

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 July 2024.

Tulip Ltd

Statement of Financial Performance for the year ended 31 July 2024

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Handwriting practice lines consisting of 25 horizontal dotted lines.

[10]

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

Tulip Ltd
Statement of Financial Position as at 31 July 2024

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Handwriting practice lines consisting of 20 sets of three horizontal lines (top, middle, and bottom) for letter formation.

[10]
[Total: 20]

- 2** Lamech provided the following information for the financial year ended 30 June 2024:

	\$
Gross profit	25 800
Operating expenses	6 450
Average equity	215 000
Mark-up on cost	25%

REQUIRED

- (a)** Calculate the following for the year ended 30 June 2024.

- (i)** Cost of sales **[1]**

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- (ii)** Net sales revenue **[1]**

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- (iii)** Gross profit margin **[1]**

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- (iv)** Profit margin **[1]**

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- (v)** Return on equity **[1]**

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Japheth is a direct competitor of Lamech in the same industry. Its financial ratios for the year ended 30 June 2024 are as follow:

Gross profit margin	22%
Profit margin	12%
Return on equity	8%

REQUIRED

- (b) Compare and comment on the profitability of both businesses for the year ended 30 June 2024. **[4]**

- (c) State two ways in which a business could increase its gross profit margin. **[2]**

- (d) Suggest two ways in which a business could reduce its expenses. **[2]**

[Total: 13 marks]

- 3 Lumberstone buys and sells furniture. His accounting period ends on 30 April. The following information was extracted from the books of Lumberstone for 2023 and 2024:

	Year ended	
	30 April 2023	30 April 2024
	\$	\$
Inventory	80 000	100 000
Cost of Sales	400 000	350 000
Inventory turnover rate	8.0 times	?

REQUIRED

- (a) State the formula and calculate, to **one** decimal place, the inventory turnover rate for the year ended 30 April 2024. **[2]**

- (b) With your answer to (a), comment on the efficiency of the business in managing its inventory over the two years from 2023 to 2024. **[3]**

On 1 May 2024, Lumberstone had 20 units of wine racks valued at \$1800.

During the month of May, the following purchases (paid by cheque) took place:

5 May	Bought 20 units of wine racks for \$1500.
13 May	Bought 30 units of wine racks for \$1950.
25 May	Bought 10 units of wine racks for \$1400.

REQUIRED

- ## Inventory

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- (e) At the end of the financial period 30 April 2023, the ending inventory of wine racks was \$2500 while the net realisable value was \$2200.

Complete the following table by stating the effects of the **unadjusted** inventory.

State the amount 'overstated' or 'understated' for gross profit and profit for the year. Write 'No effect' where there is no effect. **[2]**

	Gross Profit	Profit for the year
30 April 2023		
30 April 2024		

- (f) On 31 May 2024, Lumberstone's warehouse caught fire and destroyed some wine racks worth \$5200.

Prepare the journal entries to record the wine racks destroyed on 31 May 2024. **[2]**

[Total: 14]

- 4 Buster Boy Toys is a supplier of soft toys and cushions with local designs.

The following is the allowance for impairment of trade receivables account of Buster Boy Toys for the year ended 31 December 2023.

Allowance for impairment of trade receivables account				
Date	Particulars	Debit	Credit	Balance
2023		\$	\$	\$
Jan 1	Balance b/d			9 400 Cr
Apr 19	Trade receivable: Casper	3 300		6 100 Cr
Dec 31	Impairment loss on trade receivables	4 100		2 000 Cr
2024				
Jan 1	Balance b/d			2 000 Cr

REQUIRED

- (a) Explain the matching theory. **[1]**

- (b) Name the source document that Buster Boy Toys would issue if a credit customer returns goods to Buster Boy Toys. **[1]**

- (c) State the effect of the 19 April 2023 entry on profit. **[1]**

- (d) State **one** reason for the 19 April 2023 entry. **[1]**

- (e) Prepare the expenses section of the statement of financial performance for the year ended 31 December 2023. **[2]**

Two existing credit customers have approached the business to negotiate for credit extension, from 30 days to 45 days. Help Buster Boy Toys decide who it should offer credit extension to.

	Best Gifts	Novelty Hub
Nature of business	- Sells gifts, cards, decorative items and toys. - Located at a major shopping mall in Orchard.	- Sells books, stationery, gifts and toys. - Located at a major shopping mall in Woodlands.
Annual sales revenue made to customer	\$45 000	\$23 000
Repayment history over the past year	Within 40 days	Within 35 days
Reputation of business	- Popular with working adults. - Has been in business for 15 years.	- Popular with students. - Has been in business for 6 years.
Industry outlook	- Facing stiff competition from online retailers. - No plans to have an online presence.	- Facing stiff competition from online retailers. - Online store will be operational next month.
Rent expenses	\$20 000 per month - The rent rate has been consistent for the past 5 years.	\$14 000 per month - The rent rate has been increasing over the past 5 years.

REQUIRED

- (f) Recommend which business should Buster Boy Toys grant the extension to. Justify your decision with **three** reasons. [7]

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[Total: 13]