ZHONGHUA SECONDARY SCHOOL
PRELIMINARY EXAMINATION 2024
SECONDARY 5 NORMAL ACADEMIC

Candidate Name	Class	Register Number

PRINCIPLES OF ACCOUNTS 7087/02

Paper 2

9 September 2024
2 hours

READ THESE INSTRUCTIONS FIRST

Write your name, class and register number on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

You may use a soft pencil for any rough working.
Do not use paper clips, glue or correction fluid.

Answer **all** questions.

You may use a calculator.
The businesses mentioned in this question paper are entirely fictitious.
Where the columnar format is used, the running balance column should be updated for the first and last entries. Where applicable, the balance should be brought down to the next financial year.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

Question	Score
1	**/ 20**
2	**/ 14**
3	**/ 15**
4	**/ 11**
Total	**/ 60**

Setter: Mr John Kok

Vetter: Ms Teo Jing Zhi & Ms Destiny See

This question paper consists of **16** printed pages (including this cover page)

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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 30 June 2024.

Desire Diamonds

Statement of Financial Performance for the year ended 30 June 2024

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[10]

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(b) Prepare the statement of financial position as at 30 June 2024.

Desire Diamonds

Statement of Financial Position as at 30 June 2024

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[10]

[Total: 20]

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2 The cash at bank account and bank statement for Trusty Trading for the month of July 2024 were as follows:

Cash at bank account

2024	Particulars	Cheque number	Debit $	Credit $	Balance $
Jul 1	Balance b/d				2 236 Dr
3	Justin		3 500		5 736 Dr
9	Jack Supplies	5304		1 155	4 581 Dr
14	Commission income		5 000		9 581 Dr
16	Sinking Shop		4 120		13 701 Dr
19	Salaries expense	5305		8 000	5 701 Dr
23	Claire	5306		2 888	2 813 Dr
26	Luke		2 915		5 728 Dr
Aug 1	Balance b/d				5 728 Dr

Bank statement

2024		Payments $	Receipts $	Balance $
Jul 1	Balance b/d			4 236 Cr
3	Credit transfer: Justin		3 500	7 736 Cr
5	Cheque No: 5304	1 555		6 181 Cr
12	Cheque No: 5289	2 000		4 181 Cr
17	Cheque deposit		5 000	9 181 Cr
19	Cheque No: 5305	8 000		1 181 Cr
20	Direct debit: Utilities	2 200		1 019 Dr
27	Cheque deposit		4 120	3 101 Cr
29	Cheque (rejected cheque on Jul 27)	4 120		1 019 Dr
30	Interest		12	1 007 Dr
30	Bank charges	20		1 027 Dr

Additional information

Both the bank and Trusty Trading made an error in the recording of cheque 5304 in their books. The correct amount for the transaction should be $1 500.

REQUIRED

(a) State **one** purpose of internal control.

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(b) State **two** methods of internal control over cash other than bank reconciliation.

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(c) Update the cash at bank account on 31 July 2024.

Cash at bank account

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(d) Prepare the bank reconciliation statement as at 31 July 2024.

Bank reconciliation statement as at 31 July 2024.

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3 Alodia owns a bakery that specialises in online sale. On 1 May 2021, Alodia's business bought two identical vans costing $90 000 each to ensure on time delivery of her product.

On 9 August 2023, the business sold one of the vans and received a cheque for $60 000. On the same day, the business bought a new van on credit from Shiny Vans Ltd. The break down of cost related to this new van is as follows:

	$
Cost of van	90 000
Yearly road tax for the van	3 000
Import tax for bringing van from Japan to Singapore	7 200
Monthly salary for the van driver	3 800
Painting of the company logo onto van	2 800
Petrol cost per month for the van	1 900

The business depreciates its motor vehicles at a rate of 20% per annum using the reducing balance method. A full year of depreciation is charged in the year of purchase, while no depreciation is charged in the year of sale. The business financial year ends 31 December.

REQUIRED

(a) Explain using an accounting theory why Alodia will **not** include the measuring cup in her kitchen as a non-current asset.

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(b) Calculate the depreciation expense of motor vehicles for the year ended 31 December 2023.

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(c) Prepare the journal entries to transfer the gain or loss on the sale of non-current asset on 31 December 2023. Narration is **not** required.

General Journal

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Alodia has two regular credit customers who requested for credit extension from 30 days to 45 days. She provided the following information about them.

	Linus Party	Marcus Meal
Nature of business	Party planners who mainly organise birthday parties for clients.	A bistro restaurant located in the heart of town, with regular customer base. The cakes Alodia provided for the restaurant is a favourite among customers.
History of repayment	Average of 33 days	Average of 42 days
Average trade receivables balance	$25 000	$12 000
Credit sales revenue in the past year	$69 700	$42 800
Reputation of business	Started business 2 years ago but has garnered attention for offering unique and innovative services.	Operating in the industry for 10 years and had been featured in both local and overseas media.
Industry Outlook	Business has started to wane post-Covid as fewer people are willing to spend on professionally planned parties and had chosen for simpler options.	The restaurant business has been growing post-Covid since more tourists are coming into Singapore.

REQUIRED

(d) Recommend whether Alodia should grant credit extension to Linus Party or Marcus Meal. Justify your decision with **three** reasons.

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4 The following is extracted from the statements of financial position of two seafood retailers as at 30 June 2024.

	South Pac Live	**Alaska Fresh**
	$	$
Delivery Van	90 800	120 650
Inventory	32 760	153 800
Trade receivables	20 100	14 200
Prepaid rent expense	1 200	6 500
Cash at bank	14 600	–
Long-term borrowings	30 000	80 000
Trade payables	15 800	11 800
Rent income received in advance	900	1 200
Bank overdraft	–	4 200
Current portion of long-term borrowings	–	10 000

REQUIRED

(a) State **one** reason why liquidity is important to a business.

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(b) Calculate to **two** decimal places for **both** South Pac Live and Alaska Fresh:

(i) Current ratio

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(ii) Quick ratio

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(c) Evaluate the liquidity of South Pac Live and Alaska Fresh for the year ended 30 June 2024.

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Additional pages

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End of Paper 2

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