Name:	Class: Sec _____	Index No.: _____

4E5N

MERIDIAN SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024

PRINCIPLES OF ACCOUNTS

Paper 2
23 August 2024

7087/02

For Examiner's Use	
Total Marks	2 hours

SECONDARY 4 EXPRESS / 5 NORMAL (ACADEMIC)

Candidates answer on the Question Paper.

Additional Materials: 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 the brackets [ ] at the end of each question or part question.

The total number of marks for this paper is **60.**

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1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 December 2023.

Wong's Advertising
Statement of Financial Performance for the year ended 31 December 2023

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[8]

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(b) Prepare the statement of financial position as at 31 December 2023.

Wong's Advertising
Statement of Financial Position as at 31 December 2023

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[12]

[Total: 20]

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2 ZH sold toiletries to Daily Supermarket on credit.

As Daily Supermarket has settled payment for the previous month, there is no balance in its account on 1 August 2023.

The following transactions took place in August 2023.

2023

Aug 2 ZH sold goods at a list price of $4 000 less 10% trade discount to Daily Supermarket. The cost of the goods sold was $2 000.

Aug 5 Goods at list price of $600 was returned by Daily Supermarket. The cost of the returned goods was $300. These goods were bought on 2 August.

Aug 15 ZH received a cheque for the amount outstanding less cash discount at 5%.

(a) Prepare Daily Supermarket account in the books of ZH for the month of August 2023.

Daily Supermarket account

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(b) State one difference between trade discount and cash discount.

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DY is an investor who wishes to invest in a fashion business.

The following information on two businesses, Style Right and Fashion Dream, for the financial year ended 31 December 2023, was provided.

Both businesses sold goods on credit only.

	Style Right $	Fashion Dream $
Sales revenue	320 000	440 000
Cost of sales	82 500	130 000
Average Trade receivables	70 000	30 000

(c) (i) Calculate the rate of trade receivables turnover and trade receivables collection period for Fashion Dream. Show your answer to two decimal places.

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	Style Right	Fashion Dream
Rate of trade receivables turnover	4.57 times	?
Trade receivables collection period	79.84 days	?

(ii) Comment on the management of the trade receivables between both businesses.

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[Total: 12]

3 On 1 January 2023, FHK Ltd had the following balances.

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Issued share capital, 60 000 shares	120 000
Retained earnings	37 700

2023

Jun 15 Dividends at $0.05 per share were declared.

Dec 31 Profit for the year was $88 190.

REQUIRED

(a) Prepare the retained earnings account for the financial year ended 31 December 2023.

Retained earnings account

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On 1 January 2024, additional 40 000 shares at $3 each were issued.

(b) Prepare the journal entries to record the shares issued on 1 January 2024. Narration is not required.

Journal

Date		Debit $	Credit $
2024			

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[2]

(c) Define the following.

(i) Retained earnings

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(ii) Dividends

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(d) Explain the following accounting theories.

(i) Monetary

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(ii) Going concern

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[Total: 9]

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4 Henry Trading buys and sells sport shoes. On 1 April 2024, Henry Trading has a beginning inventory of 200 pairs of shoes costing $30 000.

During the month of April 2024, the following transactions occurred:

2024

Apr 4 Bought 200 pairs of shoes costing $40 000 from Ken Group on credit.

10 Sold 200 pairs of shoes for $60 000.

15 Bought 150 pairs of shoes and issued a cheque of $15 000 for payment.

(a) Define what FIFO stands for and explain how it is used in the valuation of inventory.

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(b) Prepare the inventory account for the month of April in 2024.

Inventory account

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(c) Calculate the gross profit for the month of April in 2024.

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Sales were not good and the ending inventory could only be sold for $11 000.

Financial year ends on 31 December every year.

(d) **(i)** Prepare the adjustments on 31 December 2024.

Journal

Date		Debit $	Credit $
2024			

[2]

(ii) State the effect on profit and current asset if the inventory was not adjusted.

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Jordan sells smart glasses. He wants to order a new product and is deciding between the two products.

His customers want smart glasses that are user-friendly.

	Smartech	**Tedglass**
Cost for each smart glass	$300	$580
Nature of product	New product in the market, not sold in many stores locally Popular overseas	Can take photos and videos with a button Has excellent resolution
Customer preference	Reviews of the smart glasses are very good. Many likes on the brand's social media.	Popular among people who want hassle-free devices that can be used easily

REQUIRED

Which brand will you recommend Jordan to buy based on the factors in the given scenario? Justify your decision with **three** reasons.

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