Name of Candidate: …… ( ) Class: ……

BUKIT PANJANG GOVERNMENT HIGH SCHOOL

PRELIMINARY EXAMINATION 2024

SECONDARY 5

GCE 'O' LEVEL SYLLABUS

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

21 August, 2024
2 hours
0750 h – 0950 h

Candidates answer on the Question Paper

Additional Materials: Insert

READ THESE INSTRUCTIONS FIRST

Do not turn over the cover page until you are told to do so.
Write in dark blue or black pen on both sides of the paper.
You may use an HB pencil for any diagrams or graphs.
Do not use staples, paper chips, glue or correction fluid.
The use of an approved calculator is allowed.

Answer **all** the 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.

FOR EXAMINER'S USE	
Question 1	/ 20
Question 2	/ 21
Question 3	/ 8
Question 4	/ 11
Total:	/ 60

Downloaded from SingaKids.com

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 March 2024.

Le-Vince Pte Ltd
Statement of Financial Performance for the year ended 31 March 2024

Downloaded from SingaKids.com

[10]

Downloaded from SingaKids.com

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

Le-Vince Pte Ltd
Statement of Financial Position as at 31 March 2024

Downloaded from SingaKids.com

[10]

[Total: 20]

[Turn over

Downloaded from SingaKids.com

2 Tahiya runs a business of buying and selling car accessories. The business provided the following drawings account for the year ended 30 September 2024.

Drawings account

Date	Particulars	Debit	Credit	Balance
2023		$	$	$
Nov 11	Cash at bank	2 000		2 000 Dr
Dec 5	Cash at bank	500		2 500 Dr
2024				
May 6	Inventory	1 250		3 750 Dr
Sep 30	Capital		3 750	-

REQUIRED

(a) Define drawings.

.....

.....

[1]

(b) State and explain the accounting theory behind the transaction on 5 December 2023.

Accounting theory .....

Explanation .....

.....

.....

[3]

(c) Interpret the entries in the drawings account on:

(i) 6 May 2024

.....

.....

[1]

(ii) 30 September 2024

.....

.....

[1]

Downloaded from SingaKids.com

The following information was extracted from the books of Tahiya's business as at 30 September 2022, 2023 and 2024.

	2022	2023	2024
Non-current assets	$	$	$
Motor vehicles, net book value	86 700	84 000	83 450
Current assets			
Inventory	15 100	29 700	37 800
Net trade receivables	9 200	14 300	15 080
Cash at bank	7 800	7 500	-
Prepaid rent expense	-	490	15 700
Total current assets	32 100	51 990	68 580
Current liabilities			
Trade payables	10 100	22 490	19 770
Salaries payable	-	3 400	1 990
Bank overdraft	-	-	19 050
Total current liabilities	10 100	25 890	40 810

REQUIRED

(d) Explain the difference between liquidity and profitability.

.....

.....

.....

[2]

(e) Calculate the following as at 30 September 2024. Show your answer to **two** decimal places.

(i) Current ratio

.....

.....

[2]

Downloaded from SingaKids.com

(ii) Quick ratio

[2]

Tahiya also provided the following information relating to 30 September 2022 and 2023.

	2022	2023
Current ratio	3.18	2.01
Quick ratio	1.68	0.84

REQUIRED

(f) Taking into account the above information and your answer in part **(e)**, evaluate the liquidity of Tahiya's business over the three years.

[7]

Downloaded from SingaKids.com

(g) Suggest **two** ways Tahiya can improve on the liquidity of her business.

1 .....

.....

2 .....

.....

[2]

[Total: 21]

Downloaded from SingaKids.com

3 Keane runs a hair salon. When preparing the financial statements of his business for the year ended 31 December 2024, he discovered the following errors.

1 Cash payment of $450 to Shaun was recorded in Sean's account.

2 Motor vehicle maintenance fees of $670 have been recorded in the motor vehicle account.

3 Included in the rental expense was $290 paid for motor vehicle used by Keane for his personal trips.

4 Cheque of $1 000 received for commission income has been debited to the commission income account and credited to the cash at bank account.

The profit for the year before discovering the errors was $20 450.

REQUIRED

(a) Explain why the trial balance is able to balance even though there are errors.

.....

.....

.....

[2]

(b) Prepare a statement to show the adjusted profit for the year ended 31 December 2024.

Keane

Statement to show adjusted profit for the year ended 31 December 2024

.....

.....

.....

.....

.....

.....

.....

.....

[4]

Downloaded from SingaKids.com

(c) State the role of accounting.

.....

.....

[1]

(d) Explain the going concern theory.

.....

.....

[1]

[Total: 8]

Downloaded from SingaKids.com

4 On 1 July 2024, FIFO Limited has a balance of $2 000 in the allowance for impairment of trade receivables account.

On 13 July 2024, Xun Trading who owed FIFO Limited $2 900, announced that it was closing its business. Xun Trading was able to pay FIFO Limited $0.25 for every dollar owed by cheque. The remaining amount was to be written off.

REQUIRED

(a) State how trade receivables should be valued in the statement of financial position.

.....

.....

[1]

(b) Prepare the journal entries to record the transaction that took place on 13 July 2024. Narration is **not** required.

Journal

.....

.....

.....

.....

.....

.....

.....

.....

[3]

Downloaded from SingaKids.com

To improve his efficiency in managing trade receivables, the owner of FIFO Limited, Alpha determined that his business would offer a maximum of 30 days credit terms to its customers.

The following are information of a new customer, Raymond requesting for 30-day credit terms:

- Raymond is in the business of selling electric vehicles. It is an overseas business from China and looking to selling electric vehicles in Singapore. Raymond's business had been well-established and was reviewed to be the top-selling electric vehicle company in the ASEAN region.

- With the implementation of Singapore Green Plan 2030, the Singapore government is encouraging environmentally sustainable transportation and providing additional grants for purchase of electric vehicles.

- Alpha is expecting to sign a two-year contract with Raymond which would provide an additional other income of $6 000 every month. This would also increase Alpha's profit margin by 12%. A check on the financial statements of Raymond showed that it has a current ratio of 2.9 and a quick ratio of 0.64.

- Review on the credit repayment trend in the ASEAN region showed that businesses normally pay after 40 days, and this is likely to worsen owing to poorer economic outlook.

Downloaded from SingaKids.com

REQUIRED

(c) Advise Alpha whether he should grant the 30-day credit terms to Raymond. Justify your decision with **three** reasons.

[7]

[Total: 11]

Downloaded from SingaKids.com

Additional page

Downloaded from SingaKids.com

Additional page

Downloaded from SingaKids.com