Name: _____ Index Number: _____ Class: _____

TEMASEK SECONDARY SCHOOL
Preliminary Examination 2024
Secondary Five Normal Academic

PRINCIPLES OF ACCOUNTS 7087/02

Paper 2

2 hours

Candidates answer on the Question Paper.

Additional Materials: Insert

READ THESE INSTRUCTIONS FIRST

Do not open the booklet until you are told to do so.

Write your name, index number and class 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.

This document consists of **13** printed pages, **1** blank page and **1** insert.

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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 July 2024.

Zion Trading Pte Ltd
Statement of financial performance for the year ended 31 July 2024

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[10]

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

Zion Trading Pte Ltd
Statement of financial performance for the year ended 31 July 2024

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[10]

[Total: 20]

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2 On 1 April 2022, Vission Pte Ltd provided the following account balances.

	$
Share capital, 45 000 ordinary shares	90 000
Retained earnings	32 750

The financial year of Vission Pte Ltd ends on 31 March.

The following transactions took place in 2023 and 2024.

Date	
2023	
Mar 31	Dividends of $0.15 per share were declared and paid in full.
Mar 31	Profit for the year was $7 500.
2024	
Feb 1	5,000 ordinary shares were issued and fully paid at $2.50 per share.
Mar 31	Dividends of $0.07 per share were declared and paid in full.
Mar 31	Loss for the year was $2 800.

REQUIRED

(a) Define the following accounting theories:

(i) objectivity

.....

.....

[1]

(ii) consistency

.....

.....

[1]

(b) State and explain **one** advantage a private limited company has as compared to a sole proprietorship business.

.....

.....

.....

.....

[2]

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(c) Prepare the share capital account for the years ended 31 March 2023 and 2024.

[3]

(d) Prepare the retained earnings account for the years ended 31 March 2023 and 2024.

[5]

[Total: 12]

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3 John is a sole trader. When preparing the business financial statements for the year ended 30 June 2024, he discovered the following errors.

1 A cheque of $5 400 issued to credit supplier, Ben on 30 June 2024, had been recorded as $4 500.

2 Utilities for John's private residence, $270, had been recorded as utilities of the business.

3 Credit sale of goods to Henny, $600, had been posted to the wrong sides of both sales revenue and Henny's accounts.

4 Repairs on equipment had been understated by $80.

REQUIRED

(a) Prepare the journal entry to correct error **1**. A narration is **not** required.

[2]

(b) Name and explain the accounting theory that is violated in error **2**.

[2]

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The profit for the year ended 30 June 2024 was $12 000.

REQUIRED

(c) Prepare a statement to show the adjusted profit for the year ended 30 June 2024.

[4]

[Total: 8]

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4 Mohan Pte Ltd is a trader of luxury watches. Its financial year ends on 30 June. The following information has been extracted from the accounting books.

	2024
	$
Net sales revenue	223 900
Gross profit	96 300
Total operating expenses	60 700
Average equity	113 800
Average trade receivables	14 400

Additional information as follows:

	2022	2023	2024
Mark-up on cost	68.92%	70.23%	?
Gross profit margin	35.00%	39.99%	?
Profit margin	21.46%	19.38%	?
Return on equity	34.80%	32.77%	?
Rate of trade receivables turnover	8.51 times	6.83 times	6.17 times

REQUIRED

(a) Compute the following ratios for the year ended 30 June 2024. Show your answers to **two** decimal places.

(i) mark-up on cost

.....

.....

[1]

(ii) gross profit margin

.....

.....

[1]

(iii)profit margin

.....

.....

[1]

(iv)return on equity

.....

.....

[1]

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(b) Comment on the profitability of Mohan Pte Ltd for the **three** years ended 30 June 2022 to 2024.

[5]

(c) Suggest **two** ways Mohan Pte Ltd can improve its profitability.

[2]

(d) Comment on the trend of the rate of trade receivables turnover over the **three** years ended 30 June 2022 to 2024.

[2]

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Two credit customers have approached Mohan Pte Ltd to negotiate for a longer repayment period, from 30 days to 45 days. Mohan Pte Ltd is expanding its business overseas and can only grant extension of repayment period to one customer.

The details of the two customers are as follows:

	Quartz r us	Timely Trading
Background of business	• Has been in the business for 3 years but has plans to open a new shop within the next year. • Located in a busy upscale mall frequented by tourists.	• Has been in the business for more than 15 years. • Located in a heartland mall with a footfall* of more than 4,000,000 per month.
Average trade receivables balance	$27 000	$18 000
Repayment history over the past year	Trade receivables collection period of 35 days. Repaid late twice.	Trade receivables collection period of 40 days. Repaid late 4 times.
Reputation of business	Rated one of the “must visit” watch shops in Singapore due to the excellent service provided by its knowledgeable retail staff.	Received many positive reviews online from customers who appreciated the extended warranty and free after sales service.

**Footfall refers to the number of people entering a shop or shopping area in a given time*

REQUIRED

(e) Advise Mohan Pte Ltd which customer to give the longer repayment period to. Justify your decision with **three** reasons.

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[7]

[Total: 20]

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