

## 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]