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Candidate's name: _____ () Class: _____



Evergreen Secondary School
Preliminary Examination 2024

Principles of Accounts Paper 1
Secondary Four G3/Five

Date: 27 August 2024

Duration: 1 hour

Marks: 40

READ THESE INSTRUCTIONS FIRST

Write your name, index number and class on the spaces provided at the top of this page.

Write in dark blue or black pen.

You may use a HB pencil for any rough working.

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.

Write all your answers in the spaces provided on the Question Paper.

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

Answer **all** questions.

- 1** Andy runs a logistics business. The business has a financial year end of 31 March.

While preparing the financial statements for the year ended 31 March 2024, Andy identified the following errors.

- 1 Motor vehicle repairs, \$600, had been posted to the motor vehicles account.
- 2 Utilities for Andy's personal property, \$250, had been debited to the business utilities account.
- 3 A credit purchase from Tom, \$900, had been posted to Tim's account.
- 4 Payment for rent, \$5 500, had been recorded as \$5 600.

The profit for the year ended 31 March 2024 **before** correcting these errors was \$990.

REQUIRED

- (a)** Complete the following table by indicating the amount of increase or decrease affecting profit for the year **after** correcting **each** error. If there is no effect, place a tick (✓) in the No effect column.

Calculate the adjusted profit for the year **after** correcting these errors.

	No effect	Amount of increase \$	Amount of decrease \$	\$
Profit for the year before correction of errors				990
Error 1				
Error 2				
Error 3				
Error 4				
Adjusted profit for the year				

[5]

(b) Name the **two** professional ethics that accountants have to adhere to.

.....

.....

.....

.....

..... [2]

[Total: 7]

- 2 Sam runs a photography business, which has a financial year end of 30 September. The following ledger account has been provided at 30 September 2023.

Photography fee revenue account								
Date	Particulars				Dr	Cr	Balance	
2022					\$	\$	\$	
Oct 1	Photography fee revenue received in advance					8 500	8 500	Cr
Dec 31	Trade receivables					30 000	38 500	Cr
2023								
Mar 31	Cash at bank					40 000	78 500	Cr
Sep 30	Photography fee revenue received in advance				3 000		75 500	Cr

REQUIRED

- (a) State the source document for the transaction on 31 December 2022.

.....
..... [1]

- (b) Name the accounting theory which must be applied when accounting for the sale of goods or the provision of services.

.....
..... [1]

- (c) State the amount of photography fee revenue earned by the business on 31 December 2022 for services provided on credit to customers.

.....
..... [1]

- (d) Interpret the entry on 30 September 2023.

.....
.....
.....
..... [2]

- (e) State the account that the photography fee revenue for the year ended 30 September 2023 will be transferred to.

.....
..... [1]

- (f) State the amount of photography fee revenue to be recorded in the Statement of Financial Performance for the year ended 30 September 2023.

.....
..... [1]

[Total: 7]

- 3** KJ is a business trading in electronic goods. It uses the First In First Out (FIFO) method to record inventory.

The following are information relating to the inventory of the business for the month of June 2024:

- 1 On 1 June 2024, KJ had 10 units of goods which had a total cost of \$2 000.
- 2 During June 2024, KJ made the following purchases of goods from its supplier XY on credit:

Date	Units	Cost \$
June 7	20	4 800
9	10	3 000
18	10	2 200

- 3 KJ sold 30 units of goods on 28 June 2024.
- 4 On 29 June 2024, KJ returned goods that were previously bought on 18 June 2024 back to supplier XY.

REQUIRED

- (a)** State **two** reasons why a business returns inventory.

.....

.....

.....

..... **[2]**

[7]

..... [1]

..... [1]

KJ's rate of inventory turnover for 30 June 2024 was 5.47 times.

GB's rate of inventory turnover for 30 June 2024 was 4.32 times.

(e) Comment on the efficiency of inventory management for KJ and GB.

.....

.....

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.....

.....

.....

.....

..... [2]

(f) State **two** consequences for a business of having a low rate of inventory turnover.

.....

.....

.....

.....

.....

.....

.....

..... [2]

(g) Suggest **one** way that GB can take to improve the rate of inventory turnover.

.....

.....

..... [1]

[Total: 16]

5 EVG Pte Ltd has a financial year end of 30 April. The business provided the following information at 1 May 2023.

	\$
Share capital, 100 000 ordinary shares	150 000
Retained earnings	225 000

On 1 July 2023, EVG Pte Ltd issued an additional 50 000 shares at \$1 per share.

On 18 August 2023, the business declared a dividend of \$0.02 per share on all shares.

The loss for the year ended 30 April 2024 was \$31 000.

REQUIRED

(a) Define dividends.

.....

.....

..... [1]

(b) Prepare an extract of the statement of financial position as at 30 April 2024, showing the equity section.

Extract of Statement of Financial Position as at 30 April 2024

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..... [3]

(c) State the double entry for the issue of additional shares on 1 July 2023.

.....

.....

..... [2]

(d) State the double entry for the declaration of dividends on 18 August 2023.

.....
.....
..... [2]

(e) State the double entry for the transfer of the loss for the year to the retained earnings account.

.....
.....
..... [2]

[Total: 10]

2024 4G3_5G2 Prelim P1 Ans**Question 1****(a)**

	No effect	Amount of increase \$	Amount of decrease \$	\$
Profit for the year before correction of errors				990
Error 1			600	
Error 2		250		
Error 3	✓			
Error 4		100		
Adjusted profit for the year				740

1 mark for each correct answer. [5]**(b)** Integrity ✓ and Objectivity ✓ **[2]****[Total: 7]**

Question 2

(a) Invoice. ✓ [1]

(b) Revenue recognition theory ✓ [1], which states that revenue is earned when goods have been delivered or services have been provided.

Or

Accrual basis of accounting ✓ [1], which states that business activities that have occurred, regardless of whether cash is paid or received, should be recorded in the relevant accounting period.

(c) \$30 000. ✓ [1]

(d) On 30 September 2023, the business adjusted for \$3 000 collected for photography services not yet provided. ✓

This amount is reduced from the photography fee revenue account and recorded as a liability, photography fee revenue received in advance. ✓
[2]

(e) Income Summary Account ✓ [1]

(f) \$75 500 ✓ [1]

[Total: 7]

Question 3

- (a) A business will return inventory if they are defective/damaged/faulty ✓ and of incorrect specifications ✓. [2]

(b) Inventory account

Date	Particulars	Dr	Cr	Balance
2024		\$	\$	\$
Jun 1	Balance b/d			2 000 Dr ✓
7	Trade payable – XY	4 800		6 800 Dr ✓
9	Trade payable – XY	3 000		9 800 Dr ✓
18	Trade payable – XY	2 200		12 000 Dr ✓
28	Cost of sales		6 800	5 200 Dr ✓
29	Trade payable – XY		2 200	3 000 Dr ✓
Jul 1	Balance b/d			3 000 Dr ✓

✓ For correct dates and format [7]

- (c) Impairment loss on inventory = \$3 000 - \$1 800 = \$1 200 ✓ [1]

- (d) Prudence theory. ✓ [1]

- (e) The rate of inventory turnover for KJ of 5.47 times is better than that of GB of 4.32 times. ✓

This means that KJ sells inventory at a faster rate than GB. ✓ Or

In conclusion, KJ is more efficient in inventory management as compared to GB. ✓ [2]

- (f) One consequence of having a low rate of inventory turnover may mean that the business is unable to sell its inventory quickly and there may be too much inventory on hand, which may result in a risk of inventory becoming obsolete. ✓

Another consequence is that cash is tied up in inventory instead of being used for more profitable investments. ✓ Or

Excessive inventory will lead to high storage costs, including warehouse rent, insurance and handling costs. ✓ [2]

- (g) GB can offer trade discounts and special promotions to encourage customers to buy more. The business can also increase marketing campaigns such as advertisements to attract more customers. ✓ [1] for any 1 reasonable answer.

[Total: 16]

Question 4

- (a) Dividends are a portion of retained earnings that was distributed to shareholders.
✓ [1]

(b) Extract of Statement of Financial Position as at 30 April 2024

	\$	\$
<u>Shareholders' Equity</u>		
Share capital, 150 000 ordinary shares	200 000 ✓	
Retained earnings [\$225 000 – \$31 000 – (\$0.02 x 150 000)]	<u>191 000</u> ✓	391 000 ✓

1 mark each for correct particulars and correct amount. [2]

1 mark for correct total of \$391 000. [1]

[3]

- (c) Dr Cash at bank \$50 000 ✓
Cr Share capital \$50 000 ✓ [2]

- (d) Dr Dividends \$3 000 ✓
Cr Dividends payable \$3 000 ✓ [2]

- (e) Dr Retained earnings \$31 000 ✓
Cr Income summary \$31 000 ✓ [2]

[Total: 10]

Candidate's name: _____ () Class: _____



Evergreen Secondary School
Preliminary Examination 2024

Principles of Accounts Paper 2 Insert
Secondary Four G3/Five

READ THESE INSTRUCTIONS FIRST

This insert contains the data for Question 1.

This question paper consists of **2** printed pages.

[Turn Over

Data for Question 1

Alan owns a book store. The following balances were extracted from the books of the business on 31 March 2024.

	\$
Fixtures and fittings at cost	90 000
Motor vehicles at cost	40 000
Accumulated depreciation	
Fixtures and fittings	18 000
Motor vehicles	8 000
Capital	99 900
Drawings	900
Sales revenue	111 300
Sales returns	11 300
Cost of sales	102 000
Rent expense	16 800
Wages and salaries	33 000
Discount allowed	210
Interest expense	400
Commission income	3 000
Inventory	24 700
Cash at bank	8 300
3% bank loan repayable 2027	20 000
Trade payables	111 010
Trade receivables	44 400
Allowance for impairment of trade receivables	800

Additional information

- 1 Rent expense relates to a 14-month period ending on 31 May 2024.
- 2 A trade receivable who owed \$400 was declared bankrupt during the year. The debt has not yet been written off.
- 3 The allowance for impairment of trade receivables is to be maintained at 5% of trade receivables.
- 4 One-quarter of the bank loan was due for repayment on 31 January 2025.
- 5 Interest on the bank loan for the year to 31 March 2024 had not been fully paid.
- 6 Fixtures and fittings is to be depreciated at 10% per annum using the straight-line method.
- 7 Motor vehicles are to be depreciated at 20% per annum using the reducing-balance method.
- 8 Commission income, \$500, had not been received.

Candidate's name: _____ () Class: _____



Evergreen Secondary School
Preliminary Examination 2024

Principles of Accounts Paper 2
Secondary Four G3/Five

Date: 26 August 2024

Duration: 2 hours

Marks: 60

READ THESE INSTRUCTIONS FIRST

Write your name, index number and class on the spaces provided at the top of this page.

Write in dark blue or black pen.

You may use a HB pencil for any rough working.

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.

Write all your answers in the spaces provided on the Question Paper.

Additional Materials: Insert

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

1 Refer to the Insert for data for Question 1.

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

Statement of Financial Performance for the year ended 31 March 2024

[illegible]

[11]

- Alan
Statement of Financial Position as at 31 March 2024

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

- | | 2022 | 2023 | 2024 |
|-------------------|--------|--------|--------|
| | \$ | \$ | \$ |
| Motor vehicles | 36 000 | 28 000 | 60 000 |
| Cash at bank | 48 000 | 25 900 | - |
| Trade receivables | 12 500 | 26 400 | 33 300 |
| Inventory | 15 000 | 23 600 | 50 000 |
| Prepaid expenses | - | - | 6 000 |
| Bank overdraft | - | - | 17 800 |
| Trade payables | 20 200 | 33 400 | 34 100 |
| Current ratio | 3.74 | ? | ? |
| Quick ratio | 3.00 | ? | ? |

(a) Calculate the current ratios and quick ratios for each of the two years ended 30 June 2023 and 2024. Show your answers to **two** decimal places.

[8]

- [6]

- [2]

7

The following information relates to Kim's account in Leo's ledger for the month of July.

July 1 Kim owed Leo, \$6 900.
7 Kim bought goods from Leo at a list price of \$5 400 less 10% trade discount.
13 Kim returned goods bought on July 7, \$1 300, as faulty.
28 Leo received a cheque \$10 000 from Kim for full settlement of the amount owing on that date.

(a) Prepare Kim's account for the month of July 2024 in Leo's ledger.

[6]

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..... [1]

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..... [1]

- (d)** Name and explain with a relevant accounting theory why source documents are important in a business.

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.....

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..... [3]

[Total: 11]

- 4 Jerry runs a trading business with a financial year end of 31 July. The following ledger account has been prepared.

Sale of non-current asset account								
Date	Particulars				Dr	Cr	Balance	
2024					\$	\$	\$	
Jul 31	Equipment				30 000		30 000	Dr
	Accumulated depreciation					6 000	24 000	Dr
	Cash at bank					22 000	2 000	Dr
	(d) ?					2 000	-	

REQUIRED

- (a) State **two** causes of depreciation

.....

 [2]

- (b) State **two** accounting theories applied when accounting for depreciation.

.....

 [2]

- (c) State if there was a gain or loss on sale of non-current asset as at 31 July 2024.

.....

 [1]

- (d) State the account name for the transfer of gain or loss on sale of non-current asset.

.....
 [1]

Jerry wants to purchase new equipment for the business. He has provided the following information about the equipment he is considering.

	Equipment ABC	Equipment XYZ
Cost price	\$20 000	\$21 500
Delivery cost	\$2 800	\$500
Annual service cost	\$1 500	\$600
Capacity	able to pack 6 000 units per week	able to pack 2 000 units per week
Warranty	5 years	1 year
Availability	immediate delivery	delivery in 3 months
Reviews from customers	New equipment. No reviews from customers are available.	Positive feedback from 88% of customers who had purchased this equipment.

REQUIRED

- (e) Recommend whether Jerry's business should buy Equipment ABC or Equipment XYZ. Justify your decision with **three** reasons.

[illegible]

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[7]

[Total: 13]

2024 4G3_5G2 Prelim Paper 2 Ans

Question 1

(a)

Alan

Statement of financial performance for the year ended 31 March 2024

	\$	\$
Sales revenue		111 300
Less: Sales returns		(11 300)
Net sales revenue		100 000✓
Less: Cost of sales		(102 000)
Gross loss		(2 000) ✓
Other income		
Commission income (3 000 + 500)		3 500✓
Less: Other expenses		
Rent expense (16 800 – 16 800/14 x 2)	14 400✓	
Wages and salaries	33 000	
Discount allowed	210✓	
Interest expense (3% x 20 000)	600✓	
Depreciation on fixtures and fittings (10% x 90 000)	9 000✓	
Depreciation on motor vehicles (20% x [40 000 – 8 000])	6 400✓	
Impairment loss on trade receivables [2 200 – (800 – 400)]	1 800✓	(65 410)
Loss for the year		<u>(63 910)✓OF</u>

✓ Format

[11]

(b)

Alan			
Statement of financial position as at 31 March 2024			
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Assets			
<u>Non-current assets</u>			
Fixtures and fittings	90 000	27 000	63 000
Motor vehicles	40 000	14 400	25 600
			88 600√OF
<u>Current assets</u>			
Inventory		24 700	
Commission income receivable		500√	
Prepaid rent expense (16 800/14 x 2)		2 400√	
Cash at bank		8 300	
Trade receivables (44 400 – 400)	44 000		
Less: Allowance for impairment of trade receivables	(2 200)	41 800√OF	
			77 700
Total assets			166 300
Equity and liabilities			
<u>Owner's equity</u>			
Capital [99 900 – 900 – 63 910] √OF			35 090
<u>Non-current liabilities</u>			
Long-term borrowings √ (20 000 x 3/4)			15 000
<u>Current liabilities</u>			
Trade payables		111 010	
Interest expense payable (600 – 400)		200√	
Current portion of long-term borrowings (20 000 x 1/4)		5 000√	
			116 210
Total equity and liabilities			166 300

√ Format

[9]

Question 2

(a) For the financial year ended 30 June 2023:

$$\begin{aligned}\text{Current ratio} &= \frac{\text{Current assets}}{\text{Current liabilities}} \\ &= \frac{(25\,900 + 26\,400 + 23\,600)\sqrt{}}{33\,400} \\ &= 2.27 \sqrt{}\end{aligned}\quad [2]$$

$$\begin{aligned}\text{Quick ratio} &= \frac{(\text{Current assets} - \text{Prepayments} - \text{Inventory})}{\text{Current liabilities}} \\ &= \frac{(25\,900 + 26\,400)\sqrt{}}{33\,400} \\ &= 1.57 \sqrt{}\end{aligned}\quad [2]$$

(b) For the financial year ended 30 June 2024:

$$\begin{aligned}\text{Current ratio} &= \frac{\text{Current assets}}{\text{Current liabilities}} \\ &= \frac{(33\,300 + 50\,000 + 6\,000)\sqrt{}}{(17\,800 + 34\,100)} \\ &= 1.72 \sqrt{}\end{aligned}\quad [2]$$

$$\begin{aligned}\text{Quick ratio} &= \frac{(\text{Current assets} - \text{Prepayments} - \text{Inventory})}{\text{Current liabilities}} \\ &= \frac{33\,300\sqrt{}}{(17\,800 + 34\,100)} \\ &= 0.64 \sqrt{}\end{aligned}\quad [2]$$

(c) Lilydale's current ratio is on a worsening trend over the three years. It worsened from 3.74 in 2022 to 2.27 in 2023 to 1.72 in 2024. $\sqrt{}$ Lilydale's ability to pay debts within the short term using current assets has become weaker. $\sqrt{}$

The current ratio is above the acceptable norm of 2 in the first two years. It has fallen below the recommended norm in the third year but is still above 1. $\sqrt{}$ The business is able to pay current liabilities and meet operational needs in the first two years with its current assets. $\sqrt{}$

In the third year, the business may not have adequate current assets to pay current liabilities and meet operational needs. $\sqrt{}$

Lilydale's quick ratio is also on a worsening trend over the three years. It worsened from 3.00 in 2022 to 1.57 in 2023 to 0.64 in 2024. ✓ The business's ability to pay debts within the immediate term using quick assets has become weaker. ✓

In 2024, the quick ratio has fallen below 1. ✓ This means that the business is not able to pay for its current liabilities with its quick assets when the current liabilities are due for payment. ✓

There is a steady increase in inventory balance from \$15 000 in 2022 to \$23 600 in 2023 to \$50 000 in 2024. ✓ In addition to having liquid assets tied up in inventory, the business also needs to spend more on storage cost and face higher inventory risks such as inventory obsolescence and losses due to damage and theft. ✓

Lilydale's bank balance is on a decreasing trend over the three years. From positive balances of \$48 000 in 2022 to \$25 900 in 2023 to eventually a bank overdraft of \$17 800 in 2024. ✓ The decreasing bank balance over the three years and negative balance in 2024 indicates that the business is facing cashflow problems. ✓

(Marks are awarded for stating any of the points up to a maximum of 6) [6]

c) Any 2 of the following:

Obtain cash contribution from owner. ✓

Obtain long-term loan in cash. ✓

Sell excess non-current assets for cash. ✓

(Accept any other reasonable answer) [2]

[Total: 16]

Question 3

(a) Trade receivable Kim account

Date	Particulars	Dr	Cr	Balance
		\$	\$	\$
2024				
Jul 1	Balance b/d			6 900 Dr ✓
7	Sales revenue (5 400 x 90%)	4 860 ✓		11 760 Dr
13	Sales returns (1 300 x 90%)		1 170 ✓	10 590 Dr
28	Cash at bank		10 000 ✓	590 Dr
28	Discount allowed		590 ✓	-

✓ for each pair of correct account and amount [5]

✓ for correct dates and format [1]

[6]

(b) A trade discount was offered to encourage bulk purchases from customer Kim ✓ [1]
or for his customer patronage or for his customer loyalty.

(c) Credit note ✓ [1].

(d) According to the Objectivity theory ✓, accounting information recorded must be supported by reliable and verifiable evidence so that financial statements will be free from opinions and biases. ✓ Source documents provide evidence to capture occurrence of a transaction. ✓ [3]

[Total: 11]

Question 4

(a) Wear and tear, Obsolescence, Legal limits and usage. **2 marks for any 2 causes.**

(b) Prudence theory ✓ [1] and Matching theory. ✓ [1]

(c) Loss on sale of non-current asset. ✓ [1]

(d) Income summary account. ✓ [1]

(e) Jerry's business should buy Equipment ABC. ✓ [1]

Equipment ABC is able to pack 6 000 units per week as compared to 2 000 units per week for Equipment XYZ. ✓ [1] This indicates that Equipment ABC has greater capacity to pack more units (4 000 more units per week) which will mean increase in sales volume leading to increase in sales revenue and profit. ✓ [1]

Equipment ABC has warranty of 5 years as compared to only 1 year of warranty for Equipment XYZ. ✓ [1] This means that there is greater assurance of safeguarding against any equipment breakdown if Jerry's business buys Equipment ABC which will in turn lead to cost savings from repair of equipment. ✓ [1]

Equipment ABC can be delivered immediately as compared to delivery of 3 months for Equipment XYZ. ✓ [1] This time savings will mean that Jerry's business can use Equipment ABC to pack units immediately to generate sales revenue. ✓ [1]

OR

Jerry's business should buy Equipment XYZ. ✓ [1]

Equipment XYZ costs cheaper to buy, \$22 000 (\$21 500 + \$500 delivery fee) as compared to \$22 800 (\$20 000 + \$2 800 delivery fee), for Equipment ABC. ✓ [1]
This will mean cost savings of \$800 for Terry's business. ✓ [1]

The annual servicing cost for Equipment XYZ is also cheaper than that for Equipment ABC, \$600 as compared to \$1,500. ✓ [1] This will mean annual cost savings of \$900 for Jerry's business, leading to greater profit. ✓ [1]

There is positive feedback from 88% of customers who had purchased Equipment XYZ. ✓ [1] This will mean a greater assurance that Equipment XYZ will be able to perform its functions well, leading to greater sales revenue and profit. ✓ [1]

[Total: 13]