TEMASEK SECONDARY SCHOOL
Preliminary Examination 2024
Secondary Five Normal Academic
Principles of Accounts Paper 1 (7087/1)
Marking Scheme

Question 1(a)
3 960/90% = $4 400√ **[1]**

Question 1(b)
150 / (2 850 + 150) x 100 = 5%√ **[1]**

Question 1(c)(i)
The cheque of $2 850 received from Zaiton on 14 July was dishonoured√
Business withdrew the discount of $150 given to her√ **[2]**

Question 1(c)(ii)
Business wrote off the debt of $6 960 owing from Zaiton√ **[1]**

Question 1(d)
Prudence theory√
Business do not overstate its trade receivable balance when a debt becomes uncollectible√ **[2]**

Question 1(e)
no effect√ **[1]**

[Total: 8]

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Question 2(a)

benefits of motor vehicles decreases as they get older√ **[1]**

Question 2(b)

Dep (30/6/2021) = 20% x (23 000 - 0)
= 4 600
Dep (30/6/2022) = 20% x (23 000 - 4 600)
= 3 680

	Debit $	Credit $
Cash at bank	10 000√	
Accumulated depreciation - motor vehicles (4 600 + 3 680)	8 280√	
Loss on sale of motor vehicles	4 720√	
Motor vehicles		23 000√

[4]

Question 2(c)

Dep (30/6/2021) = 20% x [(100 000 - 23 000 + 15 000)√ - (38 000 - 8 280)√]
= $12 456 **[2]**

Question 2(d)

Extract of statement of financial position as at 30 June 2024

Non-current assets	Cost	Accumulated Depreciation	Net Book Value	
Motor vehicles	92 000√	42 176√	49 824√	**[3]**

(100 000 - 23 000 + 15 000))

(38 000 - 8 280 + 12 456)

[Total: 10]

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Question 3(ai)
500 + 580 = $1 080√ **[1]**

Question 3(aii)
(900 + 880)√ - 1 080√ *OF* = $700 **[2]**

Question 3(b)
average inventory = (500 + 1 320)/2 = 910√
cost of sales = 1 080√
days sales in inventory = 910/1 080 x 365 = 307.55 days **[2]**

Question 3(c)
The days sales in inventory for Chong's business has worsened from 290.32 days in 2022 to 298.87 days in 2023 to 307.55 days in 2024.√
This means that the business is managing inventory less efficiently over the three years.√
The worsening days-sales-in-inventory indicates that the business is taking longer to sell its goods.√
This may be due to the business buying too many goods and unable to sell them.√
The business may be paying more for its goods as unit price has increased from $50(Jul 1) to $58(Sep 8) to $66 (Feb 1)√ **[5]**

Question 3(d)
decrease inventory√ or increase sales√
provide trade discounts to encourage bulk purchases which leads to higher sales and improved inventory turnover√
buy in bulk to get trade discount to lower the cost of inventory purchased√
[3]
[Total: 13]

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Question 4(a)

	30-Jun-23	30-Jun-24
Cash at bank	8,500	
Bank overdraft		10,800
Income received in advance	800	2,300
Trade receivables	41,700	52,400
Allowance for impairment of trade receivables	834	1,048
Inventory at cost	40,400	82,800
Prepaid expenses	800	250
Trade payables	35,900	45,700
Expenses payable	5,600	3,600
CA	90,566	134,402
QA	49,366	51,352
CL	42,300	62,400
(i) Current Ratio	2.14 √	2.15 √
(ii) Quick Ratio	1.17 √	0.82 √

[4]

Question 4(b)

Current ratio stayed consistent at 2.14 in 2023 and 2.15 in 2024.√
Quick ratio decreased from 1.17 in 2023 to 0.82 in 2024.√
Quick ratio in 2024 is below the general benchmark of 1.√
Liquidity worsened from 2023 to 2024 as seen from the decrease from a bank balance of $8 500 to a bank overdraft of $10 800.√
Inventory doubled from $40 400 in 2023 to $82 800 in 2024, resulting in the drop in quick ratio from an acceptable 1.17 in 2023 to 0.82 in 2024.√ **[5]**

[Total: 9]

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TEMASEK SECONDARY SCHOOL
Preliminary Examination 2024
Secondary Five Normal Academic
Principles of Accounts Paper 2 (7087/2)
Marking Scheme

Question 1(a)

Zion Pte Limited

Statement of financial performance for the year ended 30 July 2024

	$		$	
Sales revenue			585,504	
Less sales returns			25,560	
Net sales revenue			559,944	
Less cost of sales			319,080	
Gross profit			240,864	√
Add other income				
Commission income	33,840			
Interest income	2,640			
			36,480	√
Less expenses				
Advertising expense (9 360 - 1 800)	7,560	√		
Wages and salaries	75,600			
Repairs expense	540			
Rent expense (12 900 + 3 500)	16,400	√		
Interest expense (3% x 96 000)	2,880	√		
Depreciation:				
Office equipment (10% x (324 000 - 24 000))	30,000	√		
Motor vehicles (25% x (150 000 - 76 500))	18,375	√		
Impairment loss on trade receivables ((5% x 38 000) - 1 260))	640	√		
			151,995	
Profit for the year			125,349	√

[9]

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Question 1(b)

Zion Pte Limited
Statement of financial position as at 30 July 2024

Assets				
Non-current assets	Cost	Accumulated depreciation		Net book value
	$	$		$
Office equipment	324,000	87,600	(+30 000)	236,400
Motor vehicles	150,000	94,875	(+18 375)	55,125
Total non-current assets	474,000	182,475		291,525 √
Current assets				
Trade receivables	38,000			
Less allowance for impairment of trade receivables (5% x 38 000)	1,900		√	
Net trade receivables		36,100	√	
Inventory		51,000		
Bank deposit		18,000	√	
Cash at bank		14,280		
Prepaid advertising		1,800	√	
Total current assets				121,180
Total assets				412,705
Equity and liabilities				
Shareholders' equity				
Issued share capital, 50 000 ordinary shares				90,000
Retained earnings (74 216 + 125 349√ - 5 000√)				194,565
Non-current liabilities				
Long-term borrowing				96,000 √
Current liabilities				
Trade payables		20,760		
Rent payable		3,500	√	
Interest expense payable		2,880	√	
Dividend payable (0.10 X 50 000)		5,000	√	
Total current liabilities				32,140
Total equity and liabilities				412,705

[11]
[Total: 20]

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Question 2(ai)

Accounting information recorded must be supported by reliable and verifiable evidence so that financial statements will be free from opinions and biases. **[1]**

Question 2(aii)

Once an accounting method is chosen, this method should be applied to all future accounting periods to enable meaningful comparison. **[1]**

Question 2(b)

It is more likely for banks and other lenders to lend money to the private limited company as compared to a sole proprietorship. **[2]**

Question 2(c)

Share capital account

Date	Particulars	Dr	Cr	Bal	
2022		$	$	$	
Apr 1	Balance b/d			90,000	Cr
2023					
Apr 1	Balance b/d			90,000	Cr √
2024					
Feb 1	Cash at bank (5 000 x $2.50)		12,500 √	102,500	Cr
Apr 1	Balance b/d			102,500	Cr √

[3]

Question 2(d)

Retained earnings account

Date	Particulars	Dr	Cr	Bal	
2022		$	$	$	
Apr 1	Balance b/d			32,750	Cr
2023					
Mar 31	Divdends ($0.15 x 45 000)	6,750 √		26,000	Cr
Mar 31	Income summary		7500 √	33,500	Cr
Apr 1	Balance b/d			33,500	Cr
2024					
Mar 31	Divdends ($0.07 x 50 000)	3,500 √		30,000	Cr
Mar 31	Income summary	2,800 √		27,200	Cr
Apr 1	Balance b/d			27,200	Cr √

[5]

[Total: 12]

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Question 3(a)

Date	Particulars	Dr	Cr
2024		$	$
Jun 30	Trade payable - Ben (5 400 - 4 500)	900 √	
	Cash at bank		900 √

[2]

Question 3(b)

Accounting entity theory √

The activities of the owner is separate from that of the business. All transactions are to be recorded from the point of view of the business. **[2]**

Question 3(b)

John's business

Statement to show the adjusted profit for the year ended 30 June 2024

	$	$
Profit before correction		12,000
Add (2) Utilities of owner wrongly debited as expenses	270 √	
Add (3) sales recoreded on wrong side ($600 x 2)	1,200 √	
Less (4) repairs understated	(80) √	
		1,390
Profit after correction		13,390 √

[4]

[Total: 8]

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Question 4(ai)

Cost of sales = *Net sales revenue - gross profit*
= *223 900 - 96 300*
= *127 600*
Mark-up on cost = Gross profit / Cost of sales x 100
= 96 300/127 600 x 100
= 75.47% √ **[1]**

Question 4(aii)

Gross profit margin = Gross profit / Net sales revenue x 100
= 96 300/223 900 x 100
= 43.01% √ **[1]**

Question 4(aiii)

profit = *gross profit - total operating expenses*
= *96 300 - 60 700*
= *35 600*
Profit margin = Profit for the period / Net sales revenue x 101
= 35 600/223 900 x 100
= 15.90% √ **[1]**

Question 4(aiv)

Return on equity = Profit for the period / Average equity x 100
= 35 600/113 800 x 100
= 31.28% √ **[1]**

Question 4(b)

any 5 points

The mark-up on cost has increased from 68.92% in 2022 to 70.23% in 2023 to 75.47% in 2023.√
The gross profit margin has also increased from 35% in 2022 to 39.99% in 2023 to 43.01% in 2024.√
This may be because the business is selling its goods at a higher price√ or buying its goods at a lower price√ over the three years.
The profit margin has decreased from 21.46% in 2022 to 19.38% in 2023 to 15.9% in 2024.√
The decrease in profitability despite the improving gross profit may be due to the business's worsening control over its operating expenses.√
Return on equity has worsened over the three years decreasing from 34.80% in 2022 to 32.77% in 2023 and 31.28% in 2024. √
This means that the business is earning lesser profits from the share capital contributed by shareholders.√
In conclusion, Mohan Pte Ltd has become less profitable over the three years.√

[5]

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Question 4(c)
Mohan Pte Ltd can either increase its other income or decrease its operating expenses.
It can increase its other income by sub letting its shop space for rental income.√
It can decrease its operating expenses by moving its operations to a cheaper rental space.√ **[2]**

Question 4(d)
Mohan Pte Ltd's rate of trade receivables turnover worsened from 8.51 times in 2022 to 6.83 times in 2023 and 6.17 times in 2024.√
This means that Mohan Pte Ltd is getting less efficient in managing its trade receivables.√ **[2]**

Question 4(e)
Mohan Pte Ltd should choose Quartz r us

Planning to open a new shop within the next year.
New shop will create higher demand and higher sales for Mohan Pte Ltd and hence higher profit.

Collection period and days late are all shorter than Timely Trading
More reliable payment pattern and less risk of late or no payment

Being a recommended shop will ensure it has a steady stream of business
Steady business will ensure they have funds for payment to Mohan Pte Ltd

Mohan Pte Ltd should choose Timely Trading
Has been in business for more than 15 years.
Is more established than Quartz r us and should be able to continue in operation and buy from Mohan Pte Ltd for a long time.

Located in a mall with high footfall means there are more possible customers resulting in higher sales
Will lead to higher demand and higher sales for Mohan Pte Ltd and hence higher profit.

Many positive online reviews will help ensure it has a steady stream of business
Steady business will ensure they have funds for payment to Mohan Pte Ltd

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