95% x 3 060)		2 907 [1]	
15	Discount allowed (5% x 3 060)		153 [1]	-

(b) Trade discount is a deduction off the list price [1] while cash discount is a deduction off the invoiced price. [1]

Trade discount is given to encourage bulk purchase [1] while cash discount is to encourage earlier payment. [1]

(c) (i)

	Fashion Dream
Rate of trade receivables turnover	14.67 times [1]
Trade receivables collection period	24.89 days [1]

(ii)

Style Right's rate of trade receivables turnover of 4.57 times, which is worse than Fashion Dream's 14,67 times. [1]

Style Right's trade receivables collection period of 79.84 days, which is worse than Fashion Dream's 24.89 days. [1]

This means that Style Right is collecting payment from its credit customers on a less timely basis than Fashion Dream. [1] OR taking longer time to collect back the payment from trade receivables. [1]

Style Right is less efficient in managing its trade receivables than Fashion Dream. [1]

3 (a) Retained earnings account

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Date	Particulars	Debit $	Credit $	Balance $
2023				
Jan 1	Balance b/d			37 700 Cr [1]
Dec 31	Dividends (60 000 x 0.05)	3 000 [1]		
	Income summary		88 190 [1]	122 890 Cr
2024				
Jan 1	Balance b/d			122 890 Cr

(b) **Journal**

Date	**Particulars**	**Debit $**	**Credit $**
2024			
Jan 1	Cash at bank (40 000 x 3)	120 000 [1]	
	Share capital		120 000 [1]

(c) (i) Retained earnings refer to the accumulated profits NOT distributed to the shareholders. [1]

(ii) Dividends refer to the portion of retained earnings distributed to the shareholders. [1]

(d) (i) Monetary theory states that only business transactions that can be measured in monetary terms are recorded. [1]

(ii) Going concern theory states that a business is assumed to have an indefinite economic life unless there is credible evidence that it may close down. [1]

4 **(a)** FIFO stands for first in first out. [1] It means that goods bought first are sold first [1] and the ending inventory are the goods that will be sold last. [1]

(b) Inventory account

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(c) Gross profit = $60 000 - $30 000 = $30 000 [1]

(d) (i) **Journal**

Date	Particulars		Debit $	Credit $	Balance $
2024					
Apr 1	Balance b/d				30 000 Dr
	Loss on inventory		44 000 [1]		
	Inventory			44 000 [1]	[1]
4	Trade payable – Ken Group		40 000 [1]		
10	Cost of sales			30 000 [1]	
15	Cash at bank		15 000 [1]		55 000 Dr
May 1	Balance b/d				55 000 Dr

(ii) Profit will be overstated by $44 000 [1]
Current asset will be overstated by $44 000 [1]

SBQ – Inventory

Decision: Smartech [1]

Cost for each smart glass at $300 is $280 lower [1] and hence more profitable to sell. [1]

A new product in the market and not sold in many stores locally [1] and hence cater to customers who wants to buy. [1] / Less competition [1]

Popular overseas [1] and hence customers' demand is high. [1]

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Reviews of the smart glasses are good and many likes [1] and hence attracts customers.

OR

Decision : Tedglass [1]

Can take photos and videos with a button [1] and hence user-friendly, appealing to customers with their needs. [1]

Has excellent resolution [1] and hence attracts customers who wants to take good pictures. [1]

Popular among people who wants hassle-free devices [1] and hence meet customers' demand. [1]

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