

Class	Index Number	Name
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新加坡海星中学
MARIS STELLA HIGH SCHOOL
PRELIMINARY EXAMINATIONS
SECONDARY FOUR

PRINCIPLES OF ACCOUNTS

Paper 2

7087/02

22 August 2024

Candidates answer on the Question Paper.

2 hours

Additional Materials: Insert

READ THESE INSTRUCTIONS FIRST

Write your class, index number and name 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.

The total number of marks for this paper is 60.

	For Examiner's Use
	<div style="border: 1px solid black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; bottom: 0; right: 0; width: 50%; height: 50%; border-left: 1px solid black; border-bottom: 1px solid black;"></div> <div style="position: absolute; bottom: 10%; right: 10%; font-size: 2em;">60</div> </div>

Answer **all** questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

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

Happiness Pte Limited
Statement of Financial Performance for the year ended 31 May 2024

This image shows a full page of white paper with horizontal dotted lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

- (b)** Prepare the statement of financial position as at 31 May 2024.

Happiness Pte Ltd
Statement of Financial Position as at 31 May 2024

This image shows a full page of primary-ruled paper. It features approximately 20 horizontal dotted lines spaced evenly down the page, providing a guide for handwriting practice. The paper is otherwise blank, with no margins, text, or other markings.

- 2 Gabriel operates a trading business in lights and bulbs. He has provided the following information from the bank statement and cash at bank account for the month of April 2024.

Bank statement

Date	Particulars	Payments	Receipts	Balance
2024		\$	\$	\$
Apr 1	Balance b/d			4 000 Cr
1	Cheque 1122	600		3 400 Cr
4	Cheque deposit		1 600	5 000 Cr
5	Credit transfer (Timothy)		1 500	6 500 Cr
6	Cheque 1123	500		6 000 Cr
7	Bank interest	100		5 900 Cr
9	Direct payment (Rent)	3 000		2 900 Cr
12	Cheque deposit		2 000	4 900 Cr
16	Cheque 1124	1 300		3 600 Cr
17	Rejected cheque (deposited on 12 April)	2 000		1 600 Cr
27	Cheque 1125	1 000		600 Cr
30	Bank charges	300		300 Cr

Cash at bank

Date	Particulars	Cheque no.	Debit	Credit	Balance
2024			\$	\$	\$
Apr 1	Balance b/d				3 400 Dr
3	Sales revenue		1 600		5 000 Dr
5	Advertising expense	1123		500	4 500 Dr
10	Matthew Light		2 000		6 500 Dr
11	Inventory	1124		3 100	3 400 Dr
24	Ayden Trading	1125		1 000	2 400 Dr
26	Max Lights		580		2 980 Dr
28	Jair Enterprise	1126		1 700	1 280 Dr

Additional information

- (i) The business wrongly recorded Cheque no. 1124 in its books.
(ii) It was later discovered that the bank interest charged on 7 April was an error by the bank.

REQUIRED

- (a)** Update the cash at bank account at 30 April 2024. Start with the \$1 280 debit balance.

.....[5]

- (b)** Prepare the bank reconciliation statement as at 30 April 2024.

[4]

- (c) The unadjusted profit for the month of April 2024 was \$8 000. Calculate the adjusted profit for the month of April 2024, after taking into account the bank reconciliation adjustments.

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- (d) State **two** ways of internal control, other than bank reconciliation, a business may use to safeguard office cash.

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[Total: 12]

- 3** Kaellen Trading uses the First-In-First-Out method for its inventory. On 1 January 2024, Kaellen Trading has a beginning inventory of 200 units costing \$2 400. The following purchase and sales transactions occurred in the month of January 2024.

Date	Transaction
Jan 5	Bought 400 units from Declan, an overseas supplier, on credit at a cost of \$3 600.
10	Received from Fast Delivery an invoice amounting to \$500 for shipping fees, goods-in-transit insurance and import taxes for the 5 January purchases from Declan.
15	Bought 200 units from Kang You Trading on credit for \$2 200.
20	Sold 600 units to Kenneth Network for \$10 000.
25	Bought 200 units from Torres Trading on credit for \$2 600.
30	Sold 200 units to Ian Supplies on credit for \$4 000.

REQUIRED

- (a)** Calculate the total cost of sales for January 2024.

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- (b)** Prepare journal entries to record the transactions on 10 January 2024 and 20 January 2024. Narrations are **not** required.

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- (c) Prepare an extract of the statement of financial performance for the month ended 31 January 2024.

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- (d) Prepare an extract of the statement of financial position as at 31 January 2024.

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The following information are extracted from the books of Kaellen Trading on 31 December for the years ended 2022 and 2023.

	31 December 2022	31 December 2023
Rate of inventory turnover	8.9 times	6.4 times

REQUIRED

- (e) Comment on the trend in rate of inventory turnover over the two years ended 31 December 2022 and 2023. Suggest **one** possible reason for the change.

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- (f) Suggest **one** way to improve Kaellen Trading's efficiency in managing inventory.

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[Total: 12]

- 4 James buys and sells leather shoes. The business provides the trade receivable ledger account for its credit customer, Jonas Trading, for the month of August 2024 shown below.

Trade receivable – Jonas Trading

	Particulars	Debit \$	Credit \$	Balance \$
2024				
Aug 1	Bal b/d			2 600 Dr
8	Sales revenue	2 000		4 600 Dr
10	Sales returns		100	4 500 Dr
22	Cash at bank		2 470	2 030 Dr
22	Discount allowed		130	1 900 Dr
25	Cash at bank	2 470		4 370 Dr
25	Discount allowed	130		4 500 Dr
31	Allowance for impairment of trade receivables		4 500	-

REQUIRED

- (a) Explain **one** difference between trade discount and cash discount.

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- (b) Calculate the percentage of cash discount allowed on 22 August 2024.

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- (c) Interpret the transactions on the following dates:

- (i) August 10

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(ii) August 25

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(iii) August 31

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(d) State the effects of not recording the 25 August "Discount allowed" entry on trade receivables and profit for the month ended 31 August 2024.

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James Trading buys and sells all categories of clothing.

Two of James Trading's biggest customers, Jerrick Firm and Joel Trading, have approached James Trading to negotiate for longer repayment period. James Trading intends to extend longer repayment period to only one business. Its current credit term is 35 days.

	Jerrick Firm	Joel Trading
Nature of business	Sells branded high quality casual and sports wear.	Sells athleisure or athletic-casual wear.
Background of business	<ul style="list-style-type: none"> Has 3 physical outlets in major shopping districts in Singapore. Sells mainly to local customers. 	<ul style="list-style-type: none"> Has an online shop. Sells to local and overseas customers.
Average trade receivable balances	\$32 000	\$25 000
Repayment history over the past year	Collection days: 37 Repaid late 2 times	Collection days: 35 Repaid late 5 times
Reputation	<ul style="list-style-type: none"> Has been in the business for 10 years. Popular with affluent working professionals with high purchasing power. 	<ul style="list-style-type: none"> Has been in the business for 3 years. Popular with young and trendy adults, due to its effective marketing strategies on social media.
Industry outlook	After Covid-19, many businesses allow their employees to work from home. There is a gradual increasing demand for high quality comfortable casual wear.	Athleisure has gained significant popularity in recent years, blending the comfort and functionality of athletic clothing with the style and versatility of casual wear. It is a popular choice for individuals who value both active lifestyles and fashion-forward looks.

REQUIRED

- (e) Would you recommend James Trading to allow a credit term extension to Jerrick Firm or Joel Trading? Justify your decision with **three** reasons.

[illegible]

[7]

[Total: 16]

End of Paper

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Additional page