

Name: \_\_\_\_\_

Index Number: \_\_\_\_\_

Class: \_\_\_\_\_



TEMASEK SECONDARY SCHOOL  
Preliminary Examination 2024  
Secondary Five Normal Academic

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**PRINCIPLES OF ACCOUNTS****7087/01**

Paper 1

**1 hour****Question and Answer Booklet**

No Additional Materials are required.

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**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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**This document consists of 9 printed pages and 1 blank page.**

- 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 |   | Debit | Credit | Balance  |
|------------------|---|-------|--------|----------|
| Date             | Particulars                                   | \$    | \$     | \$       |
| 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.

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[1]

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

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[1]

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

- (i) 17 July 2024

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[2]

(ii) 25 July 2024

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[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.

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[1]

**[Total: 8]**

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.

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[1]

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

|  | Debit<br>\$ | Credit<br>\$ |
|--|-------------|--------------|
|  |             |              |
|  |             |              |
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|  |             |              |
|  |             |              |

[4]

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

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[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

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[3]

[Total: 10]

- 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

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[1]

- (ii) Gross profit

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[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.

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[2]

(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.

Lined area for writing answer to question (c).

[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.

Lined area for writing answer to question (d).

[3]

[Total: 13]

- 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]



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

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[Total: 9]

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Preliminary Examination 2024  
Secondary Five Normal Academic

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**PRINCIPLES OF ACCOUNTS**

**7087/02**

Paper 2

**2 hours**

INSERT

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**READ THESE INSTRUCTIONS FIRST**

This insert contains the data for Question 1.

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

**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  |

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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Class: \_\_\_\_\_



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Preliminary Examination 2024  
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**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.

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

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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]

[Total: 20]

- 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

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[1]

(ii) consistency

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[1]

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

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[2]

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

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[3]

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

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[5]

[Total: 12]

- 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.

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[2]

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

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[2]

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.

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[4]

[Total: 8]

- 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

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[1]

(ii) gross profit margin

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[1]

(iii) profit margin

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[1]

(iv) return on equity

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[1]



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

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[5]

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

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[2]

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

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[2]

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               | <ul style="list-style-type: none"> <li>Has been in the business for 3 years but has plans to open a new shop within the next year.</li> <li>Located in a busy upscale mall frequented by tourists.</li> </ul> | <ul style="list-style-type: none"> <li>Has been in the business for more than 15 years.</li> <li>Located in a heartland mall with a footfall* of more than 4,000,000 per month.</li> </ul> |
| Average trade receivables balance    | \$27 000  | \$18 000   |
| Repayment history over the past year | Trade receivables collection period of 35 days.<br><br>Repaid late twice.   | Trade receivables collection period of 40 days.<br><br>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]

**END OF PAPER**

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

**Question 1(a)**

$3\,960/90\% = \$4\,400\checkmark$

[1]

**Question 1(b)**

$150 / (2\,850 + 150) \times 100 = 5\%\checkmark$

[1]

**Question 1(c)(i)**

The cheque of \$2 850 received from Zaiton on 14 July was dishonoured $\checkmark$   
Business withdrew the discount of \$150 given to her $\checkmark$

[2]

**Question 1(c)(ii)**

Business wrote off the debt of \$6 960 owing from Zaiton $\checkmark$

[1]

**Question 1(d)**

Prudence theory $\checkmark$

Business do not overstate its trade receivable balance when a debt becomes uncollectible $\checkmark$

[2]

**Question 1(e)**

no effect $\checkmark$

[1]

[Total: 8]

**Question 2(a)**

benefits of motor vehicles decreases as they get older✓

[1]

**Question 2(b)**

$$\text{Dep (30/6/2021)} = 20\% \times (23\,000 - 0) \\ = 4\,600$$

$$\text{Dep (30/6/2022)} = 20\% \times (23\,000 - 4\,600) \\ = 3\,680$$

|   | Debit<br>\$ | Credit<br>\$ |
|---|-------------|--------------|
| 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)**

$$\text{Dep (30/6/2021)} = 20\% \times [(100\,000 - 23\,000 + 15\,000)✓ - (38\,000 - 8\,280)✓] \\ = \$12\,456$$

[2]

**Question 2(d)**Extract of statement of financial position as at 30 June 2024

| <u>Non-current assets</u> | <u>Cost</u>                 | <u>Accumulated<br/>Depreciation</u> | <u>Net<br/>Book Value</u> |
|---------------------------|-----------------------------|-------------------------------------|---------------------------|
| Motor vehicles            | 92 000✓                     | 42 176✓                             | 49 824✓                   |
|                           | (100 000 - 23 000 + 15 000) | (38 000 - 8 280 + 12 456)           |                           |

[3]

[Total: 10]

**Question 3(ai)**

$$500 + 580 = \$1\,080\checkmark$$

[1]

**Question 3(aii)**

$$(900 + 880)\checkmark - 1\,080\checkmark OF = \$700$$

[2]

**Question 3(b)**

$$\text{average inventory} = (500 + 1\,320)/2 = 910\checkmark$$

$$\text{cost of sales} = 1\,080\checkmark$$

$$\text{days sales in inventory} = 910/1\,080 \times 365 = 307.55 \text{ days}$$

[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. $\checkmark$

This means that the business is managing inventory less efficiently over the three years. $\checkmark$

The worsening days-sales-in-inventory indicates that the business is taking longer to sell its goods. $\checkmark$

This may be due to the business buying too many goods and unable to sell them. $\checkmark$

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) $\checkmark$

[5]

**Question 3(d)**

decrease inventory $\checkmark$  or increase sales $\checkmark$

provide trade discounts to encourage bulk purchases which leads to higher sales and improved inventory turnover $\checkmark$

buy in bulk to get trade discount to lower the cost of inventory purchased $\checkmark$

[3]

[Total: 13]

**Question 4(a)**

|   | <u>30-Jun-23</u> | <u>30-Jun-24</u> |            |
|---|------------------|------------------|------------|
| 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 ✓           |            |
|   |                  |                  | <b>[4]</b> |

**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]**



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

**Question 1(a)**

| <u>Zion Pte Limited</u>   |           |
|---|-----------|
| <u>Statement of financial performance for the year ended 30 July 2024</u> |           |
|   | \$        |
| Sales revenue   | 585,504   |
| Less sales returns  | 25,560    |
| Net sales revenue   | 559,944   |
| Less cost of sales  | 319,080   |
| Gross profit  | 240,864 ✓ |
| <br>Add other income  |           |
| Commission income   | 33,840    |
| Interest income   | 2,640     |
|   | 36,480 ✓  |
| <br>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  | 30,000 ✓  |
| (10% x (324 000 - 24 000))  |           |
| Motor vehicles  | 18,375 ✓  |
| (25% x (150 000 - 76 500))  |           |
| Impairment loss on trade receivables                                      | 640 ✓     |
| ((5% x 38 000) - 1 260))  |           |
|   | 151,995   |
| <br>Profit for the year   | 125,349 ✓ |

[9]

## Question 1(b)

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

| <u>Assets</u>   | <u>Cost</u> | <u>Accumulated<br/>depreciation</u> | <u>Net book<br/>value</u> |
|---|-------------|-------------------------------------|---------------------------|
| <u>Non-current assets</u>   | \$          | \$                                  | \$                        |
| 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 ✓                 |
| <br><u>Current assets</u>   |             |                                     |                           |
| Trade receivables   | 38,000      |                                     |                           |
| Less allowance for impairment of<br>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                   |
| <br><u>Equity and liabilities</u>                                   |             |                                     |                           |
| <u>Shareholders' equity</u>   |             |                                     |                           |
| Issued share capital, 50 000 ordinary shares                        |             |                                     | 90,000                    |
| Retained earnings (74 216 + 125 349 ✓ - 5 000 ✓)                    |             |                                     | 194,565                   |
| <br><u>Non-current liabilities</u>                                  |             |                                     |                           |
| Long-term borrowing   |             |                                     | 96,000 ✓                  |
| <br><u>Current liabilities</u>                                      |             |                                     |                           |
| 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]

**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]

**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 businessStatement 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 recorded on wrong side (\$600 x 2)       | 1,200 ✓       |                        |
| Less (4) repairs understated                           | <u>(80) ✓</u> |                        |
|  |               | <u>1,390</u>           |
| Profit after correction                                |               | <u><u>13,390</u></u> ✓ |

[4]

[Total: 8]

**Question 4(ai)**

$$\begin{aligned} \text{Cost of sales} &= \text{Net sales revenue} - \text{gross profit} \\ &= 223\,900 - 96\,300 \\ &= 127\,600 \end{aligned}$$

$$\begin{aligned} \text{Mark-up on cost} &= \text{Gross profit} / \text{Cost of sales} \times 100 \\ &= 96\,300 / 127\,600 \times 100 \\ &= 75.47\% \checkmark \end{aligned}$$

[1]

**Question 4(aii)**

$$\begin{aligned} \text{Gross profit margin} &= \text{Gross profit} / \text{Net sales revenue} \times 100 \\ &= 96\,300 / 223\,900 \times 100 \\ &= 43.01\% \checkmark \end{aligned}$$

[1]

**Question 4(aiii)**

$$\begin{aligned} \text{profit} &= \text{gross profit} - \text{total operating expenses} \\ &= 96\,300 - 60\,700 \\ &= 35\,600 \\ \text{Profit margin} &= \text{Profit for the period} / \text{Net sales revenue} \times 100 \\ &= 35\,600 / 223\,900 \times 100 \\ &= 15.90\% \checkmark \end{aligned}$$

[1]

**Question 4(aiv)**

$$\begin{aligned} \text{Return on equity} &= \text{Profit for the period} / \text{Average equity} \times 100 \\ &= 35\,600 / 113\,800 \times 100 \\ &= 31.28\% \checkmark \end{aligned}$$

[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 2024. ✓

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]

**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