



Preliminary Examination 2024
in preparation for the GCE Ordinary Level Examination

CANDIDATE
NAME

CLASS

REGISTER
NUMBER

----------------------	----------------------

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

21 August 2024

2 hours

Candidates answer on the Question Paper.

Additional Materials: Insert

READ THESE INSTRUCTIONS FIRST

Answer **all** questions.

The use of an approved calculator is allowed.

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.

For Examiner's Use	
1	
2	
3	
4	
Total	

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 30 June 2024.

PQR Pte Limited

Statement of Financial Performance for the year ended 30 June 2024

[illegible]

(b) Prepare the statement of financial position as at 30 June 2024.

PQR Pte Limited
Statement of Financial Position as at 30 June 2024

[illegible]

[illegible]

[11]

[Total: 20]

- 2 Pia runs a business transporting waste for businesses. She has provided the following ledger account for her business for the last **two** years ended 31 December 2022 and 2023.

Capital account				
Date	Particulars	Debit	Credit	Balance
2022		\$	\$	\$
Jan 1	Balance b/d			24 000 Cr
Jun 1	Cash at bank		10 000	34 000 Cr
Dec 31	Drawings	5 000		29 000 Cr
	Income summary		23 900	52 900 Cr
2023				
Jan 1	Balance b/d			52 900 Cr
Apr 1	Office equipment		4 000	56 900 Cr
Dec 31	Drawings	11 000		45 900 Cr
	Income summary	?	?	30 200 Cr
2024				
Jan 1	Balance b/d			30 200 Cr

REQUIRED

- (a) Prepare the journal entry to record the transfer of profit or loss for the year ended 31 December 2022 to the capital account. A narration is **not** required.

Particulars	Debit \$	Credit \$

[2]

- (b) Explain the reasons for the change in owner's equity for the year ended 31 December 2022.

[2]

- (c) Calculate the amount of profit or loss made by Pia's business for the year ended 31 December 2023. State clearly whether your answer is a profit or a loss.

[2]

Pia's business had the following transactions for the year ended 31 December 2023:

Date	Transaction
2023	
Apr 1	Pia contributed a laptop, \$4 000, to the business.
Jul 5	Pia withdrew \$10 000 from the business bank account for her own use.
Nov 10	\$1 000 cash from the shop was taken by Pia to pay for her personal medical bills.

REQUIRED

(d) Define drawings.

[1]

(e) Prepare the drawings account for Pia's business for the year ended 31 December 2023.

Drawings account

[3]

(f) Name **and** explain the accounting theory applied when recording drawings.

[2]

[Total: 12]

- 3 The following information has been provided for two hardware stores for the year ended 30 June 2024.

	Brickhouse	Woodzone
Current ratio	2.55	1.73
Quick ratio	1.74	?
	\$	\$
Cash at bank	10 200	-
Bank overdraft	-	7 000
Inventory	12 500	36 100
Trade receivables	28 300	25 900
Trade payables	22 100	21 600
Prepaid rent	5 400	4 800
Current portion of long-term borrowing	-	10 000

REQUIRED

- (a) Calculate the quick ratio for Woodzone for the year ended 30 June 2024.

[2]

- (b) Evaluate the liquidity of Brickhouse **and** Woodzone for the year ended 30 June 2024.

[6]

(c) Explain **one** consequence of a business not being liquid.

[1]

(d) Recommend **two** ways to improve the liquidity of a business.

1

2

[2]

(e) State **two** reasons why a business may be profitable yet not liquid.

1

2

[2]

[Total: 13]

- 4 Megan sells handphomes. The business provided the following information for its allowance for impairment of trade receivables account for the year ended 31 December 2023.

	1 January 2023	31 December 2023
	\$	\$
Allowance for impairment of trade receivables	2 900	1 100

On 20 May 2023, credit customer Joy closed her business. Megan’s business wrote off the remaining \$1 500 owed by Joy’s business.

REQUIRED

- (a) Prepare the journal entry to record the transaction on 20 May 2023. A narration is **not** required.

Particulars	Debit \$	Credit \$

[2]

- (b) Prepare an extract of the statement of financial performance for the year ended 31 December 2023, showing the other expenses section.

Extract of Statement of Financial Performance for the year ended 31 December 2023

[2]

- (c) State the effects on current assets and profit for the year if the allowance for impairment of trade receivables was **not** adjusted for the financial year ended 31 December 2023.

[2]

- (d) Explain why a business accounts for an allowance for impairment of trade receivables with reference to an appropriate accounting theory.

[2]

Two customers have approached the business to negotiate for a longer repayment period, from 30 days to 40 days. Megan intends to extend longer repayment period to only one business. Its current credit term is 30 days.

	Technologic	Gizmoles
Nature of business	Sells a wide range of electronic products for all consumers	Sells mainly handphones and its accessories
Average trade receivables balance owing to Megan	\$25 000	\$ 80 000
Repayment history	Collection days: 33 Repaid late 2 times	Collection days: 41 Repaid late 7 times
Reputation	• Very popular among the masses • Has been Megan's customer for 1 year	• Many good online ratings • Has been Megan's customer for 10 years
Industry outlook	The demand for electronic products has plateaued. Economists predict negative growth for the sector.	The demand for personal devices remains strong. Significant growth has been forecasted for the future.

REQUIRED

- (e) Which customer would you advise Megan to grant a longer repayment period to? Justify your decision with **three** reasons.

[Total: 15]

- End of Paper -