Name: _____ Index Number:_____ Class: _____

TEMASEK SECONDARY SCHOOL
Preliminary Examination 2024
Secondary Five Normal Academic

PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

1 hour

Question and Answer Booklet
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

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

You are required to submit this booklet at the end of the paper.

Write your name, index number and class on all the work you hand in.
Write in dark blue or black pen.
You may use a HB pencil for any rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.
The businesses mentioned in this question paper are fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

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1 Amirul is a trader who gives 10% trade discount to all his customers. He has provided the following account for the month ended 31 July 2024:

Zaiton's account

Date	Particulars	Debit $	Credit $	Balance $
2024				
July 1	Balance b/d			3 000 Dr
5	Sales revenue	3 960		6 960 Dr
14	Cash at bank		2 850	4 110 Dr
14	Discount allowed		150	3 960 Dr
17	Cash at bank	2 850		6 810 Dr
17	Discount allowed	150		6 960 Dr
25	Allowance for impairment of trade receivables		6 960	-

REQUIRED

(a) Compute the list price of the goods that were sold to Zaiton on 5 July 2024.

[1]

(b) Compute the percentage of discount given to Zaiton on 14 July 2024.

[1]

(c) Interpret the entries in Zaiton's account on:

(i) 17 July 2024

[2]

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(ii) 25 July 2024

[1]

(d) Name and explain the accounting theory which was applied when the entry on 25 July 2024 was recorded in the books.

Name:

Explanation:

[2]

(e) State the effect on profit if the entry on 25 July 2024 had not been made.

[1]

[Total: 8]

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2 Bodie runs a trading business with a financial year end of 30 June. He extracted the following information from his accounting books on 1 July 2023:

	$
Motor vehicles	100 000
Accumulated depreciation of motor vehicles	38 000

On 4 January 2024, the business sold a delivery van, costing $23 000, and received a cheque of $10 000. The delivery van was purchased on 9 August 2021.

Bodie contributed his own motorcycle valued at $15 000 into the business on 8 May 2024.

The business depreciates motor vehicles using the reducing-balance method of depreciation at 20% per annum. A full year depreciation is charged in the year of purchase but none in the year of sale.

REQUIRED

(a) Explain why Bodie used the reducing-balance rather than the straight-line method to depreciate its motor vehicles.

_____

_____

_____

[1]

(b) Prepare the journal entry to record the sale of the delivery van on 4 January 2024. A narration is **not** required.

	Debit $	Credit $

[4]

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(c) Calculate the depreciation expense for the year ended 30 June 2024.

[2]

(d) Prepare an extract of the statement of financial position as at 30 June 2024, showing the non-current assets section.

Extract of statement of financial position as at 30 June 2024

[3]

[Total: 10]

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3 Chong is a trader and uses the First-In-First-Out (FIFO) method of inventory valuation. The following transactions took place for the year ended 31 August 2024.

2023
Sep 1 Beginning inventory of 10 units at $500
Nov 8 Purchased 10 units at $580
Dec 12 Sold 10 units for $900
2024
Feb 1 Purchased 20 units at $1 320
May 4 Sold 10 units for $880

REQUIRED

(a) Compute the following for Chong's business for the financial year ended 31 August 2024.

(i) Cost of sales

[1]

(ii) Gross profit

[2]

Chong also provided information about the business' days sales in inventory for the two years ended 31 August 2022 and 2023.

31 August 2022	31 August 2023
290.32 days	298.87 days

REQUIRED

(b) Calculate the days sales in inventory for the year ended 31 August 2024. Show your answer to **two** decimal places.

[2]

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(c) Comment on the trend in days sales in inventory for Chong's business over the **three** years ended 31 August 2022, 2023 and 2024. Suggest possible reasons for the change.

[5]

(d) Suggest **two** ways in which Chong could improve the business' efficiency in managing inventory. Give **one** example of a specific action Chong could take.

[3]

[Total: 13]

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4 The following information has been provided for Don's business for the two years ended 30 June 2023 and 30 June 2024.

	30 June 2023	30 June 2024
	$	$
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

REQUIRED

(a) Calculate the following to **two** decimal places:

		30 June 2023	30 June 2024
(i)	Current ratio		
(ii)	Quick ratio		

[4]

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(b) Evaluate the change in liquidity of Don's business between 30 June 2023 and 30 June 2024.

[5]

[Total: 9]

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TEMASEK SECONDARY SCHOOL
Preliminary Examination 2024
Secondary Five Normal Academic

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

2 hours

INSERT

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This insert contains the data for Question 1.

This document consists of **3** printed pages and **1** blank page.

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Data for Question 1

The following balances were extracted from the books of Zion Trading Pte Ltd on 31 July 2024:

	$
Office equipment at cost	324 000
Motor vehicles at cost	150 000
Accumulated depreciation:	
Office equipment	57 600
Motor vehicles	76 500
Sales revenue	585 504
Inventory	51 000
Cost of sales	319 080
Sales returns	25 560
Commission income	33 840
Interest income	2 640
Advertising expense	9 360
Wages and salaries	75 600
Repairs expense	540
Rent expense	12 900
Allowance for impairment of trade receivables	1 260
Trade receivables	38 000
Bank deposit (short-term)	18 000
3% bank loan repayable 2030	96 000
Trade payables	20 760
Cash at bank (debit balance)	14 280
Issued share capital, 50 000 ordinary shares	90 000
Retained earnings at 1 August 2023	74 216

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Additional information on 31 July 2024:

1 Office equipment is to be depreciated at 10% per annum using the straight-line method assuming a scrap value of $24 000.

2 Motor vehicle is to be depreciated at 25% per annum using the reducing-balance method.

3 Rent, $3 500, was owing and advertising expenses, $1 800 were prepaid.

4 The bank loan was obtained on 1 August 2023. Interest on the bank loan for the year ended 30 July 2024 had not yet been paid.

5 The allowance for impairment of trade receivables is to be maintained at 5% of trade receivables.

6 The company declared a dividend of $0.10 per share. The dividend will be paid on 1 September 2024.

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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

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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.

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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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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√

(100 000 - 23 000 + 15 000))

(38 000 - 8 280 + 12 456)

[3]

[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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